



RETAIL LABOR RATE CORRECTIONS

White Paper 2020
By: Andrew Behrens



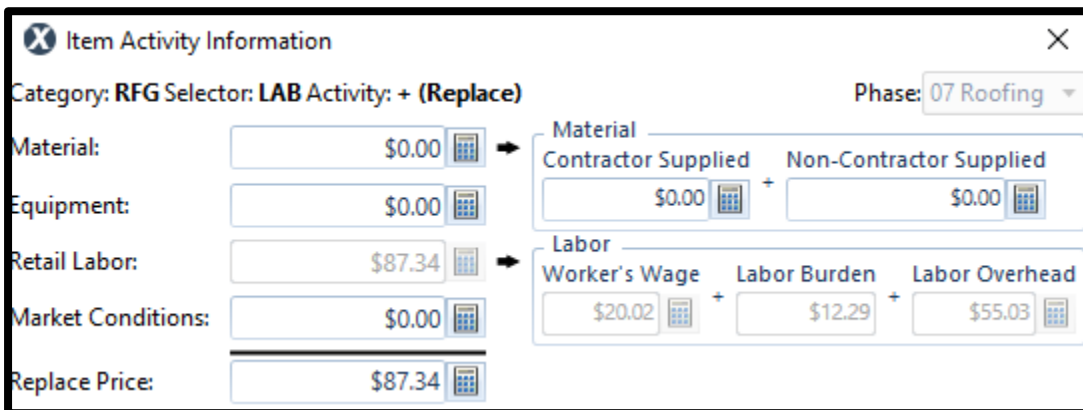
What is Retail Labor?

Xactimate line items are comprised of four separate components, all of which contribute to published unit prices. These four components include:

1. Materials
2. Equipment
3. Retail Labor
4. Market Conditions

Line items with labor components reflect a cost within the Retail Labor field (Figure 1). The Retail Labor field is further broken out into three separate sub-components:

1. Labor Worker's Wage
2. Labor Burden
3. Labor Overhead



Item Activity Information		Phase: 07 Roofing	
Category: RFG Selector: LAB Activity: + (Replace)			
Material:	\$0.00	Material	
Equipment:	\$0.00	Contractor Supplied	Non-Contractor Supplied
Retail Labor:	\$87.34	\$0.00	\$0.00
Market Conditions:	\$0.00	Labor	
Replace Price:	\$87.34	Worker's Wage	Labor Burden
		\$20.02	\$12.29
			Labor Overhead
			\$55.03

Figure 1: Showing components of Xactimate line item 'RFGLAB'.

Definitions by Sub-Component

Labor Worker's Wage – The portion of the Retail Labor intended for the actual worker(s) per unit. In Figure 1, \$20.02 is being allowed to the worker per one hour of labor (unit).

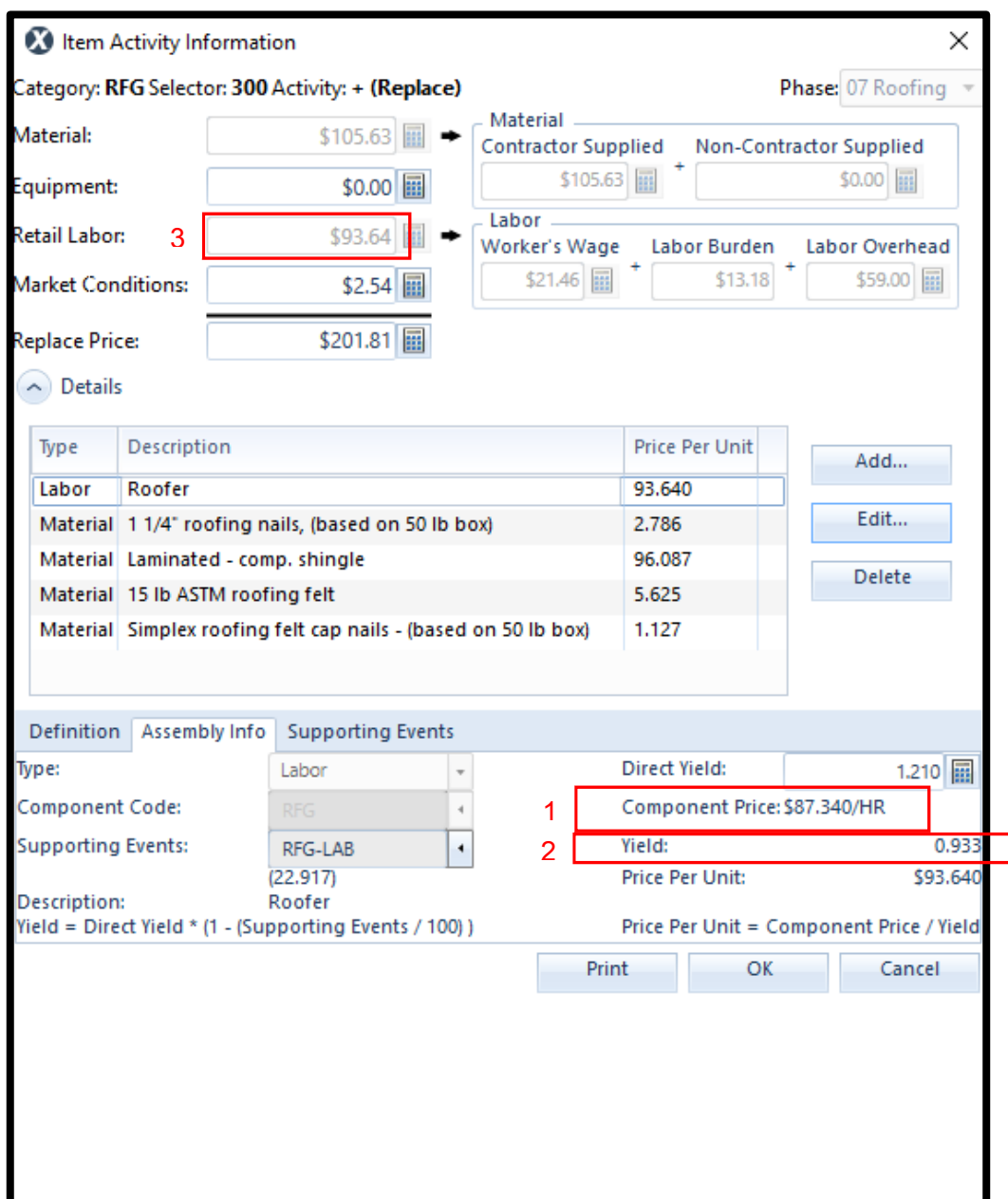
Labor Burden – The portion of the Retail Labor intended to cover the costs associated with the burdens of employment. These costs include FICA, General Liability, Pollution Liability, State Unemployment, Federal Unemployment, etc. In Figure 1, \$12.29 is being allowed for Labor Burden per one hour of labor (unit).

Labor Overhead – Per Xactware's White Paper "Overhead and Profit", this field includes costs associated with overhead expenses that may include vehicle costs, uniforms, mobile phones, depreciation of hand-tools owned by the company, etc. This field also includes General and Administrative expenses

and profit that correlate to employees performing billable tasks. These expenses are commonly referred to as Sub-Contractor Overhead and Profit. In Figure 1, \$55.03 is being allowed for Labor Overhead per one hour of labor (unit).

Retail Labor vs. Retail Labor Rate

Retail Labor Rates¹ within Xactimate are fully-burdened rates in an hourly format. These median hourly rates are utilized within all line items with labor components and are specific to the trade selected. The Retail Labor Rate is divided by the yield², which then calculates the total labor cost to perform a specific task. This cost then populates the Retail Labor³ field. Retail Labor Rates¹ are in a fully-burdened hourly format, whereas Retail Labor³ reflects the labor cost required to complete a selected task. Retail Labor³ is also referred to as the labor 'cost per unit' (Figure 2).



Item Activity Information (Close X)

Category: RFG Selector: 300 Activity: + (Replace) Phase: 07 Roofing

Material: \$105.63 → Contractor Supplied: \$105.63 + Non-Contractor Supplied: \$0.00

Equipment: \$0.00

Retail Labor: 3 **\$93.64** → Labor: Worker's Wage: \$21.46 + Labor Burden: \$13.18 + Labor Overhead: \$59.00

Market Conditions: \$2.54

Replace Price: \$201.81

Details

Type	Description	Price Per Unit
Labor	Roofer	93.640
Material	1 1/4" roofing nails, (based on 50 lb box)	2.786
Material	Laminated - comp. shingle	96.087
Material	15 lb ASTM roofing felt	5.625
Material	Simplex roofing felt cap nails - (based on 50 lb box)	1.127

Buttons: Add..., Edit..., Delete

Definition | Assembly Info | Supporting Events

Type: Labor Direct Yield: 1.210

Component Code: RFG **1 Component Price: \$87.340/HR**

Supporting Events: RFG-LAB **2 Yield: 0.933**

(22.917) Price Per Unit: \$93.640

Description: Roofer Price Per Unit = Component Price / Yield

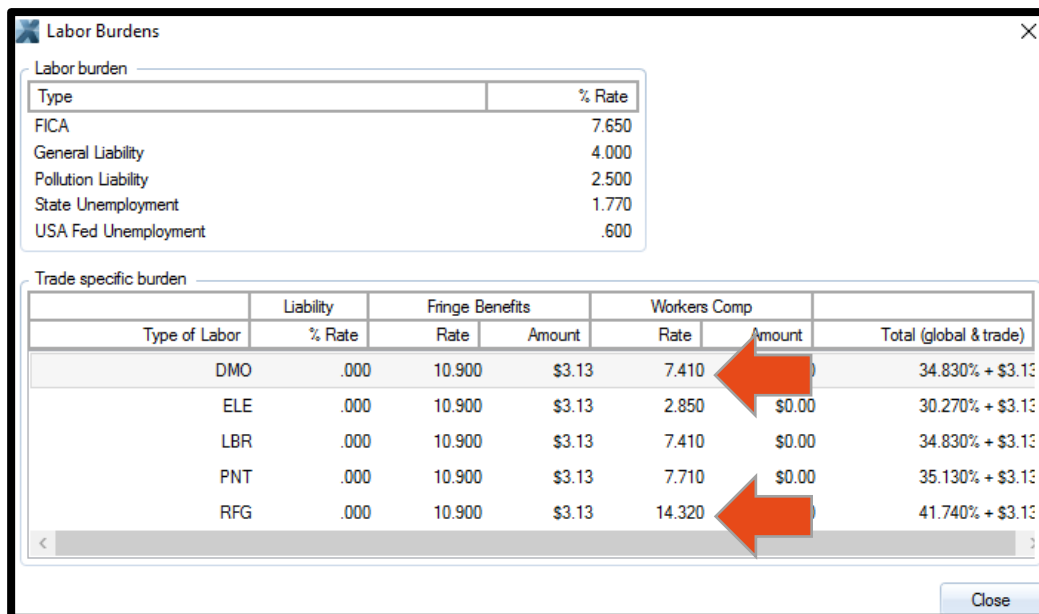
Yield = Direct Yield * (1 - (Supporting Events / 100))

Buttons: Print, OK, Cancel

Figure 2. Showing Activity Information of Xactimate line item 'RFG300'

Labor Burden

Xactware’s published pricing is inclusive of costs associated with Labor Burden, which are trade-specific. Labor Burdens are the costs associated with employment. These costs include Federal Insurance Contributions Act (FICA), General Liability, Pollution Liability, State Unemployment and Federal Unemployment. These burdens also include Fringe Benefits and Workers Compensation. In Figure 3, Labor Burden rates for a Roofing Laborer (RFG) far exceed that of a Demolition Laborer (DMO).



Labor burden		% Rate	
Type			
FICA			7.650
General Liability			4.000
Pollution Liability			2.500
State Unemployment			1.770
USA Fed Unemployment			.600

Trade specific burden						
Type of Labor	Liability	Fringe Benefits		Workers Comp		Total (global & trade)
	% Rate	Rate	Amount	Rate	Amount	
DMO	.000	10.900	\$3.13	7.410	\$0.00	34.830% + \$3.13
ELE	.000	10.900	\$3.13	2.850	\$0.00	30.270% + \$3.13
LBR	.000	10.900	\$3.13	7.410	\$0.00	34.830% + \$3.13
PNT	.000	10.900	\$3.13	7.710	\$0.00	35.130% + \$3.13
RFG	.000	10.900	\$3.13	14.320	\$0.00	41.740% + \$3.13

Figure 3. Showing comparison between RFG and DMO 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”, Xactware states the following:

“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 Demolition Labor (‘DMO’), and Roofing Labor (‘RFG’), a user can identify that the overhead costs associated with a roofing trade exceed those of a demolition trade (Figure 4A and 4B). 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 the following:

“...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 is clear that Job-Personnel Overhead expenses are trade-specific.

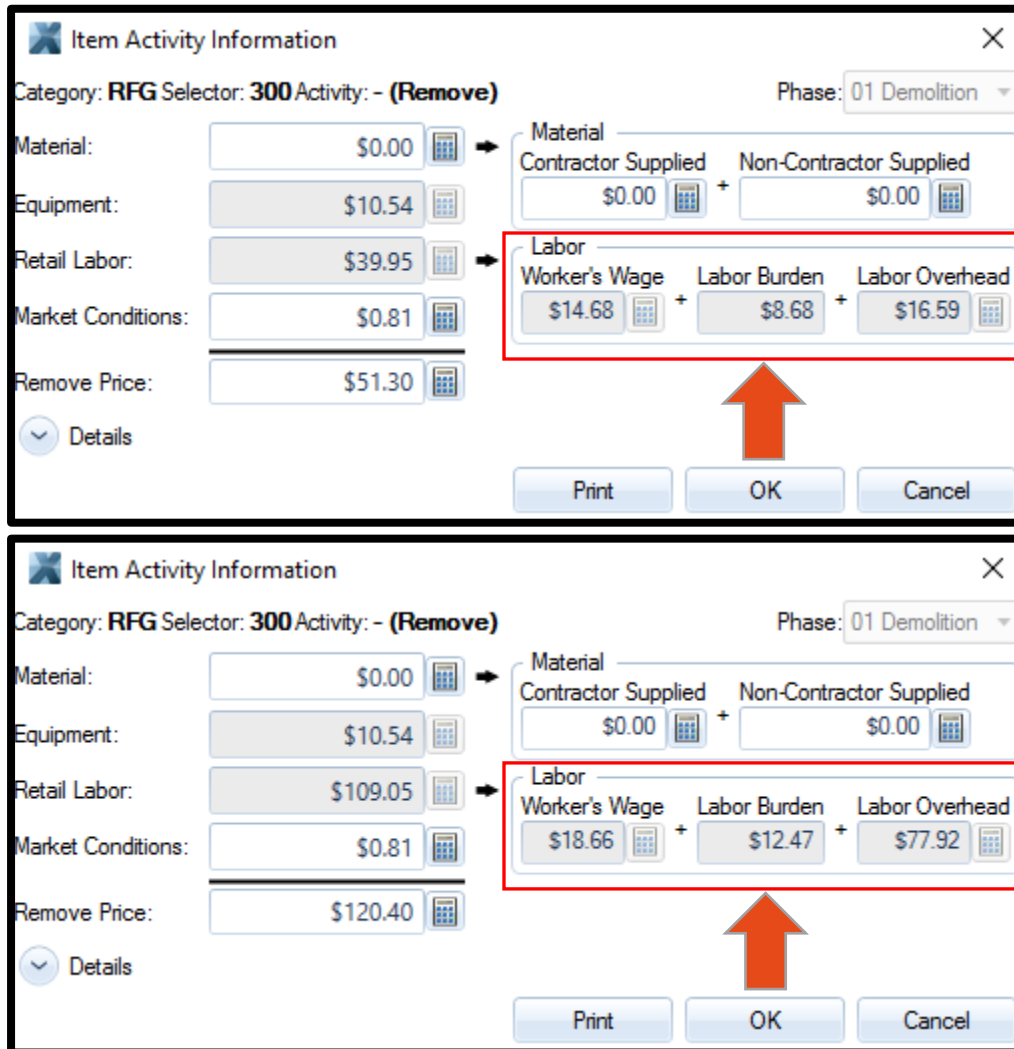


Figure 4A & 4B. Showing comparison between 'DMO' (4A) and 'RFG' (4B) Labor Worker's Wage, Labor Burden, and Labor Overhead costs within removal (-) of 'RFG300' line item.

What Is The Median Market Actually Charging?

Xactware makes it well-known that published costs within their price lists require verification by the estimator, who is ultimately responsible for the accuracy of the estimation process. When pricing of any one line item is found to be an inaccurate representation of local market costs, an estimator should correct accordingly.


Using a removal item (-) of 30-year laminated shingles (RFG300), we can provide a comparison between Xactware price data and actual market data (Figure 4A and 4B).

On a CODE8X_SEP16 price list (Colorado, Denver; Xactimate 28; September, 2016), the difference between a 'DMO' selection (\$51.30/SQ), and a 'RFG' selection (\$120.40/SQ) is an increase of +\$69.10/SQ. But is the default 'DMO' figure of \$51.30/SQ accurate, or is the 'RFG' figure of \$120.40 warranted? What is the median market actually charging?

Market Data

An estimator should always ensure costs within published prices lists are consistent with their local market. Choosing an objective source with a vast exposure to the market is important.

For comparison, Angieslist.com was utilized, based on its national exposure to the roofing industry and its competitive and objective nature (Figure 5). 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 conclude that the median market would charge approximately \$125.00/SQ for removal based on this range. Based on this data, the 'RFG' Retail Labor Rate selection meets median market pricing- representing a cost of \$120.40/SQ. A 'DMO' Retail Labor Rate is substantially lower than what the market is charging- 41% lower, based on an average \$125.00/SQ.



Sept. 29, 2016
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>

Other options may include surveying price schedules listed by other roofing contractors in the local economic region (Figure 6).



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ROOF TEAR-OFF REPLACEMENT COSTS


Get to Know Your Roof
 Knowing when to repair versus when to replace a roof is a critical decision that requires an expert eye. Trained roofing professionals can assist you in this endeavor by providing visual inspections to help identify roof damage and leaks, which are most often found in flashings and roof penetrations - address these critical areas prior to applying any roof coating. Core cuts and non-destructive testing provide key information in determining the condition of your roof. Also, wet insulation on a roof will need to be removed and replaced before the roof can be restored. An infrared scan can identify locations of wet insulation and typically, if more than 30 percent of the roof's insulation is wet, a complete tear-off is recommended.

Don't Replace Your Roof...Restore it!

- * Saves Money
- * No Tear-Off / No Demolition
- * Reduces Heat Transfer into Building

Why Coat a Roof

- * Higher Reflectivity
- * Higher Emittance
- * Aesthetics
- * Ease of Application



How Much Does It Cost To Replace A Roof?
Tear Off and Disposal
 Before a roof can be replaced, the old roofing materials must be torn off or prepared for overlaying. Typical costs for tear-off are listed below:

1 layer: \$90 – \$140 per 100 square feet
2 layers: \$110 – \$160 per 100 square feet
3 layers: \$120 – \$170 per 100 square feet



ROOF TEAR-OFF REPLACEMENT COSTS

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Figure 6. Everroof Products representing costs of \$90.00 - \$140.00/SQ for removal of 1 layer of asphalt shingles.

Does Tear-Off Require Less Skill?

Those who have been involved in the reconstruction of a roof generally know that roofing contractors regularly utilize one crew to complete removal and replacement. Workers within any one crew have a wide range of skill levels and hourly pay. For removal, there may be a roofing laborer tearing off concrete roof tiles, but there also may be a roofing laborer carefully removing the flashing from a dormer in order to avoid damaging a stucco veneer. There may a roofing laborer hand-carrying concrete roof tiles and stacking them as needed, where other roofing laborers will be installing (Figure 7).

If one were to average out all hourly rates associated with each roofing laborer and then add Burden and Job-Personnel Related Overhead, he or she would determine an average fully-burdened hourly rate for the entire crew, as represented within an 'RFG' Retail Labor Rate. No matter if that crew performed tear-off or replacement, it would be incorrect to assume that the laborers' averaged hourly costs would differ. It would also be inaccurate to conclude that the company should not profit or include overhead expenses in the same proportion percentage-wise for removal tasks as it would replacement tasks.

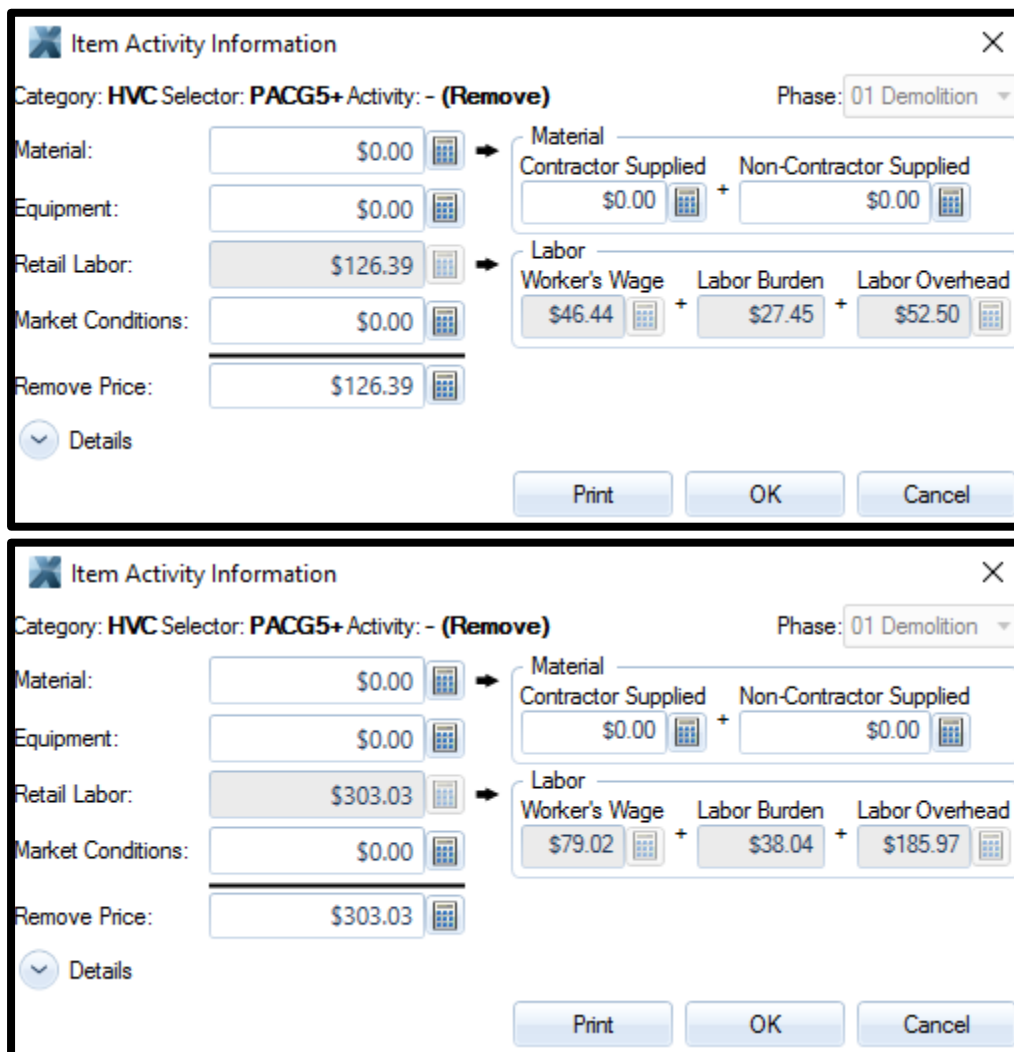


Figure 7. Photograph showing multiple roofers reconstructing a roof.

What about Other Trades?

Estimators will inevitably encounter numerous trades, all of which have varying costs involved. With that in mind, it is important to realize that it's not just roofing trades that require consideration.

Take the HVAC trade, for example. If an estimator is allowing for costs to remove and replace a packaged A/C and furnace 5-ton rooftop unit, he or she could expect the removal to include disconnection of electrical, natural gas lines, the evacuation of refrigerant, etc. These tasks would most certainly require specialty trade workers. The costs associated with correcting the trade selection for the removal (-) activity is the difference between \$126.39 for 'DMO', and \$303.03 for 'HVC' (Figure 8).



The figure consists of two screenshots of a software dialog box titled "Item Activity Information". Both screenshots show the same category: "HVC Selector: PACG5+ Activity: - (Remove)" and Phase: "01 Demolition".

Figure 8A (Top): Shows the "DMO" trade selection. The "Retail Labor" field is highlighted with a value of \$126.39. The "Remove Price" is also \$126.39. The labor breakdown is: Worker's Wage (\$46.44), Labor Burden (\$27.45), and Labor Overhead (\$52.50).

Figure 8B (Bottom): Shows the "HVC" trade selection. The "Retail Labor" field is highlighted with a value of \$303.03. The "Remove Price" is also \$303.03. The labor breakdown is: Worker's Wage (\$79.02), Labor Burden (\$38.04), and Labor Overhead (\$185.97).

Field	DMO (8A)	HVC (8B)
Material	\$0.00	\$0.00
Equipment	\$0.00	\$0.00
Retail Labor	\$126.39	\$303.03
Market Conditions	\$0.00	\$0.00
Remove Price	\$126.39	\$303.03
Material Contractor Supplied	\$0.00	\$0.00
Material Non-Contractor Supplied	\$0.00	\$0.00
Labor Worker's Wage	\$46.44	\$79.02
Labor Labor Burden	\$27.45	\$38.04
Labor Labor Overhead	\$52.50	\$185.97

Figure 8A & 8B. Showing comparison between 'DMO' (8A) and 'HVC' (8B) Labor Worker's Wage, Labor Burden, and Labor Overhead costs within removal (-) of 'HVC PACG5+' line item.

When Are Default Removal Retail Labor Rate Selections Adequate?

One must also consider scenarios in which the Demolition Labor 'DMO' 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, envision an abandoned rooftop mechanical unit with electrical or gas lines previously disconnected, with its internal refrigerant evacuated. The 'DMO' Retail Labor Rate may meet actual market costs in these situations, of course ultimately dependent upon who is performing the work.

Accurate estimation relies upon the assessment of each individual task, which can oftentimes be unique. An estimator must ask themselves which labor would be utilized for each item inputted. Corrections to Retail Labor Rates is not limited to only removal activities, but also replacement. It would be inaccurate to assume that default labor associations meet any and all scenarios an estimator would encounter.

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.

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