

“OVERHEAD COST IN CONSTRUCTION INDUSTRY”

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ABSTRACT

Nowadays, the construction industry is becoming highly competitive which causes general contractors to bid with a very small margin of profit. At the same time, overhead costs are always increasing and never go down of its own. Overhead costs are extremely important in construction estimation. Neglecting overhead has forced some contractors out of business, because these cost constitute a significant portion of the total construction cost. Hence it is important to control overhead cost. Construction projects become complicated and fragmented so that many specialty contractors are involved. In such changed environments, a general contractor's overhead costs are increasing comparable to direct costs. In addition to an increase of volume, activities consisting of overhead costs play an important role in coordinating different participants who include different specialty contractors and client.

The paper discusses the actual definition of overhead cost, contractor awareness about overhead cost, percentage of OH costs, changes in overhead cost, causes of increased overhead cost in construction industry, contractors perception about overhead cost, control of overhead cost.

KEYWORDS: Market Economy, Construction, Contractor Awareness, Expanding Business