



Adding Staff to Hourly Rate

Following on from the guide Calculating Your Worth, we now consider the impact of hiring staff on the hourly rate. This basic example serves to illustrate the calculation.

Personal Survival Income including Tax and NIC	£38,000
Overheads – Excluding staff	£7,000
Total Income Required (a)	£45,000
48 Weeks @ 40 hours per week	1,920
65% of your time should be chargeable (b)	1,248
Estimated Hourly Rate (a /b) £36.05	Rounded to £37.00

So, what happens if our consultant finds they have more work available than they can reasonably expect to manage? Let's see the effect of employing someone.

Total Income Required (a)	£45,000
Employee Cost	£25,000
Total Income Required	£70,000
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	£24.89
New Rounded Estimated Hourly Rate	£25.00

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.