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TECHNOLOGY PARTNERS

WORKFORCE STRATEGY — INSIGHT BRIEF

Direct hire vs. contingent: *a decision framework.*

The choice is usually framed as a cost question. It's really a risk question: five dimensions that should drive the call, and the one question that makes it easy to apply.

Time Horizon · Skill Scarcity · Role Criticality · Capacity Volatility · Management Overhead · The 18-Month Question

Five dimensions that drive the *decision.*

Time horizon

Over 24 months → direct hire; under 12 → contingent. *Trap:* going contingent on long-term work for the faster ramp; the off-ramp is faster too.

Skill scarcity

Tilts toward whichever model captures the candidate at all: usually direct hire, sometimes the specialist who only works contingent.

Role criticality

For critical roles, the slower direct-hire process is a feature. *Trap:* "fill it in two weeks" leaves a single point of failure.

Capacity volatility

Ten engineers, then four, then fifteen is a contingent profile. *Trap:* teams that aren't volatile but hire contingent because they "might flex."

Management overhead

Match the model to the overhead you're good at: HR and benefits, or program management and supplier governance.

The simplifying *question.*

In eighteen months, would you rather lose this person, or have to find a way to keep them?

Prefer the clean exit at the end of a defined engagement → **contingent**. Couldn't stand to lose them to a competitor → **direct hire**. Your honest answer makes the call.

Three traps that produce *bad decisions.*

- × **Cost-optimization on long-horizon work.** Contingent on a 36-month need for the lighter up-front budget; the contractor leaves at 18 months and you re-enter the market at a higher loaded cost. *Fix:* budget for the actual horizon.
- × **Speed-optimization on critical roles.** Filling a critical role contingent for the faster ramp, then leaving it that way indefinitely. *Fix:* bridge only with a conversion plan.
- × **Direct-hire bias on volatile work.** Hiring directly into genuinely volatile roles, then doing painful reductions. *Fix:* seasonal or quarterly-funded capacity should default to contingent.

Calibrate the *portfolio.*

Strategic core · high horizon, high criticality, low volatility	Direct hire majority
Specialist surge · high scarcity, high criticality, project-bounded	Contingent + conversion
Capacity flex · high volatility, moderate scarcity	Contingent / Managed Services
Discrete delivery · defined outcomes, time-bounded	SOW with workforce partner

Related *insights.*

MSP & VMS	Inside an MSP program: what procurement leaders look for in a Tier 1 workforce partner.	Read →
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