

Unapplied Labor In The Service Department

t's 1994 already and, like most contractors, you aren't able to bill your customers all the hours your field employees worked.

It's a great idea but most of us never get 40 billable hours in a 40 hours week. If we want to make more profit in 1994, we must work hard to increase productivity.

The first step is to define the problem. Track each service tech's billable and unbillable hours in their work week.

Determine each technician's productivity, then average their hours to determine the average billable hours per technician for each week.

This of course will vary, but each week you will be able to track performance of each technician and get a good idea of your slow time. For each dollar you pay a technician in

wages (not fringes), you probably pay another dollar or more to cover all the overhead to pay for that labor dollar.

If I pay my technician ten dollars per hour it probably costs me an additional ten dollars per hour to cover his overhead. My breakeven is 20.00 dollars an hour which adds up to 40 hours x \$20.00/hour = \$800.00. Whether he bills 20.25 or 35 hours per week, it costs me \$800.00 per week for labor.

If a technician billed 20 hours per week, I would have to charge my customers to breakeven on his wages \$800.00/20 billable hours, which amounts to \$40.00/hour per each service call. Add a profit of 20 percent and, I would get a service rate of \$50.00/hour.

If a technician bills 30 hours per week, my breakeven would

be \$800.00 divided by 30 = \$26.67 per hour. If I charge my normal rate of \$50.00 per hour, I would be making \$23.33 per hour — what a difference!

Regardless of the number of hours billed, your cost during a typical 40 hours work week is the same. We need to develop strategies to bill every hour we can possibly bill. It covers our breakeven costs more quickly and provides us with a better profit margin.

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