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Design & Consulting

- Software Architecture, Design and Development
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Wage to Contract Rate Calculator

❖ *What is this thing and why do I need it ?*

Most jobs advertised are quoted at an annual salary rate. This figure may or may not include superannuation, shift loading and other benefits, depending on how much the advertiser wants to 'bulk up' the number.

Some examples:

Youth Engagement Officer

This position is being offered on a full-time, fixed-term contract for an initial 12 month period. X will provide subsidised accommodation for the successful candidate.

X employees receive attractive conditions including six weeks' annual leave, salary packaging options and professional development along with generous personal, cultural and bereavement leave.

Starting salary package is \$72,638.57 inclusive of shift penalties, superannuation and leave loading.

Store Manager - Footwear

Up to \$54,000 package + bonus

The brand is a well-known Australian footwear

Get rewarded with:

- Salary of up to \$49,000 + Super
- Rotating roster with every second Saturday off
- Amazing staff discounts
- Generous incentive scheme paid quarterly

Because so many jobs are advertised this way, you probably have a fairly good idea about what you're worth in the job market in terms of a base annual wage.

But these days, more work is being contracted out. If you are offered a job at an hourly contract rate, how do you know if that's a good or bad rate compared to an equivalent full time permanent wage? Alternatively, if you're an employer, how do you know what is a reasonable rate to offer contractors?

The answer is, of course, that there's no easy answer to that question. A lot depends on what extra benefits are being offered as part of the annual salary, and on what training, tools or office equipment are provided for employees.

For example, tradies who are employed as contractors, but are expected to provide and maintain their own tools and vehicle, will spend a significant amount of money on this in comparison to someone whose tools and vehicle are provided as part of the job.

Other professions may be required to provide office space, internet and a computer as part of their contract work.

Enter the spreadsheet!

Spreadsheets are a great way to enter in all the variables and see the effects in action. This spreadsheet can be customised to include extra benefits or expenses, and you can see the effect immediately.



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❖ **Part 1: Full Time Benefits and Rates**

Hours

Hours worked per day	7
Weekdays in year	260
Public holidays	10
Annual leave	20
Training	10
Sick leave	5
Net days worked	215

Superannuation

Super	9.5%
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Training Costs

Annual Amt	\$2,000.00
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This section of the spreadsheet quantifies the essential benefits of the full time position. All the wage figures assume a 5 day working week, ie. a full time position. The figure of 260 weekdays per year is the accepted average.

In Australia, hours worked per day are usually between 7 and 8, and 4 weeks (20 working days) annual leave is common, although in remote areas such as the NT and parts of WA, the standard is 6 weeks (30 days).

9.5% superannuation is the current legal requirement in Australia.

Training, including training courses, conferences, etc are a much more variable quantity, and are not generally quoted in salary packages. But nonetheless, they are a benefit of the job that a contractor should be able to pay for themselves if we are looking for equivalency.

We've nominated 10 days (two weeks) of training per year as a form of time off, and allocated \$2000 as the amount spent by the employer.

The next part of the spreadsheet lays out the wage/salary stats.

The *Base* column is the quoted annual salary rate.

The *Super* column adds the super percentage to *Base*.

The *Training* column adds training expenses to *Super*.

\$/day is then the value in the Training column divided by 260 weekdays per year.

\$/hr is the daily rate divided by the hours per day.

This is the base hourly rate paid to the full-time permanent employee for all working days in a year regardless of whether they are sick, on leave or in training.

Wage	plus	plus		
Base	Super	Training	\$/day	\$/hr
100,000	109,500	111,500	384.62	54.95
80,000	87,600	89,600	307.69	43.96
70,000	76,650	78,650	269.23	38.46
60,000	65,700	67,700	230.77	32.97
50,000	54,750	56,750	192.31	27.47
40,000	43,800	45,800	153.85	21.98



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❖ **Part 2: Contractor Rates and Expenses**

It is straightforward to calculate contractor rates equivalent to the full time wage. To calculate wages we took the annual figure (including super and training) and divided by the number of weekdays in the year. Because a contractor is paid only for the days they come to work, their rate will be the same annual figure divided by the net days actually worked – in the above example, 215 days.

This figure is shown below in the 'contract' orange coloured columns. The hourly rate is again the daily rate divided by hours worked per day.

But our job is not yet done. There are expenses incurred as a contractor that are normally covered by employers, such as administration, insurance and tools expenses.

Wage	plus				Contract		plus admin	plus equip
	Base	Super	Training	\$/day	\$/hr	\$/day		
100,000	109,500	111,500	384.62	54.95	543.90	77.70	80.03	80.94
80,000	87,600	89,600	307.69	43.96	437.07	62.44	64.31	65.22
70,000	76,650	78,650	269.23	38.46	383.66	54.81	56.45	57.36
60,000	65,700	67,700	230.77	32.97	330.24	47.18	48.59	49.50
50,000	54,750	56,750	192.31	27.47	276.83	39.55	40.73	41.64
40,000	43,800	45,800	153.85	21.98	223.41	31.92	32.87	33.78

These are covered in the area to the right.

Admin covers the time and/or cost involved in issuing invoices, checking payment, administering super contributions and submitting BAS and/or accounting statements. You can choose to calculate this as a percentage of the worked time, a fixed annual charge or a combination of both.

Long service leave is offered in Australia after a period of ten continuous years of service, and is 13 or 8 1/3 weeks of paid leave (depending on state). You may or may not choose to factor this in, since contract work is not generally associated with long continuous periods of employment.

These *percentage expenses* are worked into the 'plus admin' contractor rate column above.

Percentage Expenses

Admin (tax, super, accounts)	3.00%
Long Service Leave	0.00%
	3.00%

Annual Dollar Expenses

Admin (tax, super, accounts)	0.00
Equipment (office, PC, tools)	1000.00
Public Liability	300.00
Professional Indemnity	0.00
Workers Comp	0.00
	1300.00

GST 10%

'Annual Dollar Expenses' covers tools, rent, services, insurance, uniforms, clothing and any other business related expense.

The *annual dollar expenses* are worked into the 'plus equip' contractor rate column above, which is the final step of the calculations. This is your elusive contract equivalent rate!.

GST is not factored into these calculations, but is listed to remind you that GST should be added to the rate shown if the contractor is registered for GST.