

CONSULTANT OR FULL-TIMER:

Which is most cost-effective?

Consultants are a great option if you need specialized talent in a hurry, but their hourly rates may leave you with severe sticker shock. Don't be fooled, though — after you factor in overhead costs like insurance and administrative needs, hiring someone full-time to do the same job will likely be even more expensive.

THERE ARE 3 SETS OF INDIRECT EXPENSES THAT FACTOR INTO EMPLOYEES' REAL COSTS:

- **Fringe benefits** — healthcare plans, retirement contributions, PTO, etc.
- **Overhead** — larger business expenses not attributed to a specific project like rent, computer equipment and supplies.
- **General & administrative (G&A)** — company infrastructure; the essentials for doing business (administrative personnel, legal counsel, etc.)

GENERALLY, EACH SET OF INDIRECT EXPENSES HAS A CORRESPONDING RATE THAT CAN BE APPLIED TO EMPLOYEES' SALARIES TO DETERMINE THEIR REAL COST TO THE COMPANY.

Fringe Benefits: 35%

Overhead: 25%

G&A: 18%

While contractors will only cost the company G&A expenses, a full-time employee will cause the company to incur all three sets of indirect expenses, nearly doubling their annual salary in real costs.

CONSULTANT	EMPLOYEE
Hourly Rate	
\$70	\$46
Annual Salary	
\$145,600	\$95,000
Real Hourly Cost	
\$84	\$92
Real Annual Cost	
\$174,720	\$189,050



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SOURCES
<https://www.toptal.com/freelance/don-t-be-fooled-the-real-cost-of-employees-and-consultants#calcMainArticle>



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