

Labor Intensive

A labor intensive industry is one that is characterized by a high percentage of labor costs as compared with capital costs. Labor costs are usually variable costs. Consequently, labor-intensive industries usually have low fixed costs, low operating leverage, and relatively stable profits.

However, labor-intensive industries usually do not have huge economies of scale. And they are susceptible to disruptions in the labor market.

Industries generally considered labor intensive include the hospitality, food service, and mining industries. Any industry that produces something that cannot be mass produced is usually labor intensive. The construction industry is usually considered labor intensive since every building (usually) has to be tailor-made.