

THE “TRUE” COST OF AN EMPLOYEE

According to a survey of our various branches, the true cost of an employee (the average of all industries included in the study) was the employee’s hourly rate plus an additional cost representing 56.55 percent of the wage rate. In other words, an employee who receives an hourly rate of, say, \$10.00 really costs you \$15.66 ($\$10.00 + 56.55\% (\$5.66) = \$15.66$). Or, more clearly stated a \$400.00-a-week employee really costs the employer \$626.20. These additional costs are outlined below.

Mandatory Costs (required by law)

- Federal Social Security Tax 7.65%
- Federal Unemployment Tax 0.80%
- State Unemployment Tax 2.9%
- Worker’s Compensation 4.3%

Total Mandatory Cost 15.65%

Hiring Costs (cost involved in putting an employee into the payroll system)

- Recruiting, hiring, training, book-keeping, payroll 6.90%
- Severance Pay 0.10%

Total Hiring Cost 7.00%

Discretionary Costs (cost which by practice have in most instances become obligatory)

- Vacation 4.90%
- Holidays 3.40%
- Sick Pay 1.30%
- Pension Plan 5.40%
- Profit Sharing 1.20%
- Health & Life Insurance 11.9%
- Bonuses & Incentives 0.40%
- Contribute to Thrift Plan 0.60%
- Non-Working Time 3.50%
- Miscellaneous Benefits 1.30%

Total Discretionary Costs 33.9%

TOTAL ADDITIONAL COSTS 56.55%