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## Resourceful Designer Episode 321 Beyond the Clock: The Pitfalls of Hourly Rates for Designers

Today, I wanted to talk about the pitfalls of hourly rates for designers. And I came across this idea after perusing one of the many Facebook groups, the design related Facebook groups that I belong to. And I saw conversation where somebody who was just kind of starting out. They were doing design on the side as a side gig. They had a regular full time job, and they were just starting to do some freelance work on the side. And they were questioning. They wanted to set their rate at \$40 an hour. Now they said that this was, that their regular job was paying them I think it was 17 something per hour is what they said.

And, so they thought, like, \$40 was incredible. It was more than double what they were making, but they were afraid that it might be too much. And there was a lot of comments on this thread, but I was really surprised that almost all the comments were talking about hourly rates. Some people were telling this this person. I don't remember if it was a guy or a girl, but they were telling this person that they should raise it up, maybe go up to 50 or \$60 an hour. And other people were telling them that maybe just to start up, you may wanna drop it down to 35 or 30. Or if you're not able to get any clients at 40, drop it down a little bit. And, other people saying, well, if you're getting clients too easily, you can raise it a little bit.

But it seemed like nobody was talking about the pitfalls of hourly billing. Now if you are a designer, whether it's graphic designer, web designer, UX designer, whatever. If you are a designer and you do not charge by the hour, you charge by the project, by a flat fee or by value based pricing, then good for you. You don't really need to listen to this episode. I'll forgive you if you stop now and go on to the next podcast in whatever cue you have, but feel free to listen if you feel like it. But if you're not billing by the hour, then you already know most of what I'm gonna be telling you today. Before anybody listening who does bill by the hour, well, whether it's for some projects or all projects, I wanna tell you why you should stop doing that right now. Because you are only doing yourself a disservice.

And I wanna illustrate that by giving an example of myself because I too, just like most designers, after I started off billing by the hour. When I started my business, I was doing it part time. I was working at the print shop, and I started doing web design at home because at the print shop, I was doing graphic design, print design. And I started doing web design at home. Actually, if you wanna get the full story, we started offering web design at the print shop, but then the, the managers didn't really like that offering because when you work for a print shop, the whole point of it is to keep the presses running because that's where you make the bulk of your money. So whenever I was done designing a website, the presses. It didn't feed the presses. So after doing, offering web as a service for a while, they decided that they weren't gonna do it anymore.

So I decided to start my own business and do it at home. So what I did at that time is I figured, at the print shop, my design services. When a client came in and they needed graphic design, they were charged \$50 an hour. So I figured, I'm working from home. I'll charge \$50 an hour, the exact same thing. And I thought this was great. Because my hourly wage at the print shop, not what they were billing me for to clients, but just what I was getting paid was 22.50 an hour. Now back in 2005, that was a pretty good salary I was making.

So I was making 22.50 an hour, and I was working 40 hours a week. So if you do the math, that's \$900 per week. So in my mind, to equal \$900 per week, if I was charging \$50 per hour, that's only 18 billable hours. And when I left the print shop

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to go full time on my own, that was the mentality I had in my head. I only had to get 18 billable hours in a week. And I would make the same amount as I was making 40 hours at the print shop. And that was great. I started getting a lot of clients.

Now the one thing you gotta remember whenever you're doing anything like this, and if you you're just starting out, anybody who's been doing this for a while can the one I'm about to say, is that there are a number of hours that you were gonna work during the week. And only a fraction of those hours are billable hours. There have been some days where I've worked a full busy 9 to 5, and not one of those hours was billable. It was stuff that I was working on my own work. I was doing some invoicing. I was doing some back end. I was doing some training. An an entire day would go by where I could not bill a single dollars worth of my time.

So it's very easy to think that, wow, if I did 18 billable hours, that I would make the same amount as I was making at the the print shop. But I had to really work hard to get those 18 hours. Aft now a year after I'd started, I decided that I wanted to raise my rates to \$60 an hour. And then I think it was about a year after that, I raised it up to \$75 an hour. But a funny thing I noticed when I was going over all my income and just tracking stuff, is that even though I had raised my hourly rate from \$50 when I first started to now, like 2 years later, I was charging \$75. I wasn't making any more money than I had when I was charging And I was dumbfounded by that. I it was it was confusing to me because if I looked at how many project I had worked on, I was actually working on more projects than I had in the 1st year. I had more clients.

I was doing more work, and yet I wasn't making more money. I wasn't making less money, mind you, but it was pretty well even. So when I was charging \$50 an hour, and then 2, 2 and a half years later when I was charging \$75 an hour, I was still bringing in the same amount of money. And you know why that is? It was me. It wasn't the work. It wasn't the time, it was me. I was getting better. And anytime you get better at something, you become more efficient.

And you know the saying, practice makes perfect? Well, every time I was designing something, it was more practice. And even though I had been a designer for many, many years at that point, you're still constantly improving. Well, I was getting better at stuff, especially with the web design. I was getting much faster at web design, which was penalizing me because the the better I became, the faster I was able to do jobs, which meant I was charging less because I was billing by the hour. And that is the pitfall of hourly rates. The better you become, the less money you're gonna make. You're penalizing yourself. And I I was trying to think of a comparison to another industry where where this would apply, but I can't.

It it seems like everything else, billing by the hour. If you're a cashier, if you're, you know, working at some factory, being charged by the hour just makes sense for the work you're doing. But when you're doing a service like design, where you're becoming more efficient, you're becoming better, faster. You shouldn't be penalized for that. You should actually be baking more. You should be charging more for that, and you cannot do that if you're billing by the hour. Now it doesn't just come down to you becoming better. As time goes by, there's innovations.

Software becomes more intuitive. You find hacks or little bits of, software or things that'll help you do tasks that used to take time and now they don't. Another story, and this goes back to my days at the print shop. Whenever somebody wanted, say, a they they had a brochure and they had a photo and they wanted to drop shadow on that photo. Photoshop didn't have an automatic drop shadow feature at the time. That only came in Photoshop 3 or 4 or 5. I don't remember what version they introduced the drop shadow. But prior to that.

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If you wanted to create a drop shadow, it was a long process where you had to create an outline, create a layer, fill it in, add a feather, blur it, or or add a color to it. There was no opacity, so you had to kinda pick a gray and fill it, make sure the feather, and then offset that behind whatever image to create a drop shadow. And if the drop shadow didn't work out, you have to go back to the beginning and start over. So it was a process that took, you know, anywhere from, I don't know, 15, 20 minutes, and it was a processor intensive task. So whenever you would tell it to do something, back then, even though I had one of the most powerful Macs available, I'd still have to wait for maybe a a minute or 2 for it to process and complete the task. So to add a drop shadow to 1 image could take anywhere from 15 to 20 minutes. Then Photoshop came along, and they introduced the drop shadow with the click of a button. You click a button, and wow, there's a drop shadow there, and you had all these controls to control it.

So what was taking 15, 20 minutes to do, now I was able to do in 30 seconds. Now what that does to a designer that's working freelance, you just cut out 20 minutes worth of pay. Because now that 20 minutes that you would have taken that you would have billed because you're charging by the hour, now is dropped down to 30 seconds. And, yes, you're gonna do other stuff to fill out that time, but, yeah, am I making sense? Are you understanding what I'm saying? As these things innovate, it takes time away, which means you can't bill for that time. There's a great Adobe Illustrator extension, logo package express. I love this extension. If you create logos, I highly, suggest you get this. You can, you can reach it by going to [resourceful designer.com/logopackage](https://resourcefuldesigner.com/logopackage).

And this tool allows you to take a logo and package it up in order to give it to your clients in a couple of minutes. In under 5 minutes, you can have the entire folder arc hierarchy with all the different variations of the logos that the client will ever need packaged up and ready to send. Now this is something I used to do manually that would take me over an hour to do. Now I can get it done in under 5 minutes. And if I was charging the client by the hour, I would lose money. I would be penalized because I got this tool that makes me more efficient. Just look at the use of AI today. I don't know if you've embraced AI or not, but I have.

I'm using AI in a daily basis, both written and imagery. And think about it. You're creating some sort of brochure or something, and you need a photo of I I don't know. Let me just think of something. You need a photo of a family on a bike ride. So you want a father, a mother, and a little child riding a bikes. And you want the photo of them riding towards the camera, riding towards you, you know, smiling at each other on a nice country setting. So you start looking through photos and stock photo sites, and you find the perfect image.

But the layout that you are thinking of requires the bicyclist to be, say, on the right hand side. And on the left hand side, you want room for text to be overlaid. And the photo you found, which is the perfect photo, great family, exactly what you were thinking, it's a portrait photo, and there's no room on the left for anything. Now if you were just looking through stock photos, you have 2 choices. You either use that photo, try to incorporate it in Photoshop, try to do some manipulation to get it onto a different backgrounds so that you can use or maybe you create a different layout that incorporate that photo. Or you spend more time perusing through stock photos until you find one that's suitable for what you need. But now with the innovation of AI, Photoshop has their generative fill filter. And you can take that photo.

Oh, it doesn't have that space on the left for the text. Now you just tell photo, Photoshop that, hey. I need more here. And it will generate the rest of the image. It's as if that photo of those people, the rest of the images magically appears. And

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what I'm getting at here is the time it would have spent you to create a composite image in Photoshop using multiple photos, or the time it would have taken you to peruse through hundreds of stock photos until you found the right one. That time, it would have been billable hours to your clients if you charge by the hour. But now with Photoshop's generative AI, you can complete that task in a couple of minutes, which means you cannot bill your client for all that time because it took no time at all.

So I feel at this point like I'm repeating myself. If you are charging by the hour, you are penalizing yourself anytime you get better, anytime you become more efficient, anytime you acquire some sort of tool, whether it's an extension, a piece of software, something. You acquire a tool that helps you, that speeds up that can complete tasks faster than what you would do normally. Anytime any of these situations apply, you are making less money because it's taking away from the amount of time that you would be able to charge for the project. And that's why I think that billing by the hour should never be a choice for a designer. Figure out what the price is, give them a flat rate fee, give them a project fee, build it on value based pricing. I've got podcast talking about those if you want to, specifically, episodes 11, pricing strategies for your design business, and episode one ten value based pricing, how to do it right. And even though in that episode 11, I do talk about hourly billing, it should never be a first option.

It shouldn't be an option at all. In fact, the only time that I think hourly billing comes into play is if you're doing some sort of project where you have a fixed goal in mind, and you have a fixed price that you've quoted, and then you say something like any additional work will be billed at x per hour. And even then, most of the time you should say any additional work will be charged extra. And then you have to determine at the time what that extra were, work is worth. But I, myself, like, say, I'm doing a website, and this only applies to when I do websites. I will quote a client on a website, and I'll I'll tell them that once the website launches, then the contract is over, and any additional changes to the website are billed at. And currently, as I record this, my hourly rate if I do use it is \$150 per hour. A but most of the time, if the client wants something else, instead of just billing them on an hourly rate, I will quote them.

I'll ask them what they want. And unless it's just minor things they need done, in which case, I'll bill them in \$150 an hour. But anything else that comes up, they wanna add more pages to the website, if they wanna change something on it, I will just quote them a new price for that. I cannot remember the last time I build somebody by the hour. So all of this to say that if that's your pricing model, if you are charging by the hour, I highly, highly, highly suggest you think of a different pricing strategy because pricing by the hour is only hurting you. The better you become, the less money you make, and that just doesn't make sense. Now the one exception I will state for hourly billing is if your client is an agency. So you're not working directly for the end client.

You're working for some sort of agency that's hiring you to do work. In that case, there may be some sort of hourly agreement between you and the agency where they agree to pay you a certain fee per hour, and then you keep track of your time for them. And then they would probably charge the client whatever price they want, not hourly. But that's the only situation where I would say that it's okay if that's the agreement you come come to. But otherwise, I don't see any situation where a designer should be charging by the hour. Now I would love to know, do you agree with me? Do you disagree? Please head on over to [resourcefuldesigner.com/episodes321](https://resourcefuldesigner.com/episodes321), that's 321, and leave a comment. Let me know. Do you agree with not billing by the hour? Or do you have a reason that I didn't mention or that I'm not thinking of where you should be billing by the hour, because I can't think of one. And if you have 1, I would love to hear it from you.