



## Adding Staff to Hourly Rate

Following on from the guide “Calculating a Minimum Hourly Rate” it is important to consider the impact of hiring staff on the minimum hourly rate. This is a very basic example, but it serves to illustrate the calculation. In our previous example, the hourly rate was as follows.

Personal Survival Income including Tax and NIC	£38,000
Overheads – Excluding staff	£6,970
Total Income Required (a)	£44,970
48 Weeks @ 40 hours per week	1,920
65% of your time should be chargeable (b)	1,248
Estimated Hourly Rate (a /b)	£36.03
Rounded to	£37.00

So, what happens if our consultant finds they have more work available than they can reasonably expect to manage? We need to be able to see the effect of employing someone on the hourly rate.

Total Income Required (a)	£44,970
Employee Cost	£18,000
Total Income Required	£62,970
Your Chargeable Hours (b)	1,248 hrs.
Employee: 52 weeks less 5 weeks holiday and 1 week absence	= 46 weeks
46 weeks @ 40 hours per week	1,840 hrs.
85% of their time should be chargeable so (c)	1,564 hrs.
Total Chargeable Hours (b+c)	2,812 hrs.
Total Income Required divided by Total Chargeable Hours	£22.39
New Rounded Estimated Hourly Rate	£23.00

It is important to remember that this is the breakeven figure and allows for no surplus income or profit. It also requires both our consultant and their member of staff to achieve their productive outputs. This is a simplistic example, and it may be that another member of staff increases overheads such as insurance.