

Labor Rate Calculator

Cost Per Billable Hour is break-even. This sheet adds the profit and sets the rate. Complete annually and whenever operating costs change materially.

Step 1 — Bring forward from the Cost Per Billable Hour Calculator

Input	Where to get the number	Example	Yours
Total annual operating costs	CPBH Calculator, total line	\$910,000	\$
Annual billable technician hours	ePASS OE37 — or flat-rate labor revenue ÷ labor rate (\$900,000 ÷ \$120)	7,500	
Available technician hours	Payroll, less vacation, holidays, and sick time	11,280	

Step 2 — Cost Per Billable Hour (break-even)

Total Annual Operating Costs ÷ Annual Billable Hours. Example: $\$910,000 \div 7,500 = \$121.33$ Yours: \$ _____

Step 3 — Add your desired operating profit

Operating profit target	How	Example (on \$121.33)	Yours
15%	CPBH × 0.15	\$18.20 per hour	\$
20% (minimum)	CPBH × 0.20	\$24.27 per hour	\$
25%	CPBH × 0.25	\$30.33 per hour	\$
Other: _____ %	CPBH × _____		\$

Step 4 — Billable share check

Billable Hours ÷ Available Hours × 100. Example: $7,500 \div 11,280 = 66.5\%$ Yours: _____ %

Billable share	Where you stand	What to do
Above 70%	Excellent	Typical of a dedicated service operation with no showroom or delivery pulls
60 – 70%	Good	Where a well-run self-servicing dealer with a general mix should sit
50 – 60%	Acceptable	Review routing and triage before touching the rate
Below 50%	Fix operations first	Scheduling, routing, parts availability and dispatch — before raising the rate

This is an input to the rate, not the efficiency figure you manage monthly (that one is completed calls ÷ hours worked). Improving billable share is usually the better long-term strategy than rate increases alone.

Step 5 — Suggested hourly labor rate

Component	Example	Yours
Cost Per Billable Hour	\$121.33	\$
Plus desired operating profit (Step 3)	\$24.27 (20%)	\$
SUGGESTED HOURLY LABOR RATE	\$145.60	\$

Compare	Example	Yours
Suggested rate (above)	\$145.60	\$
Your current labor rate	\$	\$
Gap	\$	\$

Don't apply an efficiency percentage on top of this. Billable hours already account for the unbillable time — adjusting for it a second time inflates the rate by about half. Set the new rate in ePASS — the hourly rate and the flat-rate book built on it. One without the other leaves work at the old price.