



# Commonly Asked Question About Hiring Consultants and Contractors

By Jerry Grohovsky

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## What Are The Advantages of Using Consultants (Or Contractors) Versus Direct Employees?

The use of consultants (or contractors) can reduce a company's overhead costs. In environments with common project "peaks" and "valleys" of activity, resources can be easily adjusted, without paying out annual salaries and benefits (hourly pay-out is proportional to the workload required).

Other advantages include:

- When certain projects demand certain niche skills or experiences, a consultant can be brought in on relatively short-notice to complete a specific project that otherwise may not be available within the existing internal staff.
- Where project deadlines are extremely tight, consultant resources are a good solution, as the client can apply resources quickly by enlisting the help of a specializing agency. Also, the client can apply as many resources as necessary to complete the project in the time frame allotted, as consultants are used to the starts and stops, and the high-and lows of weekly hourly billings.
- Experienced consultants are typically very productive from the "starting block", as they are generally seasoned to adapt to very fast-paced environments, and are familiar with getting up-to-speed quickly, and with minimal direction.
- Due to the accountability and visibility of consultants being paid on an hourly basis, the client can gauge the productivity of a consultant very easily, and without the "screen" of internal politics and job titles. On the flip-side, the consultant is very aware that this visibility compels them to be productive, and to give the client their bill-rate money's-worth of results.
- For hiring managers who cannot secure direct-hire requisitions, the hiring of consultants is a convenient and effective alternative.
- From an accounting standpoint, consultants can reduce corporate head-count, while allowing hiring managers a means to satisfy the resource needs of their projects.
- Consultants can often introduce a fresh point of view "outside the box", along with new ideas, different methodologies and procedures, and new and interesting ways to approach problems.

## What Are the Factors That Bear On a Consultant's Pay Rate?

There are a number of factors that come into play in arriving at a compensation number for consultants, including:

- Experience (total years, software tools, types of projects, level of involvement, etc.)
- What a consultant's pay history has shown his or her to command in the marketplace
- The present state of the marketplace (i.e. current inventory of talent)
- The number of companies or agencies seeking consulting talent at any given time
- If there are benefits or no benefits (generally not)
- The inherent risk perceived in consulting
- The perceived level of difficulty or challenge of a potential consulting opportunity



Generally, JPG strives to pay the consultant an hourly rate that not only will help retain them for the client, but will also be reasonably in-line with their experience, and with what other peers are getting in the consulting marketplace.

### **How Do Consulting Rates Compare To Direct Hire Rates?**

An hourly consulting pay rate typically tries to compensate for the lack of benefits, as well as the risk of downtime and lack of security that accompanies the consulting business. Generally one can assume that with a direct-hire position that the true value of the compensation is the base salary, plus a minimum of 38% in benefits (Note: Some companies use a “burden rates of 50% markup on top of salary). For example, if the salary offered is \$60,000/yr., then the rate of \$30/hr is supplemented with approx \$14.50/hr in benefits. Additionally, consultant rates for 1099 and corp-to-corp have to add-in extra FICA burden to the consultant.

*Additionally, with the ever-expanding medical device market, that has put pressure on the consultant pay rates as well.*

### **How Have Market Changes Over The Past Three Years Affected Rates?**

Since 2003, JPG has seen not only the inventory of consultants on the market retract, but supply-and-demand has caused their hourly pay rates to move upwards as well. In 2003, many senior-level writing consultants were making in the \$35-40/hr range. Today in 2008, that average hourly pay range for consultants has increased to an average of \$45-50/hr.

Note: If JPG believes that what a consultant is asking not reasonable or not inline with either the client budget or the marketplace, we do express our opinion to the candidate so that it fits all the parties involved.

### **In Summary**

With the minimal markups of JPG (average 1.3), this has kept the bill rates within reason for many clients. Deservingly so, this has also put the money more in the pockets of the consultants for purposes of retention and stability for the client. *In cases of converting to direct-hire, there can be the potential gap in hourly rates.* However, in most cases in JPG’s history, this has not been an obstacle for converting consultant to direct-hire, as the gap is readily understood as being measured in two different ways: from a consulting non-benefits/higher-risk standpoint, and from a benefits/stability standpoint. Generally, the majority of the times where a consultant does not wish to convert, it is simply because they wish to remain a consultant.