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AS SEEN IN **Upsize**  
Minnesota

## Consider adding contract-to-hire to talent mix

### IN TIGHT ECONOMIC

times, many companies are looking to contract-to-hire as a means to fill their staffing needs without making a big commitment. The trend ramped up in 2010 and I anticipate continued demand for the next couple years.

While most professionals fall into two categories—contract and permanent—the current climate of recovery has companies and professionals considering all of their options, which includes contract-to-hire arrangements. There is both value and risk in contract-to-hire, so you need to understand the pros and cons of its use in your overall talent strategy.

### Skills in action

With contract-to-hire, companies get the chance to try on an employee's work style and see his or her skills in action, while both parties consider a more permanent arrangement. Managers also have the opportunity to justify the need for a specific role long term, while allowing

### [tips]

- 1 | While employees may be 'auditioning' for the job, try not to make them feel that way.
- 2 | The more you can make them a part of your team, the more likely they are to feel committed to you as an employer.
- 3 | Recognize your contract-to-hire employees just as you would any employee who does a great job.

time for budget approval to come through.

The company pays an hourly rate for the contract employee and is not responsible for benefits unless the individual is converted to full-time status. Contract-to-hire is usually

differentiated from temporary or contract employment by the expressed intention to hire after the contract term.

Here are some positives of contract-to-hire arrangements:

You can try out an employee. With contract-to-hire, you can see a potential hire in action before you decide to commit to a more permanent arrangement. You'll see how they interact in your corporate culture, how they respond to various work situations, if they really are a team player and if they can take initiative and get the job done.

You can invest more over time. Because you have less responsibility to the employee initially, this is often a more financially viable option than direct hire, especially during tough economic times or when dealing with budget constraints and inconsistent workloads.

You can get someone in fast. You want to make informed hiring decisions. With contract-to-hire, you can spend less time in interviews and more time observing the individual

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— Bob Hildreth, ESP Systems Professionals

at work, deciding later if this person is the right fit.

You can measure motivation. An employee hoping to be hired wants to impress and is likely to be highly motivated and productive. You can learn about the individual’s motivations and goals to see if they fit with your culture long-term.

Here are some negatives of contract-to-hire arrangements:

You might miss the best candidate. With contract-to-hire, you narrow your pool of potential candidates. Some professionals are unwilling to leave full-time roles for contract-to-hire opportunities, or they are unable to take a position without the security of a full-time offer. You may also miss out on a contractor with the skill set you need, who simply is not interested in ever converting to a permanent role.

You might get a less invested employee. While contract-to-hire means less risk for the employer, it can also cause an employee to be less invested in the company. The employee may not feel part of the team, or doubt the company’s investment in his or her career growth.

Your turnover could be higher. As with any ‘try before you buy’ sce-

nario, it might not work out. If you or your employee decides after the contract period that it is not a good fit, you’ll need to search for someone new to fill the role. This may affect customer service and consistent workflow as well as overall staff satisfaction as you engage different staffing options.

### Making it work

If you decide that contract-to-hire offers enough benefits for your company, consider these best practices to use it effectively:

1. Make sure your prospective employee is really open to a permanent role. At the same time, be aware that this is a trial period for both parties. Sometimes the trial period simply does not work out. In rare cases, a contractor may take a contract-to-hire position and then decide he or she would make more money consulting. Unless you’re willing to pay a lot, you may lose him or her after the initial contract period.

2. Sometimes companies are uncertain of future staffing needs. They’ll ask for contract-to-hire candidates, but can’t guarantee a permanent role after the contract period.

It’s best to know up front if the position will turn into full time.

3. If you can, be flexible in your hiring decision. The ideal candidate may only be available for permanent hire or may be a consultant who would only commit to an 18-month contract. We recently sent a candidate to interview who was happy to accept a contract-to-hire opportunity, but our client was so impressed by him that they wanted to eliminate any risk of losing him. They sealed the deal right away, offering him a permanent position instead.

4. While employees may be ‘auditioning’ for the job, try not to make them feel that way. The more you can make them a part of your team, the more likely they are to feel committed to you as an employer.

5. Always think about hiring potential. Even if you only think you’ll need someone on a temporary or contract project basis, it is a good idea to ask your staffing firm about their conversion policies and fees. While you may not sign a contract-to-hire agreement, you will be prepared should you discover you simply can’t do without your contract employee.

The hiring process is a unique opportunity to find the perfect match. Sometimes contract-to-hire is the best option for companies; other times a direct hire or long-term contract is a better alternative.

The best way to use contract-to-hire is to recognize when it will work and when you should opt for another solution. Flexibility in your staffing options will ensure that you find the perfect fit.

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