

Hired Labor and Management Cost Calculator

Payroll and benefits are an increasingly large portion of the costs of labor and management. Often, neither employer nor employee accounts for the full cost of hired labor or management. The monthly salary received in cash by employees is a poor approximation of total cost. This decision aid helps organize data to measure the “full cost” of hired labor, or management. Information is valuable for informing both employer and employees and most important in cost control efforts.

Costs are divided into five components, including salary, payroll and benefits, housing, transportation and allowances for horses or other livestock paid by employer. Cash and non-cash costs are reported separately.

It is advisable to check with the business accountant on payroll rates. The base salary and rates frequently change. The person in charge of monthly payroll should also have access to payroll tax information. When providing the decision aid information to employees, time should be taken to discuss each source of cost. Information also provides a basis for negotiation of the different components of salary and benefits. Good accounting records on housing and transportation can provide necessary data for the calculations.

Summary Report

The summary of hired labor and management cost summarizes each component of cost and reports the percent of total cost accounted for by each component. Expressing these values on an hourly and daily basis is information needed when comparing contract or day labor services. Taxable earnings for employees are *only an estimate* and should be checked by a qualified tax accountant.