Labor Productivity and Earned Hours in Plain English

A simple internal guide for PMs, accounting, and leadership

What earned hours are	Why they matter	Core idea
The labor hours the team should have consumed based on the amount of work actually completed.	They help leadership see productivity drift before it fully shows up in margin or forecast results.	Hours spent matter. Hours earned matter more.

What earned hours mean

A simple version is:

Earned Hours = Budget Hours × % Complete

That allows the team to compare:

- Earned hours = what the work should have taken
- Actual hours = what the work actually took

What leadership should be able to answer

1) What were the budget hours?

2) How many hours have actually been spent?

3) How many hours have been earned?

4) What is the productivity variance?

5) Has the remaining forecast changed?

6) What action is required now?

What a useful productivity view should include

- Phase / cost code
- Budget hours
- % complete or progress measure
- Earned hours
- Actual hours to date
- Productivity variance
- Forecast hours to complete
- Notes on key drivers or constraints

Common reasons productivity drifts

- Slower-than-planned production
- Rework
- Coordination issues
- Access or sequencing constraints
- Crew mix changes
- Schedule pressure
- Field reality changes without forecast assumptions changing

Red flags

- Actual hours rise but progress does not
- Productivity variance worsens month after month
- Forecast hours-to-complete stay flat despite poor performance
- The team talks about labor generally, but not quantitatively

Best practice

Use earned hours and productivity variance as an early-warning signal. For labor-intensive work, these measures often tell the story before the margin line does.

Bottom line and best practice
Bottom line: For labor-intensive work, earned hours and productivity variance can help the team spot risk early, improve forecast discipline, and act before labor drift becomes margin fade. Best Monthly Job Review use: Review labor productivity alongside EAC, job cost variances, and field constraints so the forecast reflects what the crew is actually producing.