HOLMES GROUP ENTERPRISES, LLC

The 10-Minute Hourly Rate Check

1. Count billable labor hours

Add up paid hours across the field team. Multiply by the share of those hours you can bill. Three people working on one job for two hours produce six billable labor hours.

2. Add up monthly operating costs

Add loaded field payroll for all paid hours, fixed overhead, and variable job costs. For loaded payroll, include employer payroll taxes, benefits and insurance. Count each cost once.

3. Set your hourly floor

Divide total monthly operating costs by billable labor hours. Then divide that rate by (1 minus your target operating margin). At a 20% target, divide by 0.80.

Worked example

With $12,000 of monthly costs and 240 billable labor hours, your floor is $50 per labor hour and your 20% margin rate is $62.50. If hours drop to 200 at the same cost, the target rate rises to $75.

Apply it to one quote

Compare the model rate with the labor-hour rate implied by a recent quote. Document any separately billed materials and revisit the model when staffing, utilization or overhead changes. For planning purposes. Use your own operating costs and assumptions.