Staffing Markup vs Margin

A 50% markup and a 50% margin are not the same price. Confusing the two is the single most common pricing mistake in staffing, and it always errs the same direction: it makes a deal look more profitable than it is.

Why this keeps happening

Markup and margin both describe the relationship between cost and price, but they measure it against different bases. Markup is profit expressed as a percentage *of cost*. Margin is profit expressed as a percentage *of price*. Cost and price are different numbers, so a percentage of one is never the same percentage of the other, except at the trivial case of zero.

The confusion is easy to fall into because both numbers can sit anywhere from a few points to well over 50% in staffing, and both get called "margin" casually in conversation. A salesperson who says "we're running a 50% margin on this account" may actually mean a 50% markup, a genuinely different, and better-sounding, number than the 33.3% margin that markup actually represents. If that 50% figure gets fed into a target-margin calculation as if it were margin, the resulting price undershoots the agency's real target by a wide enough gap to matter.

The relationship, exactly

Both are built from the same two numbers, cost and price. Everything else follows from that.

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Markup = (Price - Cost) / Cost
Margin = (Price - Cost) / Price

Given markup, solve margin:  Margin = Markup / (1 + Markup)
Given margin, solve markup:  Markup = Margin / (1 - Margin)
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Margin is always *lower* than markup for the same price, because margin's denominator (price) is always larger than markup's denominator (cost) whenever there's any profit at all. The gap between them widens as the percentage grows, which is exactly why the mistake gets more expensive at higher markups, not less.

Markup	Margin
10%	9.1%
20%	16.7%
25%	20.0%
33.3%	25.0%
50%	33.3%
66.7%	40.0%
100%	50.0%
150%	60.0%
200%	66.7%

Notice the pattern: a 100% markup, doubling your cost, is only a 50% margin. Past that point the gap keeps widening. A 200% markup sounds enormous, but it's still only a 66.7% margin. If someone quotes you a markup number that sounds too good to be true as a margin, it probably is one.

The second trap: which cost basis

Even once markup and margin are kept straight, there's a second, quieter source of the same error: markup *on what*. A "50% markup" could mean 50% over the worker's raw pay rate, or 50% over the fully loaded cost (pay rate plus employer burden, benefits, and any other direct assignment cost). Those produce two different bill rates from the same 50% figure, because loaded cost is always higher than pay rate.

A markup quoted on pay rate looks bigger than the same dollar profit expressed as markup on loaded cost, for the same reason margin looks smaller than markup: a larger denominator shrinks the percentage. When you're comparing markup numbers, either your own across contracts or a client's expectation against your own pricing, confirm which cost basis both sides mean before treating the numbers as comparable. See What Goes Into Staffing Labor Burden? for what actually separates pay rate from loaded cost.

Worked example

Say you know you're pricing at a 50% markup over loaded cost and want to know your actual margin, or you've been told to hit a 30% margin and need to know what markup that implies. The Markup vs Margin engine converts either direction directly and always labels which cost basis the number is measured against, so you're never left guessing which one you're looking at:

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Markup = 50% (0.50), on loaded cost
Margin = 0.50 / (1 + 0.50) = 0.3333... = 33.3%
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That 33.3% margin, not 50%, is the number that actually describes what share of your billings is profit. If your target was 40% margin, a 50% markup falls short of it, even though "50%" sounds like it should clear "40%" at a glance.

When to use which number

Neither markup nor margin is the "correct" one in some absolute sense, they answer different questions. Margin answers "what share of the price I'm charging is profit," which is usually what matters for comparing deals, setting targets, and understanding overall agency profitability, since it's expressed against the number that actually lands in your bank account. Markup answers "how much am I adding on top of cost," which is closer to how a quote gets built in the first place: start from cost, add a markup, arrive at price.

Use Staffing Bill Rate when you're building a rate forward from a target margin, since that's the number a target margin is actually measured against. Use Minimum Viable Bill Rate when you need the floor rate that clears cost plus program fees before any profit target enters the picture at all. Keep the two conversations, and the two percentages, separate rather than treating one figure as if it always meant the other.

Common mistakes worth naming directly

- Treating a client-stated "margin" as gospel without confirming they mean margin and not markup; ask, or infer it from the actual bill rate and pay rate if both are known.

- Comparing this account's markup to that account's margin as if they were on the same scale, when only one of the two numbers has actually been converted.
- Averaging markup percentages across accounts of different sizes and treating the result as a meaningful blended figure; margin averages in a way markup does not, because margin's denominator (price) aggregates cleanly while markup's denominator (cost) does not weight the same way once volumes differ.
- Quoting a markup on pay rate to a client who is mentally comparing it against a fully loaded competitor quote, understating how competitive your own number actually is.

Related

- Markup vs Margin engine — convert directly between the two, with the cost basis always labeled.
- Staffing Bill Rate engine — build a rate forward from a target margin.
- Minimum Viable Bill Rate engine — the floor rate before any profit target.
- Methodology — how StaffingLedger defines every pricing term consistently across engines.
