

WHAT IS THE TRUE COST OF KEEPING EMPLOYEES WORKING?

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In calculating the expense of labor, often managers will look at the base hourly rate as the only cost of labor. However, to do this is to miss a very large amount of money that you are required to pay, or may be paying.

On the payroll stub it is obvious that there are certain expenses. The base rate, any overtime and FICA (Social Security) withholding are plainly visible and tough to over-look. And yet many forget that FICA withholding is only half of the story. You are required to match that withheld amount in kind. This amount can be calculated in advance as it amounts to 7.51% of the gross pay.

But after the paycheck has been given out, what are some of the other expenses you pay? The largest expenses demanded by the government are the Unemployment Insurances. Michigan rates vary from 2-10% of the first \$9,500 of each employee. And you'll be asked to pay .8% of the first \$7,000 to the federal government. In all, these "contributions" can amount to \$1,000 per employee.

There are other insurances that you are required to pay as well. Worker's Compensation and Liability Insurance are purchases that we all know about and they need to be included in the rate calculations in order to have an accurate wage rate. In most instances these insurances are based on gross payroll. The actual numbers will vary based on your ability to shop insurance and your experience rating, but Workers Comp will average 4-7% of your gross pay and liability will come in between 5-8%.

Another factor will be added into the required portion of the equation when training for all pesticide applicators becomes mandated. You'll have to keep close track of your expenses when this is placed into action.

When you add all of these numbers together, you'll find that, at this point, you have added nearly 33% to the base rate you pay the employee. That means that a \$6.00 employee is costing you \$7.98.

These are expenses all companies share, and yet more will go even further and offer some level of benefits. These too need to be calculated into an hourly rate. Some of these include:

- *Medical/Dental/Vision
- *Uniforms
- *Training/Seminars
- *Vacation Days/Holidays/Sick Days
- *Bonus
- *Profit Sharing/Retirement Plans
- *Coffee/Donuts/Snacks

Although the cost of these will vary from company to company, it will average somewhere around another 30% of the gross pay. When you total all of the costs together you'll find that single employees cost 1.5-1.75 times the base

rate and married employees cost 1.75-2.0 times the base rate. As you can see, to minimize the importance of these expenses, or to ignore them completely, is to insure the demise of your company.