

Pros and cons of contracting

Sometime in October on the ACCU-general list John Cricket asked if one of us contractors could give a run down on the pros and con of contracting: John this is your response!

There are few things to say up front about contracting, everyone's experiences differ: My experience is as a contractor in London which I'll say something about, but we're all individuals and take from it different things, and because in contracting you decide every 3 or 6 months whether you are staying in a contract or moving on, and if so where to your path is more variable.

Second thing to say is that it is generally frowned on for contractors to encourage permanent staff (permies are they are generally know) to go contract. That's not to say it doesn't happen, but imaging your managing a team of 2 permies and 2 contractors, if the contractors are constantly singing the praises of it what are the chances of a) your permies hanging around. b) you keeping the contractors on? In fact the Independent Computer Contractors group of the British Computer Society state in their code of conduct that it is not permissible for contractors to do this.

Given that this article may sound like encouragement I should state that I am was a contractor for five years and have now returned to the world of the permie – albeit crossing the Atlantic in the process.

I'm not going to talk about the ins-and-outs of contracting (cash flow, agents, etc.) as that would take up far to much space and it probably an article in it's own rights.

Everyone jumps

Almost every contractor I know thought about it and didn't do it until some event made them jump: their company went bust, they where made redundant, they took a job with a company which lied during the interview.

Most people hold off becoming a contractor because they are unsure whether they have the skills or if it's what they want to do. Only when they are made to jump do they actually make the change.

It's important to realise that very few contractors are hired because they have outstanding skills, such people are usually more consultants¹ or know gurus. Contractors are hired for a variety of reasons, often, companies may not be prepared to increase their head count but need more workers, sometimes they need someone immediately and sometimes they just can't find anyone who wants the job as a permie.

Skills are important in keeping your position. The fact that contracts are typically renewed every 3 or 6 months gives both sides the opportunity break without the trauma of a resignation or firing.

¹ For brevity I'm ignoring the fact that many contractors prefer to be called *consultants*, and that many actual consultants aren't worth half the money they are paid!

Advantages

More money

Let's not deny it: typically contractors earn more money than permanent staff and while they pay more tax there are many tax breaks which a good accountant will use to reduce some of that. Although IR35 is closing some of these, after tax income is still noticeably higher for contractors.

However there are no benefits: no pension, paid holiday, sick pay, health care, company car, or social club. In reality, you can replace these and still be better off.

If money is all that is important to you, then you are probably already a contractor, so lets assume money is not your only motivation!

Flexibility and holidays

Flexibility cuts both ways. As a contractor you are a hired gun, a project that is running late will expect complete commitment from a contractor, although companies aren't generally heartless they will have less time for a contractor who is late or frequently absent than a permie.

On the whole though, flexibility is an advantage. You are paid by the hour, so as long as the work is getting done the company aren't usually concerned whether you have 25, 40, or 5 days off. Much depends on the work environment but you may well find you can work a 35 hour week and still be well paid.

As a contractor I budgeted for lots of holiday, I think I had eight weeks last year. This to me was one of the biggest advantages.

Disadvantages

Job security

Theoretically, as a contractor you have less job security than a permie. As employment law has lessened this may not be as true as it was. Many contracts include one month get "out clauses" in which case both you and the permie who sits next to you could be gone in 4 weeks.

I once worked at a well know bank, one Monday morning we where summoned to an surprise meeting at 11am to be told that over the weekend the senior management had instructed the middle management to get rid of anyone who was "below average." While some departments where reduced to a skeleton staff my group lost just one person, a permie. On this occasion the difference between contractor and permanent staff was meaningless². To me the lesson was: today's management will do what they have to. Conversely, I also worked with a contractor who stayed at the same company eight years.

Of course not all companies are like this, many will simply let contractors go but make efforts to find permies alternative positions. If your the kind of person who worries about this then contracting is not for you.

² Luckily the company didn't enact this policy every Monday morning!

London is different

Within London the financial sector is the bread and butter of contracting. As a good developer in C++ or Java contracting in London you will usually be more concerned with fighting off the agents than finding the next contract. While the banks and financial institutes form much of this demand they are serviced by more software houses and information supplies than you probably imagine.

Add to this the many government projects are London based and international companies can't be bothered to travel far from Heathrow and you have a contractors delight!

The downside is that this cuts off some types of development. Shrink wrap software companies are probably under represented in London because they don't need prime location. (Of course, shrink wrap companies seem to be more permie based.)

Outside of London the market is very different. I have worked with many contractors who are Northern based and stay in London four nights a week. I know of people who consider commuting from Nottingham to Birmingham or beyond normal. Contracts are fewer and further between, forced breaks between contracts are more normal – which of course reduces your overall income.

However, the contracts do exist, you just can't be so choosy. London based contractors are often asked to work elsewhere although I've yet to find one that accepts. Some parts of the country have their own specialities, Edinburgh has it's own financial sector and even Newcastle-upon-Tyne has one large, very well known, employer of contractors.

Moving up the management chain

It's not unknown for contractors to have managerial responsibility but if you want to climb the management ladder contracting is not the way to do it. Generally, you are hired for technical skills and that's where you stay.

Moving back to permie work

Most people don't want to be a contractor for ever. "I want to grow into a real software house" is the common aim of many, a few cases I know of have tried, none I know of have succeeded.

There comes a point where most people get fed up of moving jobs, not having continuity, worrying about VAT or some such and long for the simplicity of a permanent job. This is where things can get difficult.

Companies have a suspicion of people who want to move from contract to permanent. Stories abound about contractors who become a permie for a year, get training and then go back to contracting. In general I think companies are right to be suspicious, for most people it means a cut in income and less holiday; but given this argument all their employees would become contractors!

There's a more subtle argument at work too: to some degree companies rely on the loyalty (or servitude if you will) of their employees to work Christmas day, maintain awful code, or do a 10 week stint in Reykjavik. Can they be sure that someone used to having more control will accept this?

Continuity

You get to see the entire development cycle as a contractor but not necessarily in the right order! Be prepared to accept you may never see the final delivery, or see the system go live. Accept that when you join all the UML has been done. If you want to see a project through from conception to delivery contracting is not for you.

This also means you have to be able to live with the mistakes of others. On the upside, as you'll see more mistakes you know more of what to avoid when the time comes!

Travel

If you live in Manchester you may find that the Monday's 7.30am to Euston and Friday's 5pm to Piccadilly may present you with more experience of Richard Branson's trains than you want. Be prepared for a longer commute where ever you live.

Equally, when someone has to go to New York for a week the contractors are usually bottom of the list - the more travel is seen as perk the less likely you are to go.

Office politics

One of the most common reason people give for being a contractor is to get away from office politics. In my experience this is wrong. More often than not, you are dragged into office politics regardless of status. In fact, it's often worse, because you are "just a contractor."

In the worst case contractors are the course of office politics. Some will argue that there shouldn't be any contractors, some will envy your income and others will expect contractors to do the dirty work and leave the new, fun, stuff to the permies.

Prove yourself again and again

With the loss of continuity comes the loss of reputation. At each company you must prove yourself. To some people this isn't important. But if you want people to accept you as a skilled developer you have to expect to prove yourself in every new contract.

Less say

Even once you've proved yourself in a job you may find that your voice counts for less. This may be because the office politics doesn't allow contractors much of a say, or it may be that you've joined the project too late to advocate some point or even just because you don't know who's the right person to speak to (or they don't know your the right person to ask.)

Generally, once you've proved yourself to your fellow developers this becomes less of an issue.

Mortgages and such

The days when contractors couldn't needed three years accounts are gone, but don't expect to get the cheapest deal in town either. When I bought my flat my building society didn't want to know but my (more expensive) bank was quite happy with one years accounts.

If you are planning to by a property in the near future you may well find it easier to wait until you have bought until you quit permanent employment.

Mixed blessings

Hourly pay

Most contracts are paid hourly. Although some companies prefer a “professional daily rate” most contractors regard this as being asked to work more hours for less money.

This can give you a feeling of a labourer or you can see it as a very honest way of getting paid. Either way it has very real effect: if you work 10 hour days you see more money in the bank, if you are sick, or take a week’s holiday you get nothing. (I heard my first case of a developer being paid “cash in hand” this week, the days of deposits for parts and “oo, it’s going to cost you” can’t be far off!)

Change more often

Although I’ve worked with many contractors who’ve stayed at the same place for several years and seen permies come and go on the whole contractors change jobs (or clients) more often. Over time you will probably come into contact with a greater variety of coding styles and development practices than you would at one company. It’s almost respectable to move every year.

This has it’s down side, if you have more than a couple of 3 month contracts on your CV people will start to ask why you don’t get extended on contracts.

More responsible for your own career

It is a bit myth that contractors have freedom to choose what they do. You can only do what is available, if you want to program BeOS your going to have a hard time finding a contract. It’s also easy to get pigeon holed and only get offered contracts similar to what you have done before - if your last two contracts where for Access you may have trouble getting a C++ contract next.

Having said this you are responsible for what you do, you can’t blame agents for everything, if you sit in an Access contract for 18 months is it a surprise that people don’t wants your C++ skills?

Pigeon holing is not all negative: 18 months developing an Equities Trading system you make you a lot more marketable in the financial world.

Don’t expect companies to send you on courses and pay you while you attend either. Luckily you are empowered here so if you want to get into Java you can book yourself on the course - although your the one paying and you loose the income you could of earned, and you may have to take a rate cut in the next contract to actually use Java but it’s your decision.

The fact that most of you reading this are ACCU members means that you have already taken some responsibility for your own skills. If you already keep abreast of technologies and techniques yourself you may well find that contracting offer you the freedom to go on more courses, spend more time at conference and hence provides you with more opportunities.

More financial responsibility

If your the kind of person who forgets to pay bills and live in overdraft then contracting is probably a bad move for you. Once free the monthly cheque (most contractors work on a quarterly period) and face with VAT returns you may find it’s

all too much : I know people who have got into financial trouble, their income increases but their spending increases more, then they are faced with a tax bill.

On the other hand if your disciplined about keeping an eye on your personal finances you probably won't find a company too much trouble. And of course there is always an accountant to help.

Your responsibility extends further as you will want to think about pension and depending on your priorities BUPA, cars, and so on. In a permanent job these someone else organises these things.

Summary

To a large degree, being contract is about self confident and faith in your own skills: faith that your skills are in demand and will remain so and that you are good enough for this job and the next.

All I've said comes from my experience and companies can be very different: I know contractors who've been made team leader, who've been sent on training course and even a few who got trips to New York.

Although I didn't enjoy every minute as a contractor I enjoyed most of it and I'm glad I did it. In five years I gained a lot more experience than I think I would if I had stayed in just one or two jobs. But I left the contract circuit: all the contracts started to look the same, different companies, different problems but it was just one contract after another, I wanted more continuity and more variety at the same time.

I think contracting is a great way to gain a lot of experience but unless you actively dislike, it is also addictive. It took me about two years before I found the right opportunity to switch back to permie work, despite all the ideas that contractors have that is what most do in the end.

Formatting revision January 2005 - changed font and sizes in online version, content unchanged.