Job Costing for Contractors: Complete Guide (2026)

How to do job costing for construction and contracting work. Track actual vs estimated costs, calculate true profit per job, and find where you lose money.

What Is Job Costing in Construction?

Job costing is the process of tracking every dollar that goes into a specific project -- materials, labor, equipment, subcontractors, permits, and allocated overhead -- and comparing those actual costs to what you originally estimated. The goal is simple: know whether each individual job made money, lost money, and by how much.

This is fundamentally different from general bookkeeping. Your bookkeeper or accountant can tell you that the business generated $600,000 in revenue and had $510,000 in expenses, leaving $90,000 in profit. That is useful information, but it does not tell you which of your 80 completed jobs contributed to that profit and which ones ate into it. Job costing does.

Think of it this way: your profit and loss statement is like knowing your batting average. Job costing is like knowing your performance against each pitcher. The average might look fine, but if you are striking out every time you face left-handed pitching, you have a problem that the average hides.

The Three Cost Categories

Every job cost falls into one of three categories. Understanding these categories is the foundation of accurate job costing in construction.

The 5-Step Job Costing Process

Job costing is not complicated, but it requires discipline. Most contractors already do step one (estimating) reasonably well. Where the process breaks down is steps two through five, which is where the actual value lives. Here is the complete process for job costing in construction.

A common mistake is estimating in lump sums: "$4,500 for materials." That tells you nothing when actual costs come in at $5,200. Instead, break materials into categories: shingles $2,800, underlayment $400, flashing $180, nails and fasteners $120, plywood/OSB $600, drip edge $200, vents $200. When the job runs over, you can see exactly which category caused the variance.

The biggest resistance to real-time tracking comes from field crews. They see it as paperwork. The reality is that it takes about 5 minutes per day to log hours and receipts to a job. Compare that to the 5 hours you will spend at the end of the quarter trying to reconstruct costs from memory and bank statements. The choice is discipline now or guesswork later.

What counts as overhead? Everything that runs whether you complete one job or fifty: general liability and commercial auto insurance, vehicle payments and fuel, tool purchases and maintenance, office rent or home office costs, phone and internet, software subscriptions, marketing spend, administrative wages (including your own time doing estimates, admin, and sales), and professional services like accounting and legal.

A typical small contractor with $600,000 in annual revenue runs $12,000-$18,000/month in overhead, or roughly 24-36% of revenue. If you are not allocating this to individual jobs, you are overstating your per-job profit by that same percentage -- which means you think you are making 35% margin when you are actually making 10%.

Express this as both a dollar amount and a percentage. A job that generates $1,500 profit on a $12,000 contract is a 12.5% net margin. Knowing the percentage lets you compare profitability across jobs of different sizes. A $2,000 profit on a $25,000 job (8%) is worse than a $1,200 profit on a $8,000 job (15%), even though the dollar amount is higher.

Build a simple variance report for each job. It does not need to be fancy. Three columns: Estimated, Actual, and Variance (positive means you spent more than planned). After 10-20 jobs, patterns emerge that are impossible to see on a single job. Maybe you consistently underestimate labor on tear-offs by 20%. Maybe your dumpster costs always run $150 over. Maybe your plywood estimates are accurate for newer homes but miss by 40% on homes built before 1980 because of additional decking damage. These patterns become pricing corrections that compound over time.

Job Costing Example: A Real Roofing Project

Theory is useful. Numbers are better. Here is a complete job costing walkthrough for a 2,200 sq ft residential roof replacement in the Dallas-Fort Worth metro, showing the estimate, the actual costs, and the lessons learned.

The Estimate

The contractor applied a 45% markup to the direct cost estimate: $6,130 x 1.45 = $8,889. Rounded to a clean number, the contract price was $8,900. At a 45% markup, the expected gross margin was approximately 31%.

The Actual Costs

The Job Cost Analysis

Now add the overhead allocation. This contractor runs $14,400/month in overhead and completes an average of 12 jobs per month. Overhead per job: $1,200.

The expected net margin after overhead was around 18%. The actual net margin came in at 7.9%. That is a $900 shortfall on a single job. Across 12 similar jobs per month, that estimating error costs over $10,000 per month.

Where the Estimate Went Wrong

Job Costing Methods Compared

There is no single right way to do job costing. The best method depends on your volume, your technical comfort level, and how much you are willing to spend. What matters is that you do it consistently. An imperfect system used on every job beats a perfect system used on none.

Method	Cost	Best For	Breaks At	Automation
Spreadsheet (Excel / Google She	Free	Solo operators, under 10 jobs/	10+ concurrent jobs; manual en	None -- fully manual
QuickBooks + Job Codes	$30-80/mo	Small crews with a bookkeeper	Requires discipline to assign	Low -- bank feeds help, but
Construction Management Softwa	$99-399+/mo	Mid-size firms, 15+ active job	Overkill and expensive for sma	High -- time tracking, PO ma
BuildFolio	$39/mo	Residential contractors wan	Designed for residential cont	Medium-High -- per-job profi

If you are currently doing zero job costing, start with a spreadsheet. Build the habit first, then upgrade to software once you have proven the value to yourself. A spreadsheet that you actually use is infinitely better than a $400/month platform that sits unused because the learning curve was too steep.

What to Track on Every Job

The power of job costing depends on what you track. Miss a category and your profit numbers are wrong. Track everything and the data tells you exactly where your money goes. Here is the complete job costing checklist for construction projects.

Direct Cost Tracking

- Materials with receipts and PO numbers -- Every material purchase, including tax and delivery. Link receipts to the specific job. Photograph paper receipts the same day or they will be illegible in a week.
- Labor hours by employee and role -- Track who worked on the job, for how many hours, and at what burdened rate. A journeyman electrician at $55/hr burdened and an apprentice at $28/hr burdened have very different cost impacts. Logging "24 labor hours" without attribution hides this.
- Subcontractor invoices -- Actual invoiced amounts from every sub on the job. If you use subs for electrical, plumbing, or HVAC rough-ins on remodeling projects, these can be 20-40% of your total job cost.
- Equipment rental -- Scaffolding, scissor lifts, ditch witches, concrete saws, and any rented or owned equipment with a per-use cost. For owned equipment, calculate a depreciation charge per use.
- Permit fees -- The permit itself plus the labor time to pull the permit and attend inspections. A two-hour round trip to the permit office at $50/hr owner time is $100 that most contractors never track.
- Travel and fuel -- Distance to the job site, number of trips, and fuel cost. A job 45 minutes away costs significantly more in crew travel time and fuel than one 10 minutes from your shop.

Often-Missed Costs

- Warranty callbacks -- If you return to a completed job to fix a leak, repaint a section, or adjust a door that sticks, that labor and material cost belongs to the original job. Most contractors treat callbacks as a separate expense, which makes the original job look more profitable than it was. A $200 callback on a job with $1,500 profit reduces that job's margin from 15% to 13%.
- Change orders (billed and unbilled) -- Billed change orders add revenue and cost to the job. Unbilled change orders -- the "while you are here, can you also..." requests that you do for free -- add cost without revenue. Track both. If you are consistently doing $200-$500 in unbilled extras per job, that is a pricing and sales process problem, not a production problem.
- Estimating time -- The 2-4 hours you spend measuring, writing the estimate, and presenting it to the customer is a real cost. If you close 1 in 3 estimates, each won job carries the estimating cost of three jobs. At $60/hr owner time and 3 hours per estimate, that is $540 per won job.
- Punch list and final cleanup -- The last 5% of a job often takes 20% of the labor budget. Touch-up paint, final grading, debris removal, and walk-through time all count. If you do not budget for this, every job will run over on labor.

The Top 5 Job Costing Mistakes

Most contractors who attempt job costing make the same mistakes. These errors do not just reduce the usefulness of your data -- they can lead you to wrong conclusions that make your pricing worse instead of better.

1. Not Tracking Labor Hours by Job

This is the single most common job costing failure. The contractor tracks total payroll -- they know they spent $14,000 on labor this week -- but they do not know how those hours split across the 4 jobs that were active. If three of those jobs were profitable and one was a disaster, the payroll total hides it completely.

The fix is daily time tracking assigned to specific jobs. It does not need to be sophisticated. A text message, a simple app, or even a paper timesheet with the job address on it. The data needs to answer one question: how many hours did each person spend on each job today?

Without per-job labor tracking, your "job costing" is actually just material tracking with a labor guess added on top. And labor is typically 30-50% of your direct costs. You are guessing on the biggest single cost category.

2. Forgetting to Allocate Overhead

A contractor looks at a completed job: $8,000 contract, $5,200 in materials and labor. "That is $2,800 profit, a 35% margin. Great job." Except the business runs $15,000/month in overhead across 10 jobs, so each job carries $1,500 in overhead. Actual profit: $1,300. Actual margin: 16.3%. Still profitable, but half of what the contractor thinks.

The danger is not that overhead makes jobs unprofitable -- though it sometimes does. The danger is that it makes you overconfident in your pricing. You think 35% margin gives you room to offer discounts, absorb change orders, and compete on price. In reality, you are operating at 16% with almost no cushion.

3. Not Tracking Change Orders Separately

Change orders are the most misunderstood line item in construction job costing. There are two types that must be tracked differently:

- Billed change orders: Additional work that the customer approved and paid for. These add both revenue and cost to the job. Track them as a separate line so you can see the base contract margin and the change order margin independently. Change orders should carry at least the same margin as the base contract -- ideally higher, because the disruption to your schedule has value.
- Unbilled change orders (scope creep): The "while you are here" requests that add cost without adding revenue. These are profit killers that look invisible in your books because they are absorbed into labor and materials. A job with $600 in unbilled extras turns a 20% margin into a 14% margin, and you never see it unless you track it.

4. Waiting Until the Job Is Done to Reconcile

If you only look at job costs after the project is complete, you miss the window to do anything about overruns. By the time you realize labor is running 25% over estimate on day four of a five-day job, you cannot undo days one through three. Real-time tracking gives you the chance to adjust: add crew to finish faster, flag a change order for the scope addition that caused the overrun, or cut scope elsewhere to stay on budget.

Review costs against estimate at the midpoint of every job. For multi-week projects, review weekly. You are looking for categories trending more than 10% over estimate. If materials are already at 90% of the estimated budget and the job is only 60% complete, you have a problem you can still address -- negotiate with the supplier, substitute materials, or communicate with the customer about a potential change order.

5. Ignoring Warranty Callback Costs

A roof job that looks like it made $3,000 profit drops to $2,200 profit when you send a crew back six months later to fix a leak. That callback costs labor ($300+), materials ($50-200), and travel time ($100+), but almost no contractor tracks it against the original job.

Over time, callback data reveals which job types, which materials, and which installation practices generate the most warranty work. A contractor who discovers that a specific flashing technique causes 40% of their leak callbacks can change the technique and eliminate thousands of dollars in annual warranty costs. But only if they are tracking callbacks

by original job.

How BuildFolio Makes Job Costing Automatic

The reason most contractors do not do job costing consistently is not that they do not see the value. It is that the process is tedious. Entering receipts, tracking hours, calculating overhead allocations, and building comparison reports takes time that could be spent on billable work. BuildFolio reduces that friction to near zero.

Per-Job Profit Dashboard

Every completed job shows actual revenue, actual costs by category, overhead allocation, and true net profit. One screen, no spreadsheet formulas, no manual reconciliation. You can see margin trends over time, filter by job type, and identify which service categories consistently underperform your targets. When your bathroom remodels average 22% net margin but your kitchen remodels average 8%, you know exactly where to focus your pricing corrections.

Estimated vs. Actual Comparison

BuildFolio automatically compares what you estimated to what you actually spent in each cost category. After 20-30 jobs, the patterns become impossible to ignore: you consistently underestimate labor on tear-offs, your dumpster costs always run over, or your material estimates are tight on new construction but loose on remodels. These insights compound into pricing accuracy that saves thousands per year.

AI Photo-to-Quote

Inconsistent estimates are a major source of job costing variance. BuildFolio uses satellite imagery and AI to generate measurements and material quantities based on actual property data. The same roof measured the same way every time means your estimates start from accurate data instead of field guesses. When your estimate is accurate, the comparison to actual costs tells you about execution, not measurement error.

Frequently Asked Questions

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