



Default Retail Labor Rates

The purpose of this letter is to provide clarification regarding Retail Labor Rates that are built-in to most, if not all, removal items within Xactimate. Removal items (-) commonly default to Demolition Labor (DMO), while replacement items (+) commonly default to their corresponding trade. For trades utilizing the same crews for removal and replacement, or trades requiring specialty tradesmen – and not general demolition laborers – this removal Retail Labor Rate should be corrected to the proper trade.

For instance, the below image shows the line item ‘Tear off, haul and dispose of wood shakes/shingles’ (RFGSRMV). The Retail Labor Rate defaults to Demolition Labor, or ‘DMO’.

The screenshot shows the 'Quick Entry' form in Xactimate. The 'Trade' dropdown menu is set to 'DMO', which is circled in red. Other visible details include: Category: RFG, Selection: WSRMV, Description: 'Tear off, haul and dispose of wood shakes/shingles', Unit Price: \$60.86, and Total Amount: \$1,306.06. The 'Recoverable' checkbox is checked.

Figure 1A. Showing DMO Retail Labor Rate selected for the removal of line item ‘RFGWSRMV’.

Recognizing that roofing trades may warrant this Retail Labor Rate be changed to the actual trade – in this case, Roofing (RFG) – a user may adjust this by using the drop down, then by selecting ‘RFG’ (Roofing).

The screenshot shows the 'Quick Entry' form in Xactimate. The 'Trade' dropdown menu is now set to 'RFG', which is circled in red. Other visible details include: Category: RFG, Selection: WSRMV, Description: 'Tear off, haul and dispose of wood shakes/shingles', Unit Price: \$138.34, and Total Amount: \$2,968.78. The 'Recoverable' checkbox is checked.

Figure 1B. Showing RFG Retail Labor Rate selected for the removal of line item ‘RFGWSRMV’.

As a second example, the line item 'Packaged air conditioning unit – 2 ton 13 SEER' (HVCPAC2) has been listed below. The Retail Labor Rate also defaults to Demolition Labor (DMO).

Figure 2A. Showing DMO Retail Labor Rate selected for the removal of line item 'HVCPAC2'.

Recognizing that HVAC trades may warrant this Retail Labor Rate be changed to the actual trade – in this case, HVAC (HVC) – a user may adjust this using the drop down, then by selecting 'HVC' (HVAC). It is important to consider that when removing a packaged unit, it would be expected that electrical and/or gas disconnections, recovery of refrigerant, etc. would be required. This type of work would require the use of specialty tradesmen – not general demolition laborers.

Figure 2B. Showing HVC Retail Labor Rate selected for the removal of line item 'HVCPAC2'.

Global Change Considerations and Replacement Items

An estimator should realize that the 'DMO' (Demolition) Retail Labor Rate will default across most, if not all, removal items on any given selection. As such, corrections made to Retail Labor Rates should be made globally across that specific trade. For flat roofing, for instance, an estimator should consider correcting the removal Retail Labor Rate for the membrane, insulation, parapet flashing, cant strips, cap flashing, high charges, etc. from 'DMO' (Demolition) to 'RFG-M' (Membrane Roofing).

It is also important to consider that select replacement (+) items may require change as well. For example, if a user selects termination bar, counterflashing and caulking for a flat roof termination, the replacement (+) Retail Labor Rates default to 'RFG-M', 'RFG' and 'PNT', respectively. Realizing that one laborer would be installing this termination, these items should all be modified to 'RFG-M' – the laborer who is actually performing the work. The user should also remove any unnecessary Labor Minimums applied by default, such as 'RFGMN-A' or 'PNTMN-A' in this example. The only Labor Minimum that would be applicable in this example would be 'RFGMMN-A'.

Labor Burdens

Labor Burdens are applied on a trade-specific basis. For example, the Workers Compensation rate applied to 'DMO' (Demolition) labor is less than half the rate applied to 'RFG' (Roofing) labor.

The screenshot shows a window titled "Labor Burdens" with two main sections: "Labor burden" and "Trade specific burden".

Labor burden

Type	% Rate
FICA	7.650
General Liability	4.000
Pollution Liability	2.500
State Unemployment	4.310
USA Fed Unemployment	.600

Trade specific burden

Type of Labor	Liability % Rate	Fringe Benefits		Workers Comp		Total (global & trade)
		Rate	Amount	Rate	Amount	
DMO	.000	10.700	\$2.95	9.660	\$0.00	39.420% + \$2.95
HVC	.000	10.700	\$2.95	6.410	\$0.00	36.170% + \$2.95
PNT	.000	10.700	\$2.95	10.090	\$0.00	39.850% + \$2.95
RFG	.000	10.700	\$2.95	19.910	\$0.00	49.670% + \$2.95

Figure 3. Showing comparison between DMO and RFG Workers Compensation rates.

Job-Personnel Overhead (Sub-Contractor O&P)

Job-Personnel Overhead costs are directly associated with the labor selection that a user inputs. Per Xactware's published White Paper "Overhead and Profit", "Job Personnel Overhead expenses are included in the Labor Overhead portion of each unit price in the Xactware price list. The labor Overhead, along with expenses for Labor Burden and Worker Wage (wage paid to the individual) make up the Retail Labor Rate."

Comparing the Job-Personnel Overhead expenses of 'DMO' (Demolition) labor, and 'RFG' (Roofing) labor, a user can identify that the overhead costs associated with a roofing trade exceed those of a demolition trade – see Figure 4. These overhead expenses include "vehicle costs, uniforms, mobile phones, depreciation on hand-tools owned by the company, etc. Job-Personnel Overhead also includes the portion of General and Administrative expenses and profit that correlate to employees performing billable tasks, and that are not included in the General Contractor O&P mark-up." The White Paper continues on, stating that "...these expenses are incurred by either a general contractor using employees, or by a sub-contractor, depending on who is actually performing the work." It becomes critical for a user to determine the proper Retail Labor Rate for removal items in order to represent accurate overhead figures.

The figure shows two screenshots of the 'Item Activity Information' window in Xactware software. Both screenshots are for a 'Phase: 01 Demolition' and 'Category: RFG Selector: TIL-Activity: - (Remove)'. The top screenshot shows a 'Demolition Laborer' with a total 'Remove Price' of \$166.54. The bottom screenshot shows a 'Roofer' with a total 'Remove Price' of \$384.55. Both screenshots break down costs into Material, Equipment, Retail Labor, and Market Conditions, with further sub-breakdowns for Contractor/Non-Contractor Supplied and Worker's Wage/Labor Burden/Labor Overhead.

Category	Item	Value
Demolition Laborer	Material	\$0.00
	Equipment	\$39.52
	Retail Labor	\$127.02
	Market Conditions	\$0.00
Remove Price		\$166.54
Roofer	Material	\$0.00
	Equipment	\$39.52
	Retail Labor	\$345.03
	Market Conditions	\$0.00
Remove Price		\$384.55

Figure 4. Showing comparison between RFG and DMO Labor Worker's Wage, Labor Burden, and Labor Overhead.

But What Is The Median Market Actually Charging?

Xactware instructs its users to modify pricing when any one line item is found to be an inaccurate representation of local market costs. Using a common roofing removal item (RFG300), we can provide a comparison between Xactware price data and actual market data. On a CODE8X_JUL17 price list (Colorado, Denver; Xactimate 28; July, 2017), the difference between a 'DMO' selection (\$51.30/SQ), and a 'RFG' selection (\$119.71/SQ) is an increase of +\$68.41/SQ. But is 'DMO' (\$51.30/SQ) an accurate figure? Or is the 'RFG' rate of \$119.71 warranted?

To verify, a user should check with local market costs. Choosing an objective source with a vast exposure to the market is important. For comparison, Angieslist.com was utilized (Figure 5), based on its exposure to the roofing industry and its objective and competitive nature. Angieslist.com reports that a "one story roof with a single shingle layer costs between \$100 and \$150 per square to remove." One can reasonably determine that the median market would

charge approximately \$125.00/SQ for removal. Based on this data, a 'RFG' Retail Labor Rate selection meets market pricing. A 'DMO' Retail Labor Rate is substantially lower than what the market is charging – 41% lower, based on an average \$125.00/SQ.



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By Cynthia Wilson

Cynthia Wilson covered roofing, gutters, windows, home health hazards, health care and financial services for Angie's List.

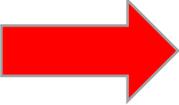
Know how roofers charge and how much roofing materials cost so you can negotiate the best deal.

Replacing your existing roof carries a significant cost, and it can't be put off once it becomes necessary. But the urgency of needing a new roof doesn't mean you should blindly hire the first roofing contractor you interview.

How do roofers charge

While it's possible to replace your own roof, it's not always a good idea — without the right tools and enough experience, there's a high likelihood you'll make a mistake, which could reduce the lifespan of your roof and endanger the integrity of your home.

A standard 2,200- to 3,400-square-foot roof replacement with asphalt shingles will cost DIY homeowners between \$2,000 and \$6,000; professionals will charge \$5,000 to \$12,000 or more for architectural asphalt shingles. Roofers charge for their work using what are known as "squares." One 10-by-10-foot patch of roof makes a square. The average residential roof needs between 22 and 34 squares to be replaced.



First, roofers charge labor for removing your old roof. A one-story roof with a single shingle layer costs between \$100 and \$150 per square to remove; a double layer, \$115 to \$165; and triple layer, \$125 to \$175. If you have a particularly high roof or one that is extremely steep, you will pay more per square.

Figure 5. Angieslist.com showing average costs for shingle removal. <https://www.angieslist.com/articles/real-cost-new-roof.htm>

When Default Removal Retail Labor Rates Are Adequate

One must also consider scenarios in which the 'DMO' (Demolition) Retail Labor Rate may be adequate. For instance, during fire and flood losses, restoration companies regularly utilize demolition laborers in lieu of specialty tradesmen. In another example, let's say there is an abandoned rooftop unit already disconnected, with its internal components and refrigerant previously evacuated. 'DMO' (Demolition) trade labor rates may suffice in these situations.

Ultimately, it is up to the estimator and the parties involved in a job to determine which items to use in an estimate, how they are applied, and the pricing.