

## **As gig economy grows, it's time to value professional contractors**

### **Highly-skilled professional contractors play an essential role in supporting innovation and entrepreneurship in Irish businesses every year, writes Jimmy Sheehan.**

The updated Code of Practice on Determining Employment Status published by Minister for Social Protection Heather Humphreys is welcome news for the 300,000 or so people who are currently self-employed in Ireland.

It also draws attention to a very valuable human resource, which plays an essential role in supporting innovation and entrepreneurship in Irish businesses every year.

I'm talking here about the highly skilled professional contractors who contribute so much to start-ups, SMEs and larger enterprises in which agility and the ability to manage risk and uncertainty is key to competitive advantage.

The core aim of Minister Humphreys' updated Code of Practice is to protect the rights of all self-employed workers and ensure that their employment status is accurately classified as it relates to their entitlement to social insurance, taxation and employment rights.

This is especially important for vulnerable low-skilled workers operating in what is commonly referred to as the 'Gig Economy'.

### **Understanding professional contracting**

So-called 'bogus self-employment' can expose them to additional costs and diminished legal protections as a result of the misclassification of their employment status.

Having a clear and balanced view of the contracting sector in Ireland is, however, equally important.

With all the negative media coverage (quite rightly) of low-paid gig workers and bogus self-employment, it can be easy to lose sight of the highly skilled and well-paid part of Ireland's contingent workforce.

The risk here is that business owners — who need to be agile and competitive now more than ever — might be tempted to avoid engaging contractors for fear of inadvertently getting on the wrong side

of the regulations.

On the face of it, they may think that the legal landscape here is too complex to navigate, or they may not even be sure how to find, manage or maximise the potential value offered by professional contractors.

So, as a starting point, here's our lowdown on what you need to know about this highly skilled contracting cohort:

## **Who are Ireland's professional contractors?**

We partnered with Trinity Business School earlier this year to publish [Ireland's Project Economy](#), the first such report in the Irish market to focus solely on high-skilled independent professional contractors.

We surveyed 1,458 professionals, companies and contract recruiters and found, perhaps unsurprisingly, that the majority (73 per cent) work in knowledge-intensive sectors, such as ICT, engineering, pharmaceutical, finance and medical.

Of the 300,000 people currently in self-employment in Ireland, we estimate that between 60,000 and 70,000 fall into this highly skilled category. Their average age is 46, reflecting their experience and expertise, and they like what they do.

Seventy-one per cent of our respondents choose voluntarily to do contract work, with flexibility and choice both cited as important factors. The rate of job satisfaction is high at more than 80 per cent overall.

## **When should you engage professional contractors?**

Project Economy contractors tend to focus on value-add projects, lending their specialist knowledge to process and product innovation, new technology implementation, business growth and new ventures, for example.

Ninety-five per cent are in managerial, professional, hi-tech and associated professional occupations, and allow businesses to draw on talent tailored to their immediate needs and beyond the confines of their employees.

This can help businesses to be more agile and manage the potential risks involved in growth and new business activities. Hence, demand for professional contractors tends to rise at times of economic uncertainty.

It's perhaps no surprise, therefore, that when Ireland's Project Economy report was published in

May, the majority (55%) of the professionals we surveyed, said they expected contract roles to increase in the 12 months ahead.

Fifty-one per cent of employers, meanwhile, said they expected to engage contractors over the same period.

As we begin to emerge slowly from the worst rigours of the pandemic, Irish businesses will be keen to mobilise for growth, without incurring costs they can ill afford after a tough 18 months of trading for many.

Taking on a freelance project manager could allow you to accept a contract you would otherwise have to turn down, trial a new product or enter a new market without having to commit to full-time recruitment until you're sure it will be warranted over the longer term.

## **How much should you pay contractors?**

You should expect to pay professional contractors a generous daily rate, commensurate with the specialist knowledge and experience they bring to the table and the responsibility for the employment-related costs they take on themselves (e.g. income tax, pension and health cover, holiday pay etc).

According to the findings of Ireland's Project Economy, their average daily rate is €501 and median annual income at €109,066. Their average contract duration is 14 months and the recruitment process typically takes about four to five weeks.

## **Where can you find contract professionals?**

Contract professionals tend to be very driven and highly networked within their sector and profession.

However, if you've never engaged a professional contractor before, there are specialist contract recruiters to make the whole process much simpler for you. We work with over 200 contract recruitment partners operating in all sectors and across all skill sets.

Thirty-eight per cent of our Project Economy contractors rely on their own initiative to find new projects, while over a third use a combination of both their network and third parties, such as contract recruiters, to ensure a continuous stream of work.

On the compliance front, our advice is to always use contractors who are operating through a limited company structure with the correct tax clearance and commercial insurances.

Close to two-thirds of the professional contractors we surveyed for Ireland's Project Economy use

an Umbrella Company to administer contracts.

This is good news for companies, because they have the security of knowing that these contractors are tax-compliant and have the correct insurances in place.

## **How should you manage professional contractors?**

Given the way they choose to work, you can take it that professional contractors are highly goal-orientated individuals, who are organised and results-driven in their working lives.

Most will have well-honed project management skills and ample experience in synching with the culture in different types of organisations.

Our advice on maximising the potential they offer is no different than it would be in the case of a permanent employee. Clear communication is crucial — and don't overlook the potential for skills transfer.

Partner your contractor up with an internal employee, or group, who can both support their work and also learn from them, bringing any new skills or knowledge they acquire in-house.

Above all, respect your contractor. Show your appreciation for the skills and expertise they bring to the table, and you will be well on your way to getting the most out of a working relationship with the potential to deliver immense value for your business.

*Jimmy Sheehan is managing director of [Contracting Plus](#), a specialist one-stop-shop provider of company set-up, accounting, pension and wealth management services to over 4,500 professional contractors in the Irish market*