

Common reasons why permanent employees go contracting

Introduction

Most contractors were permanent employees before becoming a contractor. This article explains the common reasons for going contracting.

Reasons for going contracting

Monetary / Financial

Contracting pays more than the permanent market, particularly for the premium skills in demand.

Contractors can earn over £100k a year in non management roles. Similar salary levels are unlikely in the permanent market without rising through the management ranks. Some contractors consistently earn six figure incomes by continually learning and surfing the wave of the highest in demand skills.

Contracting is extremely attractive to permanent employees who want more income but have no desire to climb the corporate management ladder. It is the most common reason for entering the contract market.

Regarding permanent employee benefits, you will need to make provision for health care and insurances, but these are more than covered for by your increase in net income. Pension contributions can be made using pre-taxed company income. You can significantly [reduce the IR35 pain with a contractor pension](#) and get tax relief up to 48%.

To find out the contract rate required to earn the same as a permanent salary use the [Permanent to Contracting Calculator](#).

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Failed bonus promises, promotions and unpaid overtime

Some permanent employers pay annual bonuses based on company performance.

Another way management motivate staff is the promise of favourable appraisals perhaps resulting in pay rises or promotions. Sometimes when managers require employees to do overtime they play the 'Team Player', or 'Company Loyalty' card.

Sometimes bonuses, pay rises, or promotions fail to materialise or are out of step with employee's expectations. Employees then start questioning their loyalty and consider the contracting option.

There are no promises of bonuses, pay rises, or promotions in contracting. Everything is signed off each week or month you get paid. There is no possibility of working for nothing.

Lack of job satisfaction

Often permanent employees would rather be working on something else but fail to get the chance in their current organisation.

One option is to move to another permanent position at another company. The other option is to go contracting.

Contracting provides the complete freedom to choose where to work and what area to work in.

Lack of training / career progression

Unfortunately there are few companies who still invest heavily in training their staff. People get bored if they stay in the same role for too long. Without training and career progression work can become very dull with job satisfaction and morale plummeting.

One option is to move to another company who provides better chances of training and career progression. The other option is to go contracting.

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When you go contracting you are in complete control of your own professional destiny. You choose where to work and what to work on. You can send yourself on training courses and buy any training material you choose.

Dislike of corporate politics

Everyone working in large corporations gets involved in politics whilst middle managers use staff as pawns in their empire building games as they rise up the corporate ladder.

Avoiding politics can be a motivating factor for going contracting.

As a contractor you no longer need to 'rise up the corporate ladder'. You can be more frank with management since your interest is focused on the project succeeding, rather than trying to get a promotion.

Flexible working - more holidays

Whilst some contractors take long holidays it is rare for contractors to [get part time contracts](#). Most contractors work the same amount as permanent employees.

Contracting does provide the freedom to take long holidays between contracts. Just make sure you save enough money each month rather than factoring in the 'cost of not working' when pricing up a holiday!

Conclusion

The main reason permanent employees go contracting is an increase in money without having to climb the political corporate ladder. This is often triggered by a lack of job satisfaction and bleak future in a current position.

Contracting can provide a higher income, guaranteed pay, less politics, full control over training, and more freedom for taking time off.

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