

Labor Burden & Profits – Part VII:

The Cost of Lost and Wasted Time – aka “Where Did Our Profits Go”? – Introduction

Did someone forget to bring the right tool to the job site? Were the wrong parts ordered, or not ordered at all? Was the crew 15 minutes late getting back from lunch? Does it seem like Pat is receiving or making frequent personal calls? If any of these scenarios sound familiar, you may want to share the following information with your employees.

From Parts I through VI of this Series:

In our last 6 articles, we’ve covered topics including:

- How labor burden add-on costs can make a tremendous difference in an employee’s actual cost per production hour. (Our example employee, Pat, actually cost us 82% more than his/her gross hourly wage.)
- A process to determine what to charge per hour for employees on both a stand-alone, and “weighted-cost” basis for individual projects.
- Whether, and when, overtime is a financially sound management decision.
- How to use burdened job costs and variance reports to improve estimates, bring job costs under control, and help you improve your company’s overall performance and productivity.
- Techniques to group employee compensation and burden costs, and methods for assigning fully burdened direct and indirect labor costs to jobs.
- How to assign owner’s costs to jobs and split out costs for “mixed-use” employees.

Time as “Profits”

Time is money. We’ve heard that over and over.

For your employees, that’s definitely the case. They are trading *their* time for *your* money. So, if *their time* equals *your money*, you need to safeguard that time as carefully as you would safeguard your new vehicle, a state-of-the-art computer or the money in your wallet.



And, you must begin to think of the theft or waste of time as the theft or waste of money. Then it will be time to present your revised view of time to your employees.

To help with that mental transition, let’s look at the following examples in terms of cold, hard cash coming out of your pocket.

An Unfortunate Series of Events,...

Several years ago I hired a start-up landscaper to help landscape my new home. He was starting his business as an adjunct to another company he owned and wanted to see if the landscaping business would work out for him.

My new home had large windows with a view of the backyard. I worked from home on several occasions when the work was to have taken place. Because my car was in the garage, the crew didn’t know I was there – and what I saw from my windows was *not* pretty.

The owner arrived with four workers, showed them the site and gave them instructions. He then left to get additional equipment that was still needed for the job, and to supervise a second job.

About 15 minutes later, I saw that the work had slowed noticeably. Within another 10 minutes or so, two of the four workers had stopped working completely and were engaged in an earnest conversation while leaning on their shovels and rakes.

Shortly after that, worker #3 decided to join in while worker #4 continued to work diligently in the hot sun. Eventually worker #4 seemed to catch on to the lay of the land (i.e., he stopped working and joined the group).



I continued to periodically check on their progress, and saw that the most productive activity involved worker #2 tossing a rock from one hand to the other. I also noticed “group meditations” – during which all four workers stared intently for prolonged periods at one of the holes previously dug in the ground.

When I shared this with the owner of the fledgling landscaping business, he wasn’t totally surprised — after all, work had been progressing quite slowly.

My landscaping eventually was finished, but unfortunately, so was his start-up business.

[Click here to review an easy-to-use Labor Burden and Employee Profitability Calculator](#)

What Does This Really Cost?

When polled, most of my seminar attendees, believe that they, and their employees, lose **at least** 45 minutes per day with unproductive activities. Here’s an example that may help to illustrate the financial impact of lost and wasted time.

<i>Assumed Level of Employee</i>	<i>Assumed Burdened Hourly \$</i>	<i>\$ per Minute</i>	<i>45 Lost Min = \$ Lost Per Day</i>	<i>\$ Lost per Week</i>	<i>Annual Cost (Assuming *47 work weeks)</i>
Owner	\$60	\$1.00	\$45.00	\$225.00	\$10,575.00
Supervisor	\$45	\$0.75	\$33.75	\$168.75	\$ 7,931.25
Advanced Worker	\$30	\$0.50	\$22.50	\$112.50	\$ 5,287.50
Mid-level Worker	\$20	\$0.34	\$15.30	\$76.50	\$ 3,595.50

** 6 holidays, 10 vacation days, 6 sick or personal days, 2 days of training seminars*

When you multiply these time/money losses by the number of employees on your payroll, you’ll see that time loss can have an extremely significant impact to your bottom line. Run some time and money loss calculations of your own the next time you encounter one of these situations. Be sure to include the cost of all parties involved. Compute the daily, weekly, monthly and annual projections.

You may want to share the results of your calculations with your employees. They’ll probably be quite surprised when you show them what they are costing you in wasted time and squandered assets. They’ll probably realize that you are very aware of the cost of their time, and that you are closely watching how they handle the “time funds” that you have entrusted to them.



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A Labor Burden Cost Reminder...

If you want to see accurate job cost reports, it's important to include fully-burdened costs in your payroll cost assignments.

Author: Diane C.O. Gilson, CPA. Diane is also an Advanced Certified QuickBooks ProAdvisor and Certified QuickBooks Enterprise ProAdvisor. She is an author, trainer and construction accounting coach, as well as a frequent speaker at The International Builders' Show. Her firm, [Info Plus Accounting Inc.](#) offers Internet-based QuickBooks® training and accounting support services for construction companies throughout the U.S.

She is the developer of the [eCPA \(employee Cost & Pricing Analyzer\) Labor Burden Calculator](#), an Excel-based program that automatically performs comprehensive labor burden and pricing calculations for up to 200 employees and 25 departments. Contact Gilson via [email](#) or call 734-544-7620 (9-5 Eastern).