

Employers now pay average employment costs worth nearly 25% of employees' salaries

- Have governments pushed employment taxes too high?
- Brazil and Europe hit employers with highest employment costs

The average extra cost, across the world, to businesses in social security and other “taxes” of employing a worker is now almost 23% of an employee’s salary*, according to research by UHY, the international accounting and consultancy network.

UHY tax professionals studied data in 25 countries across its international network, including all members of the G7 and the emerging BRIC economies. UHY calculated the value of payments a company had to make, such as social security contributions, on top of the gross salary they pay to individual employees (see tables below).

UHY says that the average employer will have to pay out an extra USD 6,757 on top of a gross salary of USD 30,000 in various employment costs (22.5% of gross salary), from mandatory pension provisions to healthcare cover. For a gross salary of USD 300,000 the average employer has to pay an extra USD 41,206, 13.7% of the gross salary.

Ladislav Hornan, Chairman of UHY, says: “Governments in many countries have heaped on extra employment costs over the past decade or so. In countries with precarious financial positions and unemployment problems, high employment costs are now undermining the job creation agenda.”

“Lower employment costs can help labour market flexibility and new business creation, which can be vital in periods of economic difficulty.”

Ladislav Hornan adds: “Many of the social security structures that exist today were put in place decades ago, and the principles behind them haven’t been touched for decades. Some would argue, employment costs have been allowed to grow unchecked as a result.”

“The countries with the consistently lowest employment costs are places like the US, Denmark, India, and Canada.”

UHY adds that **seven of the ten** countries with the highest employment costs for low or middle income workers are European. An average European employer must pay an extra USD 17,860 (23.8% of gross salary) on salaries of USD 75,000 – American employers have to pay an extra USD 6,182 (8.2%) and Chinese employers have to pay an extra USD 9,263 (12.4%).

Ladislav Hornan says: “Now that parts of the world – particularly Europe – are struggling economically and have increasingly elderly populations and fewer workers contributing to the social security system, existing social security structures could become even more of a burden for businesses.”

“We have the terrible situation where high employment costs may actually prolong the European unemployment crisis. Businesses in some European countries will be unwilling to take on new workers knowing that the salary they pay the worker is actually just a fraction of what that worker will actually cost.”

Ladislav Hornan adds “Europe might have comparatively low employment costs for very high earners, but this won’t help businesses that can’t afford to hire the huge number of unemployed graduates or young people looking for their first job.”

UHY says that average G7 employers have to pay an extra USD 7,263 (24.2%) on top of a gross salary of USD 30,000, and an extra USD 61,063 (20.4%) on top of salaries of USD 300,000. For average employers in BRIC countries, the respective employment costs are USD 8,488 (28.3%) and USD 56,565 (18.9%).

UHY adds that there is a huge disparity between countries with the highest employment costs and those with the lowest. Employment costs for gross salaries of USD 30,000 are 16 times higher in the countries with the heaviest burden than they are in countries with the cheapest employment costs.

For salaries of USD 300,000, employment costs in the most expensive country – Brazil – are 40 times higher than those in the cheapest country – Denmark. Brazilian employers must pay an extra USD 172,667 on top of a gross salary of USD 300,000 (57.6% of gross salary), while Danish employers must pay an extra USD 4,332 (1.4%).

Ladislav Hornan says: “While the most expensive countries are typically European, Brazil actually has the heaviest employment costs in the study. Brazil has consistently high employment costs for employees at all salary levels, with employers having to regularly pay out over 50% of an employee’s salary in extra costs.”

“Brazil has sacrificed low employment costs for low personal taxes or indirect taxes. This might be a boost for the consumer economy, but this balance could hurt the new business and job creation that is needed to keep economic growth sustainable.”

UHY adds that there are also significant disparities between employment costs within Europe.

Employers in Italy – the European country with the highest employment costs – have to pay an extra USD 15,544 in social security costs on top of a salary of USD 30,000 (55% of gross salary). In Denmark, employers have to pay an extra USD 1,632 – just 5.4% of the gross salary.

Ladislav Hornan says: “Countries like the UK, Germany, Ireland, or Denmark have an advantage in that their employment costs are far lower than those elsewhere in the Single Market. It’s much cheaper to start a new business and take on new workers than it is anywhere else in Europe.”

Eric Waidergorn, Director of UHY Moreira and member of UHY in Brazil, says: “Brazil’s employment costs are exceptionally high, which will hold back new business development and job creation and could encourage informal employment arrangements. While direct personal taxes are low, compared to developed countries and BRICs, high employment costs are a significant hurdle to Brazil’s economic development.”

Martin Cairns of McGovern, Hurley, Cunningham, LLP and member of UHY in Canada, says: “Unlike other countries, Canada has managed to keep its mandatory employment costs relatively low as a percentage of salaries over the past couple of years, leaving Canadian businesses with some of the lowest mandatory employment costs in the world. This will have contributed to Canadian businesses’ ability to cope with the dip in international trade that followed the financial crisis.”

Payments made by businesses on top of gross salaries by USD and payments as % of gross salary

| # | Country | \$30,000 | \$30,000 | # | Country | \$75,000 | \$75,000 |
|----|-----------------------|-----------------|---------------|----|-----------------------|------------------|---------------|
| 1 | Brazil | \$ 17,267 | 57.56% | 1 | Brazil | \$ 43,167 | 57.56% |
| 2 | Italy | \$ 15,544 | 51.84% | 2 | Italy | \$ 37,374 | 49.86% |
| 3 | France | \$ 12,836 | 42.79% | 3 | France | \$ 32,277 | 43.04% |
| 4 | Slovakia | \$ 10,560 | 35.20% | 4 | Austria | \$ 23,392 | 31.19% |
| 5 | Czech Republic | \$ 10,200 | 34.00% | 5 | Czech Republic | \$ 22,774 | 30.36% |
| 6 | Spain | \$ 10,020 | 33.40% | 6 | Slovakia | \$ 21,687 | 28.92% |
| 7 | Austria | \$ 9,357 | 31.19% | 7 | Japan† | \$ 19,345 | 25.79% |
| 8 | China | \$ 9,263 | 30.88% | - | Europe Average | \$ 17,860 | 23.82% |
| - | BRIC Average | \$ 8,488 | 28.29% | 8 | Spain | \$ 17,847 | 23.80% |
| 9 | Romania | \$ 8,421 | 28.07% | - | G7 Average | \$ 17,830 | 23.78% |
| - | Europe Average | \$ 7,999 | 26.67% | - | BRIC Average | \$ 16,500 | 22.00% |
| 10 | Japan† | \$ 7,738 | 25.79% | 9 | Germany† | \$ 15,810 | 21.08% |
| - | G7 Average | \$ 7,263 | 24.21% | - | Global Average | \$ 14,582 | 19.44% |
| 11 | Germany† | \$ 6,841 | 22.81% | 10 | Australia† | \$ 13,122 | 17.50% |
| - | Global Average | \$ 6,757 | 22.52% | 11 | Romania | \$ 12,684 | 16.91% |
| 12 | Mexico† | \$ 6,788 | 22.63% | 12 | Netherlands | \$ 11,749 | 15.67% |
| 13 | Russia | \$ 6,319 | 21.06% | 13 | Russia | \$ 10,819 | 14.43% |
| 14 | Australia† | \$ 5,249 | 17.50% | 14 | Mexico† | \$ 10,206 | 13.61% |
| 15 | Netherlands | \$ 4,867 | 16.22% | 15 | China | \$ 9,263 | 12.35% |
| 16 | Israel | \$ 4,221 | 14.07% | 16 | Malaysia | \$ 9,204 | 12.27% |
| 17 | Malaysia | \$ 3,804 | 12.68% | 17 | Nigeria | \$ 9,000 | 12.00% |
| 18 | Nigeria | \$ 3,600 | 12.00% | 18 | United Kingdom | \$ 8,582 | 11.44% |
| 19 | Ireland | \$ 3,225 | 10.75% | 19 | Ireland | \$ 8,063 | 10.75% |
| 20 | Canada† | \$ 2,745 | 9.15% | 20 | Israel | \$ 7,147 | 9.53% |
| 21 | USA† | \$ 2,652 | 8.84% | 21 | USA† | \$ 6,182 | 8.24% |
| 22 | United Kingdom | \$ 2,486 | 8.29% | 22 | Canada† | \$ 5,242 | 6.99% |
| 23 | UAE | \$ 2,182 | 7.26% | 23 | UAE | \$ 4,772 | 6.35% |
| 24 | Denmark | \$ 1,632 | 5.44% | 24 | India | \$ 2,753 | 3.67% |
| 25 | India | \$ 1,101 | 3.67% | 25 | Denmark | \$ 2,082 | 2.78% |

| # | Country | \$300,000 | \$300,000 |
|---|-----------------------|------------------|---------------|
| 1 | Brazil | \$ 172,667 | 57.56% |
| 2 | Italy | \$ 146,523 | 48.86% |
| 3 | France | \$ 124,062 | 41.35% |
| 4 | Japan† | \$ 77,379 | 25.79% |
| - | G7 Average | \$ 61,063 | 20.36% |
| - | BRIC Average | \$ 56,565 | 18.85% |
| 5 | Australia† | \$ 52,488 | 17.50% |
| - | Austria | \$ 45,870 | 15.29% |
| 6 | Europe Average | \$ 44,454 | 14.82% |

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|----|-----------------------|-----------|---------------|---------------|
| 7 | Czech Republic | \$ | 43,024 | 14.34% |
| - | Global Average | \$ | 41,206 | 13.74% |
| 8 | United Kingdom | \$ | 39,294 | 13.10% |
| 9 | Malaysia | \$ | 36,204 | 12.07% |
| 10 | Nigeria | \$ | 36,000 | 12.00% |
| 11 | Russia | \$ | 33,319 | 11.11% |
| 12 | Ireland | \$ | 32,250 | 10.75% |
| 13 | Romania | \$ | 27,197 | 9.07% |
| 14 | Slovakia | \$ | 23,487 | 7.83% |
| 15 | UAE | \$ | 19,177 | 6.38% |
| 16 | Spain | \$ | 17,847 | 5.95% |
| 17 | Germany† | \$ | 17,817 | 5.94% |
| 18 | Mexico† | \$ | 15,831 | 5.28% |
| 19 | USA† | \$ | 12,283 | 4.09% |
| 20 | Netherlands | \$ | 11,749 | 3.92% |
| 21 | India | \$ | 11,010 | 3.67% |
| 22 | Israel | \$ | 10,985 | 3.65% |
| 23 | Canada† | \$ | 10,079 | 3.36% |
| 24 | China | \$ | 9,263 | 3.09% |
| 25 | Denmark | \$ | 4,332 | 1.44% |