

# Employment cost high due to business management time

## The problem

You may spend a high percentage of your week managing your business, such as allocating work and job costing.

If you enter all of this management time as non-chargeable time in the Staff screen, your payable:chargeable ratio will be high, and so will your employment cost and break-even rate.

## Example

If your non-chargeable hours are high:

16 hours managing business + 1 hour rest breaks on site

### Non-chargeable hours (enter only one) ?

|                          |        |
|--------------------------|--------|
| Estimated hours per week | 17.0   |
| Estimated percentage     | 42.50% |

your payable:chargeable ratio will be high:

### Payable and chargeable time

|                             |         |
|-----------------------------|---------|
| Payable hours per year ?    | 2,080   |
| Chargeable hours per year ? | 1,017   |
| Payable:chargeable ratio ?  | 2.046:1 |

which makes your employment cost too high:

| Name | Type           | Hourly pay ? | Employment cost ? |
|------|----------------|--------------|-------------------|
| Pete | business owner | \$43.27      | \$92.11           |

## The solution

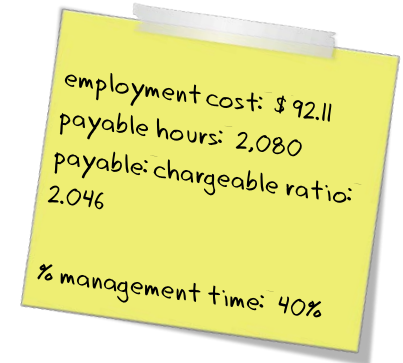
Split your working week into a 'management week' and a 'chargeable week'.

Record the cost of the management week in the Overheads screen and the chargeable week in the Staff screen.

For example, you spend **40%** of a typical week (2 days) on managing your business and the other **60%** (3 days) on client jobs.

### Record management time in the Overheads screen

1. Make a note of your employment cost, payable hours and payable:chargeable ratio.
2. Work out the cost of your 'management week' using the following formula:



$$\frac{\text{Employment cost}}{\text{Payable: chargeable ratio}} \times \text{Payable hours} \times \% \text{ Management time}$$

$$\frac{92.11}{2.046} \times 2080 \times 40\% = \$37,456.64$$

3. Enter this in a new row in the **Overheads** screen.

| Office expenses        | Weekly amount | Monthly amount | Annual amount |
|------------------------|---------------|----------------|---------------|
| Pete's management time | \$720.32      | \$3,121.39     | \$37,456.64   |

## Employment cost high due to business management time

Enter the chargeable week in the Staff screen

4. Adjust the number of standard days per week.

### Person details

|      |                |
|------|----------------|
| Name | Pete           |
| Type | business owner |

### Working hours

|                               |     |
|-------------------------------|-----|
| Standard hours worked per day | 8.0 |
| Standard days per week        | 3.0 |

multiply standard days by 60%

5. Apportion the non-working days accordingly, i.e. multiply each by 60%.

### Working hours

|                               |     |     |
|-------------------------------|-----|-----|
| Standard hours worked per day | 8.0 | 8.0 |
| Standard days per week        | 5.0 | 3.0 |

### Non-working days Unpaid Paid Unpaid Paid

|                    |    |     |
|--------------------|----|-----|
| Training days      | 0  | 0   |
| Public holidays    | 11 | 6.6 |
| Annual leave       | 20 | 12  |
| Sick leave         | 5  | 3   |
| Bereavement, other | 3  | 1.8 |

before

multiplied by 60%

6. **Only if** the person earns an annual salary, multiply the annual amount by 60%.

If the person earns an hourly rate, **do not** change the pay values. The annual amount will adjust automatically.

### Pay (enter only one)

|               |             |             |
|---------------|-------------|-------------|
| Annual amount | \$90,000.00 | \$54,000.00 |
| Hourly rate   | \$43.27     | \$43.27     |

multiplied by 60%

7. Adjust the estimate of non-chargeable hours, i.e. subtract the 16 hours management time. You may still have some non-chargeable hours here, to cover rest breaks, call-backs, etc.

### Non-chargeable hours (enter only one)

|                          |        |       |
|--------------------------|--------|-------|
| Estimated hours per week | 17.0   | 1.0   |
| Estimated percentage     | 42.50% | 4.17% |

subtract 16 hours management time

### The result

If you now look at the values, the employment cost is reduced:

### Payable and chargeable time

|                           |         |
|---------------------------|---------|
| Payable hours per year    | 1,248   |
| Chargeable hours per year | 1,017   |
| Payable:chargeable ratio  | 1.228:1 |

down from 2.046:1

| Name | Type           | Hourly pay | Employment cost |
|------|----------------|------------|-----------------|
| Pete | business owner | \$43.27    | \$55.26         |

down from \$92.11