*Male Participant*: And if you haven't heard from me enough – I'm just kidding. I get to introduce a great friend of mine named Miles Everson. I met Miles many years ago when he was the global head of consulting and advisory for PricewaterhouseCoopers. So he was the head of PwC, which actually means that he was the head of one of the biggest professional services firms, one of the biggest consulting firms in the world. He had been at PWC for like 30 years of his career. Starting out just as an accountant and then going into becoming the head. At one point, PWC had sold off its consulting group, which was – They left after selling off all the pieces made worth 500 million of consulting, and Miles and his team helped rebuild it to this amazing firm that it is today, which is another 11 to 12 billion in revenue.   
  
And he says to me a few years ago, he says, "Yeah, I'm gonna retire." And I said, "You're gonna retire. You're only 53 years old. What are you gonna do for the rest of your life?" And he said, "No, I got something bigger in mind." I said, "Bigger than having achieved being the head of PWC consulting?" He goes, "Yeah. Something bigger." And that's what he's gonna talk about now. He's also a user of uniform accounting as you might imagine. And he was also a long term Stansberry subscriber like you and also our first lifetime partner for Altimetry. So anyway, please join me in a warm welcome for Miles Everson.

*Miles Everson:* Thanks, Joe. Well, good morning, and thanks for spending time today. How many people have heard about the great resignation? Well, I'm gonna share with you some stuff today that I think it's a lot more about the great realization than it is the great resignation. And that's not just a play on words, cause I'll go through some trends that I've been tracking for about a decade, cause as you might imagine, I manage a very large you human capital team, excess of 60,000 people globally. And I've been on these trends for a long time, trying to understand what it meant for the future work for myself and for society in large. And there are some very significant trends that are not temporal, that are happening, that are really gonna change the way you generate returns in the future. So let's get into it.   
  
The four trends that I've been tracking for a long time. The first one has to do with the rate of change is accelerating. I know that's not a news bulletin to people in this room. But the significance of the rate of change accelerating is that the rate at which innovations are coming out is also accelerating. And when innovations converge, you get demonstrable impacts on society. Let's just play one that everyone's thinking about these days. Artificial intelligence. Artificial intelligence is invented in 1956. After about three attempts to get mass adoption of artificial intelligence, we finally got it in the '80s. And that adoption was in the world of electronics trading. Why could we do that?   
  
We're able to do it because of innovations in technology, data storage, data organization, data movement. Without that AI failed on every attempt. So I'm sitting here now in the mid '80s and we're using it for electronic trading. Only 20 years later, AI is now being used in smartphones. Why is that? Bandwidth on communication networks, nanotechnology, mobility technology. It's independent innovations that converge and allow us to put a billion dollar computer in our pockets, which ties to the second mega trend that's happening, which is progress is deflationary when it has societal impact.   
  
Who would've thought that you could be carrying billion dollar computers in your pockets by billions of people on the planet. We're only talking about 20 years ago folks, not even. Another example, take the genome project, cost 100 million to decode the genome in 2000. Today you get it done for less than $1,000.00 at scale. Progress is deflationary when it has societal impact. We're gonna continue to see this and it's gonna happen at a faster and faster rate.   
  
So, now let's go a little bit closer to home on the topic of talent and human capital. And this is the power of knowledge flows. In the industrial era, the strategy was always, I'm gonna get my intellectual property, I'm gonna keep that as a secret recipe, and then I'm gonna sell it mostly in binary transactions. But today, knowledge flows, which is, I open up my questions, I open up my technology to get more people thinking of about it and solving for it. I would argue that the most innovative technologies on the planet today are coming from open source technology. That's the power of knowledge flows. GitHub, roughly 50 million people working on 30 million projects doing development. You would think that you would only do that for one company, because the tech development is so proprietary. GitHub works for every large tech company in the world. That's knowledge flows. It's no longer about protectionism. Protectionism rarely, rarely works in the long term.   
  
Which now gets me to the fourth one, which is the fractionalization of everything. The first tracing that I can see of the fractionalization of everything goes back to – It's a couple hundred years at this point, but it's the East Dutch India Trading Company. So what happened for those of you that aren't familiar with it is an individual investor would finance a ship of goods to go to a destination. And too frequently because of storms or disease, those goods would never get to the destination. So you have 100 percent loss. So a few folks got together and said, well, instead of me backing just one shipment, why don't five of us get together and we just take 20 percent of five? Sounds a lot like risk diversification. It's a couple hundred years ago, that's where it was invented.   
  
And then we saw all kinds of fractionalization. I would argue that traded equities traded bonds, traded commodities are all fractional assets. The one asset that was fractionalized in this country that has fueled our economy for the last 40 years is home ownership. If I was sitting in room with people that don't have the wealth that sits in this room, and I said, how many of you own your home? 80 percent of the hands would go up. I'm sorry. I should have been more specific. How many of you have the title or the deed to your home? Right? So in this room, there's a lot. In the typical room, it's less than 25 percent of the people. Why is that? It's because we fractionalized home ownership through these things called mortgage backed securities, starting in the '80s, and it has fueled the US economy. Liquidity and markets both rise.   
  
The good news for those people that don't own their own home or don't have their own deed is they probably are invested in an asset backed security somewhere in a fixed income or a balanced fund. That's a positiveness. I'm sorry, I was a slide behind. Should have had that one up. But let's talk about, let me back it up here, the pandemic. So I hear a lot of people talk about the pandemic, and they say, well, it's changed remote work and that's why there's a whole bunch of people now that are choosing to be independent. And I'm gonna get to some specifics on this in a moment. But what's happening well before the pandemic is that we began to see the start of the fractionalization of the workforce no longer being just full-time employees. That's why I left where I was. And I came to do what I'm doing today.   
  
Because once you fractionalize that asset class, the human capital asset class, people are gonna get a better way of life, it's gonna improve their wellbeing. And companies need to fractionalize because a full-time dedicated workforce is no longer sufficient in terms of attracting the best talent. So you got both sides are working at this. What the pandemic did do. We haven't been able to prove cause and effect, but there's high, high correlation between societal acceptance of remote work and the use of independent professionals in a workforce. We'll see it over time how it flushes out, there's just not enough data yet. But it's high, high because the expectation of how you do work has changed.   
  
Another topic to touch on here on the remote work is there's a group of folks now that are workers that are referred to as digital nomads. And a lot of people think that those are young kids that go to the islands and surf in the morning and work in the afternoon. Well, I'll tell you it's a lot more than that. United States today, there's 15 and a half million people that call themselves digital nomads. That's up 42 percent from 2020. And the logical responses – Well, of course it is Miles, cause everybody had COVID, so they decided they could go be digital nomads. Well, it's up 112 percent since 2019. It's not a short-term pandemic trend, it just got the attention. I would argue that the pandemic, as it relates to the workforce, has accelerated remote work somewhere between five to ten years. The technology was already there, the limitation was cultural acceptance of remote work. The human is the constraint, not the technology.   
  
I hear a lot about, we got a problem with AI automation, it's gonna eliminate all the jobs and people aren't gonna have work to do. We have a human scarcity issue not a human abundance issue when it comes to work. There's a number of factors that work here. In the United States, we are at the lowest growth of population that we have been since the 1700s. 3 million baby boomers retired this year. The best thing for baby boomers that are healthy and wanna work is, you are really scarce. You're in high demand.   
  
There's a company named Emsi, E-M-S-I, that is a data and economics firm that deals with talent. They published a report called the Demographic Drought about six months ago. In that report, they're estimating that the labor shortage in the United States is somewhere between six and seven million people today. You say, let me think about this. I got a labor shortage of six million people. I got the lowest participation in the labor participation that I've had in decades. 1970, was about 61 and a half percent labor participation rate. And unemployment sits at 4.8 percent. Yet I'm still short six million people for these jobs. We don't have an issue of technology taking away jobs, we have an issue of not enough people to fill the jobs that are gonna get done. Technology amplifies humanity, it will not replace it.   
  
So, let's dig a little deeper in some of this data. The employer employee bond is broken. In 1980, 60 percent of private companies in this country offered a defined benefit retirement plan. Today, as of May, three percent of American workers working for private companies have a defined benefit plan. That was the start of the break in the bond. Now, we could debate whether those defined benefit plans were financially smart or not, but the reality is they were here, they're gone. It broke the loyalty that an employee had. You look at the stats in front of you right here, if you are under 45 years old in the United States, you will change companies on average every 4.1 years. If you're under 35, you will change companies every three years. Who thinks the United States is gonna have a permanent workforce for any company? The full-time employee model for human capital management is dead.   
  
It's not gonna go away in its entirety, but if what you're relying on is you're only, CEOs all the time. I'm higher, the best and brightest. No, you don't, cause there's over 50 million Americans that choose to be independent. They're not even on your radar screen. That doesn't count all the people that are working for some of the business process outsource firms. By definition, you can't make that statement. It's just not true.   
  
So, this is a little dense chart and I apologize for that. It's more data. This is from the Bureau of Labor Statistics. And what this shows, that little tan or orange-ish color on the bottom, is the new business applications by people that had a high propensity to employ others. The gray is those new business applications by people that had a low propensity i.e. likelihood to employ others. So it's solo entrepreneurs. They wanna incorporate, they wanna start their own business, whether it's product services, doesn't matter. What you can see is that orange line on the bottom has ticked along since 2006, so the last 15 years, basically at the same level until the pandemic hits. And then you see some volatility in there. It is the gray section where you see demonstrable change. It was ticking along between 75 and 100,000 application a month for about 12 years. Then you start to see it spike up. But look what you see in '20 and '21, you go from averaging about 100,000 new business applications a month to over 500,000. People are choosing to be independent professionals. They're starting their own businesses.   
  
The question is where are those people going that change companies every four years or every three years? Well, the current data tells us they're gonna go start their own business. They're not gonna be available to go to work for a company. They've gotten a taste of what it feels like to control their own day. It's very different than what it was. So the company I'm with today is a company called MBO Partners. And we've got the longest running research on the state of independent consultants in the United States, just over a decade of research on it. Been publishing for over ten years. So this year, what we saw was – This is the great realization I talk about. 2021, we're up 34 percent for independent professionals in this country. In one year, up 34 percent. then you say, well, okay, had COVID, probably up, get it.   
  
68 percent of that growth was in millennials and Gen Zs. For the last 30, 40 years in this country, independent contractors, professionals, contingent worker, whatever name you wanna put on 'em, were largely people that had worked two, three, four decades, quasi retired, they were gonna do some consulting gigs on the backend. That's not what's happening now. The Gen Zs are declared as the most entrepreneurial generation in this country. And we're seeing it in our numbers. These numbers, at 34 percent increase, it's over 51 million people that are independent professionals in this country. It's a third of the US workforce.   
  
The other encouraging thing is, and this is part of the reason I came to do what I'm doing now is to give access to more people to the economic flows. So what you see is the growth is 55 percent are being driven by women coming back into the workforce as independence. So, now we've got – Why are they doing this? Is this a fad? So these happen to be the current statistics for this year, but they're effectively the same for the last five years. And here's the story. 87 percent of independence say that they're happier than when they were a full-time employee. 78 percent say they're healthier, and two thirds say they're more financially secure. That's shocking.   
  
If you're an independent, the best independence, they basically have a half dozen or so clients that they work for. So what did they do? You're back to diversification. They diversify the income stream for their household and they're not beholden to that manager they don't like, or that company that decides they're gonna do a merger, et cetera, et cetera, et cetera. They control their own destiny. And because they control their own destiny, they're actually happier. Who doesn't wanna be happier, healthier, and more financially secure? What's interesting about more financially secure, we don't have the data on it, but from my conversations with them, I think it's just because they have a much higher financial acumen. Cause they need to figure out how they're gonna get work, how they're gonna pay the bills next month. They're not relying on anybody else for their retirement plan. It's on them. They own it.   
  
And the point I made about the millennials in the Gen Zs, that 68 percent growth of the 34, that frontend of the funnel is now pushing through. So as the baby boomers retire, we're gonna see these rates skyrocket in terms of the number of people that are working as independence. I've got five predictions for you of what's gonna happen as it relates to the workforce. Number one, we will see the fractionalization of the human capital asset class accelerate. I know some people might think that me calling the human capital of people, an asset class is a bit crass, but when you're talking about how you're gonna get a return, how you're gonna get in a company, you gotta view them as a resource you're deploying, and am I getting a return on that?   
  
Joe was up here 45 minutes ago, an hour ago and talked about how you record assets and the gap doesn't reflect the assets. There's no asset on the books for my human capital. It's an expense. In fact, when there is something on the books, it's a liability because I got a liability for vacation pension accruals. It's not an asset. It's a mismatch in the financial numbers that are reported.   
  
The second prediction here is global wage scales normalize for many white collar workers. We're seeing it today. And when I say 'it,' because of remote work, because of all the innovations on technology, the best – I'm gonna use developers as an example. If you're a great JavaScript developer, and you live in, I'm gonna just pick India, you will make about 20 to $25.00 an hour for your work. A JavaScript developer in the United States will take about $100.00 an hour. Well, if I don't care where they work, a five percent compression on the US wage is $5.00. That same $5.00 is a 25 percent increase in the take home pay for the person working in India if they're an independent. I'm not suggesting we're gonna see an equilibrium anytime soon, I am suggesting that we will see compression in certain white collar job classes.   
  
So, my third prediction is that politicians will pursue protectionist and tax revenue policies. One of the largest sources of tax revenues is wage taxes and income taxes. And so we know that they're gonna do – So protectionism, you've seen it in some of the California AB5 stuff that's come out. AB5 is a rule that basically says, everybody should be classified as an employee. There's two schools of thought. One school of thought is, they should be classified that way because the big guy, the corporation is picking on the little guy, the unskilled person and taking advantage of him on these tech platforms.   
  
The other argument or thought is that it's because the government wants a consolidated tax collection system in place. So you can't paint all workers with the same brush, because I'll tell you, people write on my platform are making 200, 300, some are making over $1 million a year, they're PhDs. They don't need a government bureaucrat telling 'em whether they should be an independent business or whether they should be an employee. Tax revenues already we're seeing is happening in certain countries. So in Brazil, if you offshore work, just offshore services work, when that bill comes into Brazil, it's got a 40 percent bat tax on it. And they're doing it because they want Brazilians doing the work, and if they're not gonna do the work then the foreign use of that service, they're gonna pay the tax.   
  
So I talked about this a minute ago, but the next prediction is that the balance of power accelerates to the worker. As a corporation, I no longer give them any handcuffs. Back in the industrial era, how did workers get power? Organizing unions. Who needs a union to organize today? You can organize in five minutes on social media platforms. And you need to look no further than the last presidential election to see how fast workers can mobilize to influence society and company's decisions. The balance of power is going to accelerate to the worker.   
  
And when you're good at what you do, you have those five, those six clients, you get to pick which ones you work for. And if some of them are rude, they don't treat you fairly, you'll just pick another one. Cause there's scarcity and because you can. Innovations have made it possible to do this. And it's societally acceptable to work remotely, to communicate asynchronously. Just to be clear, synchronous communication is when we're communicating back and forth real time. Asynchronous is when you don't have to do it immediately. We're doing massive amounts of asynchronous communication in the world today. Our education system effectively had to do it during the pandemic. That's gonna be a societal change that will last forever.   
  
So the last prediction here is that by all of our research and analysis tells us that by 2025, over 50 percent of Americans will have worked as an independent during their career. That's only five years out. You go further out, it's gonna be a much higher percentage. So you'll have half for your workforce that you're trying to attract, that identifies themselves as an independent not as an employee. So how do you possibly deal with this if you're an enterprise? You can't ignore it.   
  
I mean, every company you talk to, I don't have enough of the right people. Nobody can get enough of the right people. It's because they're fishing in the wrong pond. They think people means that they wanna be employees. They don't. So I had Joe's team before I came to MBO. I said, "I have this thought, but let's pressure test it." Can you tell me if there's any type of correlation between the creation of enterprise value and the relative share of independence to full-time workers? Let's look at the data, was what I was trying to do. And so two years ago in the same industry, those companies that had higher relative share of independence versus full-time workers, thousand basis points better on enterprise value. They ran it again for me in July, 1,400 basis points higher. That same sector competing against each other, just what's the relative share of independence.   
  
You could say it another way, in what share of the workforce are owners of their own business with an entrepreneurial spirit? It's not just classification for tax payment, it's the way people are wired. And are you tapping into the people that are actually entrepreneurial? We saw it at Amazon. They said they were gonna give people $10,000.00 to go start their own business. They happened to get it and they have a very high percentage of independent workers.   
  
So I do have a couple of stock picks here for you. I'm not a stock picker by background, but working with Joe and his team, we identified three. So the first is Cognizant. Cognizant unleashed the power of outsourcing. They did it when people were basically doing outsourcing to arbitrage wage between different economies. What you see here, it's rated in A and their return on assets as reported is basically ten-ish percent return on unadjusted or on assets on uniform basis is in the 30s. They've now started to lay in more technology. But think of this as they're part of the extended workforce of an enterprise.   
  
My next one, Excel Service Holdings. And I I'm getting the hook here, I went longer than I thought. Excel Services, they're doing this in insurance companies. So they've taken and they offshored, and then they automated in insurance companies. And if you look at their numbers, you go back – In fact, these guys are up over 100 percent this year. And you can see as reported versus the uniform. As reported, they look like their return on assets is five percent when in fact it's more like 30 percent. the gap financials aren't reflecting this. And then the third one that I had is, I don't think that there's so much a company that has focused on themselves using independence as an advantage, but they make a lot of money helping other companies deal with the leadership issue and recruiting people that are gonna set the stage for them for the next several years. And that's Korn Ferry. So with that, I thank you for your time, and I'll get outta the way.

*Female Participant:* I don't wanna interrupt stock picks, but we gotta get you to your break. So thank you.

*Miles Everson:* Thank you.

*Female Participant:* I do not wanna interrupt stock picks.

*[End of Audio]*