

Contracting into Government pros and cons: so much more than financial risk and reward

Firstly, for readers overseas, in the context of this article, in Australia a contractor is not a tradesperson (e.g. builder, plumber, welder, electrician etc) working on a house or construction site. Rather, contracting into Government generally involves an individual delivering professional services (e.g. IT, project management, HR, business analysis, etc) under a short term (from three months to, rarely, five years) employment contract via a contracting recruitment firm.

What are the other pros and cons?

In entering the contracting recruitment industry, talking with various contractors including Owen Keane, the owner and founder of Keane Consulting and long-term contractor, I am now aware of so many more pros and cons that contracting into the Government provide. This article discusses:

- ✓ ✗ The financial “risk versus reward” context is well known
- ✓ Self-funded long service leave without the wait
- ✗ Pressure to work long hours
- ✓ Flexibility of working hours in a week
- ✗ Working more hours than your contract stipulates
- ✓ Not “working for the man”
- ✗ FOMO
- ✓ I can get a loan
- ✗ Monthly pay
- ✓ It really is simple
- ✗ You are on a contract after all
- ✓ ✗ Finding a good contracting recruitment agency and payroll company
- ✓ ✗ ???
- ✓ ✗ The financial “risk versus reward” context is well known

That is, contractors receive a significantly higher hourly remuneration than if they were an employee. This compensates them for not being able to access various leave provisions and standard benefits. Furthermore, the higher reward displaces the lack of security a contracting position provides as the individual regularly bids for new contracts and/or extensions and renewals when the contract period expires.

This is all pretty simple stuff: a contractor gets more money VERSUS a contractor has a greater chance of being “on the bench” (not being paid at all).

✓ Self-funded long service leave without the wait

The benefits of taking a long period away from work are well documented:

- recharge
- spend time with the family
- travel
- undertake that house renovation project

- start or complete professional development to take your career to the next level or in a direction you want

Working to live rather than living to work is a key mantra of mine and I see the opportunity that contracting provides to do so, a fabulous benefit. Obviously, this is due to the financial reward which provides the opportunity to take an extended break from work between contracts. I recently spoke with someone who takes a 6 month break every 3-5years...not having to wait the 7- 10 years (ACT) for Long Service Leave to be available. This person admitted working very hard whilst on contract and this enabled his choice of when he could afford a long break. He certainly espoused the benefits of regular, extended “life time”.

✘ Pressure to work long hours

This can be self-induced (the more hours I work the more I get paid and I really need the money this month as bills are due). However, in the Australian Government often the employee staff (the APS) work long hours and expect this of their contractors. Additionally, contractors are often employed because of their specific expertise in an area and/or technical ability. This means as a contractor you are often crucial to a project and/or the project is often under pressure to perform and be on time and on budget; therefore, this pressure translates to longer hours for project teams and contracting staff.

✔ Flexibility of working hours in a week

The flipside to pressure to work long hours is often the flexibility of being able to easily take time for personal commitments. Contracts will include a maximum number of hours to be worked and putting in extra hours one day/week to enable a shorter day/week the next is easily justified.

✘ Working more hours than your contract stipulates

This is a trap for young players. Supervisors and delegates do not generally easily manage the number of hours a contractor has left on their contract. As a contractor, do not expect them to either! You do not want to be in the position where you have worked more hours than your contract allows and then have to try to be paid for those hours. It is very difficult for delegates to procure more hours and they do not want to go through this pain. So, make it easy for them...keep a record of your hours against your contract so you know where you are up to!

✔ Not “working for the man”

For some, there is certainly a sense of satisfaction in, effectively, being your own boss and not being tied to long term employment in an organisation. This provides more opportunity to try new things and/or to be involved in new technologies, industries, agencies etc. Contracting can allow individuals to experience more organisational cultures, to work with varied systems and processes and, simply, to meet more people. This “fluidity” may not be for every contractor as it can involve a need to develop and maintain relationships with people who will support you when you bid for your next contract. The networking and “pitching yourself” does not necessarily come naturally or comfortably for some. In saying that, for those contractors who are looking for a more stable, career-orientated contracting life, this is also achievable when you exhibit sound skills, knowledge, expertise and work ethic. That is, if you work hard, are good at your job, and maintain a personal professional development mindset, you will continue to be contracted on a regular basis. Agencies recognise and reward good contractors.

✘ FOMO

In *some* organisations there is an underlying culture that contractors are not a part of the team or the broader organisation. This may not be due to any sort of negative attitude to contractors and in fact be a matter of practicality. For example, mitigation of potential conflicts of interest may require APS staff only meetings; access to classified information may be limited due to short contract periods and time frames to obtain the necessary clearance; contractors engaged to work a separate shift to the APS employee base (night shift or on-call duty work as opposed to “9 to 5”).

However, there can also be an insidious reason that contractors are made to feel, consciously or sub-consciously, they are treated as an “outsider”. Simply, some APS employees do resent the variance in hourly pay.

Whatever the underlying reason, from a social construct, being part of a team/network/community/organisation is important. FOMO (Fear of Missing Out) can be a negative factor for contractors.

✓ I can get a loan

This of course ties in with the financial benefits of contracting yet I feel worth stressing. It is not true that loan providers do not entertain loans for contractors. Working with your contracting recruitment agency and/or the payroll company you use, you can provide suitable evidence of financial stability to the loan provider in order to process a loan application.

* You are on a contract after all

If you breach the terms of your contract (you decide to go somewhere else, a better opportunity arises, a personal situation requires you to make a change) the “client” (Government agency) may enforce penalties including, but not limited to, not allowing you to work for that agency until the period of the original contract expires. As a contractor you need to have the mindset of fulfilling your obligations to the contract. As such, a mid-length contract period (12months) with options to renew/extend, provides some security from this risk. This is almost the same risk as leaving employment... the reasons may be exactly the same and the agency may not employ you again in the near term.

✓ It really is simple

Firstly, to transition into a contracting work arrangement is very easy and to roll from one contract to another is also relatively easy.

A good contracting recruitment firm and payroll company will help you to do both of these (I will post an article soon on this). Essentially, for those considering transitioning to contracting, it is imperative you “shop around” and talk to other contractors, a variety of contracting recruiters and payroll companies. Get lots of information so you can make an informed decision. You can line up a contract well before you exit your existing employment. Agencies will wait for the right candidate and understand notice periods etc. They place a lot of resources into recruiting contractors so appreciate that they cannot necessarily have their choice start immediately. Likewise, once you are contracting and rolling from one contract to the next, your contracting recruiter, and you yourself, should be lining up the next opportunity (new or extension/renewal) nice and early. As mentioned above (not “working for the man”), if you are well skilled and experienced, current with your professional development and work hard you will generally find contracts roll over from one to the next very easily.

* Monthly pay

This can be difficult for people transitioning out of a fortnightly payroll cycle. Contractors using a payroll company can elect for a fortnightly pay although this comes at a premium (less money in your pocket). Honestly and frankly, take the time to budget and plan...it really is not that hard to live life being paid on a monthly basis if you just focus some of your attention on your finances. If money and budgeting are not your forte, invest in some help (you can now afford it!). Like any good investment, you will see the benefit in the long-term, if not immediately.

✓ * Finding a good contracting recruitment agency and payroll company

I will post a separate article on this soon – the pitfalls, traps and where to find value. The key message is: good ones are good and very beneficial; not so good ones...not so much.

✓ * ???

I would love to hear more – please let me know what other pros and cons you have experienced.