About the Spreadsheet

name	**CP-HR-3538-M. Contractor Rate Calculation Spreadsheet**
owner	HR
access & use	Restricted to HR
what it is	A spreadsheet used to calculate a fair and defendable hourly rate for an independent contractor, based on fair market value for an equivalent, regular, full-time position.
who uses it	HR and/or Finance collaborate with Hiring Manager to complete this spreadsheet.
Caution: These instructions and the accompanying spreadsheet include sensitive information. They should not be shared with staff members who do not have responsibility for direct reports. Use caution and discretion when using, as even a blank spreadsheet may be misunderstood without context.	

Why This Process is Important

This spreadsheet serves as a starting point to determine a fair hourly rate.

- Contractors sometimes request an hourly rate that exceeds the typical job rate, without providing adequate justification to support the elevated rate.
- Conversely, we often do not fully appreciate the lost benefits and additional risk and expenses a contractor has to incur, or the inherent employee-related costs we save by hiring contractors. These need to be factored into the contractor's rate.
- Contractors often provide significant discounts for longer-term assignments, so don't hesitate to ask for a rate reduction.

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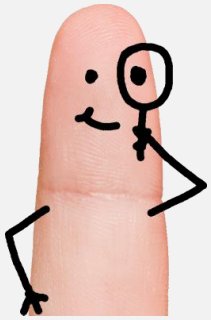

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Step 1 – Calculate the Adjusted Daily Rate of the Regular Full-Time Position

This section determines an employee's actual days worked in a year to calculate the true rate paid for that time. For example, if someone is paid $75,000 per year, and you divide that salary by the number of weekday hours in a year, you won't get the actual hourly rate for time actually worked. As you will see below, an employee with paid time off benefits works significantly less than a regular work week.

This section is key to the calculation of the Contractor's rate as it reverse engineers the annual salary to show the actual pay the individual in the position would receive if they were to only be paid for time worked – which is how contractors are paid.

Cell	Details
D2	**Regular Full Time Salary** Enter the annual **base** salary the Contractor would be paid as a regular full-time employee for performing this work. Take into account the contractor's level of experience.
B3	**Hours Worked per Week** Enter the Company's **work week hours**, or hours typically worked in the industry the Contractor specializes in or has come from. The rate will change significantly depending on if you use a 35, 37.5 or a 40 hour work week.
B4 – B5 **C4 – C5**	Do not enter data into these cells. They are calculated fields.
B6 – B10	**Paid Days Off** Enter the number of vacation days, sick days, statutory holiday days, training days and other **paid days off** that someone in this position with the Contractor's years of experience is typically entitled to.
C6 – C10	Do not enter data into these cells. They are calculated fields. The value of paid days off is automatically calculated and is provided for information only.
B12	**Standard Annual Work Days** Do not enter data into this cell. It's a calculated field. **Total number of standard workdays per year** is automatically calculated using the NETWORKDAYS formula: =NETWORKDAYS(DATE(2017,1,1),DATE(2017,12,31)) The total number of net workdays in 2017 is 260. To edit the formula for the year 2018, for example, simply replace '2017' with '2018' in the DATE portions of the formula – i.e., =NETWORKDAYS(DATE(2018,1,1),DATE(2018,12,31)).

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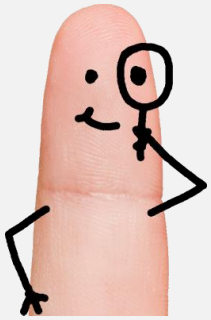

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Cell	Details
B19	**Retirement Plan** Enter the percentage value of the typical retirement funding provided to the position. For example, if a matching 401K/RRSP is funded at 5%, enter 5%.
C20	**Other Employee Perks** Enter approximate $ value of additional perks that may be available to employees. For example: paid weekly lunches, expense account, transit subsidies, product discounts, social events, car allowance, etc.
D18 – D20	Do not enter data into these cells. The running total of adjusted annualized rate is automatically calculated in these cells.

Step 3 – Add Additional Cost Savings to the Company

The following are expenses that are incurred if the position was held by an employee and represent cost savings to the Company when hiring a Contractor.

Cell	Details
C22	**Facilities Costs** Enter the approximate value of facility expenses such as rent paid per headcount – which includes rent for common areas and parking space- insurances, utilities, IT support, cleaners, etc.)
C23	**Company Portion CPP, EI** Enter the value of cost savings related to the Company payroll contributions for Employment Insurance and Canada Pension Plan. The amount will be dependent on the applicable year and if the annual salary in D2 is below or above the maximum insurable earnings identified by CRA. Google "<year> maximum CPP and EI insurable earnings".
Blue cells in Column C	Do not enter data into these cells. They are calculated fields.
D22 – D23	Do not enter data into these cells. The running total of adjusted annualized rate is automatically calculated in these cells.

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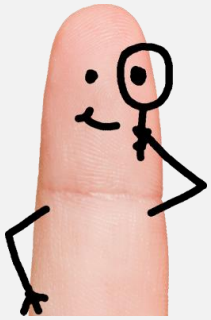

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Cell	Details
B30	**Protection** As an independent Contractor, the individual will not have access to protection from employment standards as it relates to getting paid, overtime, severance eligibility and other protection provided to employees. There is no set formula that can be applied to this section to come up with a monetary value, but it's provided so that it's taken into consideration. Consider that if the Company wanted to eliminate the position or terminate an employee without cause, the Company would have to provide notice to the individual – and in all likelihood would not expect the employee to work the notice. How much would the Company have to accrue in severance for the first year of employment. If it's 2 weeks, calculate 4% of salary, 3 weeks, 6%, etc.. Use this as a starting point.
B31	**Vendor Status** Contractors are usually significantly more scrutinized than employees: ◆ Higher performance standards are imposed on the individual ◆ Increased scrutiny of work & results ◆ Increased scrutiny of non-productive time and social interactions ◆ Expectations of immediate value and ROI ◆ Increased accountability ◆ Higher level of expertise expected An independent Contractor is often treated very differently than an employee and is often considered a vendor providing services, with increased scrutiny of value received by the Contractor. One reason could be that when payroll and benefits are automatically processed every month as a lump sum, management doesn't make the connection between the value received from any individual employee in return for paid salary, benefits, and paid time off. In contrast, when management is presented with a contractor's invoice, it's a re-occurring opportunity to scrutinize the value provided by the Contractor for the amount billed. Often, the amount billed appears to be excessive but only when comparing apples to oranges; apples being straight salary being paid to an employee and oranges being an hourly rate that already includes all employee costs. Bottom line is that a contractor often has to work harder during the hours they're providing services since they're often more highly scrutinized than employees. It's difficult to set a monetary value to this section, but it should be taken into consideration as a disadvantage for the Contractor.

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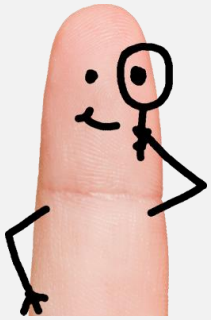

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Step 6 – Calculate Independent Contractor Rate

The resulting calculated figures in Step 6 represent the minimum or lower-end rate that the Contractor would charge, such as in the case of a longer term contract with steady hours. This rate would be on par with an employee whose salary is usually guaranteed for at least 3 months.

If you're hiring the Contractor for a shorter term, the rate may be higher since the Contractor will be spending time and administrative efforts when looking for other work.

Cell	Details
D36 – D38	Do not enter data into these cells. They are calculated fields.

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