Direct and indirect labor cost

What is Labour?

Labor represents cost of services of human resources. Labour is the most mobile factor of production. Labour is divided into two types:

1. Direct labour
2. Indirect labour

Direct labour

Direct labour is the effort of such persons who are directly involved in the production of a good. For example, in a small carpentry, the efforts of those persons who cut, join, polish or otherwise handle wood being made into furniture are classified as direct labour. Remuneration paid to persons providing direct labour is called Direct Wages. In the case of manufacturing concerns where the bulk of processing of raw materials is done by machines, direct wages refer to the remuneration paid to employee who actually operates the machines. Such employees, however, do not include supervisors or clerical staff members who assist direct labour but do not actually provide it.

Indirect labour

Indirect labour is labour that assists direct labour in the performance of their work. It is the labour which does not directly work upon the manufacturing of the finished product. Examples of indirect labour are wages paid to workers for sweeping, cleaning, supervising, inspecting and issuing of raw material etc.