***Managing costs: What’s the cost per productive day?***

This is another area where we often think it’s an easy answer.

If I have a team member on a gross salary of £26,000, that’s £500 per week, or £100 per day.

Well no, it’s significantly more than that. The cost to the business isn’t the gross salary; there are all the on-costs of employing someone too.

And – although there are 52 weeks in the year – few people work all the time.

**The on-costs of employment**

If we employ someone, we have to pay Employer’s National Insurance in the UK: that’s usually at a rate of 13.8% (on salaries over £490/month). And many employers also make contributions to their employees’ pension schemes: maybe a s much as 10% of their salary.

So the real cost of employing someone could be almost 25% more than their salary!

And on top of that there’s the cost of other equipment: safety equipment; IT; phone; chair & desk; tools; perhaps a vehicle: the cost is now much higher than the salary cost.

**We don’t work all the time…**

Most people don’t work 5 days a week, 52 weeks a year!

In the UK there are 8 days Bank Holidays, and most people get 20 or so days holiday every year. So it’s not 260 days a year, we’re down to 232.

Then our people will take some time off sick (many businesses take an average of 4 days; others assume significantly more), and people will attend training course: maybe 2 days a year, maybe more.

So now we’re down to 226 productive days a year.

**So what’s the cost per day?**

With on-costs our salary of £26,000 will easily rise to £32,000. With 226 productive days per year that’s just over £140 per productive day: a lot more than the £100 per day that we had first thought!

**And what does this mean?**

£140 per day means almost £20 per hour. Next time you’re in a meeting, estimate the cost of the meeting. Everyone earning £26,000 costs £20/hour. £39,000 means £30/hour, and £52,000 is £40/hour. Does the meeting give enough benefit to the business to be worth the cost?

This worries me as a trainer! When I’m running a workshop the value I give doesn’t just have to justify my fee, it also has to justify the time cost of the people attending the training…

The other implication is that we often do things because “they don’t cost anything”. In other words it’s only our time that the task takes up. Except that – as we’ve seen – our time does cost us money, so we need to value it!