Labor Cost and Sources of Labor Cost

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LABOR COST

Six Components to the Labor Cost:

1. Wages
2. Worker's Compensation Insurance
3. FICA Tax, Federal Insurance Contribution Act
4. Unemployment Compensation Tax/Insurance
5. PL&PD- Public Liability and Property Damage Insurance
6. Fringe Benefits
LABOR WAGES

- Vary Considerably with Locations and Type of Crafts, and union vs. op shop.
- Agreements Such as Union / Open-Shop / Prevailing Wage
- The Above Wage Rates are Known as Base Wage Rate
- Compensation for 40 hr/week (8 hr/day for 5 days)
- For Work Over 8 hr/day Or Weekends the Base Rate is 1.5-2 Times

- Average Wage Rate Considers S.T. and O.T. = B.W.Rate * (40 + 1.5 * O.T.)
  (Actual Hours Worked per Week)
WORKER'S COMPENSATION INSURANCE

- Insurance Paid by Employers
- Covers Employees in Accidents or Death Caused by Work
- Premium Rate is Specified in $s per $100 of Base Wage
- Discounts are Given Depending on Company's Records in enforcing Safety Programs. (Experience Modification Rate, EMR)
- EMR can be > 1, With Bad Safety and Accident Records
Federal Insurance Contribution Act - FICA (Social Security)

- Federal Government Requires Employers to be taxed for providing retirement benefits for employees
- The Rate = 7.51% of Total Earnings (Avg. Wage) up to $45,000/Year of Employee wage
- The Employee Contributes an Equal Amount Through the Employer
UNEMPLOYMENT COMPENSATION TAX/INSURANCE

- A Tax Collected by the State to Provide Unemployment Insurance.
- Paid by Employers
- Approximately 3% of Total Earnings (Avg. Wage) of the Employees.
Public Liability and Property Damage Insurance (PL&PD)

- An Insurance Protecting the Contractor from Liabilities Involving Damage to a Third Party and Public Property Caused by Contractor's Employee During Construction
- Premium is Specified in $s per $100 of Base Wage
FRINGE BENEFITS

- Employers often Pay Benefits in Terms of:
  - Paid Vacations
  - Pension Plans
  - Training Programs, etc.
  - Others

- Rate Ranges From 0.75 to 2.1 $/hr
Union Labor Rates

- **Means Labor Rates for the construction industry**
  - Provide annual hourly union wages for 46 buildings construction trades in major U.S. and Canadian cities.

- **The Richardson Report**
  - Provides quarterly union wages for 16 crafts in 120 U.S. and Canadian cities.

- **The Construction Labor Research Council (CLRC)**
  - Provides construction union labor cost for 17 crafts in 300 cities (average of 3000 projects)
Sources for Non-Union Labor Costs

- Means Open Shop Building Construction Labor Costs, R.S. Means
- Employment and Earning, Bureau of Labor Statistics