

FAQ | On-Costs Calculation



What are On-Costs?

On-costs (sometimes called 'employment burden') are the costs additional to hourly rate of having an employee. They are usually caused by legislative requirements like the Holidays Act, ACC etc. When we employ an on-site staff member, we need to cover these costs, so add on-costs as a percentage to their hourly rate to determine the total cost of that employee.

What is the current rate?

The current rate is 25%, which takes effect from the 1st November 2021. This is an increase of 4% to reflect the recent changes in sick leave, covid leave that is not covered, and new Matariki public holiday.

How are they calculated?

We take the On-site employees payrate and multiply by the oncosts to get the total employee cost.

$$\text{Pay rate} + (\text{Pay rate} \times \text{Oncosts \%}) = \text{Total Employee Cost}$$

Example only: **Pay rate \$27 per hour + (\$27 × 25% or \$6.75) = Total Employee Cost \$33.75**

How frequently do they change?

We generally review oncosts annually in April to take into consideration changing costs of ACC and costs of sick and special leaves. We also review them if new legislation is passed throughout the year as is the case with the November 2021 change.

How do Agoge determine their On-Costs percentage?

Oncosts are largely determined by the number of weeks/days from legislation along with percentages from ACC and Kiwisaver.

ONCOSTS MODEL

Description	Days	Percentage	Explanation	Calculation of %
Workable Days	260.00		« Days per year for fulltime worker	[5 days × 52 weeks]
Billable Days	218.70	100.00%	« Average days billed per worker	[260 days - (Annual + Stat + Other)]
Annual Days	20.00	9.14%	« 5 days × 4 weeks = 20 days	[20 Days ÷ 218.7 Billable]
Stat Days	12.00	5.49%	« Transfers to Lieu Day if stat worked	[12 Days ÷ 218.7 Billable]
Other Regulatory Leave	9.30	4.25%	« See Other Leave Types covered	[9.3 Days ÷ 218.7 Billable]
<i>Wages + Leave Costs</i>		<i>118.88%</i>	« WLC%	
ACC Levy Base%	2.15%	2.56%	« Accrues across all earnings	[ACC Base 2.15% x WLC 118.88%]
KiwiSaver Base%	3.00%	3.57%	« Accrues across all earnings	[KS Base 3.00% x WLC 118.88%]
Total On-Costs		25.0%	« Rounded to 1 decimal	[Sum of all grey cells]

1. ACC, KiwiSaver and Annual Leave are applied across all earnings.
2. We currently expend 9.3 to 10.8 days overall for the below leave types per annum including covid top-ups and uncovered covid stand-downs. Regulatory leave includes:

Sick Leave	10	Days
Bereavement leave family	3	Days
Bereavement leave other	1	Days
Domestic Violence Leave	10	Days
ACC Week 1	5	Days
Covid Special Leave	3	Days (Est not covered by short-term standdowns etc)
Total Days Accessible	32	Accessible Days for each employee. We average 9.3 days

Need more help?

For more information, please contact our commercial team at accounts@agoge.nz