

CONTRACTING VS CONSULTING



If you need more career flexibility, independence, and variety than a traditional job affords, contracting and consulting are viable options in this fluid job market. But how to decide which of these two work arrangements is best for you? Experts say that both have benefits. Your choice depends on your individual needs, work style, and qualifications.

Defining the Terms

A consultant, experts explain, is someone who deals directly with the companies for whom he or she provides services. The consultant must seek out clients, negotiate work parameters and fees, and handle billing and taxes. A contractor, however, works through an agency or staffing service, which in turn handles all negotiations with their client companies. Contractors get a certain fee, paid by the agency, which takes care of finding clients, establishing service relationships, and billing. Both contractors and consultants must generally forgo traditional benefits, such as health insurance, in exchange for the flexibility that their positions offer.

Tina Marston is the co-founder of a company which provides health care prevention programs to employers. She has worked as both a consultant and a contractor in her career. Consulting, she says, can provide a better rate of reimbursement "if you do it right." But you are the one who's responsible for maintaining the relationship with companies; you are, in essence, completely on your own during the process. At times, she adds, tasks such as marketing and bill collecting can be a real headache. Contracting through an intermediary agency relieves you of those aspects of the operation and offers resources, like experienced business advisors, that contractors can rely on for support.

"For me," Marston says, "it's important not to have the feeling that I'm working alone."

A Taxing Decision for Clients

Mark Wong, a principal at a consulting firm, agrees with Marston's comment about reimbursement. He notes that consultants can earn 10 to 25 percent more than contractors. On the other hand, he confirmed, consultants have to take the time to do the job hunting, marketing, billing, and collecting associated with their work. There are also specific requirements that consultants must meet under federal tax laws. Fortune 500 companies, according to Wong, are especially fearful of using consultants because of the IRS restrictions that govern their use.

Wong says that both consulting and contracting are now **popular options in job areas** ranging from IT to temporary office staffing to accounting. Some companies, Wong says, prefer to use contractors rather than consultants because contracting provides them with a fair measure of an agency's track record. And contractors are pre-screened by the agency, saving the client from performing individual background checks.

Your "Marriage Broker" Makes the Match

Miles Cromar who works with Wong describes staffing agencies like his as the "marriage brokers" of the temporary staffing world. They make sure there is a good fit between companies who seek services and professionals who provide them.

"Most consultants are good at what they do," says Cromar, "but they're not always good at selling themselves." Cromar also notes that larger companies like the fact that, if they have a problem with the service provided by a contractor, they have recourse through the agency.

Cindy Forester is the president of a company which provides information technology and new media professionals to clients. She points to another benefit of contracting over consulting. In creatively demanding fields, such as IT and interactive media, consultants can get "burned out" on jobs and be forced to grapple with **finding new job** prospects. "Creative and technical people are doing what they do best and they don't like sales," she says.

Forester's agency gives contractors the revenue rates they seek and passes the middle-man costs on to client companies. "They get their full rate, their checks on time and marketing done for them."

Healthy Growth in Both

Marston says that many healthcare professionals are now working as contractors and consultants because, in the current managed care climate, hospitals are under tremendous pressure to cut costs. But professionals in a number of industries, she says, are now pursuing more independent forms of work. Both the boom economy and today's new employer/employee relationship have accelerated the move into home offices, says Marston.

"People are saying, 'you know, there really isn't any security, so why not invest in me,'" she claims. Contracting and consulting can be good ways for people to try out the dream of "having more control and running their own businesses."