



The Loaded Labor Cost Guide

A \$20 wage is not a \$20 cost. This guide shows what burden actually pays for, and why bidding off the wage instead of the loaded rate quietly loses money on every job.

Every pricing mistake in a contracting business traces back to one number: what does an hour of crew time actually cost. Most owners start from the wage on the paycheck. The real number is higher, sometimes a lot higher, and the gap is called burden.

The wage is not the cost

A worker earning \$20 an hour does not cost the business \$20 an hour. Payroll taxes, workers compensation insurance, and any benefits offered all ride on top of the wage before that hour bills a dollar. None of that shows up on the pay stub, but all of it shows up on the bill.

Loaded labor cost is the fully burdened cost of one paid hour: base wage times one plus the burden percentage. It is the number that belongs in every bid, not the wage.

What burden is actually made of

Burden is not padding, it is the sum of real costs: employer payroll taxes (FICA, unemployment), workers comp premiums (a real cost in every trade, higher in some), and any health or retirement benefit paid on top of wages.

For a small contracting crew, that typically lands between 20% and 45% of base wage, depending on trade, state workers comp rates, and whether benefits are offered. There is no single correct number for every business, which is why the calculator treats burden as an editable input with a sourced range, not a hidden constant.

A worked example

Take a \$20/hour base wage at 30% burden, a typical midpoint. Loaded rate is $\$20 \times 1.30 = \$26.00$ per hour, six dollars above the wage on the paycheck.

The likely range matters too. At the low end (20% burden) the loaded rate is \$24.00/hour. At the high end (45% burden) it is \$29.00/hour, a five-dollar swing on the same \$20 wage. Bid off the wage instead of the loaded rate and every job quietly underprices labor by the burden amount, invisible on any single job, expensive across a season of them.

Where this feeds the rest of the pricing chain

Loaded labor cost is the foundation the rest of the toolkit builds on. Crew Cost & Required Billable Rate turns it into what you must charge per crew-hour. Job Profit Check uses it to test whether a specific bid actually makes money. Markup vs. Margin assumes your job cost, including labor, is already correct before it solves for price, get the loaded rate wrong and every downstream number inherits the error.

Key takeaway. Bid off the loaded rate, not the wage. The gap between them is real cost the business already carries, whether or not it shows up in the number you use to price a job.

Assumptions

- Typical contractor labor burden runs 20% to 45% of base wage nationally, depending on trade, state, and benefits offered. - Same range the Loaded Labor Cost calculator uses for its likely-range display.
- The \$20/hour base wage in the worked example is illustrative, not a claim about your market or trade.

Frequently asked questions

Why not just add a flat markup to the wage instead of calculating burden?

A flat markup guesses at a number burden actually determines from real costs: your state's payroll taxes, your specific workers comp premium, and what benefits you offer. Two contractors with the same \$20 wage can have meaningfully different loaded rates. Calculating burden from your own numbers is more accurate than a guessed markup, and barely more work.

Does loaded labor cost include the owner's own time?

Only if the owner is paid a wage through payroll. If the owner draws profit instead, that belongs in overhead allocation, not labor burden, an owner working unpaid in the business is still a cost the price needs to cover, just accounted for differently.

How often should I recheck my burden percentage?

At least once a year, since workers comp premiums and benefit costs change with renewals. Recheck immediately if you add a benefit, change carriers, or a state payroll tax rate changes.

Is 30% burden too high or too low for my crew?

It depends on your trade, your state's workers comp classification, and whether you offer benefits. Treat 30% as a starting point inside the 20%-45% range, then enter your own number in the calculator, that is exactly why burden is an editable input rather than a fixed constant.

MarginWorkshop is a free set of transparent decision engines for contractor businesses. This guide is educational, not a guarantee of any outcome.