



IT CONSULTING RATES

Determining Your Rate Worksheet

At our IT staffing and technical consulting business, we often bring on consultants who are switching over to consultant-hood from full-time employment. One of the most common questions we get from these individuals is, “**How do I determine my hourly IT consulting rate?**”

Due to the frequency of this query, we created a formula to help people estimate their hourly rate. All you need to do is to follow the three steps on this worksheet, and you'll have that ballpark figure.

Remember though: this number is only an estimate and is in no way set in stone. Your actual rate will depend on your negotiation with your contracted company.

STEP 1: DETERMINE YOUR BILLABLE HOURS

$$(52 \text{ wks} \times 40 \text{ hrs}) - (\# \text{ Vacation wks} \times 40 \text{ hrs}) = \# \text{ Billable hours}$$

The first step is to figure out how many billable hours you have. To do this:

- 1) Multiply the number of weeks in a year (52) by the number of hours in a workweek (40). This will give you the number of possible work hours in a year.



STEP 2: DETERMINE YOUR NORMAL HOURLY RATE

$$\text{Yearly Salary} / \text{Number of Billable Hours} = \text{Hourly Rate (\$)}$$

The second step is to determine your hourly rate. **To do this, take your yearly salary and divide it by the number of billable hours from Step 1.** This number is your hourly rate.

For Example: \$100,000/2,000 hours = \$50 hour

It's your turn:

Yearly Salary \div Billable Hours = Hourly Rate

\$ _____ \div _____ Hours = \$ _____ an hour

Your hourly rate is \$ _____



STEP 3: DETERMINE YOUR CONTRACTED CONSULTANT HOURLY RATE

Normal Hourly Rate x % Markup = Contracted Consultant Hourly Rate (\$)

Up to this point, the calculation has been a no-brainer. You've only calculated your hourly rate. Due to markups, it's about to get interesting though.

Markups: A markup is the amount added to your usual rate once you are done calculating overhead and profit. As a technical contract consultant, your rate is marked up from your full-time employment rate.

- As a base, it is marked up about **150%**
- If you're working an **inconvenient job**, say an eight week contract or part-time, you can increase your rate another **20%**.
- If you're working a "**hot job**," something that is currently in demand, you can increase it another **10%**.
- If you're **telecommuting**, however, you **decrease your rate by 20%**.



To figure out your rate markup, use the chart below:

Rate	Rate Explanation	Rate Increase	Applicable to You?
Technical Consultant Rate	Normal Markup	+ 150%	+ 150%
Inconvenience Rate	Short-term, part-time	+ 20%	
Hot Skills Rate	Jobs In Demand	+ 10%	
Telecommute Rate	Working From Home	- 20%	
Your Total Markup			

Now that you've calculated your total markup, multiply this by your hourly rate. When you do this, you'll have your hourly rate as a technical consultant.

For example: You are a contract consultant who is working an inconvenient, hot skills job at the company's main headquarters.

This means you would have a 180% (150% + 20% + 10%) markup to your normal \$50 an hour rate.

$$\text{\$50 an hour} \times 180\% = \text{\$90 an hour}$$

Your rate as a technical consultant would be \$90 an hour, a \$40 increase from your full-time hourly rate.



It's your turn:

(Normal Hourly Rate) x (% Markup) = Contracted Consultant Hourly Rate

\$ _____ x _____ % = \$ _____

Your estimated hourly contracted consultant rate is \$ _____

IN SUMMARY:

$(52 \text{ weeks} \times 40 \text{ hrs}) - (\# \text{ Vacation Weeks} \times 40 \text{ hrs}) = \# \text{ Billable hours}$



$\text{Yearly Salary} / \text{Number of Billable Hours} = \text{Hourly Rate } (\$)$



$\text{Hourly rate } (\$) \times \% \text{ Markup} = \text{Hourly rate as a contracted technical consultant}$



Congratulations! You've now successfully estimated your hourly rate as a contracted technical consultant.

While this number is supposed to guide you as you enter into negotiations, remember that this number is not set in stone. Your actual rate will depend on your negotiations with the company. Good luck!

For more information on technical consulting rates:

- Download our guide, "15 Tips for Negotiating Your Technical Contract" to help you learn how to negotiate your technical consulting contract.
- Check out our blog, which has more information about technical consulting rates, as well as other aspects of technical consulting and recruiting.
- Sign up for a free half-hour phone consult with Base36 founder, Mike Sherwood, to discuss New England's current technical consulting market trends. He'll tell you how your specialties are trending in the area.
- Follow us on Facebook, Twitter, and LinkedIn to get the latest updates on Base36 as well as tips on navigating the technical recruiting process.