***Managing costs: What’s the cost of one more person?***

That’s an easy question! If their salary is £25,000, the cost of one more person in £25,000. And conversely, if we lose someone from our team we’ll save £25,000.

Except it isn’t quite that simple. The employer will also pay National Insurance (currently 13.8% in the UK above the threshold level) and employer’s pension contributions on top of the salary. This could boost the £25,000 by as much as 25%.

However, most teams are pretty well stretched, and the team resources usually include some overtime or agency staff. Taking on an additional team member should reduce these costs. So the additional costs of one more staff member will be £25,000 (plus employer on costs) less the agency and overtime savings.

If we lose someone from our team we’ll save their salary cost, but we’ll probably have to pay for additional overtime or agency staff at busy times. How will the salary saving compare to these additional costs?

Then there’s a few more things to consider.

**The difficulties of a seasonal workload**

If we’ve got a heavily seasonal workload we’ll have lots of overtime and temporary staff in the busy season, and may be struggling to keep our full-time staff usefully occupied in the quieter season.

If we increase staff numbers that will reduce the overtime and agency bill in the busy period, but there may well be part of the year when we don’t need that staff member at all – yet now we’re committed to paying them!

**Flexible working**

Clearly one solution to a seasonal workload is a more flexible “whole year” contracts, with staff working longer hours in the busy season and not working at all in the slacker season – but not everyone will fancy that. Imposing that solution on existing staff may cause resentment: which will make our job harder!

**The overtime load**

It’s not just about finding the most cost-effective solution, it’s also about finding a solution that works in the long term. If the most cost-effective staff structure gives ab unacceptable level of overtime in the busy season, and results in staff sickness, it won’t be cost-effective!

**What does this mean for you?**

This issue recognises that the structure of our team affects our costs.

How many people do you have in your team, and how much overtime, temps and agency staff? What’s the interplay in your costs between increasing (or reducing) your permanent team, and reducing (or increasing) your temporary staff costs? What would be the knock-on implications of either option on your team and its effectiveness?

You may find that the additional member of staff you want doesn’t cost £25,000, but costs a lot less due to the savings in overtime and agency staff.