How to price field service work for independent contractors

SUMMARY

Every job is different, and that means different jobs require different pricing models. This poses a challenge: which payment structure should be used for which job? There are four common pay structures for field service work:

- Fixed
- Hourly
- Per device
- Blended

With these options in mind, here are some things to think about when finding a pricing model fit for your project.

Fixed rates

The technician is paid a predetermined rate that does not fluctuate. Businesses often use bonuses and penalties to encourage faster work (i.e. 10% bonus if the technician finishes in one hour, 10% penalty if they have to come back to fix it.)

Use cases & benefits:

- Staying within budget: unlike hourly pay, businesses determine the final pay before the project starts. The pay won't increase if the work takes longer than expected, ensuring the project won't go over budget.

- If a project has definite deliverables and a clear scope that makes the value of the work understandable in advance. For example, a technician is likely to counter-offer your payment or add an expense if the scope of work is not determined until the technician arrives on-site. Therefore, this option is ideal when both parties have a clear idea of how long the work is going to take and the skills it will require.
- Simple tasks that will take less than an hour: with simple projects that should not take much time, a fixed-pay model sets expectations. This helps the technician understand the deliverables required and timeline.
- Multi-location work orders: since the price is confirmed upfront, you can easily manage your budget. Contractors can still add travel expenses, or you can offer bonuses to further incentivize top talent to request the work.

Hourly rates

Instead of predetermining the final pay, businesses predetermine an hourly rate. Unlike the fixed structure, total pay depends on how long the work takes to complete.

Use cases & benefits:

- Better for long-term projects, since it's hard to determine exactly how long the work will take. Offering an hourly rate increases the contractor's trust by ensuring they will be paid fairly for their time.

- Best when both the technician and hiring company are unsure of how many hours the work will take. If you don't know how much time a work order will take, how can you estimate a fixed rate? You don't want to overpay, and if you underpay you are unlikely to entice an experienced contractor. Hourly wages are easy to implement when you face this challenge, as they provide flexibility and security for both parties.

- If the scope of work is influenced by outside factors and/or is subject to change. For example, an important client has just asked your business to complete electrical work for one of their properties – and until the technician goes on-site, you have no idea the existing conditions and exact materials required. An hourly wage is ideal in this situation as total pay will cater to real-time project conditions.

Per device

Technicians are paid per device serviced. Pay per device is predetermined based on scope of work.

Use cases & benefits:

- Great for jobs that require the same set of skills on every device: if only one type of device requires service, pay can be set on a per-device basis. When conducting this type of work, consider whether devices should be priced differently or the same.

- When multiple devices need to be fixed or registered under one scope of work: If you pay per device, there is no need to create separate work orders for each. This will help save dispatchers time and attract better talent because the work order is priced as a whole rather than split into individual parts.

- Provides flexibility when the scope of work has uncertainties: The technician can communicate about all devices through one work order, that way no information is lost.

Blended

A fixed-rate for a predetermined set of hours, plus an additional hourly rate if the job goes over the predicted time.

Use cases & benefits:

- Great for the unexpected: ideal when you don't know how long a job is going to take or are still troubleshooting.

- Helps you stay in-budget by allowing you to pay a lower wage for hours worked in addition to the expected time. If you are nervous the work is going to take longer than expected and you don't have the funds to extend hourly pay, the blended model is a good choice.

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