



AVEGNA

May 2009 Newsletter

Why every pay day costs you 29% more than you think!

What does a full time permanent employee really cost you per hour? Their base salary plus super? Really?

Let's have a look at this... at \$35,000 base salary, divide by 52 weeks and by 38 hours per week, the hourly rate for this salary is \$17.71 hourly rate before tax. Add 9% superannuation (for those of us in Australia) means a total package of \$38,150. And the gross hourly rate is \$19.31. So that's it? Not quite...

Include, sick leave, holiday entitlement, statutory holidays and see what the number really is.

Let's assume for the sake of this exercise:

- 38 Hour week
- 4 weeks a year leave (20 working days)
- 2 weeks a year sick leave (10 working days)
- And include the 10 statutory holidays common to most states of Australia (10 working days)
 - New Years Day
 - Australia Day
 - Easter Friday
 - Easter Monday
 - Anzac Day
 - Labour Day
 - Show Day
 - Queen's Birthday
 - Christmas Day
 - Boxing Day

For a full year there are 52 weeks at 38 Hours. That's 1,976 hours. But take out the above leave entitlements it's a whopping 8 weeks less. So to get the true hourly rate we need to divide the \$38,150 by 44 weeks and then by 38 hours. The answer? **\$22.82 per hour effectively. That's 28.85% more than the hourly rate paid to the employee.**

Depending on your industry or profession there will be other costs not included in the above calculations. For instance in some trades it is compulsory to pay travel and meal allowance. Some trades have tool allowance. Some professions have subscription costs included in remuneration packages. Most businesses have to pay Workcover insurance premiums which is based on the total wages for the business. For larger businesses there items such as payroll tax to consider. All of these things add up!

Also this doesn't take into account time lost on those water cooler conversations or Friday afternoon office desk cricket match with the other staff who are ready for the weekend at 2.00pm on Friday. It doesn't take into account the time spent on facebook or personal emails or the personal phone calls all of which add to the unproductive time and effectively increase the cost to your business!

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What are we saying? Well let's be realistic, a lot of employees are loyal and hardworking and don't take every available day of sick leave or surf the internet every minute of the day. But one way or another they do get paid for their holidays. So the next time you are thinking about hiring someone and what you are willing to pay for the vacancy, just remember add a minimum of 29% to whatever the base hourly rate you are offering, because that the effective cost to you and your business.

Avegna assists dynamic, fast growing business with financial and commercial management services. For a no obligation free initial consultation on how we can assist your business, please contact us.

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