



National Association of Home Builders

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LEAD-BASED PAINT PROGRAM: VALUE OF REMOVING THE HANDS-ON COMPONENT OF THE REFRESHER TRAINING COURSE FOR REMODELERS

ESTIMATE PRODUCED BY THE NAHB ECONOMICS AND HOUSING POLICY GROUP

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Value of implementing the strictly online version of refresher training before July 1, 2015: \$45.92 million to the remodeling industry (\$40.40 million in direct savings, plus \$5.52 million in after-tax profit due to reduced loss of productive worker hours).

Currently, remodeling workers (whether employees, independent contractors, or owners of companies) undergo an initial training to be certified in lead-based paint, and then must take a refresher course. EPA has proposed removing the "hands-on" component from the refresher training, allowing the refresher training to be administered strictly online. The implications include a lower registration fee for the course without the hands-on component and reduced travel costs.

A. Direct savings

No. who need refresher training by 7/01/15	200,000	EPA estimate
Average difference in registration fee per trainee	\$37	EO 13563 Progress Report, July 2014
Reduced costs of traveling to a training site	\$165	EO 13563 Progress Report, July 2014
Total direct cost savings per trainee	\$202	
Total for all who need refresher training	\$40,400,000	

B. Reduced loss of productive worker hours

In addition, NAHB remodelers have reported that the reduced travel time and flexibility of training that can be administered strictly online will mean increased productivity for the business. Workers are paid whether in training or on a job site, but if being paid while working on a job they generate revenue and profit for the business. A substantial number of remodelers have provided NAHB estimates of the difference in lost hours between the current training program and a strictly online version. While the estimates vary, they are often around 4 hours less—essentially the difference between a half and full work day—for the strictly online option. We use 4 hours of additional productive time as a working estimate and value this at \$6.90 per hour to the remodeling business. The computation is described below.

According to the National Compensation Survey (U.S. Bureau of Labor Statistics), the average cost per hour of workers in construction, and extraction, farming, fishing, and forestry occupations, is \$33.59 (2nd quarter, 2015).

We then estimate net income to the remodeling business is 22.4 percent of this, based on the following numbers taken from NAHB's [Remodelers Cost of Doing Business 2012](#):

Averages for all remodelers	
Cost of Sales: Labor for Residential Remodeling	153,641
Net Income Before Taxes	<u>34,391</u>
Ratio of net income to labor cost	22.4%

We then subtract 8.2 percent for federal, state and local income taxes. Using the National Income and Product Accounts from the U.S. Bureau of Economic Analysis, the average effective federal tax rate (taxes divided by profit before taxes) for the construction industry in 2012 was 6.4 percent, and this is marked up by the ratio of state and local income tax to federal income tax receipts, 27.6 percent (the methodology is described in NAHB's May 2014 study [Impact of Home Building and Remodeling on the U.S. Economy](#)).

Thus, the estimated ratio of after-tax profit to labor costs for a remodeling company is 20.5 percent. Applying this to the \$33.59 cost of labor per hour produces an estimate of \$6.90 of after-tax profit for every hour of productive labor lost. Assuming 4 fewer hours per trainee would be lost under the online training scenario and 200,000 total trainees effective produces an estimate of \$5.52 million in additional after tax profit.