

## Closer to 1.30, not 1.50

**Executive summary.** A common mistake in estimating is the cost of an overtime manhour. Overtime is generally not one and one-half times the straight time rate. It's usually closer to 1.30.

**What's in a labor rate?** A labor rate is a combination of three numbers: the base rate, the tax, and the fringe. The total cost of a manhour, at straight time, is the base rate times the tax plus the fringe.

$$\text{Labor rate per hour} = \text{Base rate} * \text{tax} + \text{fringe}$$

**Why doesn't time and a half = 1.5?** A significant percentage of estimators or construction professionals believe that if a laborer makes \$50 an hour all-in, then (s)he makes \$75/hour on overtime. The true cost of an overtime hour is closer to 1.3 \* \$50/hour or \$65/hour.

Why? Well, it likely has to do with the fringe. Is the fringe applicable on overtime? If the fringe is not included when the employee is paid overtime, then that is taking away from the 1.50 calculation. There can be several fringes in an all-inclusive labor rate including insurance, education, health, retirement, and even more.



**My Story.** For most of my life "OT" has been called "own time", so personally there's not much to my story as a receiver of overtime. However, as an employer and estimator, I've pulled out the \$5 Casio and run the number and it's usually around 1.28 to 1.30. this may be different for you if you're in a non-union company, but this number has worked for me for a long time.

**Work safe!**