

Comparison of hourly and daily contract rates

When you are contracting there are different types of charge period like weekly or monthly and different types of rate such as daily or hourly. This article describes the various differences and advises on the advantages and disadvantages of them.

Types of Charge Periods

You will be asked to invoice based on a set period which will typically be one of the following:

Each week

Each month (e.g. 20 Jan to 20 Feb, etc)

Each calendar month (e.g. Jan, Feb, etc)

The charge period makes little or no difference except that for a new contract you will have to wait a little longer before you get paid if it is a monthly payment period.

Types of Charge Rate

When you are contracting there are two main types of payment:

Daily Rate

Hourly Rate

[Whilst it is possible to get fixed price work, this is rare and a different market to the T&M (Time and Materials) market.]

The Daily Rate

You are paid for the number of days you work. This type of rate tends to be favoured by clients in the finance sector and also tends to be for those on the higher rates (around £400+ per day).

From the clients point of view they get a better grip on their budgets since they can ask you to work extra hours sometimes to hit a deadline without finances spiralling out of control as they would if you were on an hourly rate. You would then typically get the hours back another day when work was not so busy and leave the office early.

BEWARE! There are some clients who take advantage of the daily rate and you can end up being expected to work 50+ hours a week, and weekends, which incidentally does not pay double time in the contracting world. This is typical in large financial institutions where huge managerial politics are at play. Often a manager makes a tight commitment without consulting his staff then puts the screws on the staff to make it happen. If this makes you unhappy then it is down to you to politely inform the manager of what you consider to be a reasonable working arrangement. This could result in you parting company but then you might think life is too short to be stuck at work all the time. You could try the phrase '...bad planning on your part does not represent an emergency on mine...' if you want to be marched out the door by a stressed angry boss!

The intention is not to paint a bad picture of daily rates. It all depends on the client and the boss. The advice is to make enquiries before you accept the contract. But, do so in a way that does not make you look like you are not prepared to work hard. Most contractors should be prepared to put in the occasional long day or week to get something finished provided it is not all the time.

The Hourly Rate

You are paid for the number of hours you work. This type of rate is more common than the daily rate and is normally for rates below £40 an hour.

It can be a risky game for the client to play unless they put a cap on the number of hours. Some dubious contractors quote a low rate then put in 60 hour weeks of face time to make more money. Clients need to be aware of contractors with no lives!

Suffice to say, most clients who pay hourly rates do put a cap on the number of hours between 35 and 40. Overtime requires sanctioning from a manager.

Compared to some of the excessive working on daily rates the amount of overtime on daily rates is much lower indeed. Most managers do not wish to ask their boss for more money to complete a piece of work due to bad planning by them. Hence it rarely happens. On occasions you might be asked to do

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overtime but then claw the hours back another day - this avoids the overtime going down on record.

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