

Hired Labor and Management Cost Calculator¹

Payroll and benefits are a large portion of the costs of labor and management within the farm or ranch business. Frequently, neither employer nor employee account for the full cost of hired labor and management given that monthly salary received by employees in cash is a poor approximation of total cost. The objective of this decision aid is to organize data necessary with measuring the full cost of hired labor and management. Such information is valuable for accurate cost control measures.

Decision Aids Operation

Cells for data entry in the spreadsheet appear in blue on the screen. Values generated by the program are protected so they cannot be accidentally overwritten and the equations erased.

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 since base salary and rates frequently change. The person in charge of monthly payroll should also have access to payroll tax information. When providing decision aid information to employees, time should be taken to discuss each source of cost. This provides a basis for negotiation of the different components of salary and benefits. Good accounting records on housing and transportation are recommended.

Summary Report

The hired labor and management cost summary provides each cost component 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.

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