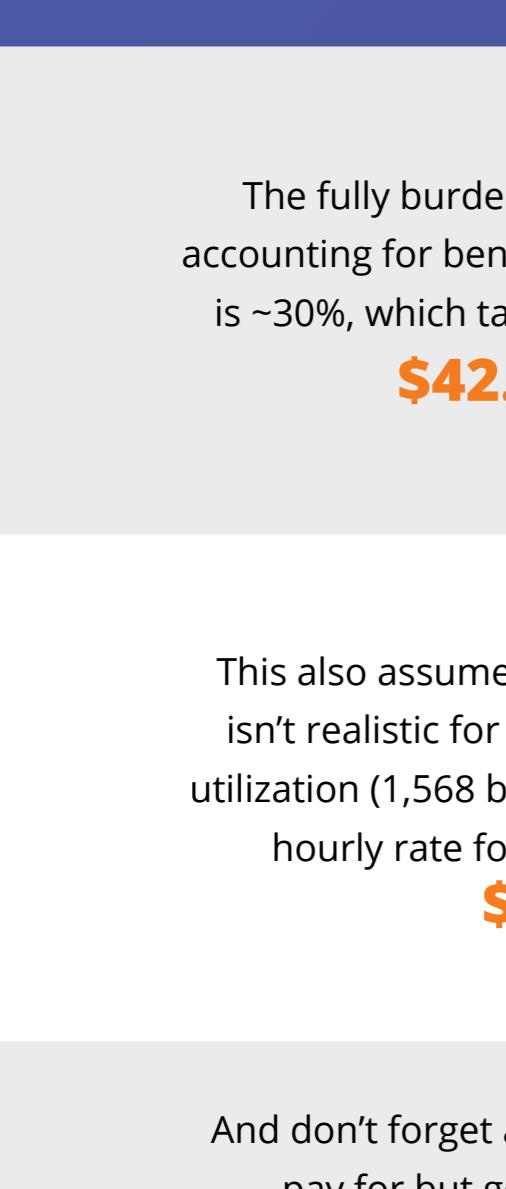


The true cost of IT field service labor

When comparing the cost of an employee (a W2) to an independent contractor (a 1099), many companies incorrectly think the 1099 is more expensive. Here's why that's generally not true, with two ways to evaluate cost – from a work order perspective and an annualized perspective.

Cost analysis #1: an individual work order

Comparing the hourly rate of a W2 resource and a 1099 resource is misleading. Here's why you should look at the cost of the work instead.



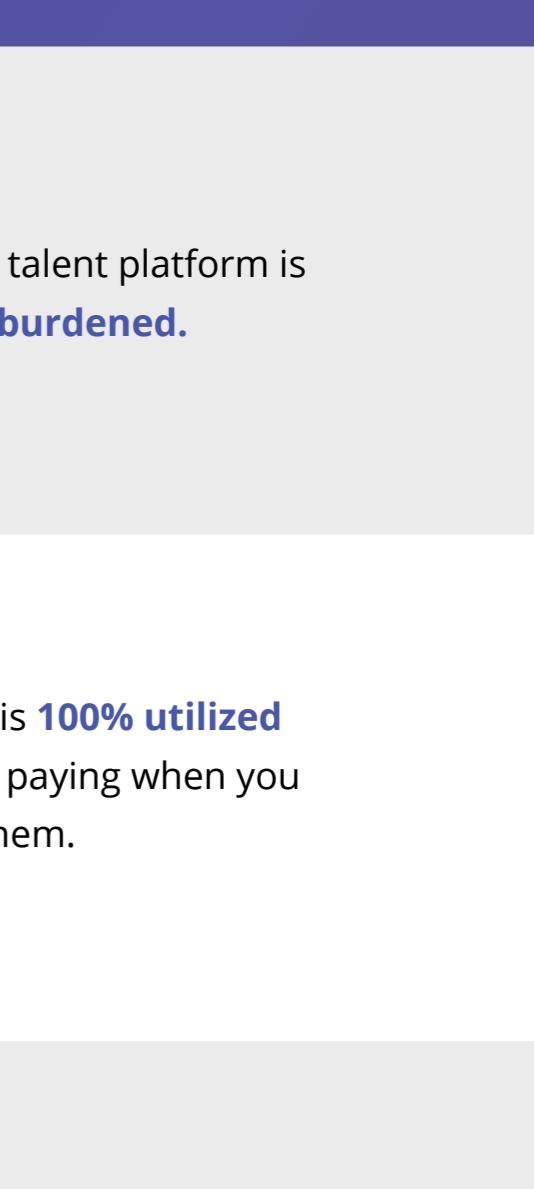
W2

\$32.31/hour =
\$63,332/year*
when dividing by 1,960
available hours (assuming
this employee gets three
weeks paid vacation)



1099

\$64.28/hour
(the average hourly rate for
800K+ work orders across
Field Nation's top 6 types of
work in 2022)



It's more expensive to use the 1099, right?
Not so fast.

The fully burdened cost of a W2 (when accounting for benefits, taxes, and insurance) is ~30%, which takes the hourly rate up to **\$42.00/hour**

This also assumes 100% utilization, which isn't realistic for a W2. If we assume 80% utilization (1,568 billable hours per year), the hourly rate for this resource is now **\$50.40**

And don't forget about the travel time you pay for but generally don't bill for.

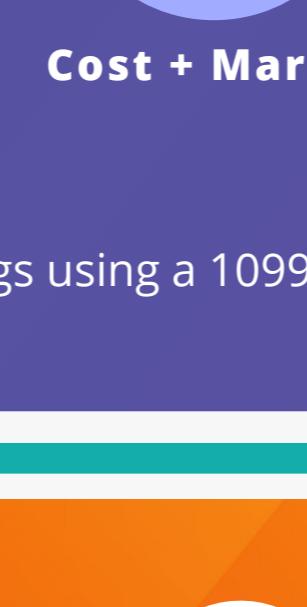
Let's say the tech drives 30 minutes to site, performs a 2-hour work order, and drives 30 minutes back.

That's **\$151.20** just in labor costs (\$50.40/hour x 3 hours).

Want to make 30% margin?

You'll bill your customer

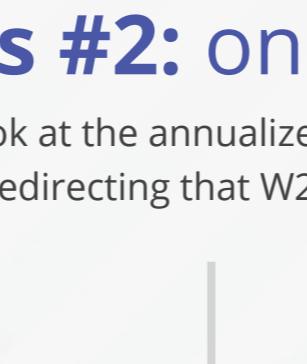
\$196.56



Hourly Rate



Utilization



Travel Time



Cost + Margin

The hourly rate on a talent platform is already **fully burdened**.

On-demand talent is **100% utilized** because you're only paying when you need them.

Want to make 30% margin?

You'll bill your customer

\$167.13

Per work order savings using a 1099 instead of a W2: **15%**



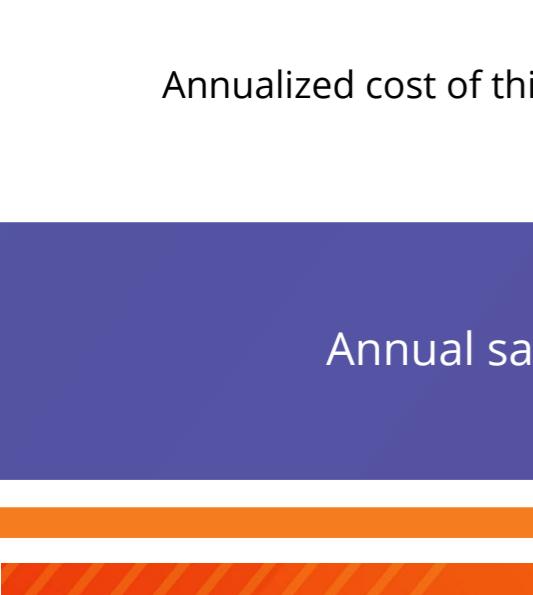
Comparing the Cost

Looking at the total cost of the work, which for employees includes benefits, less than 100% utilization, and travel time, gives you a much more accurate picture of cost than just comparing hourly rate.

*Network Field Technician salary information from salary.com

Cost analysis #2: on an annual basis

Now what if we step back and look at the annualized availability and cost of a W2 resource, and the advantages of redirecting that W2's work to a 1099 marketplace.



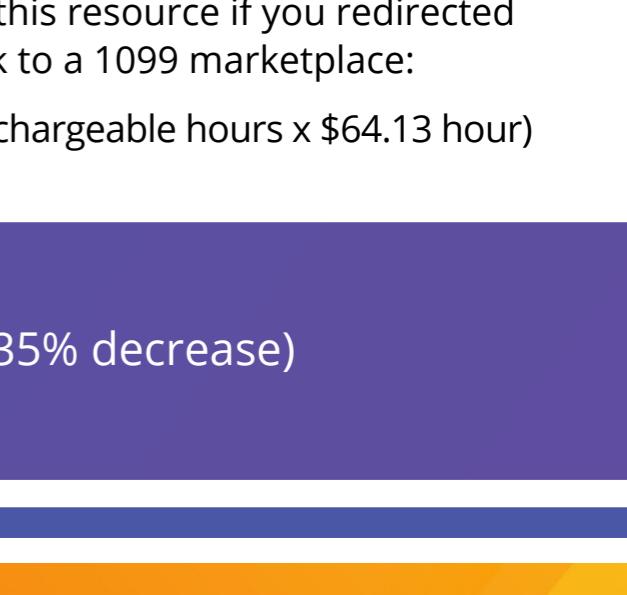
A SINGLE W2

\$32.31/hour =
\$63,332/year*
when dividing by
1,960 available hours
(assuming this employee
gets three weeks paid
vacation)

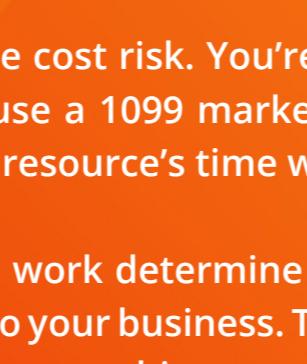


AN ENTIRE 1099 MARKETPLACE

\$64.28/hour
(the average hourly rate for
800K+ work orders across
Field Nation's top 6 types of
work in 2022)



Assuming 3 work orders per day and 1.5 hours time to task per work order



Chargeable Time



Utility



Additional Costs

Total Cost

Available work days:
245 (8 hours / day x 49 weeks)

Chargeable time = **1,103 hours**

Available utility = **56%**
(1,103 chargeable hours / 1,960 available hours)

Paid utility = **53%**
(1,103 chargeable hours / 2,080 paid hours)

On top of base salary,
what else goes into a W2's **total cost**?

Overtime pay: **\$5,040** (assuming an OT rate of 50%)

Benefits: **\$19,000** (assuming a 30% cost burden)

Mileage: **\$8,400** (assuming 15,000 miles per year)

Availability pay: **\$3,900**
(assuming an on-call rate of \$150 per week)

Tools and training: **\$1,000**

Allocated cost: **\$53,195**

Idle cost: **\$47,164**

Annualized cost of this resource: **\$100,358**

Available work days:
365 (24 hours / day x 52 weeks)

Chargeable time = **unlimited**

Available utility = **100%**

Paid utility = **100%**

The hourly rate of a 1099 resource is already **fully burdened**.

Allocated cost: **\$65,115**

Idle cost: **\$0**

Annualized cost of this resource if you redirected W2's work to a 1099 marketplace: **\$65,115**

(1,103 chargeable hours x \$64.13 hour)

\$35,243 (a 35% decrease)

Comparing the Results

The problem with W2s is that they create idle cost risk. You're paying them the same fully burdened hourly rate whether they're working or not. When you use a 1099 marketplace, you're hiring a skill set that's 100% utilized because you only pay for the resource's time working (not their time not working).

The goal isn't to eliminate W2s, it's to let the work determine the **workforce**. Make sure you're using W2s on the high-value, high-complexity work that's core to your business. Then you can use 1099s for things like projects, smart hands, and work happening across diverse geographies – and get that work done right but also cost-effectively.

Ready to start saving?
fieldnation.com/contact