

THE MATH

Square Deal by the Numbers

How benefits will benefit your bottom line.



KEY TAKEAWAYS

- In this example, providing enhanced benefits for 100 contingent talent adds approximately \$2 million annually to a company's bottom line.
- Attract 5 additional top performers, which results in productivity gains of \$2.25 million per year.
- Reduce turnover from 43% to 18%, which saves \$533,000 per year in lost productivity and hiring and training costs.

Benefits are key in attracting and retaining top talent.

Employee benefits are an important tool for companies to recruit and keep the best people. In fact, research by Glassdoor found that almost 60% of job seekers consider benefits and perks to be a top factor in deciding whether to accept an offer. And when it comes to retention, the Society for Human Resources Management (SHRM) found that nearly a third of workers highlighted their current benefits (or lack thereof) as a top reason to look for a new job in the next 12 months.

CHALLENGES

- Talent shortages
- Job seeker expectations
- Turnover

SOLUTION

Better talent benefits

60% of job seekers consider benefits and perks to be a top factor in accepting an offer.

— GLASSDOOR

Jobseeker expectations have also risen when it comes to benefits. The tech industry upped the stakes by offering lavish employee benefits and perks to entice people away from traditional companies. More recently, companies across a range of industries are enhancing their employee benefits to compete for top talent.

But the extended workforce is a different story. Though contingent talent work side-by-side with employees on the same teams and projects, they typically receive far fewer benefits, and sometimes, none at all. This inequality makes contingent jobs less attractive to many job seekers and increases the likelihood that talent will leave for a permanent position. This lack of contingent talent benefits is a lose-lose situation for talent and businesses alike.

30% of workers list benefits as a top reason to look for a new job.

— SOCIETY OF HUMAN RESOURCE MANAGEMENT (SHRM)

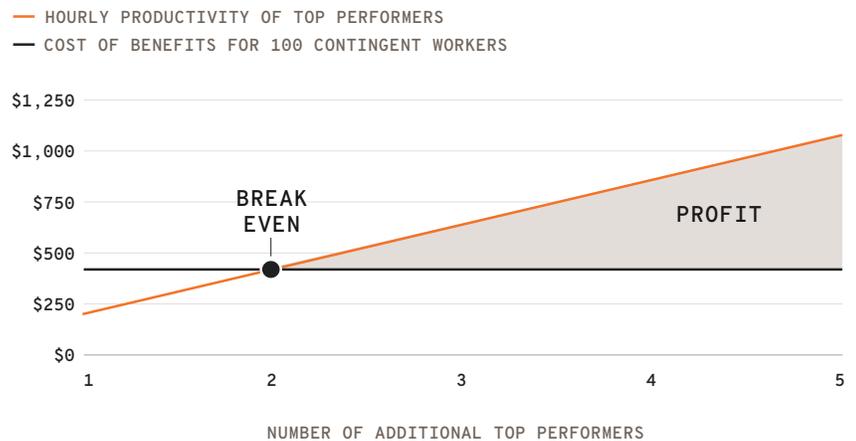
How benefits add to your bottom line.

Attracting top performers.

Top performers are much more valuable to a company than an average worker. In fact, research has shown that they are four times more productive than anyone else. Providing better benefits enables companies to attract a more robust pool of contingent candidates, including more of these A-players.

Adding just two additional top performers pays for the benefits for a team of 100 contingent workers thanks to the increased productivity they deliver. **If a company adds five additional top performers, it could achieve \$2,246,400 in productivity gains over 12 months.**

Break-even point for investing in enhanced benefits:



Assumptions

- Hourly productivity across all talent is \$93 ^[1]
- At a typical company, 10% of talent are top performers
- Top performers (p) are 4 times more productive than typical workers (w) → $p = 4w$
- Enhanced benefits cost \$4 per hour per talent ^[2]
- Team is made up of 100 contingent talent

Calculations

Incremental hourly productivity per top performer:

$$\$93 = (10\% \times 4w) + (90\% \times w)$$

$$w = \$72$$

$$p = \$288$$

$$p - w = \$216 \text{ Incremental productivity}$$

Break-even point for investing in enhanced benefits:

$$(\$4 \times 100) / \$216 = 1.9 \rightarrow 2 \text{ Talent to break even}$$

Annual productivity gains from adding 5 additional top performers:

	2,080	Hours in one year
x	\$216	Incremental hourly productivity per top performer
x	5	Additional top performers
	\$2,246,400	Annual productivity gains

Increasing talent retention.

The added value of enhanced benefits is not just limited to productivity. It can also impact talent retention. By offering better benefits, thus reducing annual turnover, a company could save \$484,000 in lost productivity and \$48,750 in hiring and training costs. **Increased retention can save \$532,750 annually.**

Assumptions

- Team is made up of 100 contingent talent
- Turnover with baseline benefits is 43% while yearly turnover under enhanced benefits is 18%. ^[2] This means that the company would retain 25 more talent over the course of 12 months. ^[3]
- Time to hire is 4 weeks (40 hours per week)
- Average hourly productivity across all talent is \$93 ^[1]
- The client is billed \$65 per hour (bill rate)
- The talent takes 8 weeks to ramp up to full productivity (40 hours per week). During that time, blended productivity of talent is 50% of full productivity.
- Hiring and training during ramp-up takes 20 hours of the manager's time, at \$97.50 per hour (1.5 times the client bill rate)

Calculations

Lost productivity savings:

- Lost productivity when seat is empty
- Cost of talent when seat is empty
- + Productivity during ramp-up
(25 talent x 4 weeks x 40 hours x \$93 hourly productivity)
- (25 talent x 4 weeks x 40 hours x \$65 bill rate)
- + (25 talent x 8 weeks x 40 hours x \$93 hourly productivity x 50% ramp productivity)
- \$484,000**

Hiring and training savings:

25 talent x 20 hours x \$97.50 per hour = **\$48,750**

Total retention savings:

\$484,000 + \$48,750 = **\$532,750**

Increased profitability.

When we combine the productivity gains from attracting more top performers with the savings from higher talent retention, a company could earn \$2 million in increased profitability for every 100 contingent workers on its team.



Now that we've done the math, your decision should be easy.

As we've shown, better benefits have a positive impact not only for contingent workers, but also for a business' bottom line. Since most companies are not able to provide benefits to their talent directly, they should seek out a partner that values benefits and can customize a package to support their workforce and business.

Contact us.

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Endnotes

[1] Productivity

Productivity was benchmarked against a sampling of companies in the Fortune 500 where a large proportion of their employees are knowledge workers. We attributed 50% of the net income per employee to labor productivity using 2018 annual report data.

[2] Enhanced benefits package

- Health/Vision Insurance - 88% of weekly premium covered by employer
- Dental Insurance - 76% of weekly premium covered by employer
- 401(k) Retirement Plan
- Healthcare, Dependent Care, Parking, and Transit Flexible Spending Accounts
- Employee Assistance Program
- PTO - 10 Days
- Paid Holidays - 5 Days
- Universal Paid Parental Leave - 4 Weeks @ 100% Pay
- Continuing Education Reimbursement - \$500/year

[3] Retention

Retention was benchmarked using an Aquent client case study comparing two highly similar technology companies—one offering only core benefits to contingent talent and one offering enhanced benefits.