

# Is It Better to Hire an Employee or a Contract Worker?

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*Deciding on hiring an employee or contract worker can be difficult, especially if you're starting out and aren't sure what the future holds for your business.*

MANTECA, CALIFORNIA, UNITED STATES, May 1, 2019 /EINPresswire.com/ -- If you're a business owner, you may have experienced the inner dilemma of trying to decide if you should hire contract workers or employees. On the one hand, employees can give you the reassurance of knowing you have someone you can always rely on, while on the other hand, hiring full-time employees could put a long term expense on your cash flow that you're just not sure you are ready to provide. Weighing out the pros and cons of hiring an employee or contract worker can be pretty difficult, especially if you are just starting out and aren't sure what the future has in store for your business.

There are many advantages to hiring both employees and contract workers, and the type of worker you hire really depends on the type of business you have, your business's financial situation, the services you need completed, and more.

## What's the Difference Between an Employee and a Contract Worker?

An employee is someone who is hired by a business. He or she is submitted to the payroll and is entitled to certain rights and company policies like minimum wage, overtime, holidays, sick pay and vacation pay. Contract workers, on the other hand, are not entitled to these rights and company policies from this business. Contract workers come in two types: 1) an Independent Contractor that subcontracts to a business or 2) an employee of a third party vendor.

## Why is This Difference Important?

All too often businesses can make the mistake of treating a worker as an Independent Contractor, when they should be an employee. When this happens, there can be legal ramifications, including unpaid wages, benefits, additional taxes, and more. To avoid having to face legal consequences and pay the fines and additional expenses, businesses should always make sure that they are properly classifying their workforce as either an independent contractor, or an employee.

Here are the pros and cons of hiring both an employee and a contract worker.

## Hiring an Employee directly by your business: The Pros

### Long Term Commitment

When you hire an employee, they establish a long term commitment to your business. This is advantageous because this can give them the motivation to work harder and help a business succeed. Hiring an employee also gives them job security and the possibility of a promotion, which gives them incentive to work hard as a member of the team.

### Less Hourly Rate

Independent Contractors, also known as Freelancers, usually charge more as opposed to employees, who typically get paid less because they have job security.

### Reliability

When there is a pressing deadline or sudden influx of work, a business has the peace of mind knowing that there are employees there that he or she can rely on. If a business only relies on contract workers, they may not be able to find someone right away. If they do find someone, it often takes time to train the contract worker and fill them in on proper procedures and protocol, which can take up valuable time when there is a pressing deadline or emergency.

### Frees Up Your Time

If you have employees, you can give them permanent tasks which typically take up a lot of your time. Doing this frees up your own time to focus on more important, key areas of your business. In addition to this, if you need to go on vacation or have an emergency, having an employee or employees there will give you the reassurance you need that business will run as usual.

## Hiring an Employee: The Cons

### Wages

Employees require a wage agreement, which means you have to keep providing a consistent paycheck. If your business experiences a slump or lull, you will still be expected to pay. This means that you may have to tap into your own cash, credit, or investments.

### Benefits

Most employees expect benefits, which could be costly for your business. In fact, most people who look for jobs are more likely to accept offers for other positions which do offer benefits. This cost of benefits could be 50% or more of the wage agreement.

## Payroll and Compliance

If you hire employees, you will legally be required to file paperwork for payroll, including taxes. You may have to hire a bookkeeper, which can take time away from more important parts of your business. If you decide to do payroll yourself, you risk making costly mistakes which can put your business's finances at risk. You will also need to stay on top of compliance regulations like mandatory sick pay, overtime rules and mandated health insurance coverage.

## Training and Licensing Requirements

If your employees require specific training or licensing in the city your business operates in, you will legally be required to provide it.

## Hiring a Contract Worker: The Pros

### Save Money overall

Although you are more likely to pay freelancers more per job or hour than you would an employee, you are more likely to save money in the long run as you can hire them on an as-needed basis and won't have to provide them with benefits or a committed salary.

If you engage an employee through a third party vendor, the cost would be substantially less than what you pay your employee and the cost of their benefits.

### No Need to Fire

If you don't particularly like the work of a contract worker that you engaged, you can hire someone else when you need the work done again. You won't have to go through the often difficult process of firing someone.

### Experience

Independent Contractors tend to have more experience in their field of work, as they often specialize in a certain service. This means that they are experts in their field and you can rest assured knowing that the task they complete for you will be done to the highest standards.

If you engage an employee through a third party vendor, you get the chance to experience the worker's skills and see how they fit in with your team before you make an employment offer to hire them directly onto your payroll.

## Licensing and Permits

Independent Contractors are required to get their own permits, licensing, or certifications. You don't have to worry about being legally obligated to provide any of these things.

## Hiring a Contract Worker: The Cons

### Less Control

Independent Contractors are not on site, and tend to do things their own way. You cannot monitor the work they are doing and lose control over how the work is done. If a mistake is made, it is often not caught until the work is submitted.

### Short Term

Contract workers are short term, which means you don't have anyone you can rely on for the long term. If you like a particular Independent Contractor you may not be able to hire them for the next project.

### No Commitment

A contractor is only hired temporarily, and as such is not considered a member of your staff. This means that the contract worker has no loyalty or obligation to your company, and may be more likely to jump ship to other competitors. They are also less likely to promote your brand for free.

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