



What is the cost of hiring someone VS outsourcing?



LET'S TALK COSTS: PERMANENT HIRE VERSUS OUTSOURCING

Having a permanent staff member handle a core business function always seems like a good idea –they can learn the ins and outs and become experts at what they do, better serving your business, saving you money and driving customer satisfaction. But the reality is you often end up with 'job creep' – where an employee's initial job specification (once concisely worded and with clear KPIs) starts to expand, with additional requirements peppered in over time and more responsibility lumped onto their plate. This leads to scattered attention, partially completed tasks and general unhappiness. And post-covid redundancies and business cost-cutting initiatives have only made this worse. You would also need to consider the cost of lost productivity due to this unhappiness and overwhelm.

There's a very real need to rescue employees from this fate by adding manpower but, as businesses struggle to recover from the pandemic's impact, this is often an impractical solution. The other side of this – which turns a permanent hire from a good idea, into a not-so-good one – is the true cost to your business.

If we work on averages for a senior project manager in South Africa, with an average hourly rate of R523*, you're looking at far more than just a standard labour cost.

What is 'job creep' and how can outsourcing help?





To calculate the true cost to your business you need to factor in employee benefits. We've factored some of the basic (and mandatory ones) into the table below:

TRUE COST OF EMPLOYEE BENEFITS FOR AN AVERAGE SENIOR PROJECT MANAGER

R99 411

Annual Employee Provident Fund contribution

R20 910

Annual medical aid contribution

R10 041

Annual UIF contribution (calculated at 1%)

TOTAL ANNUAL EMPLOYER CONTRIBUTIONS

R130 362

SOURCE : Talent.com , 2022

Now, let's work out the average annual overhead per employee if you have 20 employees, and a medium-sized office in a business park.

AVERAGE ANNUAL OVERHEADS FOR 20 SENIOR PROJECT MANAGERS

R 360 000

Annual premises rental

R 147 384

Annual premises utilities

R 95 616

Annual premises insurance

THE AVERAGE ANNUAL OVERHEAD PER EMPLOYEE

R30 150

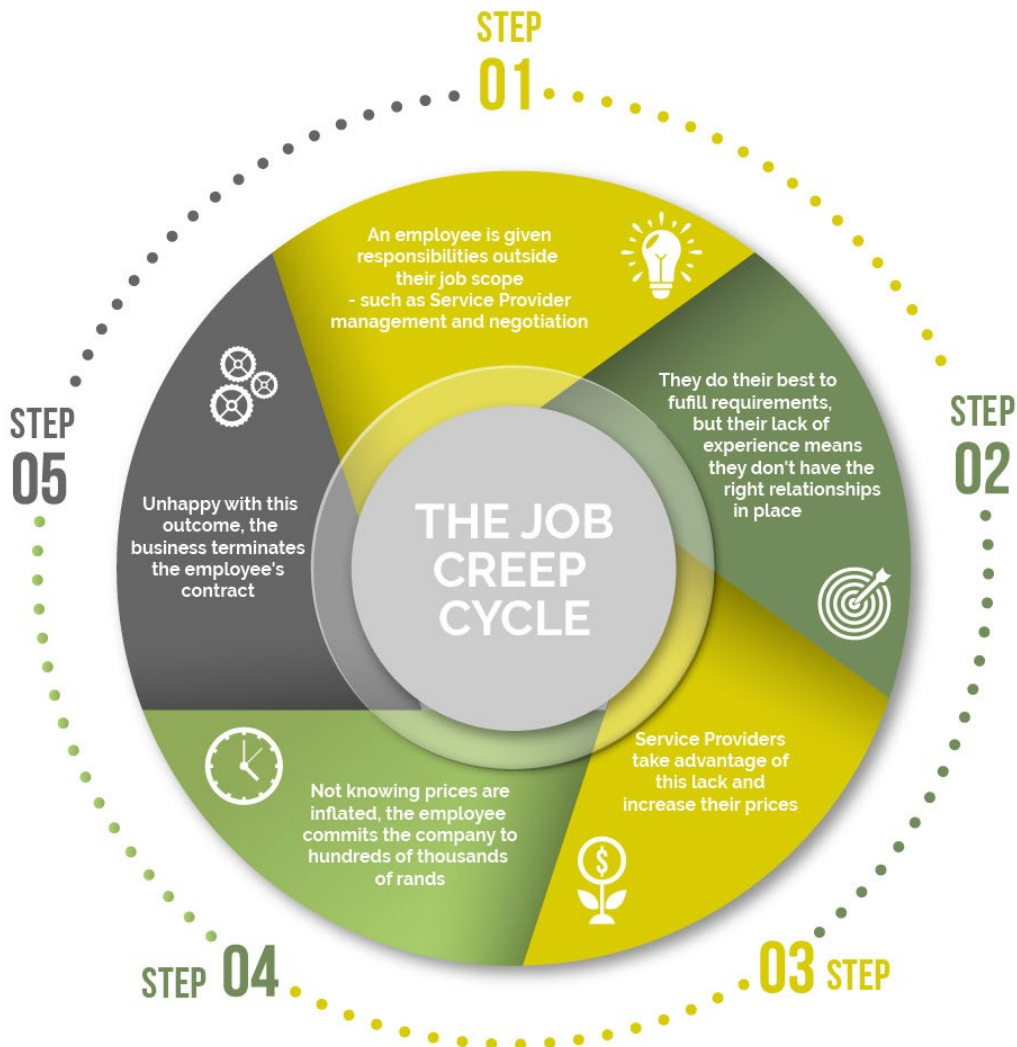


The true cost of hiring one senior project manager including benefits and overheads is roughly R160 000 more than what it looks like on paper. If that true cost was the same for all 20 employees used in the example above, you're looking at an additional R3.2 million per year. And bear in mind there are equipment and supply costs, other types of insurance like business interruption and cyber liability, and even (in some cases) costs for employee parking. The overhead costs above are conservative estimates based on small to medium business owner interviews.

Now, imagine if you could take that true senior project manager cost and funnel that into an outsourced partner who didn't require any of the contributions of a permanent hire? Not only is that money back in your pocket but it's also a dedicated resource fulfilling a specific function – no room for job creep and no employee buckling under mounting strain.

We've seen it countless times in business, where an employee with a set job spec is suddenly thrown into the deep end and required – with no experience, financial acumen, or Service Provider contacts of any kind – to arrange remote workforce accommodation, transport and catering. Not only is this unfair on the employee, but they can also commit the company to millions of rands simply because they're doing a job function they a) weren't trained for and b) that requires deep industry knowledge and the ability to negotiate with Service Providers.

The below cycle often repeats itself time and time again until CEOs and CFOs hire a dedicated outsourced partner.



To save both time and money, and remove the burden of job creep responsibilities off the shoulders of employees, relying on a dedicated outsourced partner is the way to go.