

How Staffing Bill Rates Work

A bill rate isn't one number you pick, it's the output of a chain: what a worker actually costs, what margin you need, and what gets subtracted along the way before a dollar of profit is real. Get any link in that chain wrong and the rate you charge looks fine on a quote and loses money in practice.

Start from cost, not from habit

The temptation in pricing is to anchor on "what we usually charge" or "what the client will accept." Both are real constraints, but neither is where the number should start. It should start from what the worker actually costs: pay rate plus employer burden (Social Security, Medicare, FUTA, SUTA, workers' compensation, and any benefits or PTO you carry). That loaded cost, not pay rate, is the real floor beneath every other calculation in this guide.

The core formula

Once you know loaded cost, the Staffing Bill Rate engine turns a target margin into a required rate directly:

$$\text{Required Bill Rate} = \text{Loaded Direct Cost} / (1 - \text{Target Margin} - \text{Variable Fee Rate})$$

The variable fee rate accounts for a VMS or MSP program fee taken as a percentage of billings, if one applies to this account. Target margin and variable fee rate both get subtracted from 1 in the denominator because both eat into the same billings dollar; stacking them additively in the numerator instead is a common shortcut that understates the rate you actually need.

This is also where markup and margin stop being interchangeable in practice. The formula above solves directly for a target *margin*. If you're instead working from a markup you're used to quoting, convert it first, don't substitute a markup number into a margin formula and expect the same answer.

Try it with your own numbers:

Loaded direct cost

Pay rate (optional, for markup)

Target margin

29.50

\$/hour

25.00

\$/hour

30

%

Program fee rate (VMS/MSP)

2

%

Required bill rate

\$43.38/hr

Markup on loaded cost

47.1%

Markup on pay

73.5%

Resulting margin

30.0%

At a loaded cost of \$29.50/hr, you need to bill \$43.38/hr to clear a 30.0% margin after the 2.0% program fee.

Copy summary

Reset

The floor beneath the target

A target-margin rate is not the same question as "what's the least I could possibly charge." Minimum Viable Bill Rate answers that second question directly, computing both the pure break-even rate (covers direct cost and program fee, zero margin) and the minimum rate at your actual floor margin, the number below which you shouldn't price regardless of competitive pressure. Knowing both numbers, the rate you want and the rate you can't go below, is what lets you negotiate down from a target without accidentally negotiating into a loss.

What actually eats into a quoted rate

A rate that clears margin on paper can still underperform once real assignment conditions apply. Three mechanisms account for most of the gap between quoted and realized margin:

- **Billable vs. paid hours.** Assignment Profitability counts every direct cost against actual billable hours, not paid hours; a worker paid for time that isn't billed (orientation, a client-side delay) drags realized margin below what the bill rate alone implies.

- **Program fees.** *VMS/MSP Fee Impact* isolates exactly what a vendor-management or managed-service-provider fee costs in dollars and margin points on a specific assignment, separate from whether that fee was already priced into the rate in the first place.
 - **Funding cost.** If you factor invoices or draw on a line of credit to cover payroll before the client pays, *Funding Fee Margin Impact* shows what that financing actually costs against contribution, flat or stepped by days outstanding.
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When the inputs change mid-contract

Bill rates don't stay static once set. Three engines handle the most common ways they need to move:

- **A worker's pay changes.** *Pay Raise Pass-Through* computes the new bill rate either mode, preserve your margin percentage or preserve your contribution dollars, since those two goals imply different rate increases.
 - **A client asks for a rate cut.** *Client Rate-Cut Impact* solves for the volume increase that would be required to hold contribution dollars flat at the discounted rate, the number a "we'll send you more hours" offer actually has to clear.
 - **A client offers volume for a discount.** *Volume Discount Break-Even* checks whether the volume actually being offered clears that threshold, rather than assuming any volume increase is automatically worth a rate concession.
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Overtime and mixed workforces

Two situations complicate a single clean bill rate further. *Overtime Assignment Economics* handles hours over 40 in a week: burden is computed once on total wages, not separately per regular and overtime bucket, since payroll taxes don't care how the hours were classified, only how much was paid. And when you're running several worker types or pay bands under one contract or one book of business, *Blended Workforce Margin* computes a genuinely dollar-weighted blended margin, not an average of each group's individual margin percentage, which overstates the true blend whenever group sizes differ.

The chain, start to finish

Put together, a real pricing decision usually walks this path: establish loaded worker cost, convert your target into a bill rate, check that rate against your floor, confirm it survives real billable-hour and fee

conditions, and only then treat it as final. When conditions change later, whether a pay raise, a client rate-cut ask, or a volume offer, the same chain runs again from wherever the change entered it, not from scratch.

Related

- [Staffing Markup vs Margin](#)
- [What Goes Into Staffing Labor Burden?](#)
- [Every pricing engine](#)
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