What Goes Into Staffing Labor Burden?

Pay rate is what a worker takes home. It is not what a worker costs you. Burden is the gap between those two numbers, and pricing off pay rate instead of loaded cost is one of the fastest ways to quietly lose money on a contract that looks fine on paper.

Why burden exists as a separate concept

Every hour a temp or contract worker is on assignment, you owe more than their hourly pay. Federal and state payroll taxes are calculated as a percentage of that pay. Workers' compensation insurance is priced against it. If you offer benefits or accrue paid time off, those add cost too. None of that shows up in the pay rate number, but all of it has to be recovered in the bill rate, or the assignment loses money regardless of what markup you think you're charging.

"Burden" is the umbrella term for all of it, usually expressed as a percentage added on top of pay rate. A worker paid $25/hour with an 18% burden costs you $29.50/hour before you've added a single dollar of profit. Confuse the two numbers, price off $25 instead of $29.50, and you've built a loss into the contract before you've even set a margin.

The federal components, and their 2026 figures

Three burden components are federally set, the same rate for every U.S. employer regardless of state or industry. StaffingLedger's engines use the 2026 baseline below, sourced against IRS Publication 15 and 15-A and reviewed at least annually as figures change.

Component	2026 rate	Wage base
Employer Social Security	6.2%	First $184,500 of the worker's annual pay
Employer Medicare	1.45%	No cap, applies to all wages
FUTA (federal unemployment)	6.0% statutory, reduced by a standard credit of up to 5.4%	First $7,000 of the worker's annual pay

The wage bases matter more than they might look. Social Security tax stops accruing once a worker's cumulative pay for the year crosses $184,500, so a temp who ramps up to full salary equivalent mid-year won't accrue Social Security burden on every dollar the way a rough annual-percentage estimate would suggest. FUTA is capped even lower, at just the first $7,000 of annual pay, which means FUTA's effective contribution to hourly burden shrinks fast once a worker has been on assignment a few months in the same calendar year. A flat burden percentage doesn't capture either effect; a wage-base-aware calculation does, which is why Fully Burdened Worker Cost's advanced mode itemizes each component separately instead of applying one blended rate to every hour.

FUTA's 5.4% standard credit is not universal. States that haven't repaid federal unemployment-insurance loan balances on time face a reduced credit, raising the effective FUTA rate for employers in that state specifically, not everywhere. Whether a credit-reduction applies to your state, and the final rate for a given year, is only confirmed by the U.S. Department of Labor after the year's determinations are finalized, typically in November. Check your own state's status before treating 0.6% as a permanent number rather than the standard-case default it is.

The components that are always yours to enter

Two more components are legally required in every state but vary too much to default meaningfully:

- **SUTA (state unemployment tax)** has its own rate and wage base set by each state, and your specific rate depends on your agency's own claims history (experience rating), not just which state you're in. Two staffing agencies in the same state can have meaningfully different SUTA rates.
- **Workers' compensation** is priced per $100 of payroll and varies by state, by industry classification code, and by your agency's own claims history. A light-industrial staffing book and a clerical staffing book carry very different workers' comp rates even within the same agency.

Neither of these should be defaulted to an "industry typical" figure in a pricing calculation. Enter your agency's actual current-year rates; a fabricated default would make an engine look populated without meaning anything, which is worse than leaving the field blank and forcing the question.

Benefits, PTO, and other direct costs

If your agency offers health benefits, retirement contributions, or paid time off to temp or contract workers, those are direct costs of the assignment too, even though they're discretionary rather than statutory. Benefits are usually simplest to model as a flat dollar-per-hour add, since they typically don't scale with pay rate the way payroll taxes do. PTO accrual, if offered, is more naturally a percentage of pay, since it's usually structured as a fraction of hours worked. Either way, if these apply to your workforce, they belong in the loaded cost the same way payroll taxes do, not treated as general overhead absorbed elsewhere.

Putting it together: simple mode vs advanced mode

There are two honest ways to model burden, and which one you should use depends on what you're doing with the number. A single flat burden percentage, applied uniformly to pay rate, is fast and fine for a quick estimate or for an agency whose burden profile is genuinely stable across most of its workforce. It breaks down as a source of truth once wage bases matter, since a flat percentage either overcharges burden on workers who've already crossed the Social Security or FUTA wage base, or undercharges it on workers who haven't, and the error compounds the longer a worker stays on assignment within the same calendar year.

The itemized, wage-base-aware version costs more effort to set up, since it needs your actual SUTA rate, workers' comp rate, and benefit costs entered separately rather than blended into one number, but it's the version that actually tells you the truth about a specific worker's cost at a specific point in the year. Use flat-percentage burden for fast, directional pricing. Use the itemized version when you're setting a rate you'll actually hold to for the life of a contract, or reconciling why a real assignment's margin came in different from what you priced.

Related

- Fully Burdened Worker Cost engine — both simple and itemized wage-base-aware modes.
- Staffing Bill Rate engine — turn loaded cost into the rate you need to charge.
- Overtime Assignment Economics engine — how burden interacts with overtime hours specifically.
- Staffing Markup vs Margin — the other half of getting a price right once cost is known.
- Methodology — the full 2026 federal payroll baseline and sourcing.