pave + NEWFRONT

Total Rewards Report:

The True Cost of Hiring in 2025

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Introduction



Do you know the true cost of your employees?
Is your people spend in line with your competitors'?

In today's volatile and unpredictable economic environment, companies are reconsidering all forms of spend. People spend in particular is under scrutiny as more leaders consider big investments in computing power to leverage AI technologies. This makes it more important than ever to understand the true cost of your employees relative to market peers.

Yet, while pressure is mounting to maximize organizational efficiency, every company still wants to hire and retain the best and brightest. Getting your total rewards mix right, including cash compensation, equity awards, and benefits, still matters a great deal.

In this report, Pave and Newfront are partnering to explore the true cost of hiring in 2025. By combining insights from our proprietary datasets, we can generate a holistic view of total rewards costs. This allows us to create powerful benchmarks for companies to consider across multiple dimensions, including by headcount size, industry, and location.

Key Findings

01

As one would expect, cash and equity compensation vary by company size, industry, and location. However, variations in equity practices are far more significant than other elements of pay. This indicates equity is the best area to both manage spend and create competitive differentiation.

02

Our work shows that, on average, core benefit costs (medical, dental, vision, and ancillary offerings) for technology companies range between 10% and 15% of base salary, influenced by benefit levels and employee demographics.*

03

Medical costs are higher for smaller companies, as they often default to fully insured plans, which are more expensive, while larger employers implement tactics like high-performance networks, claims analytics, and prescription carve outs.

*Averages based on collected Newfront/Pave data

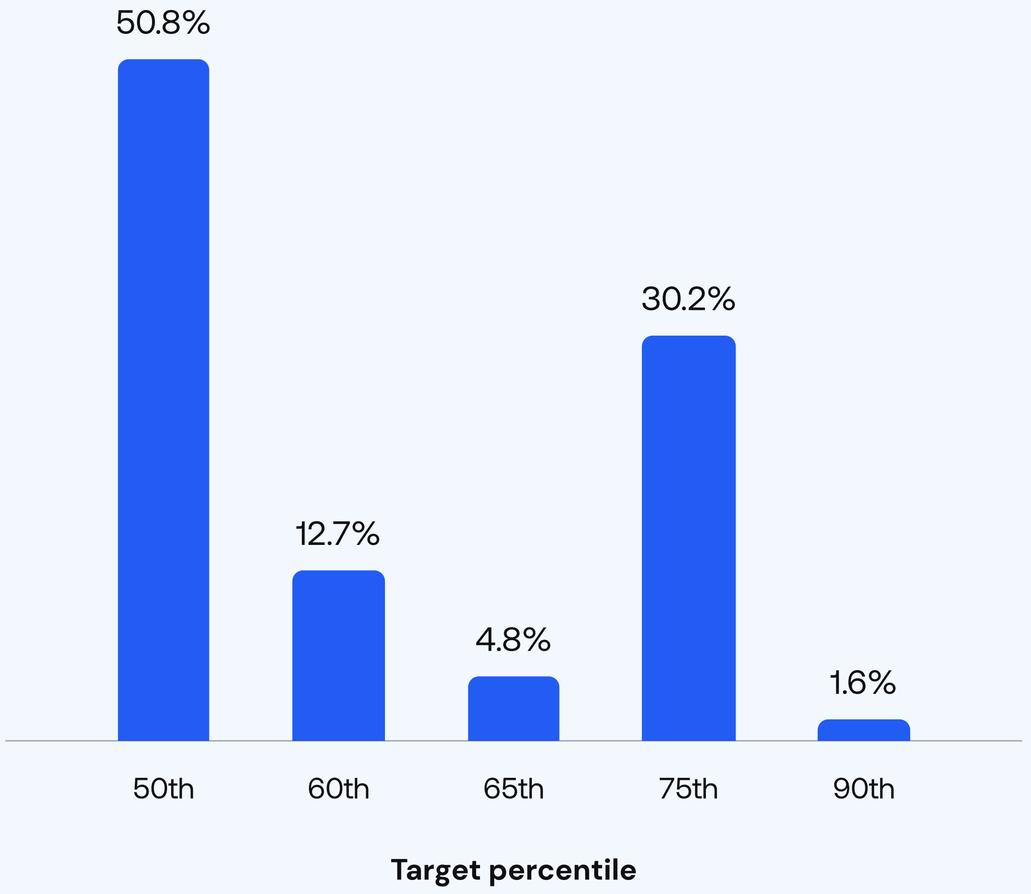
Cash Compensation Spend

Where do companies typically target their compensation levels?

Throughout this report, you'll see charts with data focused on the 50th percentile of the market and higher. We made this decision based on a recent Pave Pulse Survey in which all participating companies indicated that they target base salaries at the 50th percentile of the market or higher.

Of course, every employee is not paid at these levels, but for benchmarking purposes, it is clear that companies are most interested in understanding practices at the middle of the market and above. Now, let's look at the true cost of hiring in 2025.

What percentile do companies typically target for base salary?



Source: Pave
Sample size: 63 survey respondents

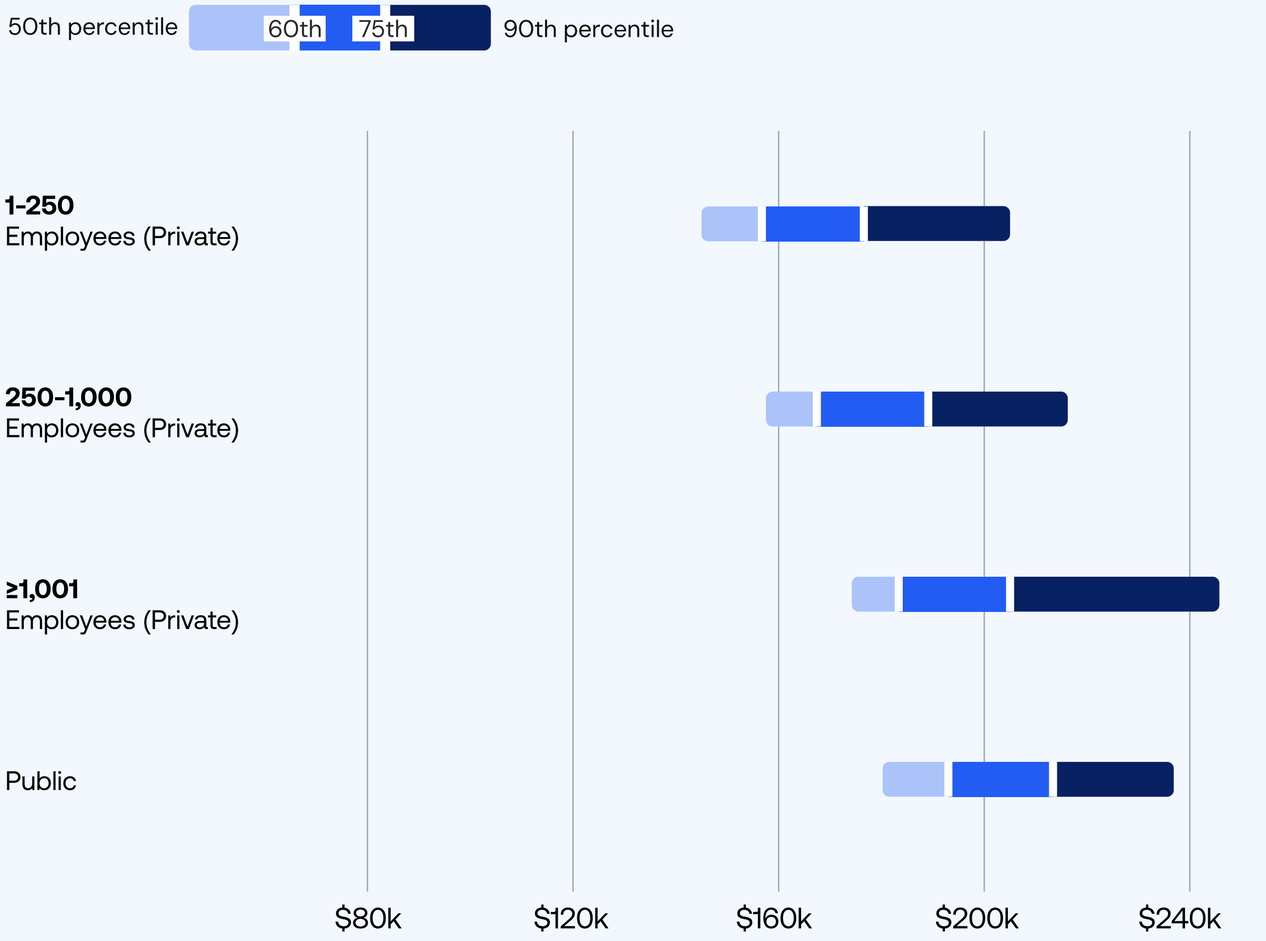
Cash Compensation Spend:

Benchmarks by Headcount Size

Our research shows that on a per-employee basis, cash compensation spend (including base salary and variable pay) increases as headcount grows. In general, bigger companies pay more, and smaller companies pay less. Additionally, public companies pay more than private companies.

The one exception we see in this pattern is at the 90th percentile of cash compensation spend for private companies with more than 1,000 employees. When it comes to competing for top talent, large private companies display a willingness to pay more than public companies.

Annual cash compensation spend (base + variable) per employee by company size



Source: Pave
Sample size: 8.7K companies

Cash Compensation Spend:

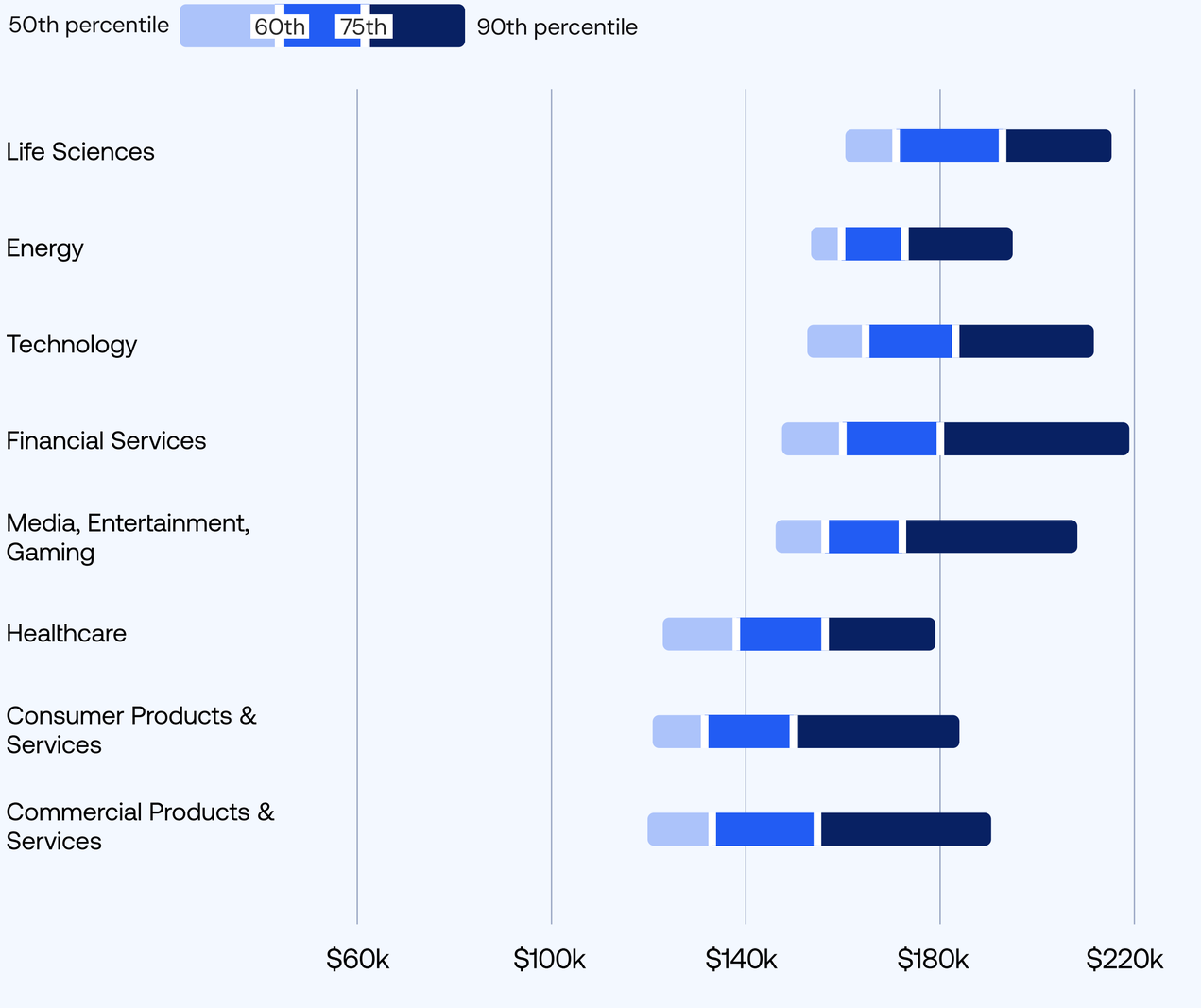
Benchmarks by Industry

Next, let's zoom in on cash compensation spend per employee by industry—a crucial set of metrics as most companies benchmark pay against industry peers.

In this case, our research shows Life Sciences and Technology companies generally have the highest cash compensation spend per employee. However, at the 90th percentile, Financial Services companies actually top the chart. Meanwhile, companies in the Commercial Products & Services, Healthcare, and Consumer Products & Services industries pay at the lowest levels.

An important note: Pave's technology sector data primarily includes software companies.

Annual cash compensation spend (base + variable) per employee by industry



Source: Pave
Sample size: 8.5K companies

Cash Compensation Spend:

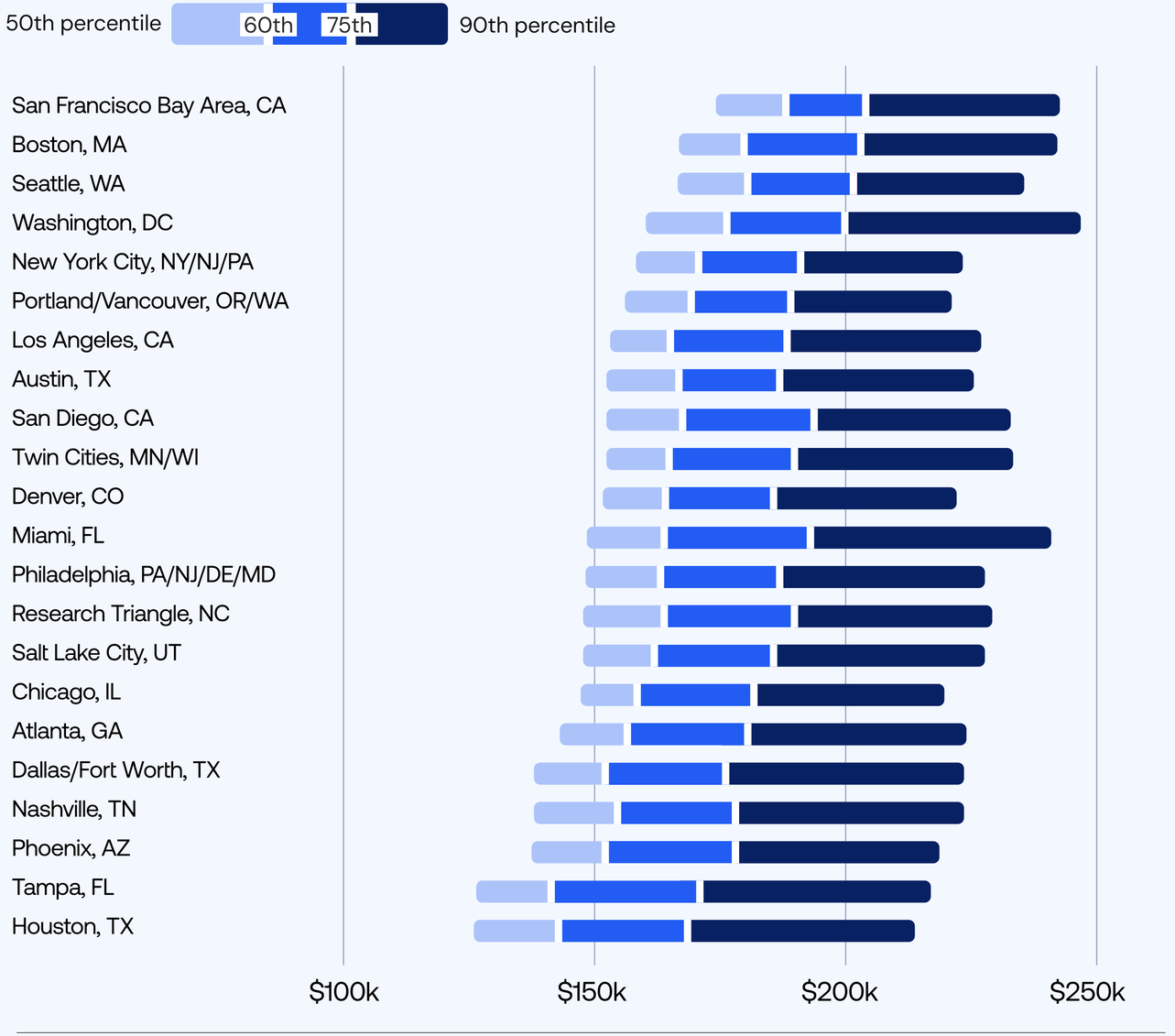
Benchmarks by US Location

Location is another very important factor to consider when it comes to benchmarking pay, as the cost of labor varies widely from market to market.

In the United States (US), cash compensation spend per employee is generally highest in the San Francisco Bay Area, Boston, Seattle, and Washington, D.C. At the other end of the scale, the Tampa and Houston markets see the lowest levels of cash compensation spend per employee.

Whether inside the US or across global markets, companies continue to have ample opportunities to manage people spend through their people location strategy. Of course, talent density and quality must also be considered before moving to lower cost markets.

Annual cash compensation spend (base + variable) per employee by US metro



Source: Pave
Sample size: 8.5K companies

Equity Compensation Spend

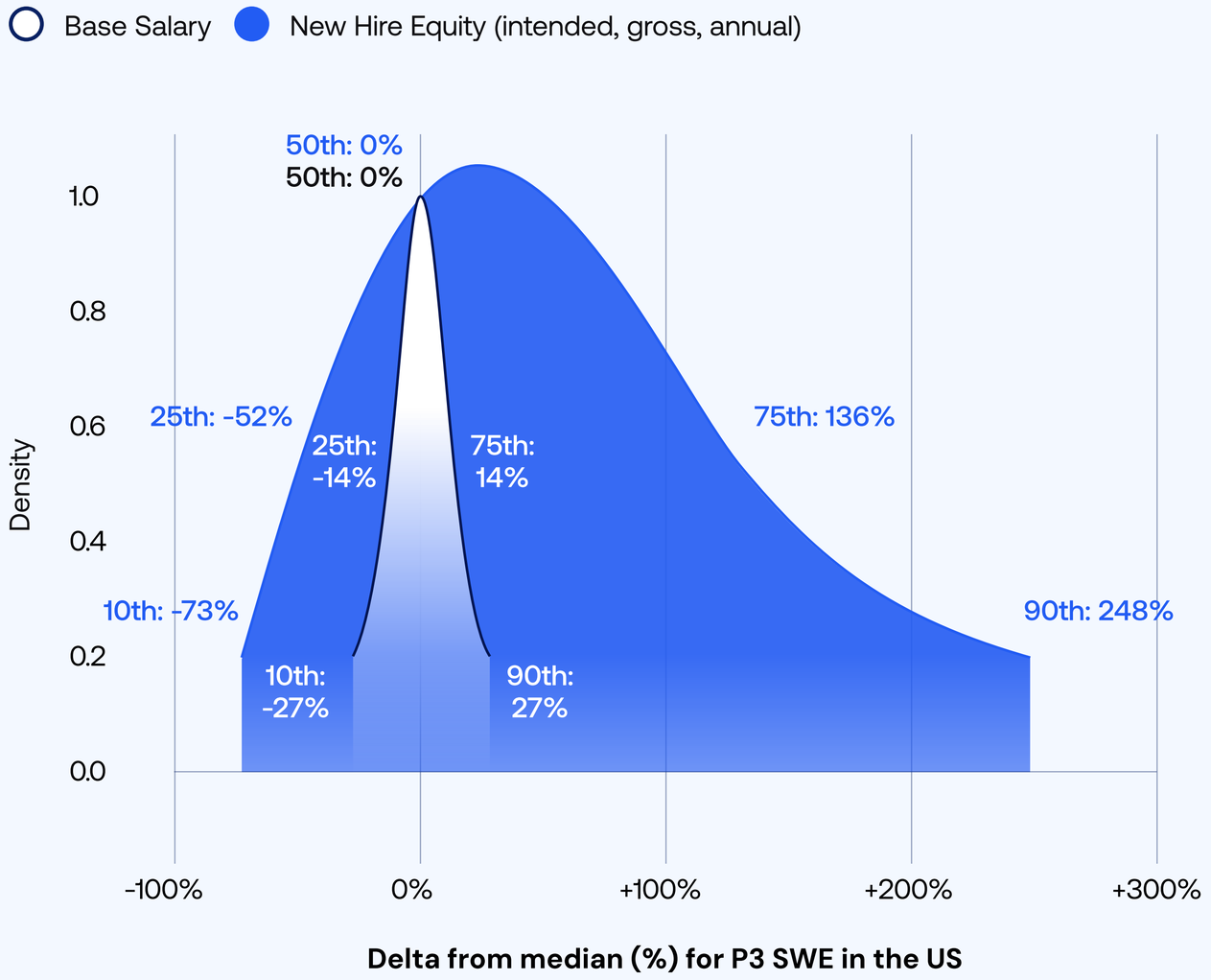
Cash vs Equity Distribution

Before we dive into equity compensation spend benchmarks by headcount size, industry, and US location, it's important to take a moment to look at distribution patterns for cash and equity pay. To get straight to the point, equity award values are all over the map and significantly right-skewed.

To help readers better understand this dynamic, let's take a look at mid-career software engineers as an example. Across the entire US, base salaries for this job are very consistent and evenly distributed around the market 50th percentile. Indeed, the difference between the 25th and 50th percentiles is 14%, and the same is true for the difference between the 50th and 75th percentiles.

In contrast, benchmarks for new hire equity awards are far from symmetrical. The 25th percentile of the market is 52% less than the 50th percentile, and the 75th percentile of the market exceeds the 50th percentile by 136%. We share this point to prepare you for what follows in this report—you will routinely see 90th percentile figures that far exceed the 50th, 60th, and 75th percentiles of the market.

Base salary vs. new hire equity for mid-career software engineers



Source: Pave
Sample size: 5K level P3 employees mapped to the Software Engineering job family at public companies

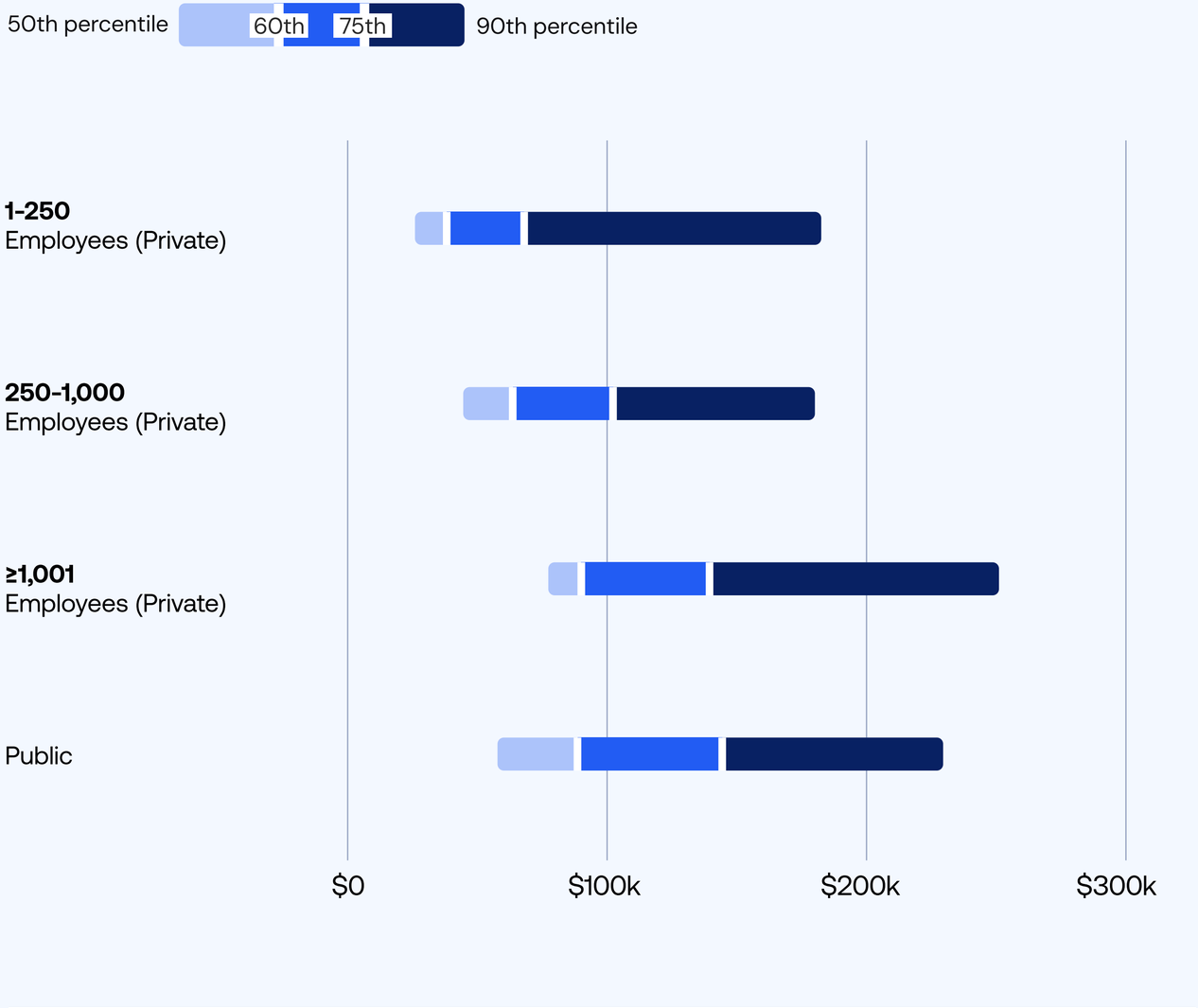
Equity Compensation Spend:

Benchmarks by Headcount Size

Our research shows that on a per-employee basis, equity compensation spend (calculated as the gross, actual value of equity awards vesting in the next 12 months to simulate stock based compensation expense methodologies) increases as headcount grows. As is the case with cash compensation spend, bigger companies generally pay more, and smaller companies generally pay less. Additionally, public companies pay more than most private companies.

Again, we see some breaks from this pattern when looking at large private companies with more than 1,000 employees. When it comes to competing for top talent, large private companies display a willingness to pay more than public companies.

Total equity spend per employee per year by company size



Source: Pave
Sample size: 2.2K companies

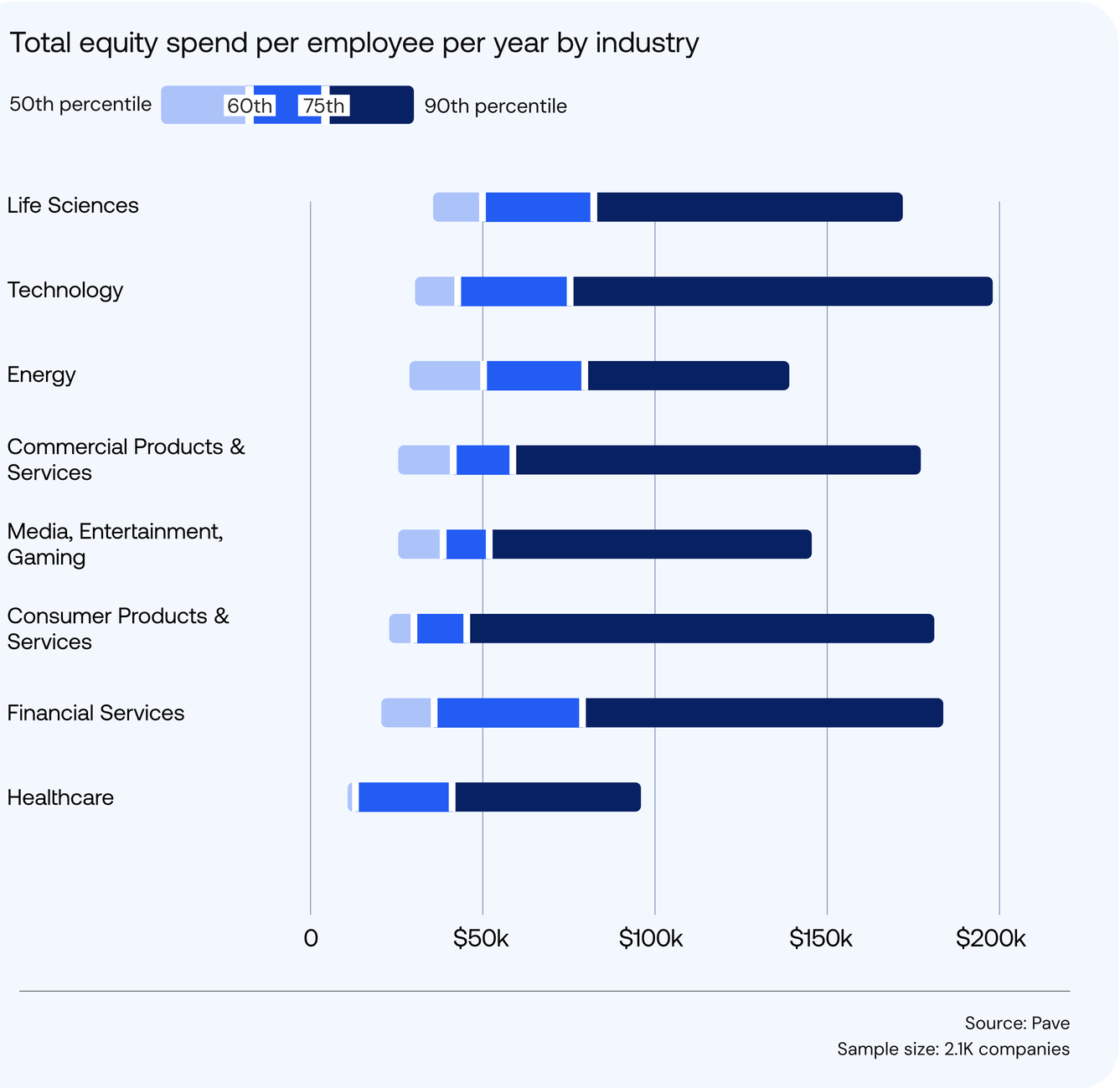
Equity Compensation Spend:

Benchmarks by Industry

We turn next to examining practices by industry, and in the case of equity compensation spend per employee, Life Sciences and Technology companies once again lead the pack at the 50th percentile of the market. However, the data is less clear at the 60th, 75th, and 90th percentiles of the market, where multiple industries are jockeying for the top spot.

As we noted earlier, equity benchmarks are widely distributed and right-skewed because companies of all types are often willing to stretch outside of their standard grant guidelines to attract and retain top talent.

Again, note that Pave's technology sector data primarily includes software companies.

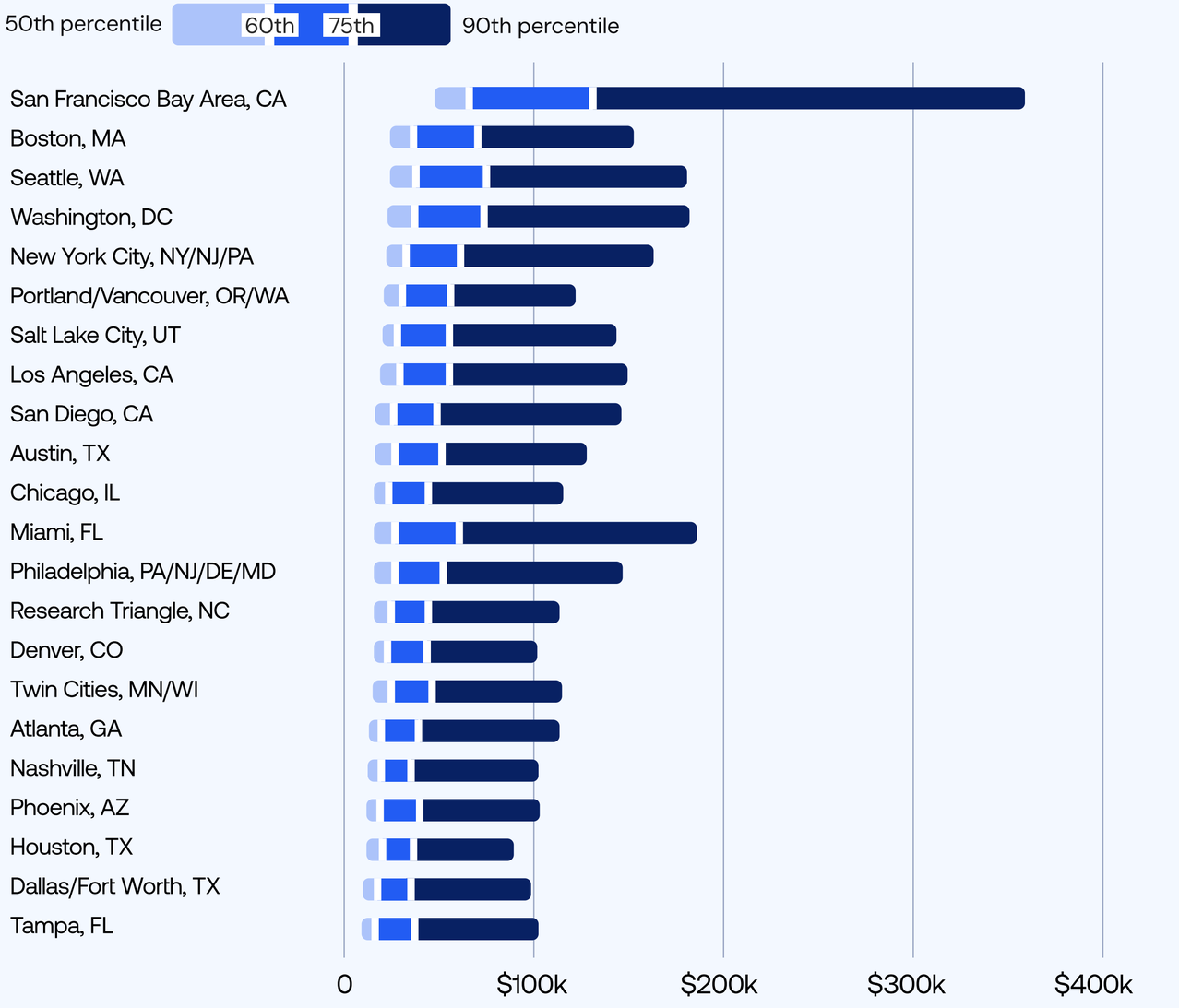


Equity Compensation Spend:

Benchmarks by Location

Like cash compensation spend, location matters a great deal when it comes to equity compensation spend. Employees in cities and metros with high costs of labor and a higher density of in-demand skills tend to receive large equity packages.

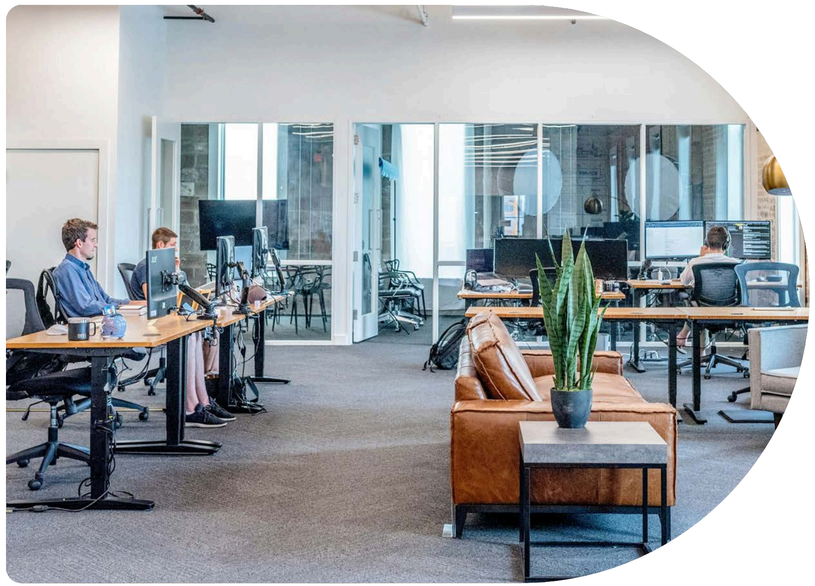
This reality is most clearly demonstrated by the San Francisco Bay Area, which stands far apart from all other US locations in terms of equity compensation spend per employee. Few other places even come close.



Source: Pave
Sample size: 2.1K companies

Total Cash & Equity Compensation Spend

A company with 10,000 US employees manages over $2B in annual compensation spend.



Number of US employees	Estimated median cash spend	Estimated median cash + equity spend
100 employees	$15M	$20M
500 employees	$75M	$103M
2,000 employees	$300M	$413M
10,000 employees	$1.5B	$2.1B

Source: Pave

Benefits Spend

Powered by Newfront

Next, we turn to benefits data from Newfront. This analysis draws on our exclusive internal dataset spanning hundreds of companies—primarily in the technology and life sciences sectors—ranging from early-stage startups to large enterprises.

In 2025, four key themes have emerged as companies reassess their benefits strategies:



01 **Employer-Paid Philosophy:** Health and ancillary benefits are increasingly viewed as strategic investments to attract and retain top talent, rather than simply operational costs.

02 **Benchmarking Matters:** Benefits benchmarking has moved beyond HR teams. CFOs and other executive C-suite members now actively track what peers are offering to ensure competitive positioning.

03 **Scalability Pressure:** As companies expand quickly, they prioritize benefits structures that can scale efficiently—maintaining quality and financial control without sacrificing creativity in how coverage is delivered.

04 **PEO Fatigue:** Many early-stage companies are transitioning off Professional Employer Organizations (PEOs) to gain greater transparency, flexibility, and control over plan design and vendor selection.

Benefits Spend:

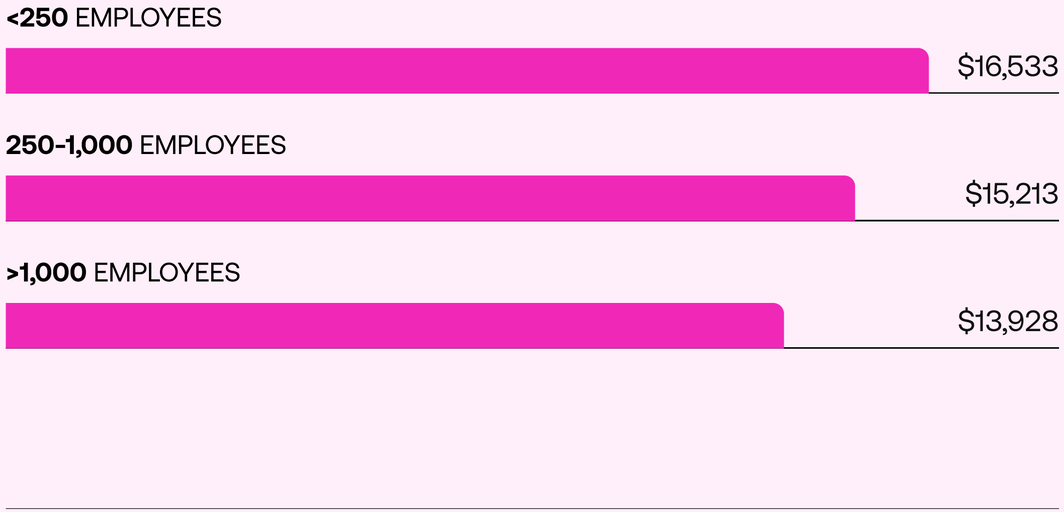
Medical

At Newfront, we consistently see a wide range of approaches to medical benefits, shaped largely by company size and stage—not just industry.

Smaller companies—especially those under 250 employees—are now adopting mid-market and large employer tactics like cost transparency, smarter plan design, and vendor accountability. Larger companies continue to leverage their scale for better funding, curated networks, and wellness investments.

Pharmacy costs remain a top challenge across all segments, driven by GLP-1s, gene therapies, and specialty drugs, making cost management and biosimilar adoption a growing strategic focus.

Median cost of medical benefits per employee per year



Source: Newfront
Sample size: 238 companies

Benefits Spend:

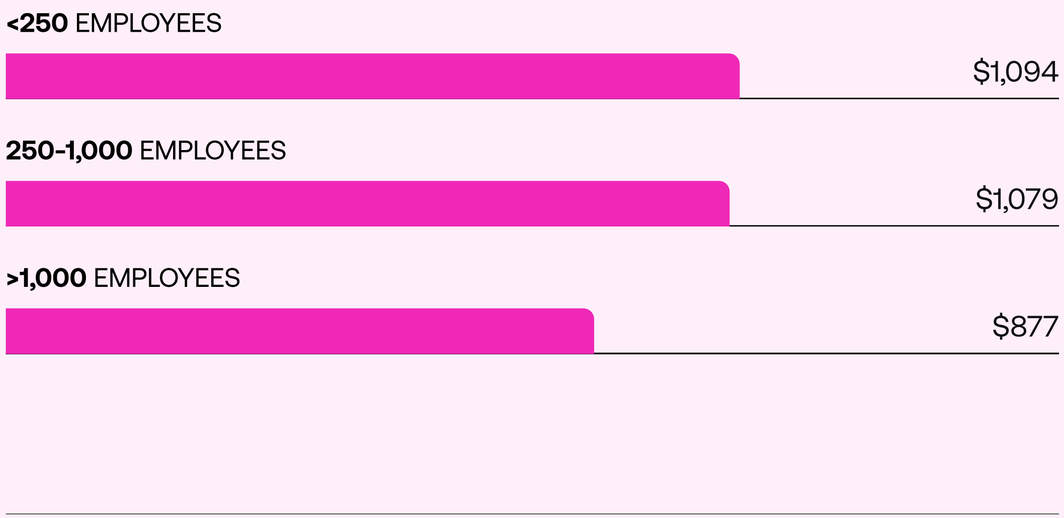
Dental

Dental benefits show minimal cost variation due to standardized plan designs and low utilization volatility.

At Newfront, we see trends among our clients toward offering cosmetic and orthodontic care, with most plans including adult orthodontia—uncommon in other industries but standard in the technology sector. Dental plans are typically 100% employer-paid for employees, with partial subsidies offered for dependents.

Many companies continue to maintain generous dental benefits as a recruitment and retention tool—especially appealing to family-focused employees. An annual maximum of $1,750 is the median benefit level we see today.

Median cost of dental benefits per employee per year



Source: Newfront
Sample size: 306 companies

Benefits Spend:

Vision

Vision benefits are a core, employer-paid offering rather than a voluntary add-on, with most companies covering the full premium for employees and partially subsidizing dependents. High utilization is driven by screen-heavy roles, leading many firms to enhance coverage with higher frame/contact allowances, LASIK discounts, and upgraded lenses.

For vision benefits, the annual allowance for frames and contact lenses is increasingly trending toward $200, reflecting a shift toward more competitive and comprehensive coverage.

Median cost of vision benefits per employee per year



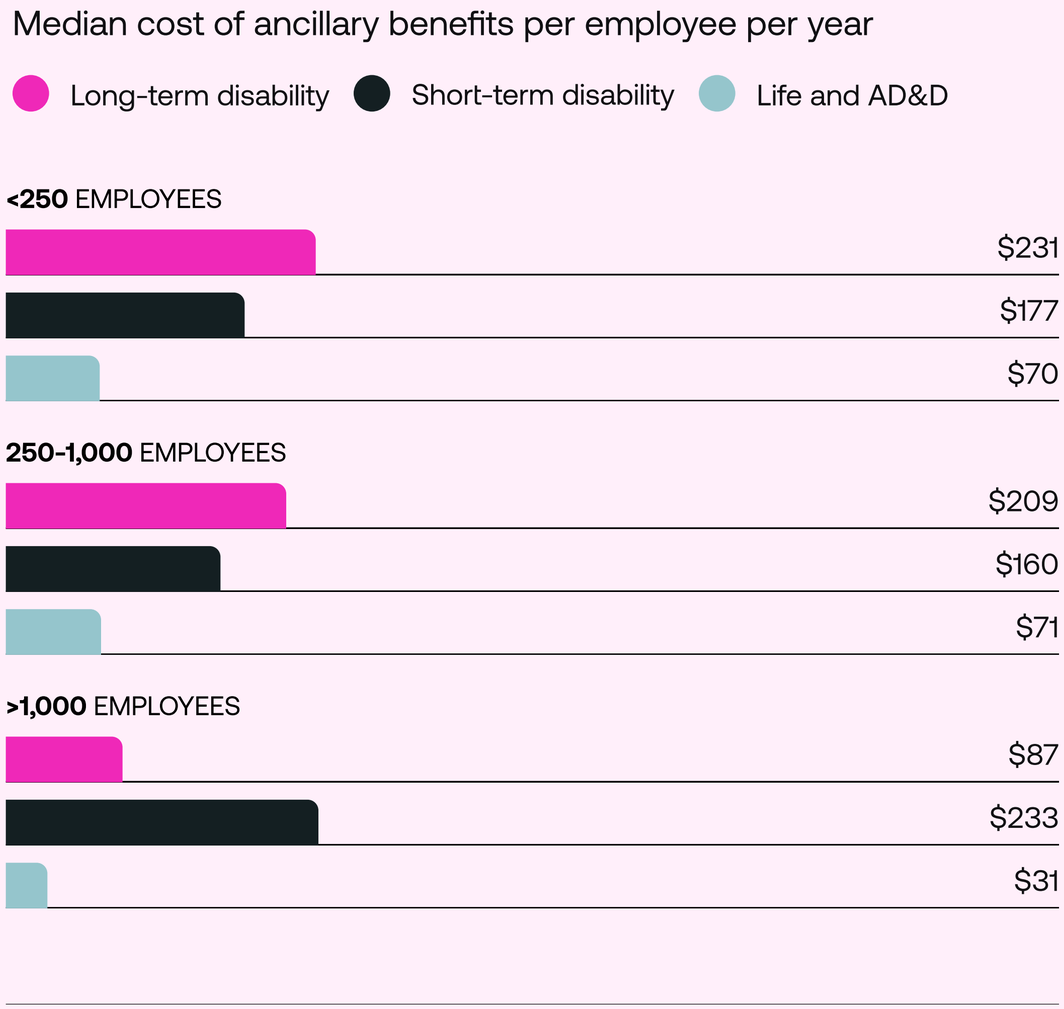
Source: Newfront
Sample size: 306 companies

Benefits Spend:

Life & Disability

Technology companies generally view Short-Term Disability (STD), Long-Term Disability (LTD), and Accidental Death & Dismemberment (AD&D) insurance as core, low-utilization benefits that provide crucial income protection. These offerings support employees' financial well-being during unexpected events.

Typically, companies provide employer-paid base coverage with options for employees to purchase additional coverage, balancing cost-efficiency with peace of mind. While these benefits may not be primary drivers of attraction or retention, they help reduce turnover risk and enhance the competitiveness of the overall rewards package.



Source: Newfront
Sample size: 319 companies

Benefits Spend:

401(k)

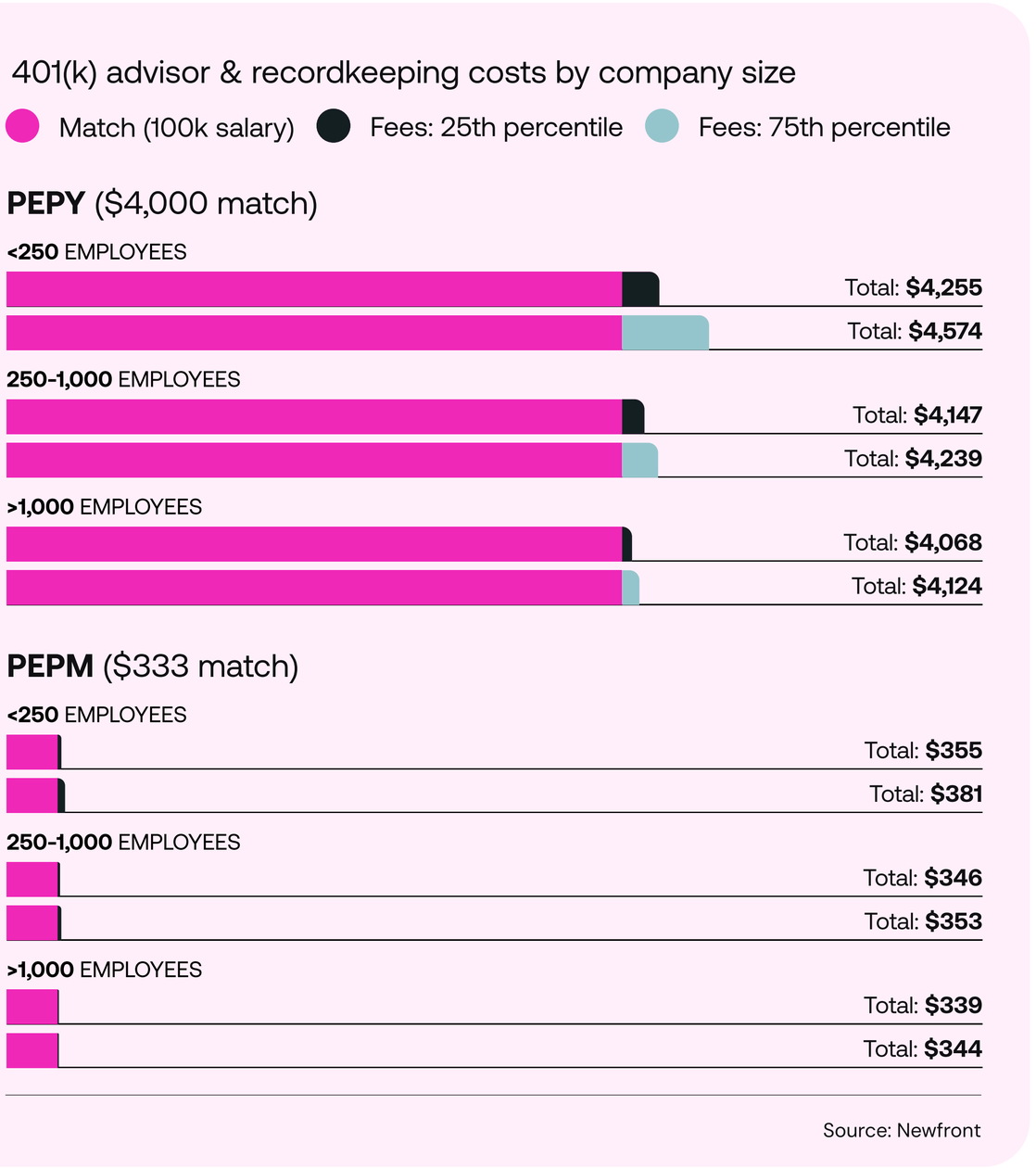
A 401(k) is a foundational workplace benefit that helps attract and retain talent while supporting employees' long-term financial wellness.

Plan costs typically include recordkeeping, advisory, and the underlying investment fees.

Recordkeeping and advisor fees can be paid by the company or passed to participants, offering flexibility for different budgets.

Importantly, these fees generally decline on a per-participant basis as a company grows, creating efficiencies over time.

The largest cost driver is the employer match. The most common formula is the safe harbor match: 100% of the first 3% of pay, plus 50% of the next 2%—a total of 4%. On a $100,000 salary, that's about $333/month.



Point Solutions

Many employers, especially in technology, are increasingly layering in targeted point solutions—such as fertility benefits, mental health platforms, lifestyle spending accounts (LSAs), financial wellness tools, and virtual care apps—to meet evolving employee needs and enhance engagement.

While these programs are often positioned as culture-forward or DEI-supportive, they carry real costs that vary widely based on population size, vendor pricing, and utilization guarantees. These costs are often not captured in traditional benefits benchmarks, which can lead to underestimating the true total cost of employment.

Point solutions typically range from $3 to $15+ per employee per month (PEPM), though some programs operate on a per-use or reimbursement model.

Newfront tracks adoption trends, pricing benchmarks, and ROI models for these programs and can provide deeper insights tailored to your industry, headcount, and budget goals. Newfront not only benchmarks and advises on these solutions—we also manage vendor relationships, implementation, and performance to ensure alignment with broader benefits strategies.



Statutory Benefits

Other Costs

The cost of hiring an employee is not limited to the compensation and benefits a business provides. There are other costs associated with federal and state benefits required by law, including Social Security, Medicare, PTO, other payroll taxes, and more.

As these vary based on a number of factors, this report won't cover every detail. But having a general idea of these legally required tax rates and benefit costs can help employers get a clearer picture of the overall costs of hiring.

Social Security tax rate	6.2% for the employer and 6.2% for the employee, or 12.4% total
Medicare tax rate	1.45% for the employer and 1.45% for the employee, or 2.9% total
Federal unemployment tax rate	6.0% (applies to the first $7,000 paid to each employee as wages during the year)
State unemployment tax rate	Varies by state
Workers compensation	Varies by state
PTO	6-8% of annual salary

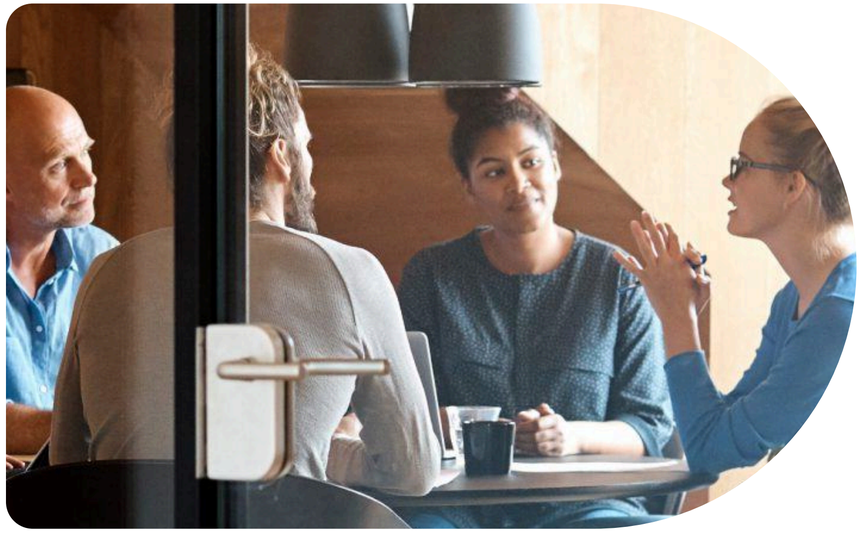
This content is not intended as legal or tax advice; consult with counsel or a tax professional.

Adding It All Up

The True Cost of Hiring in 2025

Now that we've looked at individual benchmarks for the most common components in a total rewards package, let's put all the pieces together.

The table at right shows the median cost per employee by company headcount size for private companies in the US. Our data is normalized across all job types, job levels, and locations to generate a picture of what the typical worker costs. Of course, the true cost of any individual employee could vary dramatically from these figures.



Company headcount size	1-250	250-1,000	1,000+
Cash	$145,000	$157,345	$174,617
Equity	$25,155	$44,511	$75,808
Medical	$16,533	$15,213	$13,928
Dental	$1,094	$1,079	$877
Vision	$168	$157	$151
Ancillary Benefits (Life and AD&D, STD, LTD)	$565	$502	$425
401(k) fees + employer match (75th percentile)	$4,574	$4,239	$4,124
PTO (at 7% of salary)	$10,150	$11,014	$12,223
Point solutions	Variable	Variable	Variable
Other statutory benefits	Variable	Variable	Variable
Total	**$203,239+**	**$234,060+**	**$268,239+**

Example:

Mid-career (P3) Software Engineer

Works in Software, Public company, based in California

Cash	
50th percentile	$202,000
75th percentile	$242,000
90th percentile	$245,000

Equity	
50th percentile	$81,000
75th percentile	$188,000
90th percentile	$397,000

Sample size: 1.8K Software Engineers

Benefits costs (Median PEPY):	
Medical	$15,892.37
Dental	$1,113.85
Vision	$166.39
Long-term disability	$209.95
Short-term disability	$178.42
Life and AD&D	$71.43
401(k) fees + match (75th percentile)	$4,239
PTO	$9,520.00
Total	**$31,391.41**

Source: Pave + Newfront

Conclusion

People spend often represents a company's biggest budget item, but leaders and people managers rarely understand the fully-loaded cost of hiring an employee. For total rewards professionals, this creates exciting opportunities to educate stakeholders on all the factors that drive people costs, while working with the business to optimize practices.

Pave and Newfront are now working together to help you analyze people spend with new levels of fidelity, and we can also help you evaluate what programs drive efficiency while advancing business results.

Get in touch with the Pave team →

Get in touch with the Newfront team →



Methodology

Pave Data

Pave's real-time compensation dataset includes information from more than 8,000 companies who have connected their HRIS, EMS, and/or ATS platforms to Pave. Of note, Pave's dataset skews heavily toward the technology sector, but includes companies from many industries.

In this report, we examined two key metrics—cash compensation spend and equity compensation spend—using Pave data. These two items are defined as follows:

- Cash compensation spend for each employee included in this analysis was calculated as the sum of their annual base salary and annual target variable (i.e., bonus), if applicable.
- To simulate how companies recognize stock based compensation (SBC) expense in their financial statements, equity compensation spend for each employee included in this analysis was calculated as the gross, actual value of equity awards vesting over the next 12 months. Employees with no equity awards were excluded from this metric, making our benchmarks "undiluted."

In all cases, reported data is normalized across job levels and job types to generate a view of compensation for the typical employee.

Newfront Data

Newfront's dataset is developed using real client costs from more than 1,400 organizations.

For all benefits in this report, we measured the cost per employee per calendar year per benefit, providing the median value (50th percentile).

About Pave

Pave is a market-leading compensation management platform for the modern enterprise.

Our powerful suite of real-time compensation data and workflow software—infused with AI insights—allows teams to take control of their investment in people, make pay decisions with confidence, and earn trust from leaders and employees alike.

Companies running their compensation programs on Pave include Atlassian, Block, Coinbase, CSL Behring, Databricks, Dropbox, Electronic Arts, Instacart, McDonald's, Okta, OpenAI, Perplexity, Ramp, Rivian, Snowflake, SoFi, Stripe, Unity, Zoom, and thousands more.

Explore how Pave can transform your entire compensation ecosystem:

Visit pave.com →

About Newfront

Newfront transforms total rewards by combining human expertise with modern technology to maximize benefits, compensation, and retirement solutions for clients nationwide. Our highly specialized team is readily available to help you plan for and navigate the future of work with confidence.

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