

How much an Employer of Record costs, and when your own entity is cheaper

For one 5,000 dollar a month hire in Germany, an EOR runs about 79,800 dollars in year one against about 123,800 dollars to open your own entity. The math only flips at around five to six people in one country.

Published 2026-06-24 · A Mue guide

You found the right person abroad and now have to decide how to employ them. The two options are an Employer of Record, which hires them on your behalf for a per-seat fee, or opening your own legal entity in that country. The list fee makes the EOR look expensive. For your first hires it is almost always the cheaper choice, and here is the math.

Both options share the same employment cost

Whichever route you take, you pay the gross salary plus the employer-side statutory contributions for that country. In Germany that burden is about 21%, so a 5,000 dollar a month gross costs roughly 6,050 dollars a month before either model adds anything. That part is identical, so it is not what the decision turns on.

What each model adds on top

- EOR: a flat per-seat fee, around 599 dollars per employee a month at published list rates. It scales linearly: every extra hire adds another fee.
- Your own entity: a one-time setup of roughly 20,000 dollars in Germany, plus about 2,600 dollars a month in running payroll, accounting and compliance. That fixed cost barely moves whether you have one employee or ten.

One hire in Germany, year one

- Through an EOR: about 79,800 dollars (the 6,050 dollar employment cost plus the 599 dollar fee, over twelve months).
- Through your own entity: about 123,800 dollars (the same employment cost, plus a full year of overhead, plus the one-time setup).

For a single hire the EOR is roughly 44,000 dollars cheaper in the first year, because you are not paying to stand up and run a legal entity for one person.

Where your own entity wins

The EOR fee grows with every seat; the entity fixed cost does not. They cross when the stacked per-seat fees overtake the entity overhead plus amortised setup, which on the German baseline is around five to six employees in that one country. Below that, the EOR is cheaper.

Well above it, your own entity is, and the gap widens with each extra hire.

The contractor route, and its catch

Engaging the person as an independent contractor skips the employer burden and carries a much smaller fee, so the monthly cost drops sharply. It is only legitimate where the relationship is genuinely independent. If it is really employment in all but name, misclassification penalties can dwarf everything you saved, so treat it as a real option only when the work truly is independent.

What the per-seat fee does not include

The roughly 599 dollar figure is the platform fee. Three real lines sit outside it, and they are what catch people out when the first invoice lands.

- A refundable security deposit. Many EORs hold a deposit, often around one month of gross salary per employee and up to a few months in some countries, to cover final pay, severance and tax true-ups. It is returned after the employee offboards, so it is not money you lose, but it is cash locked up before your first payroll.
- A currency markup. If you fund in one currency and the employee is paid in another, the conversion usually carries a markup over the mid-market rate, often a couple of percent, built into the exchange rate rather than itemised as a fee.
- Statutory extras and benefit markups. The gross-plus-employer-contributions baseline still has to carry whatever the country mandates on top, such as a 13th-month payment in some markets, and supplemental benefits like private health or dental often add an administration markup on the provider side.

None of these flip the conclusion: for your first hires the EOR is still the cheaper route. They are the lines to ask about in writing before you sign, so the quote you compare against your own entity is the real all-in number, not just the headline fee.

The point

An EOR is not the expensive option; it is the option that avoids a fixed cost you cannot justify for one or two people. The honest answer depends on your country, salary and how many people you plan to hire there, so put your own figures in and read where the two lines cross.

Frequently asked questions

How much does an Employer of Record cost?

At published list rates an EOR is around 599 dollars per employee per month on top of the gross salary and the country employer statutory contributions. For one 5,000-dollar-a-month hire in Germany that is about 79,800 dollars in year one all in.

Is an EOR or your own entity cheaper?

For your first hires the EOR is almost always cheaper. The same German hire costs about 79,800 dollars via an EOR versus about 123,800 dollars to open and run your own entity in year one. The math only flips at roughly five to six people in one country.

When should I open my own entity instead of using an EOR?

When you have around five to six employees in the same country, the EOR per-seat fees start to exceed the fixed cost of running your own entity. Below that, the entity setup and maintenance overhead makes the EOR the cheaper route.

Does an Employer of Record require a deposit?

Many do. EORs commonly hold a refundable security deposit, often around one month of gross salary per employee and up to a few months in some countries, to cover final payroll, severance and tax adjustments. It is returned after the employee offboards, so it is not a fee you lose, but it is cash locked up before your first payroll, so plan for it even though it does not change the EOR versus entity math.

Are there hidden EOR costs beyond the monthly fee?

A few sit outside the platform fee and the gross-plus-statutory salary cost: a refundable security deposit (often about one month of salary), a currency-conversion markup when your funding currency differs from the pay currency (often a couple of percent, built into the rate), an administration markup on supplemental benefits, and surcharges in markets with complex labour law. Ask for these in writing so the quote you compare is the real all-in number.

Run your own EOR vs entity numbers

Free, no signup: agent.mue.app/tools/eor-global-hiring-cost-calculator

agent.mue.app/articles/how-much-an-employer-of-record-costs

