

# **FLEETWHIZ™**

## **DECISIONMAKING TOOLS**

### **Compute the 12-Step Fully-Loaded Labor Rate for Technicians and Tradesmen Using World-Class Computation Methodologies**

***FleetTextBooks.org Library™***  
**Management Textbook MDC 19**

## **LABOR RATES – TO THE READER**

### **SUGGESTIONS ON HOW TO USE THIS TEXTBOOK AS AN IMMEDIATE TRAINING SOURCE AND LONG-TERM REFERENCE SOURCE**

**Introduction:** The objective of this textbook is to assist fleet–shop–parts–fuel managers and work crew managers methodically and accurately compute fully-loaded technician and tradesmen manhour rates. A prerequisite to making accurate labor cost comparisons and optimum insource–outsource decisions is computing accurate fully-loaded manhour rates. Compare the fleet–shop–parts–fuel department's, and work crew departments' current manhour rate computation practices to the world-class practices discussed in this textbook. Implement required changes and earn \$100,000 annually with 90% decisionmaking control and achieve Vice President and Director status.

#### **Remarks:**

1. The following illustration lists the seven (7) subsections included in this textbook.

#### **Illustration – Compute Labor Rates Using World-Class Labor Supplier Methodology.**

1. Introduction to Technician and Tradesmen Labor Rates
2. Apply the 20-Step Insource–Outsource Feasibility Study Process.
3. Compute Fully-Loaded Technician and Tradesmen Manhour Rates.
4. Introduction to Fixed, Semi-Fixed and Variable Labor Costs
5. Recover Direct Costs, and Direct and Indirect Overhead Costs  
Using Product and Service Selling Prices.
6. Appendix – Over 40 Learning Opportunities Create Well-Defined Career  
Training Ladders Which Can Be Applied to Recruit–Retain–Develop Employees.
7. Master's Degree Certifications Open-Book Test Questions

**TEXTBOOK 19 – COMPUTE THE 12-STEP FULLY-LOADED  
 LABOR RATE FOR TECHNICIANS AND TRADESMEN  
 USING WORLD-CLASS COMPUTATION METHODOLOGIES.  
 TABLE OF CONTENTS**

To The Reader ..... 1

**Subsection 1 – Introduction To Technician and Tradesmen Labor Rates ..... 6**

Introduction to the Fortune 500 Company Business Model  
 Implement and Integrate 3 World-Class Practices ..... 7

    1. Fortune 500 Companies Compete Aggressively in 5 Dimensions ..... 9

    2. Fortune 500 Companies Apply 12 Well-Proven Business Practices  
     Which Are Considered World-Class ..... 12

    3. Fortune 500 Companies Apply 5 Well-Proven Performance Evaluation  
     Scorecards Which Are Considered World-Class Measures of Performance ..... 13

Near-Core and Noncore Departments Are Competing  
 for Scarce Investment Dollars ..... 15

Fleet–Shop–Parts–Fuel Management Has Evolved to a Business Science.  
 Are You Qualified? ..... 16

Will GASB Statement 34 Be the Most Significant Change  
 in the History of Government Accounting? ..... 18

Outsourcing Is the Top Concern Among Fleet–Shop–Parts–Fuel Managers ..... 20

Given Skill Set Shortages, Fleet–Shop–Parts–Fuel and Work Crew Departments'  
 Annual Wages and Salaries Will Increase. .... 23

Which Is Easier to Do, Reduce Wages or Reduce Heads? ..... 27

**TEXTBOOK 19 – COMPUTE THE 12-STEP FULLY-LOADED  
 LABOR RATE FOR TECHNICIANS AND TRADESMEN  
 USING WORLD-CLASS COMPUTATION METHODOLOGIES.  
 TABLE OF CONTENTS (CONT'D)**

**Subsection 2 – Apply The 20-Step Insource–Outsource Feasibility Study Process.... 29**

20-Step Insource–Outsource Feasibility Study Process Becomes Daily Routine ..... 30

    3a. Use Activity-Based Accounting and Not Financial Accounting  
         to Compute Fully-Loaded Manhour Rates ..... 34

    6. Define the Problem Comprehensively. Identify Each Activity and Cost  
         Caused by Technician Maintenance and Repair Activities ..... 40

    6. Define Problem Financially + Operationally:  
         Compute Total Cost of Owning + Operating Fleet + Support Assets ..... 41

    7a. Introduction to the Labor Acid-Test Formula ..... 44

    3a. Compute 12-Step Fully-Loaded Manhour Rates  
         for Each Employee and Activity Target Outsource Candidate ..... 45

    4a. Compute Hands-On Minutes Worked or Productivity Levels  
         for Each Employee and Activity Target Outsource Candidate ..... 47

    7a. Compute Typical Costs Per Hands-On Minute Worked ..... 49

Use Inhouse Threat. Compare Inhouse Technician Rates to Supplier Technician Rates .. 52

**TEXTBOOK 19 – COMPUTE THE 12-STEP FULLY-LOADED  
 LABOR RATE FOR TECHNICIANS AND TRADESMEN  
 USING WORLD-CLASS COMPUTATION METHODOLOGIES.  
 TABLE OF CONTENTS (CONT'D)**

**Subsection 3 – Compute Fully-Loaded Technician And Tradesmen Manhour Rates . 54**

Introduction to the 12-Step Fully-Loaded Manhour Rate Formula..... 57

Compute Up to 7 Fully-Loaded, Weighted-Adjusted-Average,  
 Technician and Tradesmen Manhour Rates ..... 61

**1. Compute the Weighted-Adjusted-Average, Bare Manhour Rate ..... 63**

- 1.10 Compute Total Annual W-2 Wages Paid and Hours Worked  
 in Target Job Classifications and Outsource Candidates ..... 65
- 1.20 Compute Adjustments to Annual Wages Paid and Hours Worked ..... 74
- 1.30 Compute Adjusted Total Annual Wages and Hours Worked ..... 74
- 1.40 Compute Adjusted-Average, Bare Manhour Rate ..... 80
- 1.50 Compute Weighted-Adjusted-Average, Bare Manhour Rate ..... 82
- 1.60 Conduct Wage and Benefit Surveys for  
 Each Target Outsource Job Classification ..... 86

**2. Compute Employer-Paid Government-Mandated Payroll Taxes ..... 96**

- 2.10 Compute FICA, Social Security and Medicare Payroll Taxes ..... 100
- 2.20 Compute Unemployment Payroll Taxes – FUI and SUI Costs ..... 103
- 2.30 Compute Workers' Compensation Payroll Taxes ..... 108
- 2.31 Compute Workers' Compensation Insurance Premiums ..... 115
- 2.32 Compute Extra-Hazardous Employers Direct Compliance Costs ..... 119
- 2.33 Compute Government-Mandated Workers'  
 Compensation Compliance Costs ..... 122
- 2.30 Identify Workers' Compensation Payroll Tax Insurance Sources ..... 125
- 2.40 Compute Combined Special Assessments ..... 126

**3. Introduction to Employer Contributions to Optional / Fringe Benefits ..... 128**

- 3.10 Employer Contributions to Time Off ..... 133
- 3.20 Employer Contributions to Healthcare Insurance ..... 135
- 3.30 Employer Contributions to Employee Financial Planning ..... 138
- 3.40 Employer-Paid Special Benefits to Employees ..... 140

**TEXTBOOK 19 – COMPUTE THE 12-STEP FULLY-LOADED  
LABOR RATE FOR TECHNICIANS AND TRADESMEN  
USING WORLD-CLASS COMPUTATION METHODOLOGIES.  
TABLE OF CONTENTS (CONT'D)**

**Subsection 3 – Compute Fully-Loaded Technician And Tradesmen Manhour Rates.  
(cont'd)**

4. Compute Burdened Manhour Rate With Payroll Taxes Plus Optional / Fringe Benefits .....	143
5. Compute General Liability and Bond Insurances .....	145
6. Compute Nonlabor Inputs Including Tools, Consumables, Etc. ....	151
7. Compute Per Diem Expenses Including Travel and Entertainment Expenses ....	157
8. Compute the Loaded, Weighted-Adjusted-Average, Manhour Rate .....	163
9. Compute Direct Overhead Costs .....	166
10. Compute Indirect Overhead Costs .....	170

**TEXTBOOK 19 – COMPUTE THE 12-STEP FULLY-LOADED  
LABOR RATE FOR TECHNICIANS AND TRADESMEN  
USING WORLD-CLASS COMPUTATION METHODOLOGIES.  
TABLE OF CONTENTS (CONT'D)**

**Subsection 3 – Compute Fully-Loaded Technician And Tradesmen Manhour Rates.  
(cont'd)**

9.10 and 10.10 – Compute Personnel Direct and Indirect Overhead Costs . . . . .	175
9.20 and 10.20 – Compute Support Assets Direct and Indirect Overhead Costs . . . . .	179
9.30 and 10.30 – Compute General Direct and Indirect Overhead Costs . . . . .	183
9.40 and 10.40 – Compute Capital Budget Direct and Indirect Overhead Costs . . . . .	186
9.50 and 10.50 – Compute Sourcing, Management, Contract Administration, Profit and Funding Costs . . . . .	189
9.60 and 10.60 – Compute Direct and Indirect Overhead Compliance Costs . . . . .	194
9.60 and 10.60 – Compute Direct and Indirect Compliance Costs Caused by Compliance Controlling Authorities-Mandated Laws, Rules and Regulations . . .	197
9.61 and 10.61 – Compute Wage, Payroll Tax and Optional / Fringe Benefits Direct and Indirect Overhead Compliance Costs . . . . .	205
9.62 and 10.62 – Compute Safety Direct and Indirect Overhead Compliance Costs . .	208
9.63 and 10.63 – Compute Environment Direct and Indirect Overhead Compliance Costs . . . . .	210
9.64 and 10.64 – Compute Discrimination and Fairness Direct and Indirect Overhead Compliance Costs . . . . .	212
9.65 and 10.65 – Compute Financial Security Direct and Indirect Overhead Compliance Costs . . . . .	215
9.66 and 10.66 – Compute Liability Direct and Indirect Overhead Compliance Costs . . . . .	217
11. Compute the Fully-Loaded, Weighted-Adjusted-Average, Manhour Rate (Before Taxes and Credits) . . . . .	218
12. Compute Fully-Loaded, Weighted-Adjusted-Average, Manhour Rate (After Taxes and Credits) . . . . .	221

**TEXTBOOK 19 – COMPUTE THE 12-STEP FULLY-LOADED  
LABOR RATE FOR TECHNICIANS AND TRADESMEN  
USING WORLD-CLASS COMPUTATION METHODOLOGIES.  
TABLE OF CONTENTS (CONT'D)**

<b>Subsection 4 – Introduction To Fixed, Semi-Fixed And Variable Labor Costs . . . . .</b>	<b>230</b>
Background – Fixed, Semi-Fixed and Variable Labor Costs . . . . .	231
Definitions – Fixed, Semi-Fixed and Variable Labor Costs . . . . .	234
Fixed Costs Caused by Fleet–Shop–Parts–Fuel Departments . . . . .	236
Variable Costs Caused by Fleet–Shop–Parts–Fuel Departments . . . . .	240
Semi-Fixed Costs Caused by Fleet–Shop–Parts–Fuel Departments . . . . .	243
Direct Cost Ripple Effects Caused by Adding Technicians and Tradesmen Employees . . . . .	246
Indirect Cost Ripple Effects Caused by Adding Technicians and Tradesmen Employees . . . . .	247

**TEXTBOOK 19 – COMPUTE THE 12-STEP FULLY-LOADED  
LABOR RATE FOR TECHNICIANS AND TRADESMEN  
USING WORLD-CLASS COMPUTATION METHODOLOGIES.  
TABLE OF CONTENTS (CONT'D)**

**Subsection 5 – Recover Direct Costs, And Direct And Indirect Overhead Costs  
Using Product And Service Selling Prices..... 252**

Recover All Fleet–Shop–Parts–Fuel Department Costs  
in Noncore Business Product and Service Selling Prices to User Groups ..... 253

Recover All Organization Costs Plus Profit in  
Core Business Product and Service Selling Prices ..... 256

Spread Direct Overhead Costs and Spread Indirect Overhead Costs  
to Recover the Cost of All Fleet–Shop–Parts–Fuel Department  
Products and Services Provided ..... 258

Case Study – An Example of Allocating Direct and Indirect Overhead Costs ..... 260

Case Study – Price Products and Services to Recover 100%  
of Direct Costs, Direct Overhead and Indirect Overhead Costs ..... 264

Quote Upfront Prices and Make Profits.  
Transaction Price Options for Overhead Recovery ..... 272

Quote Upfront Prices and Make Profits.  
Transaction Price Options for Products and Services Offered ..... 273

**Subsection 6 – Appendix ..... 275**

Compute the Detailed 12-Step With 46-Substep  
Fully-Loaded, Manhour Rate Formula ..... 278

Over 40 Learning Opportunities Create Well-Defined Career  
Training Ladders Which Can Be Applied to Recruit–Retain–Develop Employees... 284

**Subsection 7 – Master's Degree Certifications Open-Book Test Questions ..... 288**

# **FLEETWHIZ™**

## **DECISIONMAKING TOOLS**

### ***FleetTextBooks.org LLC***

**381 Casa Linda Plaza #385**

**Dallas, TX 75218-3423 USA**

**214-320-3006**

**Website: [www.FleetTextBooks.org](http://www.FleetTextBooks.org)**

**Email: [Info@FleetTextBooks.org](mailto:Info@FleetTextBooks.org)**