

## Labor Burden & Profits – Part VIII:

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

*Did one of your workers make the wrong assumption about the next task to be completed? Do you find that you have to perform frequent warranty work, or re-do's? Do employees spend too much time airing complaints? If you're frustrated by the loss of employee time, consider how much that loss of time costs. Sharing your viewpoints about lost and wasted time with employees may be the beginning of a more profitable future.*

#### From Parts I through VII of this Series:

In our last 7 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.
- Examples of the financial impact of lost and wasted employee time.

#### How Can I Waste Thee? (Let Me Count the Ways!)



Examples of time loss surround us constantly. Employees who would never even think of stealing work tools, or who would be aghast at the thought of taking a \$20 bill out of a cash drawer, think nothing of routinely “carrying off” multiples of those amounts in the way they mismanage their time.

Let's use our employee Pat from Article #1 in this series as an example. As you recall, Pat's fully-burdened cost per production hour was \$30.87, or \$0.51 per minute. What's the impact when we quantify some of those time drains on an employer's bank balance.

- **Breaks and lunches.** A friend of mine used to say, “Well, I came in late today, so I'd better leave early.” Of course, as a diligent employee, he was just being humorous, but plenty of workers often take advantage of their breaks and lunches (e.g., taking extra breaks for coffee, cigarettes, the restroom, personal errands, etc).

It's amazingly easy to slip in an extra five or 10 minutes of non-productive time here and there. Let's say that Pat carries an extra five minutes at lunch, takes four extra 10-minute coffee, restroom or smoke breaks during the day and then leaves 10 minutes early for a personal errand. That's 55 minutes of time lost in bits and pieces throughout the day. At \$30.87 per (burdened) production hour, Pat's time is worth 51 cents a minute so he has just *stolen* \$28.05 worth of time.

Would you believe that, if Pat does this every working day for a year, you're looking at nearly \$6,600 out of your pocket? It's sad, but true.

Taking this much extra time for breaks and lunches may seem a little extreme, but for some employees, extra breaks or lunch time may be just the tip of the iceberg. Think of the following scenarios that can also divert their time and your money.

- **Personal phone calls and e-mail.** With cell phones, office phones and computers continually at hand, the temptation is always present to fritter away time on personal matters.
- **Personal conversations with co-workers.** Depending on the number of participants, this can be a double, triple or even quadruple dip into your pocketbook.
- **Playing games, daydreaming, gazing into holes, etc.** I call this “doing nothing when you could be doing something of value.” These are valuable activities for folks who are off work or on vacation, but *you* shouldn’t finance these past-times while your employees are supposed to be working.
- **Being unprepared.** Companies can lose a truly staggering amount of time and money when employees forget or lose tools, arrive at the job site in improper clothing, mix up driving directions and forget job materials or don’t bring enough of them. Inefficiency, extra trips and repeat work all abound when workers are not thinking “ahead of the game.”
- **Lack of direction, or “wrong” direction.** When employees lack initiative or receive unclear instructions, they wander about trying to figure out what to do first, second or third. You can imagine what a huge waste of time that is. It’s just as harmful when employees work very quickly at the wrong thing. This usually wastes time and resources to get to the wrong place and then undo the mistakes created in the process.
- **Carelessness and mistakes.** When employees don’t pay attention to the job at hand, it’s easy to make mistakes and waste materials. Of course, when this happens, a variety of consequences occur: the client may lodge a complaint, the owner may need to spend time to re-establish a good working relationship with the client, supervisors may need to be involved to re-order materials, the work must be “un-done” and then performed a second time.



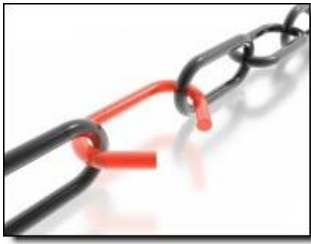
And remember that the owner or supervisor will likely need to spend additional time to inspect the results. (Who wants a second complaint on the same issue?)

- **Unreliability and disruption.** How much stress and chaos can you stand? An unreliable worker will eat up not only his time but your time and your team’s time. Can you afford it?

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

- **Personal crises (kids, spouse, parents, pets, car trouble, sickness, etc).** Even the most dependable employees have an emergency now and then or get ill, but some workers seem to live in a cloud of crisis situations. Don’t try to fix their dramas. Just find someone who’s in a better position to safeguard your “worker funds.”
- **Passive-aggressive behavior.** A passive-aggressive person is often very nice and agrees wholeheartedly with you — until you walk away. Then the employee turns around and does as he or she pleases. If you’ve got one of these folks on your staff, you’ll lose their production time and then spend more of your time wondering if something is wrong with your own communication skills (or if you read the person wrong). Then you’ll try again and the same thing will happen. Don’t continue the investment.
- **Grudges, grouching, carping, and complaining.** It’s so easy to fall into! Experience has shown that employees can find lots to grumble about in the workplace, while employee feuds can fuel the loss of tremendous amounts of time and energy. And who pays the employees while they fume and vent and enlist others to their cause? Unfortunately, we all know the answer.

Note: I recently read an article about a movement that challenges people to stop complaining for 21 days (the number of days to supposedly create a new habit). If you’re interested in learning more about this unique challenge go to <http://www.msnbc.msn.com/id/17362505/>.



- **Impaired by alcohol, marijuana or other drugs.** You'll definitely lose assets and resources if you have employees who abuse substances. You lose their time and skills when they don't show up or under-perform due to the previous night's (or weekend's) activities, and your other employees' productivity and morale may suffer, too. In addition, substance-impaired employees are downright dangerous to themselves and others if they use alcohol or drugs on the job. They frequently experience money issues and may ask you for loans between paychecks.

You may also face related liability issues as a result of employing someone impaired by alcohol and drugs. You must be very careful about safeguarding your assets if you're dealing with a substance abuser.

- **Outright time theft (fraudulent clock-ins, reporting work time when not working).** You should make it clear via policies and conversations with employees that such activities are grounds for **immediate** dismissal. No "ifs, ands or buts" about it — you will not tolerate theft.

At the end of the day, it's a wonder that anything at all gets done, right?

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## Turn Things Around!

If your employees engage in any of the above time and money drains, you are not receiving an honest day's work in return for your valuable time, trust and hard-earned money. And you can imagine how this lost and wasted time costs a company even more by raising owners' stress levels, reducing employee morale, and degrading client satisfaction.

Make a decision to not let these time-wasters bring your company to its knees. Hold company meetings and discuss how these kinds of time losses negatively impact the company, your clients, and its workers. Let employees know that you view these kinds of activities as offenses that can bring about dismissal, and then back up your words with action. If you pay your employees a competitive wage, and on a timely basis, you deserve their commitment to provide an honest delivery of time and talent in exchange.

## 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.

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