

Technical
Training
Series



What is the actual hourly cost for direct labor on a construction project?

There are 4 major cost components to be considered:

1. **Base rate:** Hourly rate paid to the employee (varies by trade, classification and company).
2. **Statutory benefits:** Costs that the employer pays to the Government-also called payroll taxes. These include Social Security and Medicare (FICA, 7.65% of base rate); Federal Unemployment (FUI, 6.2% which nets to .8% after employer credit); and State unemployment (SUI-% of base rate-varies by state).
3. **Benefits:**
 - a. Union: Contractually agreed costs that are paid by the employer. These include, but are not limited to; welfare funds, vacation funds, annuity, and training. The benefit breakdown is available from the local union.
 - b. Prevailing Wage*: This is a published rate established by Department of Labor and Industries. It is reflective of local wage conditions in each county (inclusive of hourly rate and usual benefits). The rate is typically shown as the base rate and the benefit package amount. (* See Davis-Bacon Act)
 - c. Company benefits: Benefits that exceed the minimum, such as health benefits, small tool allowance and 401K.
4. **Insurance:** Workers Compensation and Liability Insurance are direct costs that are paid by the employer. These insurances are not overhead since they are proportional to revenue.

Table 1 is an example of a *Union Laborer* rate breakdown vs. an *Open Shop Laborer*:

Union Laborer			Open Shop Laborer		
Base Rate		\$31.50	Base Rate		\$ 18.00
FICA	7.65%	\$ 2.41	FICA	7.65%	\$ 1.38
FUI	0.80%	\$ 0.25	FUI	0.80%	\$ 0.14
SUI	2.60%	\$ 0.82	SUI	2.60%	\$ 0.47
Workers comp	8.00%	\$ 2.52	Workers Comp	8.00%	\$ 1.44
General Liability	2.00%	\$ 0.63	General Liability	2.00%	\$ 0.36
Welfare		\$ 8.49			
Pension		\$ 1.26	Health Ins	15.00%	\$ 2.70
Annuity		\$ 2.00	Small tools		\$ 1.50
Training		\$ 0.50	401K	4.00%	\$ 0.72
GNV LECET		\$ 0.10			
NYS LECET		\$ 0.05			
NYS H/S		\$ 0.05			
IAF		\$ 0.15			
Dues		\$ 1.63			
Political Act		\$ 0.05			
Small tools		\$ 1.50			
Total hourly cost		\$53.91	Total hourly cost		\$ 26.71
OH & P	21.00%	\$11.32	OH & P	21.00%	\$ 5.61
HOURLY RATE		\$65.23	HOURLY RATE		\$ 32.32