



American Subcontractors Association, Inc. Payment Rate for Extra Work

Sample Language

ASA Recommends:

“Subcontractor shall be entitled to payment for extra work at the following rates and/or mark-ups:

_____.”

Note: In negotiating the rates for extra work, a subcontractor should consider, among other things, direct labor, supervision, fringe benefits, payroll taxes, insurance, use of tools, general overhead, and profit.

What You May See in the Wild:

“Percentage fees for overhead and profit for extra work shall be #% for work performed by Subcontractor’s own forces and #% for work performed by its subcontractors and suppliers.”

Impact on the Subcontractor

- Subcontractor may find that its customer does not recognize as reimbursable costs, important direct expenses such as fringe benefits and supervision, as well as general overhead and profit.
- Subcontractor may find that the payment rate for extra work does not cover its actual costs, let alone provide for a profit.

Negotiating Tips

When the GC Says: “We’re expecting to keep changes to a minimum on this project.”

The Sub Should Say: “Then there shouldn’t be any problem on agreeing in advance on the payment rate for extra work.”

When the GC Says: “We’ll work to get the owner to approve change orders quickly. But I need you to agree on the reimbursement rate on which I already agreed with the owner.”

The Sub Should Say: “I included our payment rate for extra work in my bid to you. Certainly, you can’t expect us to be paid less than our actual expenses, plus a reasonable profit, for any extra work.”

When the GC Says: “Your rates seem high and include items that we don’t think we should have to pay for.”

The Sub Should Say: “These are the same expenses that I included in my bid in the first place. I have to be reimbursed appropriately for extras as well.”

When the GC Says: “Everyone else agrees to this kind of language.”

The Sub Should Say: “I can’t agree to something that is so far off of standard industry practice. ConsensusDocs and AIA both assure that subcontractors will get paid fairly for extras and the changes in the work.”

Additional Resources:

ASA Subcontract Addendum (2011), ¶ 9. Available to ASA members at www.ASAonline.com.

White Paper: Scope Changes and Claims (2009). Available to ASA members at www.ASAonline.com.

ASA Change Order Reservation of Rights Stickers. Available to ASA members at www.ASAonline.com.

ConsensusDocs Form 750, Standard Agreement Between Constructor and Subcontractor (2012), ¶ 7. Available at www.ConsensusDocs.org; ASA members can get a 20 percent discount by entering ASA100.

American Institute of Architects Form A401, Standard Form of Agreement Between Contractor and Subcontractor (2007), ¶ 5. Available at www.aia.org/contractdocs/.