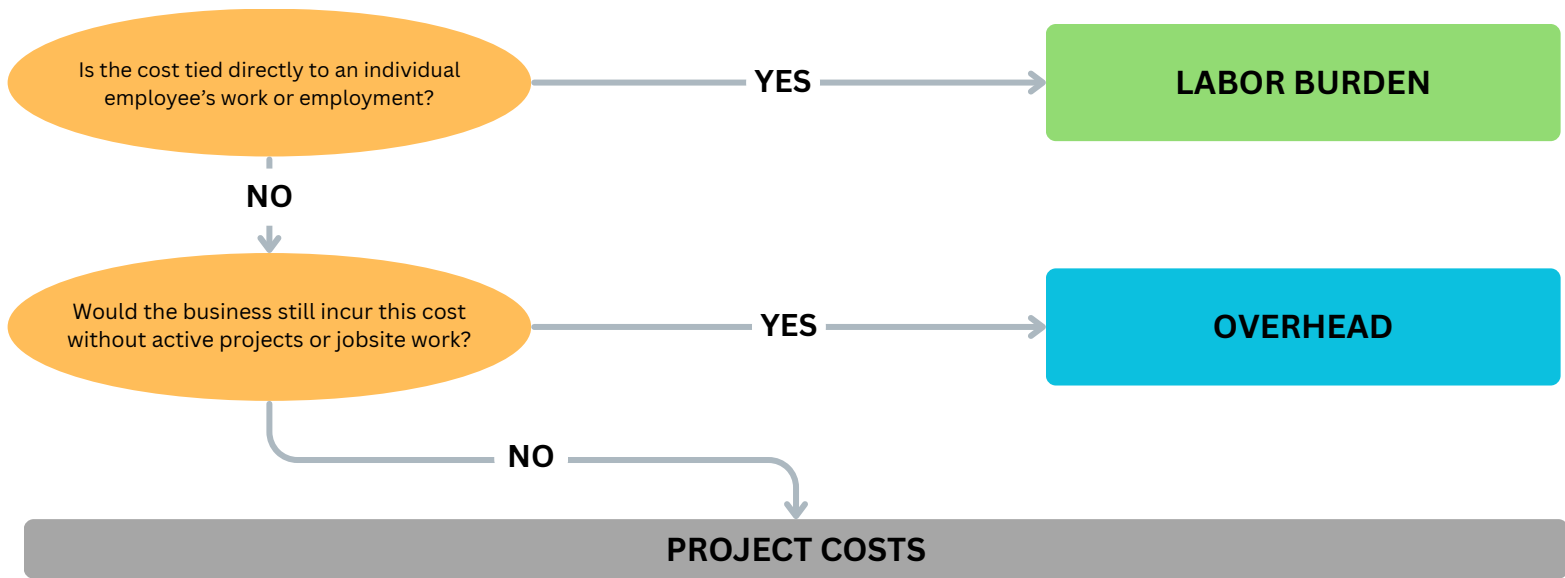


Labor Burden vs. Overhead: Cost Classification Reference



Common Labor Burden Costs

Labor burden includes costs that exist only because an individual employee is on the payroll. These costs vary with headcount and are tied directly to wages, benefits, and job-specific needs.

Taxes – Payroll taxes (Social Security, Medicare, federal unemployment, state unemployment)

Workers' Compensation – Workers' compensation insurance premiums

Health Benefits – Employer-paid health insurance, employer-paid dental insurance, employer-paid vision insurance

Paid Time Off (PTO) – Paid holidays, paid vacation time, paid sick leave, paid personal leave, paid jury duty leave

Retirement Contributions – 401(k) matching contributions, pension contributions, profit-sharing contributions

Life and Disability Insurance – Life insurance premiums, short-term disability insurance, long-term disability insurance

Safety and Compliance – Mandatory safety training, required certifications, personal protective equipment (PPE)

Role-Specific Equipment and Benefits – Company-provided cell phones, company vehicles assigned to employees, vehicle insurance for employee use, per diem allowances, travel reimbursements, relocation assistance for employees, specialized training beyond mandatory requirements, educational assistance, tuition reimbursement, tools and equipment provided for individual employee use, uniforms or company-provided work clothing, housing stipends, wellness program benefits (if employer-paid)

Common Overhead Costs

Overhead includes general business costs that remain relatively fixed, whether one employee is hired or one hundred. These costs support the company as a whole, not any single worker or project.

Facilities – Rent for office or warehouse space

Utilities – Electricity, water, internet, gas

Administrative Salaries – HR, finance, marketing, legal, office management

Office Operations – Office supplies, office furniture

Insurance – General liability insurance, property insurance, commercial umbrella policies

IT Systems – Company-wide accounting software, CRM systems, general office software licenses

Professional Services – Legal services, accounting services not tied to a specific project

Context-Dependent Costs

Some costs may shift between labor burden and overhead depending on how they are used. Evaluating how closely a cost ties to an individual employee helps determine the correct classification.

Company Vehicles – Vehicles provided for employee use

- Labor burden if assigned to an individual employee; overhead if shared across multiple employees or departments

Bonuses and Incentives – Employee bonuses, discretionary performance incentives

- Labor burden if tied to project performance; overhead if tied to overall company results

Small Tools and Consumables – Inexpensive tools and materials used during construction work

- Labor burden if assigned to and used exclusively by an individual employee; overhead if shared generally across employees or jobsites

Specialized Training (Beyond Basic Requirements) – Non-mandatory certifications, career development programs

- Labor burden if required for job performance; overhead if general or optional

