



THIS MATERIAL REPRESENTS THE CONSIDERED OPINIONS OF THE BUSINESS PRACTICES COMMITTEE AND THE BOARD OF MANAGEMENT OF THE CORPORATION OF BC LAND SURVEYORS REGARDING REASONABLE STANDARDS FOR FINANCIAL COMPENSATION AND CONTRACTING OF PROFESSIONAL SURVEY SERVICES. INDIVIDUAL SURVEYORS SHOULD ALSO CONSIDER ANY UNIQUE ASPECTS OF THEIR INDIVIDUAL PRACTICES IN ORDER TO DEVELOP APPROPRIATE FEE SCHEDULES.

BCLS

Business Practices Committee BULLETIN

How many hours are there in a year?

In a business like land surveying it is necessary to establish hourly charge-out rates for all staff working on a project. There are a number of factors that contribute to setting the rates, one of which is the productivity of a staff member. In general, employees are paid for 8 hours a day, 5 days a week and 52 weeks in a year, even though they are assured of some days off, such as statutory holidays, vacation and possibly sick time. Do you know how many of those hours you are likely to bill out for that staff member? The following chart will help you predict that number.

8 hours/day * 5 days/week * 52 weeks/year
2080 hours

Statutory holidays plus Boxing Day- 10 days * 8 hours
80 hours

Vacation Pay - Typically 2 to 3 weeks
100 hours

Sick Time (may be paid or not) 0.5 days/month
48 hours

Available hours in a year (2080-(80+100+48))
1852 hours

Percent of total year (1852/2080)
89%

Based on the above, the very best recovery that you can expect is 89% of the time that you pay an employee. However that does not account for things such as training time, down time, non-chargeable time for safety meetings, staff meetings or equipment testing, let alone those times when a job does not go perfectly and you cannot recover every hour that is worked. Of the 1,852 available hours in a year it is likely that you will be able to actually bill between 75% and 85% of those hours depending upon the skill level of the employee. Using 80% as an example, you may be able to generate 1,482 billable hours for an experienced employee or 71% of the total paid hours in a year.

If this employee were to earn \$18.00 per hour, the annual wage would be \$37,440. If you multiply that wage by 2.7 times you would bill \$101,088 in a year. If you are only able to charge the employee out for 1,482 hours, you are billing out only $1,482 \times \$18 \times 2.7 = \$72,025$. After you pay your employee their \$37,440 you are left with \$34,585 to cover the cost of having that employee (WCB, Employers portion of CPP and EI, benefits package etc.), your office overhead and profit. As you can see here, at a 2.7 multiplier, the profit margin is considerably less than what you expect.

We encourage you to take this example and fill in your own numbers as they apply to your employees and your business and see if your charge-out rates are providing you with the mark-up that you require. In an upcoming article, this committee will review the factors for derivation of an appropriate multiplier for a typical land survey business.