

Session III  
Paper (a)

## LABOUR COSTS

**Michael Duggan**  
**Researcher**  
**LIRA**

All logging operations employ men and it is important to be able to calculate their real cost to the operation. The information has many uses: for example, in estimating contract and sub-contract rates, and in assessing the costs or benefits of employing more or fewer men on an operation.

The main points to keep in mind when calculating labour costs are that it is best to include all the costs of employing a logger which will arise during a period of one year and then allocate this total cost to those days during the year on which wood is produced, that is machine work days. A form such as that provided in the LIRA costing handbook or the Colco 2 computer programme can be useful for calculating labour costs.

The costing of labour involves working through the following steps, firstly labour work days. An estimate is made of the number of labour work days by calculating total paid days and subtracting non-work days. Total days paid are 52 weeks @ 5 day per week i.e. 260 days per year.

Saturdays should be added if these are regularly worked. From this annual holidays, sick leave and wet days are subtracted.

Labour work days are likely to be fewer than machine work days as machine operators, absent because of sick leave, holidays or other, will be replaced with substitute machine operators.

Annual and statutory holidays are detailed in the Award or Agreement under which the labour is employed. The average number of days taken off by labour through sick leave or days not worked because of poor weather must be judged through experience with local conditions.

The second step involves the calculation of the average basic hourly rate, even if a daily rate is sometimes quoted. The pay rates and allowances should be those provided for in the Award or Agreement.

The basic rate should include allowances for long service and the allowance for workers holding a certificate from the Logging and Forestry Industry Training Board.

The working owners salary is added at this stage as a hourly rate, if the contractor is a full-time worker with the gang. Where the majority of the contractors time is spent in supervision, then this should be added as an overhead at a later stage. The yearly salary for a working owner should reflect the cost of having to pay another person to run the gang in the absence of the owner. It may not be the same as the owner in fact draws but should be at least equal to that of the highest paid worker.

When piece rate work is undertaken it is important to remember that, by law,

the employer of the piece rate worker must guarantee the worker, the minimum rate of wages provided for in the Award and the bonus is on the employer to ensure that the conditions of the appropriate Award in all other respects is adhered to.

The average basic hourly rate is then used to calculate the total labour cost for the average worker. Work hours, travel time, holiday pay and overtime (if worked regularly) are incorporated at this stage.

Finally the ACC levy and allowances for protective clothing money are added to arrive at a total cost per worker per annum.

The total gang per year is then divided by the number of machine days worked. The average labour cost per day represents the cost for those days on which wood is produced.

The flaw with the current hourly rate system of payment is that the award rates on which company daily rates are calculated generally do not reflect the hourly rate the contractor must pay to attract and retain the skilled workers necessary to achieve production targets.