



Employees vs Consultants

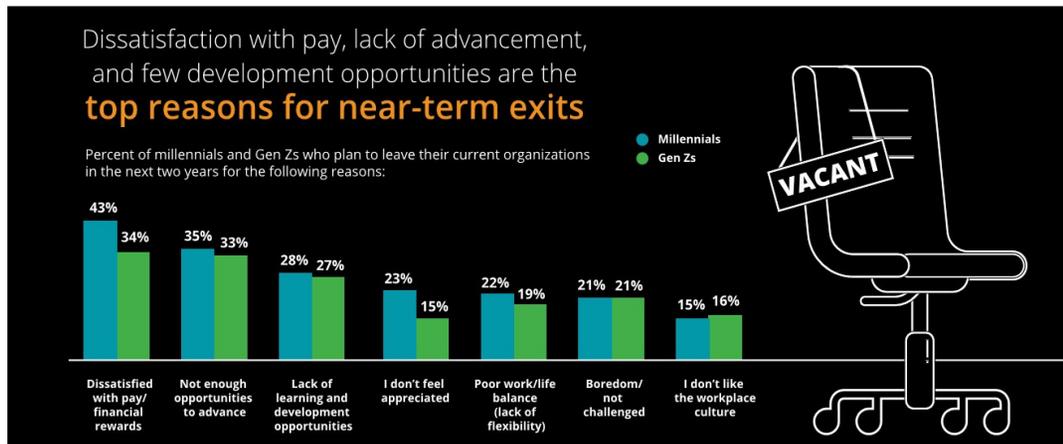
The Shifting Future of Project Management Staffing

**CenterBuild Conference
2019**



Jarrett Lane - President

The Changing Landscape of Employee Tenure



Q8. You mentioned earlier that you might leave your current employer within the next two years. What are the main reasons for this?
All millennials/Gen Zs who would leave current organization within two years 5,262/856

The Deloitte Global Millennial Survey 2019

“More millennials than we have ever surveyed—49 percent—would, if they had a choice, quit their current jobs in the next two years. In our 2017 report, that number was 38 percent. These are not idle threats: About a quarter of those saying they would leave within two years reported leaving an employer in the past 24 months. This is a challenge for companies seeking a stable workforce”

The Deloitte Global Millennial Survey 2019

But it's not just the upcoming Millennial Workforce

““Younger employees have always quit at a higher rate. That was true when Gen Xers were in their 20s. That was true when Boomers were in their 20s. That’s just a fact,” explains [Brian] Kropp. “What’s interesting, is that we are now seeing employees who are more established in their careers also quitting at higher rates.”

The incentives to quit apply to workers of all age groups, he says. “The reason people are quitting today is because the labor market is so competitive that the only way they can get a significant increase in income is by quitting and going to another job.””

Workers are quitting at the highest rate since 2001

CNBC, September 2018



Current Market Data

Quits rate

Seasonally adjusted



Source: Labor Department via FRED

Americans quit their jobs in May at the fastest rate since 2001, showing that workers feel so good about the economy they are willing to leave one company for another.

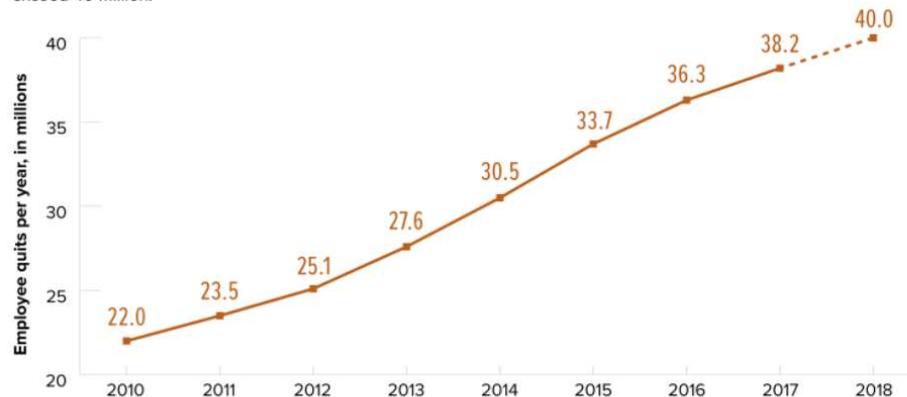
The percentage of people in the private sector who left their jobs by choice rose to 2.7% from 2.5%, the government said this week. The so-called quits rate among all workers edged up to 2.4% from 2.3%. Both hit the highest levels since 2001.

“Americans quitting their jobs at fastest rate since 2001 — and that’s a good thing”

Market Watch

Total Employee Quits Have Risen Every Year Since 2010

The numbers below represent the total number of employee quits per year, in millions. Quits in 2018 are on track to exceed 40 million.



Source: U.S. Bureau of Labor Statistics.

“Approximately 40 percent of employees who quit in 2017 did so within 12 months of being hired, according to a study based on data from over 34,000 exit interviews analyzed by Work Institute, a workplace research and consulting firm in Franklin, Tenn. About half of workers who departed in their first year left quickly—within the first 90 days.”

“The rise in first-year turnover is a sign of the job market, as employees can easily go elsewhere if a job doesn't meet their needs and expectations,” said Danny Nelms, the president of Work Institute.”

Why Are Workers Quitting Their Jobs In Record Numbers

SHRM



On the lookout for new jobs

MILLENNIALS WHO ARE OPEN TO DIFFERENT JOB OPPORTUNITIES

60%

GALLUP

GALLUP DATA REVEAL THAT 21% of millennials report changing jobs within the last year, which is more than three times the number of non-millennials who report the same. Gallup estimates that millennial turnover costs the U.S. economy \$30.5 billion annually.

Millennials also show less willingness to stay in their current jobs. Half of millennials — compared with 60% of non-millennials — strongly agree that they plan to be working at their company one year from now. For businesses, this suggests that half of their millennial workforce doesn't see a future with them.

Gallup Inc., "How Millennials Want to Work and Live"



In 2017, more than half of job seekers are satisfied at work (64%) — but 82% of them are open to new job opportunities.

Jobvite., "Job Seeker National Study: Finding the Fault Lines America's Workforce"

Current Market Data

“Breaking the data down by age, ADP also found that the wage increase from full-time-job switching was most pronounced for workers aged 25 to 34. “In general, younger job holders saw their wages rise much higher than the 35 [and above] workers,” says [Ahu] Yildirmaz [lead economist at ADP Research Institute]...”

The Special Few Who Are Getting Raises in This Economy
The Atlantic



The Gig Economy

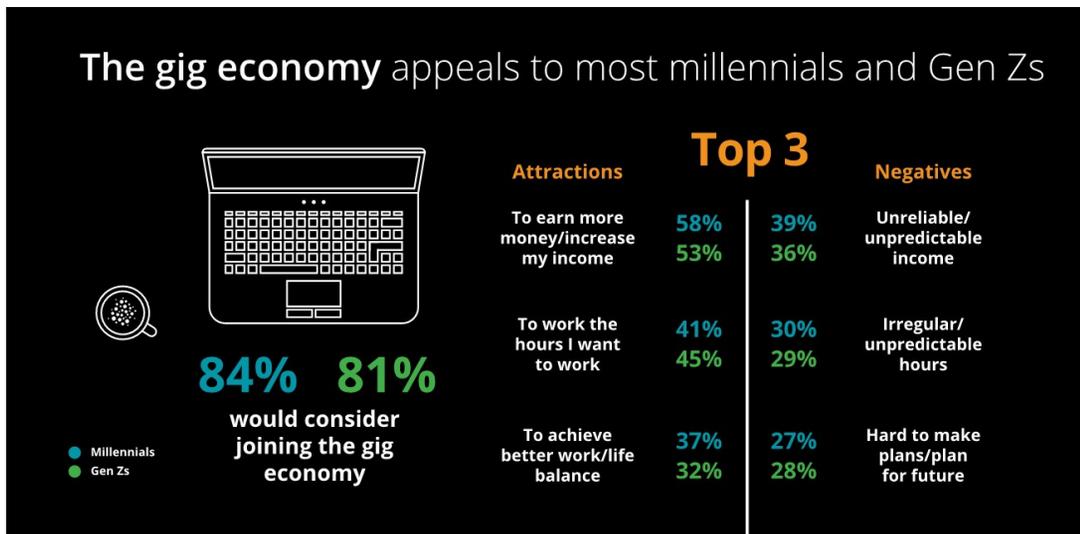
The current evolution of the Job Market

Technology has revolutionized and permanently altered the way people look for, apply to, and secure jobs.

Sites like LinkedIn, ZipRecruiter, UpWork, or Indeed reach millions of people. Direct submissions, quickly delivered bids on projects, and instant means of communication between employers and applicants have streamed business efficiency.

The gig economy is made up of three main components:

1. The independent workers paid by the gig (i.e., a task or a project) as opposed to those workers who receive a salary or hourly wage
2. The consumers who need a specific service, for example, a ride to their next destination, or a particular item delivered
3. The companies that connect the worker to the consumer in a direct manner, including app-based technology platforms

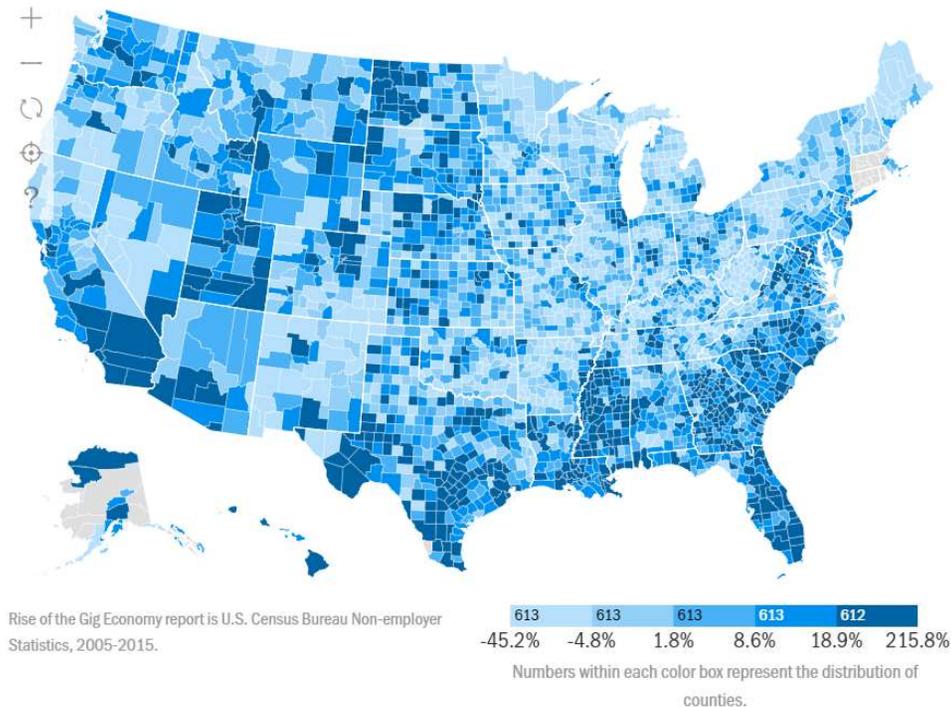


Q42. Would you consider joining the gig economy? Base: All millennials 13,416, all Gen Zs 3,009. Q43. Which of the following best explain why you have joined or would consider being part of the gig economy? Base: All millennials/Gen Zs who have joined or would consider 11,266/2,433. Q44. Which of the following best explain why you would not consider being part of the gig economy? Base: All millennials/Gen Zs who have not joined or would not consider 1,172/276

The Deloitte Global Millennial Survey 2019

The Gig Economy

Map 1. The Rise of the Gig Economy Workforce
Non-Employer Establishments Growth Rate, 2005-2015



The country's urban and suburban areas have drastically shifted towards a gig economy where the job market tends to be more competitive, and applicants must work to set themselves apart from the pack.

With this shift it will be advantageous for a project's bottom line to hire an Architect, Project Manager, Tenant Coordinator, or even an Administrative Assistant on a consulting basis as needed, rather than hire a full time employee for the duration of an average commercial project with 30,000 -50,000 sqft to develop for 2-5 years.

This trend is on the rise

Consider: competitive bids, applicants with more diverse qualification, options from beyond your current location

How are you currently seeing effects of Gig Economy trends in your workplace?

How do you think the Gig Economy will benefit our industry in initiation and execution of projects?

What hurdles do you see in transitioning to take advantage of the Gig Economy?

Hiring Consultants

The myths, the stigmas, and the perceptions

We can't give consultants access to our CRM, legal, accounting, etc. programs, if they need the information they are going to have to request it from an employee

The employees we hire will stay with us through the long haul, consultants have no loyalty

Consultants aren't as hard working as employees

What other concerns are out there about hiring consultants?

Advantages of
Using a Mix of
Employees and
Consultants

Advantages

Flexibility

Flexibility Significant Limited Liability

Reduced Training and Onboarding

Cost

National Resource

“Try before you buy” - Exploring Options to Hire Direct

Direct Cost

- Base Fee

Believe it or not, that's it unless you choose to take on Indirect Costs

Indirect Cost (Optional)

- Relocation or Travel Costs
- Providing Workspace

✓ You can set the total contract amount and set parameters for expenses

✓ Contract termination at your discretion

Cost of a Consultant

Cost of an Employee

Payroll Direct Costs

- Base Salary
- Benefits
- Taxes

Indirect Employment Soft Costs

- Termination Costs
- Equipment
- Software
- Facilities Overhead & Internal Services
- Training
- Liability

Cost of an Employee

Employee Base Salary	Real Annual Cost per Employee Hadzima Formula (1.25 to 1.4 times of base salary)	
\$ 30,000.00	\$ 37,500.00	\$ 42,000.00
\$ 40,000.00	\$ 50,000.00	\$ 56,000.00
\$ 50,000.00	\$ 62,500.00	\$ 70,000.00
\$ 60,000.00	\$ 75,000.00	\$ 84,000.00
\$ 70,000.00	\$ 87,500.00	\$ 98,000.00
\$ 80,000.00	\$ 100,000.00	\$ 112,000.00
\$ 90,000.00	\$ 112,500.00	\$ 126,000.00
\$ 100,000.00	\$ 125,000.00	\$ 140,000.00

The Hadzima Formula was created by Joe Hadzima, a senior lecturer at MIT's business school, and President of IPVision, Inc. He is noted to have been involved with founding more than 100 companies and serving in various capacities to each of those companies.

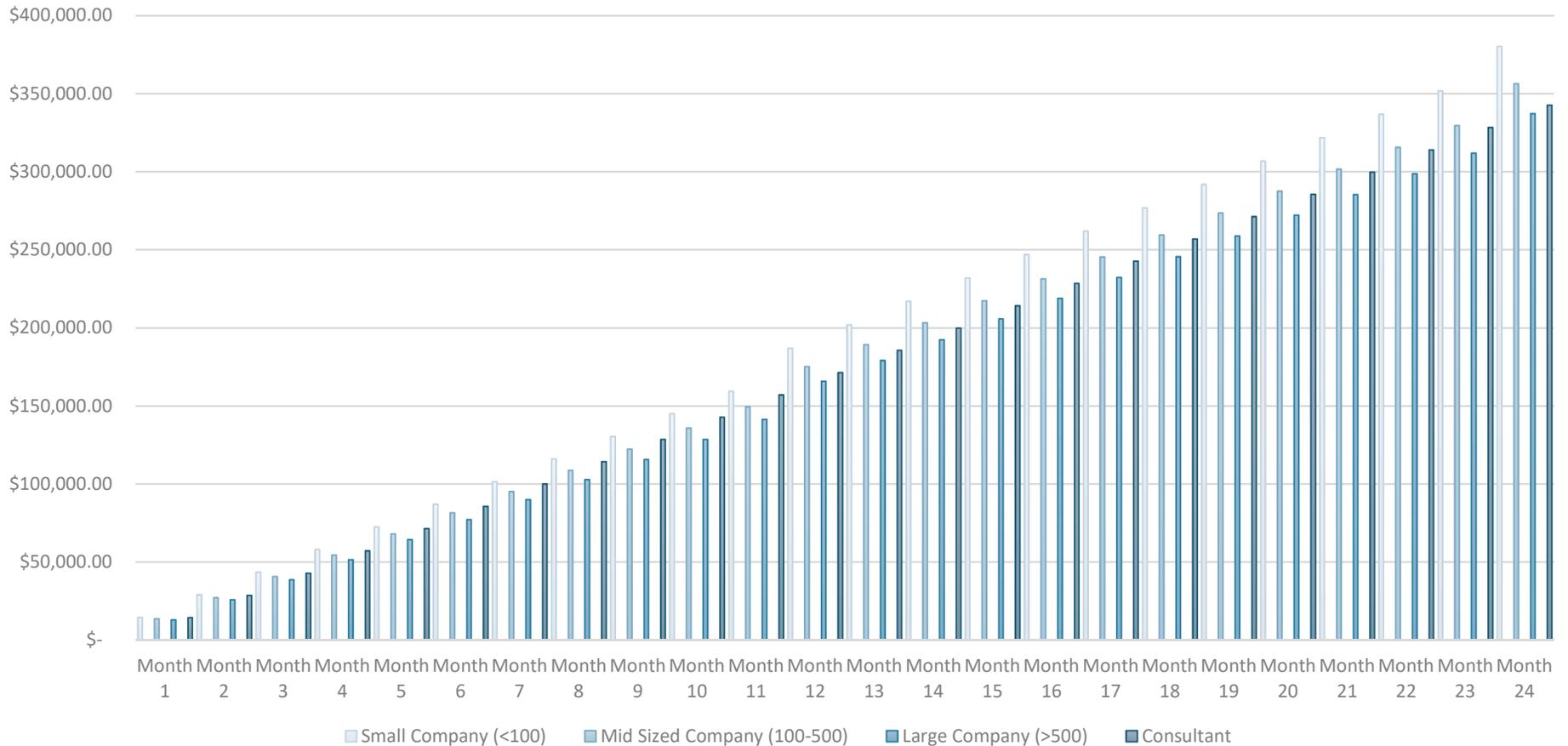
[Joe Hadzima, MIT Professor](#)

The top chart only takes into consideration the Payroll Direct Cost.

Employee Base Salary	Real Annual Cost per Employee with Direct and Indirect Costs (1.41 to 1.59 times of base salary)	
\$ 30,000.00	\$ 42,300.00	\$ 47,700.00
\$ 40,000.00	\$ 56,400.00	\$ 63,600.00
\$ 50,000.00	\$ 70,500.00	\$ 79,500.00
\$ 60,000.00	\$ 84,600.00	\$ 95,400.00
\$ 70,000.00	\$ 98,700.00	\$ 111,300.00
\$ 80,000.00	\$ 112,800.00	\$ 127,200.00
\$ 90,000.00	\$ 126,900.00	\$ 143,100.00
\$ 100,000.00	\$ 141,000.00	\$ 159,000.00

The bottom chart takes into consideration the Payroll Direct Cost as well as the additional Indirect Soft Cost, which increases the multiplier as determined by the Company's economy of scale

1:1 Comparison Cost of an Employee vs. a Consultant to a Company Over the Course of 24 months



This graph compares the cost to a Company for 1 salaried employee to 1 consultant, both taking home \$110,000 before taxes. Additionally, this graph considers the annual raise and bonus for a salaried employee

The graph assumes 1.59 multiplier for a small company, a 1.49 multiplier for a mid-sized company, a 1.41 multiplier for a large company, and Consultant's firm's markup.

Special thanks to Hyam Singer for his insightful work and detailed explanation of costs incurred by a company

After looking at all this information what new trends are you noticing?

How do you think market Human Resource practice will change?

How do you think your team will need to adapt?



Thank you for attending!



<https://www.tier1consultingllc.com/>



Tier1@tier1consultingllc.com



@tier1experts



@tier1consultants

Stay Connected!

