

BY DAVID GERSTEL

Taking the Slack Out of Subcontractor Bids

Note: This article is the last in a four-part series adapted from David Gerstel's new book, *Nail Your Numbers: A Path to Skilled Construction Estimating and Bidding*.

In recent years, general contractors have increasingly relied on subcontractors. Now GCs are subbing out not only specialty trades, such as plumbing, drywall, and tile work; they are subcontracting even carpentry work, from foundations through finish. Most striking, the heavy use of “trade partners”—as subs are now sometimes called, thereby giving them their due respect—is prevalent not only for large projects but also for small jobs, like kitchen and bath remodels. I know builders who do work at both ends of the spectrum. The only work they kept in-house on recent projects was project management, pick-up (aka “completion”) work, and site cleanup.

Most striking, the heavy use of “trade partners”—as subs are now sometimes called, thereby giving them the respect they deserve—is prevalent not only for large projects but also for jobs as small as bath remodels. There are powerful forces driving this change.

When I began my building career a few decades back, the sub-everything model hardly existed outside the world of large-scale development. Small-volume builders and remodelers who used it were scorned as mere “paper contractors.” They had a hard time getting insurance because their heavy use of subs was taken as a sign that they did not know how to build.

That might have been true then. In some cases, it's true now. However, there are powerful forces driving the move to building with trade partners.

- **Complexity.** Each of the trades has become increasingly complex. Each makes use of an ever-expanding array of tools to install an ever-growing array of materials. Each deals with more complex specifications. A building shell once involved merely sheets of plywood, wood planks or shingles, or lathe with plaster attached to the studs over

a layer of felt. Now it can involve shear panel, numerous hardware items, water resistant barriers, staggered layers of insulation, rainscreens, cladding, special water management details, and ... well, you fill in the blanks for items I have left out.

- **Labor challenges.** A shortage of skilled labor plagues much of the construction industry. With a variety of factors having sharply reduced the number of skilled tradespeople available for hire in the U.S., building a crew that can handle all phases of carpentry, never mind other trades as well, is especially hard. It's tempting to off-load the recruiting and hiring struggles to trade partners.
- **Scope of estimates.** With the ever-increasing complexity of work, more and more items must be captured in an estimate. But, as I learned when I did the research for my new book, *Nail Your Numbers: A Path to Skilled Construction Estimating and Bidding*, even many experienced builders struggle with estimating. So, again, it's tempting to off-load the responsibility and let your trade partners crunch the numbers and take on the challenge of trying to nail down on-site production costs.

All in all, subcontracting would appear to be a way to reduce the pressures inherent in operating as a builder. But it turns out this silver lining comes with a cloud. I heard about it repeatedly as I interviewed builders for *Nail Your Numbers*. As one builder put it, “Stuff constantly gets missed.” Subcontractors fail to cover all work in their trades when they submit bids. Items fall between trades.

Some builders are philosophic about the missed stuff. Several told me that they do the best they can to alert subs to all work in their trades that is called for in project plans and specs. So what happens if a sub overlooks something that they should have included in their bid? One builder says he will then go “hat in hand” to the client and request extra compensation for the sub. Should that not be an option, then the builder picks up the tab, or at least part of it. “We are always splitting the difference with subs,” he says with an accepting shrug.

Other builders are not so sanguine. “Our framers are always missing things,” complains one general contractor who largely does big remodels. He says his carpenters regularly have to complete the last 5% of the framing. That angers him because there is no way he can get compensated for the work. A builder who specializes in custom homes is hard-nosed with his subcontractors.

His position with them: “If it’s on the plans or in the specs, and it’s in your trade, then it is yours to install. And don’t come back to me begging for help. You missed it. That’s on you and it’s your loss, not mine and not our client’s.”

But, of course, that hard-nosed approach can have a hidden cost that may exceed the cost of splitting the difference. It can leave subs feeling burned. Then they may be inclined to drop you in favor of other builders who are more generous.

None of the many general contractors I interviewed for *Nail Your Numbers* had a solution to the problem of omissions that protected everyone: trade partners, clients, and builder. The only solution I have ever seen was developed by Jim Lunt, an outstanding

plumbing contractor with whom I worked for years. Jim created an Included/Not Included (NIC) form specific to his trade. I have adapted that form into the more generalized form shown at left. It can be used for all trades—though it would be best used as a means of nudging subs into creating their own trade-specific forms.

Whoever creates the form, it should include these key components:

- A stipulation that all work regularly, though not necessarily always, done by a trade is included in that trade’s bid.
- A checklist of specific items that regularly fall between trades.
- A space for the trade partner to list any items not included in their bid that aren’t covered by the checklist.

Of course, even a good Included/NIC form will not prove fool-proof. Oversights can occur, especially when an item of work is merely implied by the plans and specs rather than explicitly called out. For example, plans may call for a skylight but make no mention of flashing at its curb because the designer assumes that any competent builder will know that a skylight curb must be flashed to the roofing. In that case, the flashing may get overlooked during estimating because the trade that is installing the skylight assumes the roofing sub will provide the flashing, the roofers assume they will install it but not provide it, and the sheet-metal guys figure someone else has flashing in their scope of work.

Technically, in such a situation, the “regularly though not necessarily always” stipulation in the Included/NIC form could be invoked by a builder. Relying on it once construction is underway and you realize that no one has taken responsibility for the flashing, you could insist that the roofer provide and install it. Or you could demand that several subs split the cost. For the sake of good, long-term relationships, however, you want to avoid jamming unanticipated costs down your trade partners’ throats. As a result, even after you have converted your subs to using Included/NIC forms, you may still end up chipping in on the overlooked costs now and then. But the forms should go a long way to reducing the frequency with which items fall between the trades during estimating.

While an included/NIC form may help you winnow omissions down to near zero, it won’t eliminate another problem—redundancy. You may end up with two or more subs including the same item of work in their bids. I have never come up with a solution to that problem other than to be on the lookout for redundancy when I am building an estimate. If you have a more systematic solution, we would love to hear about it in the comments section for this article at JLConline.com. Drop us a note!

David Gerstel has been a builder for over four decades and is the author of Running a Successful Construction Company, long regarded as an industry “bible.” David’s new book, Nail Your Numbers: A Path to Skilled Construction Estimating and Bidding, is available from Amazon and your local bookseller. You can contact David via his website, DavidGerstel.com.

Included/Not Included Form

Subcontractor: _____ Sub’s Signature: _____
 Project: _____

Our bid is based on the following plans and specifications for the above-named project:
 Architectural Plans, pages _____ Date: _____
 Engineering Plans, pages _____ Date: _____
 Specifications, pages _____ Date: _____
 Addenda, pages _____ Date: _____

Our bid includes **all** work and costs regularly, *though not necessarily always*, covered by our trade **excepting items checked below** to indicate they are not included (NIC).

Building permit _____	Provide roof jacks _____	Touchup paint _____
Shop drawings _____	Provide straps _____	
Liability insurance _____	Provide roof caps _____	
Workers Comp Insurance _____	Install jacks, caps, & straps _____	
Trench & backfill _____	Material handling _____	
Off-haul excess soil _____	Remove waste _____	
Demolition _____	Recycle _____	
Concrete cut/core _____	Protect (E) work _____	
Cut and patch _____	Blocking _____	
Scaffolding/Staging _____	Firestops _____	
Ramps _____	Insulation _____	
Ladders _____	Sealants & caulk _____	
Damage repair _____		
Utility hookups _____	Touchup drywall _____	
Flashing _____	Daily cleaning _____	
	Final cleanup _____	

Other items of work and costs NIC in our bid:

A subcontractor form that spells out items NIC (not included) in subcontractor bids can go a long way toward preventing items from slipping between the trades during estimating.