PRODUCTION REPORTING: USING JOB COST DATA TO IMPROVE PROFIT POTENTIALS

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FOUNDATION software

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Ask any contractor what has the greatest impact on a job's bottom line, and chances are the answer will be the same: labor productivity. Compared to other construction cost items such as materials and equipment, no other job cost comes close to providing such a variable for rewards and risks. As a result, contractors need to see labor production reports to answer specific job questions including:

- What is the quantity completed per man-hour?
- What is the actual versus estimated production rate?
- What will the projected cost for completing the project be based on average production to date?

Unfortunately, many contractors simply don't have access to detailed production reporting. Without a sophisticated job-cost accounting system that is capable of storing data by job and calculating production formulas, the manual creation of productivity reports can be as wasteful as any unproductive labor crew.

FINDING THE TRUE PRODUCTION RATE

When contractors estimate the cost of a job, their labor figures are generally determined by what they believe their labor force can complete per labor hour. If a job requires 1,000 feet of pipe installation, for example, a contractor may estimate it will take 100 labor hours to complete the work, with an estimated production rate of 10 feet per labor hour. Of course, few jobs are that simple. More often they involve many different field activities, different labor crews and different pay scales, all of which can affect a contractor's production rates. For example, imagine that a contractor is halfway through a job and finds that he is way behind schedule. Can he identify which field activity is behind? Does he know which crew is underperforming? If so, the job could be saved. If not, the fate of the job remains uncertain.

Using integrated payroll and field data, a good job-costing accounting program can provide contractors with specific, real-time production reporting. With Foundation's date-sensitive transaction data and flexible reporting, that's not the only advantage. Since contractors can reference their *past* production reports when bidding on similar jobs, their estimates are likely to be more accurate and their profits higher. What's more, historical production reports help contractors identify their strengths and weaknesses, which means they can bid more aggressively on certain field activities or even back away on areas with lower production rates.

WHAT KING OF PRODUCTION REPORTS SHOULD CONTRACTORS USE?

Just as no two construction companies are alike, no two contractors will likely require the same types of production reporting. The kind of jobs a contractor does, its labor force and many other factors will determine how a company will want to see its production numbers—and how often. A good construction-specific accounting program, therefore, should offer flexible reporting options. At a minimum, contractors should be able to produce the following reports:

- **Labor Productivity Report.** For every activity or phase, this report shows the number of units completed per labor hour.
- **Labor Unit Cost Report.** This report shows current labor costs per unit (e.g., for every foot of pipe laid). The costs can include labor costs only or labor and burden together.
- **Unit Cost Report.** Similar to the Labor Unit Cost Report, this report includes all current costs per unit of measure, adding material costs, equipment costs, etc.
- **Projected Cost Analysis.** Based on current costs per unit completed, this report shows what the projected final overall cost will be for a specific activity, as well as how many units are still needed for completion.

In addition to standard reports, Foundation's report designer empowers contractors to modify and even create their own custom reports. Retrieving reports from a job-cost accounting system like Foundation is as easy as (1) entering estimated costs, hours and units for each field activity need to be into the system and (2) entering costs and units as they occur. Using data already in the system, a world of production reporting is opened. That means no more guessing on where a job stands and no more guessing on productivity rates for similar job bids. Best of all, by removing the guesswork on labor productivity, the rewards can go directly to the bottom line.

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