

## INTRODUCTION

# THE CHALLENGE OF HIRING & RETAINING TOP TALENT

recent report<sup>1</sup> surveying finance and accounting business leaders found that their teams are understaffed by 13%. And, it takes them an average of 75 days to recruit and hire non-executive positions, and 150 days to hire executives. Close to half (43%) of these leaders believe their biggest challenge is hiring and retaining people with the skills necessary to achieve business objectives.

What's the impact of all these statistics? Businesses are missing performance targets,<sup>2</sup> finance and accounting teams are overworked, burnout is commonplace, and turnover is constant as these professionals seek out better and higher paying opportunities in a tight job market.

#### But, this talent shortage is only getting worse.

In the coming few years, it is expected that the global economy will suffer from an 85% shortfall of qualified candidates. And, 75% of CPAs will retire, making the shortage of available talent for the accounting and finance industry even starker than other industries.

Furthermore, the mass migration to the freelance economy is accelerating the full-time talent gap, as more than half of the U.S. workforce--finance and accounting professionals included--is expected to be freelancing in the next decade.

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percentage by which finance and accounting teams report being understaffed 43%

of finance leaders say their biggest challenge is hiring and retaining top people 2027

expected year when the majority of the U.S. workforce will be freelancing



**This whitepaper** discusses the primary drivers of this talent shortage, explains the mass migration of high quality talent to the freelance economy, and makes a compelling case as to why finance executives should look to online labor marketplaces as the solution to the talent problem in the finance and accounting space.

### WHY YOUR TALENT IS LEAVING: BURNOUT

High turnover is a common reality facing almost all companies across nearly all industries. In examining employment trends for 2018, Forbes listed employee turnover as a rising trend.<sup>3</sup>

The primary culprit? **Burnout.** 

In a recent national study,<sup>4</sup> 95% of HR leaders admit that employee burnout is negatively affecting workforce retention.

In fact, burnout is responsible for 20-50% of the annual workforce turnover in the general workforce. In the finance industry, the effect of burnout is greater and far more pervasive than other industries; workplace stress and burnout has actually caused **42% of respondents in the finance industry to consider resigning and 40% to seek new jobs elsewhere.** 

### What causes burnout?

Causes of burnout have been largely traced to unfair compensation (41%), unreasonable workload (32%), and too much overtime/after-hours work (32%).<sup>5</sup> These culprits are often the norm in the Accounting & Finance Industry, especially for those working in the Big 4. Despite being cognizant of this issue and creating countermeasures, the rate of turnover is higher than ever, with a large amount of existing employees actively job searching. In fact, a study done by Deloitte, <sup>6</sup> revealed that only 35% of employees had plans to stay with their current company in the next 12 months.

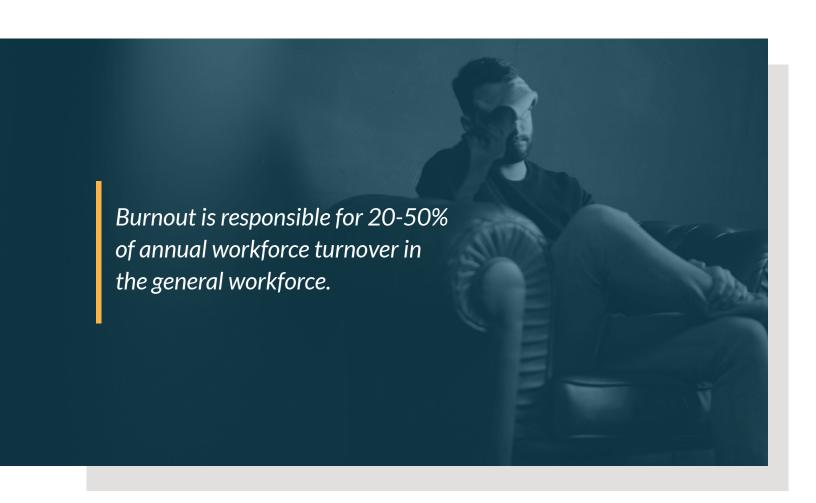




Anecdotes from CFOs we've interviewed support these statistics. One CFO told us there is a constant expectation to do more with less, to be able to quickly shift priorities, and manage multiple distinct projects as the company evolves at a quicker pace than ever before. Another CFO said that each member of her team wears many hats and frequently performs multiple roles. Even at the executive level, employees perform necessary tasks below their pay grade, which ultimately limits the finance department's ability to take on more of a strategic role in the organization without burning employees out.

In addition to burnout, mid-level management is particularly difficult to retain. People receive training at one organization and are enticed to other companies with higher base salaries.

Currently, organizations are attempting to increase their retention and decrease turnover rates with new, progressive initiatives; however, the turnover rates continue to rise. Clearly, these initiatives, however progressive and conformant to employees' desires, is not enough to solve the problem. But if the problem persists, the consequences will be devastating organization-wide.



Solving the Talent Shortage with the Freelance Economy

# The impact of burnout and turnover on companies

Organizations that aren't able to close the hiring and talent gap are shown to suffer financially, as the costs of finding, hiring, and bringing employees up to speed skyrocket. Employee turnover has ramifications that extend far beyond a need for talent.

#### Loss of time and productivity

as other staff may need to work harder to meet targets and deadlines, damaging group morale.<sup>7</sup>

#### Loss of institutional knowledge

In the current knowledge economy, employees in an organization are considered the key competitive advantage and the most important asset.<sup>8</sup> The loss of this asset is potentially damaging to an organization, especially since those that leave are often experienced staff, and it naturally takes time to replace that expertise.<sup>9</sup> What's worse is if the employee leaves for a competitor.

#### Damage to team or company morale

Churn can damage a team or an organization both before and after employee turnover. "Actively disengaged employees can be toxic to your work environment in the months and weeks leading up to their departure." Those that are dissatisfied are often more vocal about their dissatisfaction, which may cause a ripple effect on other team members. Active disengagement can shake the faith and loyalty employees have in an organization.

#### **High financial costs**

There is also the financial cost of turnover, with some studies estimating as high as 50% of an employee's salary<sup>11</sup> to find and replace the employee. These losses can include "separation costs" like severance and insurance payments to a terminated employee in addition to time spent processing employee termination by removing them from the benefits system and conducting exit interviews. In addition, there are expensive recruitment costs that come with backfilling the role.

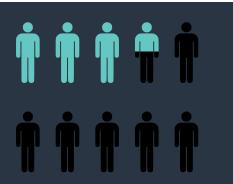
However, organizations shouldn't only be concerned about preventing talent from moving from one competitor to another; organizations should also be concerned about the mass migration to the freelance economy.



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# YOUR TOP TALENT IS MOVING TO THE FREELANCE ECONOMY

Studies show that in 2017 independent workers represented 35% of the total workforce<sup>12</sup> with many economists estimating that this figure could double over four years. Forbes quotes<sup>13</sup> 27 million Americans poised to leave full-time traditional employment for full-time self-employment.



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# But why is this mass migration to the freelance economy happening?



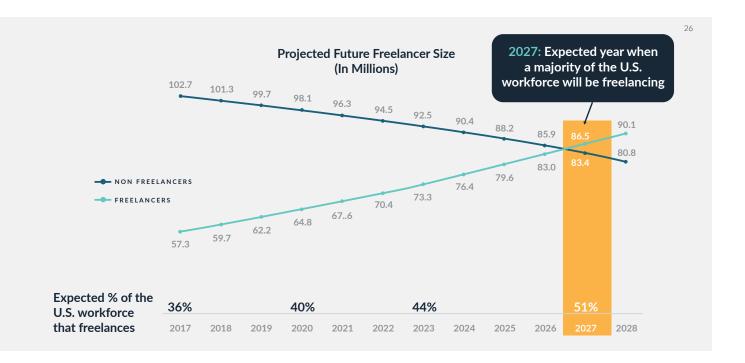
#### The emergence of Millennials as the majority of the workforce

According the Pew Research Center,<sup>14</sup> since 2016 millennials have replaced baby boomers as the largest generation in the workforce. With different values, attitudes, and motivators than the generation before, millennials are quickly changing the way work is defined and ushering in a new era entrepreneurship, autonomy, independence and most importantly, the freelance economy.



#### Shifting attitudes about work

The way millennials approach work is vastly different from generations before. According to Capgemini, one of the greatest shifts in mentality is the evolution of work-life balance towards work-life integration. Millennials "believe that the ideal job to have is one that doesn't feel like a job" and "are willing to work even harder and sacrifice more to achieve this level of integration." The line between personal and professional is increasingly blurred due to technology. Millennials "want the work they do to count for something in the world." According to Forbes, 70% of millennials want the people they work with to function as a sort of second family.



In addition to work-life integration, this new generation approaches goals differently. While millennials are willing to hit specific milestones for their organizations, they "want the flexibility to adjust [their] path based on growth and experiences along the way."

The freelance economy, then, seems like a perfect fit for core values from this emerging majority.



#### Need for autonomy and independence

In addition to the shifting attitudes about work, the desire for more autonomy and independence is greater than ever before. A recent study cited autonomy as the greatest motivator in people entering the freelance economy.<sup>17</sup> This is applicable to all generations, though most evident in millennials.

World Finance lists a few key driving factors<sup>18</sup> behind this migration—citing the financial crisis during millennial's formative years as a reason why this generation is propelled towards self-employment. What started as a vy for freedom from financial disaster is now a staunch desire to live with greater flexibility. "Gig workers log an average of 36 hours per week." 19 This is stark contrast to full-time employees in America, who are working an average of 47-hour weeks.

Though millennials are the catalyst of the mass migration to the freelance economy, they aren't the only ones drawn to the autonomy and independence. According to FreshBooks 2018 Self-Employment Report, 20 49% of freelancers are more than 50 years old, and 32% of baby boomers who currently work full-time plan to freelance in the next five years. As baby boomers reach retirement age, they value more work-life balance, an actual interest in their work, and a slow transition into retirement.



#### Opportunity for more income and career progression

According to a Deloitte study, the "amount of overall income received from alternative work is increasing," meaning more participants seem to be going all in when they do participate" in alternative work arrangements.

Freelancers are required to develop a more unique, targeted skill set in order to compete in the freelance economy landscape. This leverages them as an expert in a niche field, enabling them to demand more wages for their special expertise. On top of this, 43% of surveyed freelancers feel becoming self-employed will give them more control over their career. <sup>22</sup>

Many business leaders are still not convinced that this sea of change is happening. <sup>23</sup> The fact is, it is. It's just a matter of how fast. Global corporations like Microsoft and Google see it and are reacting quickly; <sup>24</sup> both have started building dedicated teams to tackle how their enterprises will engage with the future of work. Samsung and Microsoft both have On Demand Talent departments, which source freelancers for particular project-based tasks; Google created a Work Initiative that enables people to build and sustain successful freelance careers. "Increasingly Fortune 500 companies and global giants like Samsung are turning to online freelancing platforms... to find designers, marketing staff, IT specialists, and other knowledge workers." <sup>25</sup> In fact, 20% of Fortune 500 companies have partnered with Upwork for their talent needs.

Utilizing the freelance economy should now be as standard as the traditional, full-time employee. By not engaging in the gig economy, organizations are missing out on a crucial opportunity to drive efficiency with a talented, agile labor poor. As this sector of the economy continues to grow, opting out becomes less and less a viable option.



What online labor marketplaces has your company leveraged?

# THE FREELANCE ECONOMY: THE SOLUTION FOR THE TURNOVER PROBLEM

American unemployment is at very low levels, and finding the right talent for each role is more challenging than ever. If organizations ignore independent workers, 27 they are likely missing out on a pool of highly skilled, virtual team members. While these statistics can strike fear into the heart of nearly any executive, it should instead inspire a focus on talent and hiring the right team members, freelancers included.

# How does working with freelancers solve your finance team's talent problem?

#### Avoid burnout by "freelancing up" during crunch times

In every finance and accounting organization, there are times of the year when workloads increase substantially; employees are putting in 12+ hour days for weeks on end, and stress is high as the team fights to meet filing and other deadlines. In public companies, this is the quarter-end reporting process; in many SaaS businesses, this can happen at the end of the fiscal year as sales people close double and triple the business as in other months; in construction companies, summer months are much busier for everyone involved, including the finance and accounting team.

Every business has a busy season, and it's often understood as a necessary evil that the existing team will work harder and longer during those times. Rather than putting your team through these ups and downs, stresses, and possible turnover-motivators, provide them with freelance resources to help with their workload. Given a primary reason for attrition is workload, help solve that problem.

### Maintain team focus by using freelancers to tackle niche requests

88% of Fortune 500 companies on the 1955 list have been replaced by new organizations. Company priorities are shifting constantly and it's becoming increasingly important to test new strategies quickly, be agile, and fail fast. This is where freelance talent can be extremely valuable.

Prior to the widespread freelance economy, it would take months if not years to completely build out a new team. In this fast-paced economy, a competitor could emerge and steal the market in half that time. Instead, utilization of freelance talent would help test new strategies quickly—and scrap them if the project was not working just as quickly.

Another way to maintain team focus is to subsidize existing talent with niche expertise. A study conducted by Inavero in 2017 stated that freelancers are most typically utilized to fill skills not

current found within team. The managers that were surveyed reported that "freelancers started contributing to the team 40% faster" <sup>28</sup> and 4 in 5 hiring managers reported an increase in productivity due to the freelancer.

Not only are these freelancers ramping up to the task-at-hand more quickly, but they are bringing their knowledge and experiences to the organization, allowing for quicker innovation and faster adoption to environmental changes.<sup>29</sup> And it's been working: Samsung has cited an onboarding process<sup>30</sup> that is seven times faster than traditional methods.

#### Promote high performers with more challenging work instead of just more work

Oftentimes your best employees are the ones most likely to burnout. And how do we typically reward the best? With more work. As Harvard Business Review states, "many companies and leaders engage in three common practices, often unknowingly, that make top performers even more likely to burn out:<sup>31</sup> They put high performers on the hardest projects... They use high performers to compensate for weaker team members... [and] They ask high performers to help on many small efforts unrelated to their work."

It's this last practice where the use of the freelance economy will ease the burdens placed on high performers and prevent them from exiting the organization: take discrete, repetitive tasks off their plates to enable them to grow into more strategic roles. This strategy can be applied at any level of the organization.

You may be a CFO who needs a part-time controller to help manage the close each month so you can focus on more strategic issues. Or you may need an extra accountant during tax season so that your full-time accountant isn't putting in 80-hour weeks. Supplementing full-time staff with freelancers is an easy way to ease the burden and to keep in-house staff from burning out.



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#### Mitigate the effects of attrition by onboarding freelancers quickly

As we discussed earlier, it can take an average of 75 days to recruit and hire non-executive positions, and 150 days to hire executives. Does your team really have the energy to take on a second job for half a year without the risk of leaving themselves? Likely not.

While seeking a replacement for that full-time employee that suddenly left, a freelancer with the same skill set and industry knowledge can be quickly plugged in to fill that gap and equalize workloads. Once a replacement has been found, the freelancer can then be phased out. All the negative effects of attrition can easily be mitigated through strategic use of freelancers.

#### And... create efficiencies and save money

Working with the best talent is critical to the success of your team. Using freelance talent has several other benefits:

#### Better visibility into productivity

Hiring freelancers means managers need to be much more thoughtful and take the time to break a job function or project into concrete tasks, map these tasks to an expected completion time and review the actual completion time. In doing so, organizations now have a mountain of data at their fingertips: <sup>32</sup> efficiency of each employee, expected turnaround of each project, and cost for each project.

By digging into the data, team leaders may realize they have some underperformers hiding on their team or that the team as a whole isn't quite as productive or efficient as they thought. This in turn provides opportunities for leaders to address productivity and efficiency issues.



Large enterprises have started to realize the advantage of having visibility into this data and "in 2017 alone, enterprise businesses such as Airbnb, Dropbox, GE and Samsung posted more than 30,000 projects on freelancing platforms."<sup>33</sup>

#### Decreased HR costs

Financially, hiring freelancers means organizations can adjust their human resource costs, as they don't need to provide the costly benefits full-time employees expect to retain fractional talent. And, functionally, organizations are able to leverage a skill set that was previously absent on the team, and rather than spend the time and money sourcing a full-time employee for a short-term role (and subsequently paying for the onboarding and additional benefits), they can slot in a freelancer on an interim basis.

By utilizing the freelance economy,<sup>34</sup> organizations can more easily balance their functional and financial needs, scaling up or down as necessary.

By breaking a job function into concrete tasks and evaluating how long those tasks take to complete, organizations are able to see the efficiency of each employee, expected turnaround of each project, and cost for each project.

## CONCLUSION

Work has changed. Nearly every industry has seen a workplace evolution brought on by advances in technology, shifting financial climates, and a new generation of workers. Finance and accounting leaders are finding it increasingly difficult to find and retain the best talent due to burnout and the mass migration of talent to the gig economy. The question is not whether these changes will continue, but rather how organizations will adapt to them.

Organizations that are already using freelance finance and accounting talent are quickly seeing the benefits, as they are able to scale their teams up and down rapidly, provide support to their existing teams during crunch times, and bring on exactly the right talent when they need it. **When will you join them?** 

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