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# Why Employers Need to Understand the True Cost of Staffing

Employing staff is a major investment for any business. Understanding the full cost of hiring and retaining employees is crucial for effective financial planning, product costing and ensuring long-term sustainability. Beyond base salaries, businesses must account for various direct and indirect employment costs, which can significantly impact profitability, compliance, and workforce planning.

This guide outlines the key cost components associated with employing staff in NSW & ACT, with specific insights for horticultural businesses.

## A CLEAR UNDERSTANDING OF THESE COSTS HELPS BUSINESSES TO:

- **Budget accurately** – Prevent unexpected financial strain and allocate resources effectively.
- **Ensure compliance** – Adhere to employment laws and avoid costly penalties.
- **Set competitive pricing strategies** – Reflect true labour costs in product and service pricing.
- **Optimise hiring decisions** – Align workforce planning with business goals.

By Tara Preston

## Key Employment Cost Components in NSW & ACT

### 1. Base Salary and Wages

The most significant component of employment costs is the employee's salary or wages. Whether paid hourly, weekly, or on an annual salary, employers must comply with Fair Work Australia regulations and state-specific industrial relations requirements.

Horticulture businesses must adhere to industry-specific awards, which set minimum wage rates, penalty rates, and other conditions. Key awards include:

- **Nursery Award (MA000033)**: For wholesale and retail nurseries, plant propagation, and landscaping.
- **Horticulture Award (MA000028)**: Covering fruit and vegetable production, landscaping, and gardening.
- **Retail Award (MA000004)**: Applicable to employees in garden centres and plant retail outlets.

Employers should refer to the Fair Work Ombudsman website to ensure compliance with the latest award rates, conditions, and entitlements for their specific business sector. The current pay guides for each award can also be found in our NGINA Member Centre.

### 2. Superannuation Contributions

Employers must contribute to their employees' superannuation funds under the Superannuation Guarantee (SG).

- Current SG Rate (2025): 12% from July 2025.
- Contributions apply to casual, part-time, and full-time employees over 18 years old (and under 18 years old working over 30 hours per week).
- Late or missed payments can attract penalties from the Australian Taxation Office (ATO).

### 3. Payroll Tax

Businesses are required to pay payroll tax if their total annual wage bill exceeds the state threshold. The total annual wage bill includes base wages, superannuation contributions, bonuses, commissions, travel/meal/accommodation allowances, fringe benefits, salary sacrifices arrangements (e.g. cars/laptops), directors fees and termination payments.

- NSW Payroll Tax Threshold (2025): \$1.2 million.
  - NSW Payroll Tax Rate: 5.45% on wages exceeding the threshold.

- ACT Payroll Tax Threshold (2024): \$2 million
  - ACT Payroll Tax Rate: 6.85% on wages exceeding the threshold. Surcharges apply to ACT businesses with a payroll over \$50 million

Seasonal fluctuations in the horticulture industry make it crucial to monitor payroll expenses to avoid unexpected tax liabilities.

#### 4. Workers' Compensation Insurance

All employers must provide workers' compensation insurance to cover employees for work-related injuries and illnesses at the set rates for your business type.

##### NSW Workers' Compensation:

Managed by icare NSW, which assigns WorkCover Industry Classification (WIC) codes to businesses. For horticultural businesses in the NSW the relevant WIC Code for most is:

- Plant Nurseries: 010600. This code applies to businesses primarily engaged in growing and/or selling plants for wholesale or retail distribution. Premium rate of 4.84%, plus a Dust Diseases Contribution of 0.022%.
- Landscaping Services: 421000. This code applies to businesses primarily involved in landscape construction, maintenance, and related services. Premium rate of 5.76%, plus a Dust Diseases Contribution of 0.022%.
- Garden Equipment Retailing: 525300. This code applies to employers mainly engaged in retailing horticultural goods such as seeds, seedlings, shrubs, trees or other nursery stock. Premium rate of 3.1%, plus a Dust Diseases Contribution of 0.004%.
- Gardening Services: 952510. Covers garden maintenance. Premium rate of 6.52% plus a Dust Disease Contribution of 0.004%.

If a substantial portion of your business is office-based work, you may be eligible to classify administrative employees separately to your outdoor employees. This would result in a lower premium rate for office staff, as their work environment has fewer risks. Contact icare NSW to confirm if your office staff can be classified separately.

NSW workers' compensation premiums are calculated based on total wages, including base salary, allowances, overtime, and superannuation contributions. Employers must ensure correct classification to avoid under or overpayment premiums and remain compliant with NSW legislation.

##### ACT Workers' Compensation:

Managed by approved private insurers under the Workers' Compensation Act 1951 (ACT). Premiums are calculated based on industry risk and claims history, with horticultural businesses classified under specific risk categories. For horticultural businesses in the ACT, classifications may include:

- Nursery Production (Under Cover): 0111. Pertains to businesses involved in growing plants within protective structures. Suggested premium rate of 3.09%
- Nursery Production (Outdoors): 0112. Applies to operations cultivating plants in outdoors and includes retail nurseries. Suggested premium rate of 5.59%

- Landscaping Construction Services: 3291. Encompasses businesses providing landscape construction/renovation and landscape project management. Suggested premium rate of 3.52%
- Gardening Services: 7313. Covers employees in the gardening and horticultural property maintenance. Suggested premium rate of 3.10%

#### 5. Leave Entitlements

Employees are entitled to various types of leave under the National Employment Standards (NES), including:

- **Annual Leave:** 4 weeks per year (pro-rata for part-time employees).
- **Personal/Carer's Leave:** 10 days per year for full-time employees.
- **Public Holidays:** Paid days off based on the NSW or ACT public holiday calendar.
- **Long Service Leave:** 8.67 weeks after 10 years of continuous service, with additional accruals every 5 years.
- **Parental Leave:** Up to 12 months unpaid leave with potential government support.

Casual employees are not entitled to paid leave but receive casual loading to compensate. Seasonal workers may have varying entitlements based on contract terms.

#### 6. Allowances

Employees covered by modern awards in Australia, including the Horticulture Award, Nursery Award, and General Retail Industry Award, may be entitled to various allowances that compensate for additional responsibilities, expenses, or challenging working conditions. These allowances fall into several categories.

- Work-related expense allowances cover costs incurred by employees such as a tool allowance for those required to supply their own tools, a uniform or protective clothing allowance, and meal allowances for employees working overtime.
- Skill and responsibility allowances recognise employees with additional duties, such as a first aid allowance for those appointed as workplace first aid officers or a leading hand allowance for supervising staff.
- Work condition allowances apply when employees work in specific environments, such as wet work allowances, cold work allowances, or dust-related allowances in industries like horticulture.
- Travel and vehicle allowances may apply when employees use their personal vehicles for work purposes or travel between job sites.
- These allowances vary by award, industry, and role, so employers and employees should refer to the relevant award or agreement to ensure compliance with current entitlements.

#### 7. Recruitment and Onboarding Costs

Finding and hiring the right staff incurs various expenses, including:

- Advertising job vacancies via online platforms and recruitment agencies.
- Pre-employment checks, such as verifying certifications for chemical handling or machinery operation, police or working with children checks.
- Onboarding programs and initial training.

Proper hiring strategies reduce turnover and ensure compliance with relevant employment laws.



## 8. Training and Development

Investing in ongoing training and development ensures staff stay motivated, productive and compliant with industry standards. Key horticulture training areas include:

- **Pest and disease control**
- **Irrigation and water management training**
- **Workplace health and safety programs including chemical training and forklift**
- **First aid & CPR training**

Training expenses should be factored into employment costs to enhance employee skills and reduce workplace risks.

## 9. Equipment and Workstation Costs

Employees require access to essential tools and resources to perform their jobs efficiently. Costs may include:

- **Office equipment:** Computers, phones, and software for administrative roles.
- **Field tools:** Pruning shears, irrigation systems, fertilisers, and PPE for horticultural work.
- **Workspaces:** Office furniture, uniforms, and safety gear.

Regular maintenance and replacement of equipment should also be considered in budgeting.

## 10. Employee Benefits and Perks

To attract and retain talent, many horticulture businesses offer additional benefits, such as:

- **Flexible work arrangements**
- **Health and wellness programs**
- **Bonuses and performance incentives**

Offering attractive benefits can enhance job satisfaction, encourage productivity and engagement and reduce turnover.

## 11. Compliance and Administrative Costs

Ensuring compliance with employment laws and managing HR functions require time and resources. Businesses should budget for:

- **Payroll management systems.**
- **HR consultancy services for legal compliance.**
- **Record-keeping and reporting obligations** (e.g., tracking employee work hours and leave balances).

Horticulture businesses may also face additional compliance requirements related to environmental regulations, biosecurity standards, and chemical usage.

### Estimating the Total Employment Costs

To estimate the full cost of employing a staff member, businesses should anticipate spending approximately **1.25 to 1.4 times** the base salary. This calculation accounts for wages, superannuation, workers' compensation, payroll tax, and additional indirect costs.

### Example Calculation (2024):

For an employee earning \$60,000 per year, the estimated total cost would range between:

- \$75,000 to \$84,000 per year

Understanding the full cost of employing staff in NSW is crucial for businesses to make informed hiring decisions, maintain financial stability, and ensure compliance with legal obligations. By accurately forecasting employment costs, businesses can avoid unexpected financial strain and create sustainable growth strategies.

For more information, visit the **NSW Industrial Relations** website or **ACT Office of Industrial Relations and Workforce Strategy** website to stay updated on employment regulations and best practices or consult our HR contact Belinda from **HR Focus** to ask specific HR questions.

For a more detailed and personalised calculation of employment costs, scan the QR code below to download our free **Labour Cost Calculator Spreadsheet**. This easy-to-use tool allows you to input key data such as salaries, superannuation rates, workers' compensation premiums, and payroll tax to generate an accurate estimate of your total labour expenses. Whether you're budgeting for new hires or assessing current costs or product pricing, this calculator is an invaluable resource for planning and managing workforce expenses in NSW and ACT. Simply scan the QR code and start calculating!

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