

The freelance ready reckoner 2009-2010

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Equivalent annual gross salary	Total cost to employer	Total cost to employer per working day	Recommended freelance day rate
20000	32808	144	241
21000	34007	149	250
22000	35206	154	259
23000	36404	160	268
24000	37603	165	276
25000	38801	170	285
26000	40000	175	294
27000	41199	181	303
28000	42397	186	312
29000	43596	191	321
30000	44794	196	329
31000	45993	202	338
32000	47192	207	347
33000	48390	212	356
34000	49589	217	365
35000	51787	227	381
36000	52986	232	390
37000	54184	238	398
38000	55383	243	407
39000	56582	248	416
40000	57780	253	425
41000	58979	259	434
42000	60177	264	442
43000	61876	271	455
44000	63075	277	464
45000	64273	282	473
46000	65472	287	481
47000	66670	292	490
48000	67869	298	499
49000	69067	303	508
50000	70266	308	517
51000	71465	313	525
52000	72663	319	534
53000	73862	324	543
54000	75060	329	552
55000	76259	334	561
56000	77458	340	570
57000	78656	345	578
58000	79855	350	587
59000	81053	355	596
60000	82252	361	605

This Ready Reckoner is intended for use by freelance journalists working from their own premises. It is based on a detailed comparison of the costs for employers of using staff journalists (employees).

How to use this Ready Reckoner:

- Look in column 1: what equivalent annual salary would you expect to get, given your age, qualifications and experience, and bearing in mind comparable staff journalist salary levels?

- Look in column 3. This is the actual daily cost to the employer of employing a staff journalist (employee). See below for details of the methodology used in reaching this figure.

- Look in column 4. This is the recommended daily income you would need to receive as a freelance for comparability with a staff journalist. It is based on the assumption that 3/5th of work time is directly productive. See below for more details.

Working as a freelance photographer? – see inside

This is the 2009-10 version of the Freelance Ready Reckoner, now in its fourth year of issue. The Ready Reckoner aims to calculate as accurately as possible the equivalent daily income rates for UK-based freelance journalists, comparable to staff journalists' salary levels in the range from £20,000-£60,000. It is designed as a useful tool both for freelance journalists and commissioning editors.

The Freelance Ready Reckoner is produced by Andrew Bibby (www.andrewbibby.com), a professional freelance financial journalist. Every attempt has been made to base the information it contains on accurate current data, but no liability is accepted for any errors which have crept in.

Frequently asked questions:

Q: Why have you produced the Ready Reckoner?

A: Many freelancers fail to adequately appreciate when pricing their work that they are responsible for a range of costs which, were they working as an employee, would be covered by their employer. These include office equipment costs, premises costs, sick pay, pensions, holiday pay, insurance and various other costs. When pricing their services, it is useful for freelancers to take into account what the comparable cost would be for employers if they used their own employees instead.

Q: What add-on costs have you taken into account when calculating the total real cost to an employer of a staff journalist?

A: The following items have been included: employer's national insurance contributions; office premises costs; pension costs; average cost of staff training; average annualised cost of staff recruitment; average cost of staff sickness; employer's liability insurance; (for higher paid workers only) cost of additional employee benefits.

The detailed explanation of the methodology used is given below.

Q: What is the cost of employer's national insurance contributions?

A: For standard non-contracted out employees, employers currently pay national insurance contributions of 12.8% of gross pay on all pay above the current NI Lower Earnings Limit (£4940 a year).

Q: How you have obtained figures for the cost of providing premises?

A: A number of independent organisations attempt to calculate the typical cost to employers of providing accommodation for employees. These costs include the direct premises costs (typically rent/rates, lighting/heating, maintenance, office security/cleaning etc), the cost of property insurance, the cost of supplying office furniture (including computer workstations) and property overheads (telephones, catering, reception, post room, management, photocopiers etc). The Total Office Cost Survey (TOCS), carried out each year by Actium Consult, analyses these costs to produce an average cost per workstation for offices located in different parts of the

country. The 2009 TOCS found that this cost varied from £15,098 (London's West End) to £4,775 (Preston). Workplace costs have fallen since 2008 (median saving, UK, £744)

The Freelance Ready Reckoner, by using a single figure for property costs, considerably underestimates costs for employers in many parts of London but conversely may overestimate employers' costs in secondary business areas. The figure used for the 2007-8 Ready Reckoner is £7,500 pa (2007-8: £8,000). This takes into account the fact that most media organisations tend to have offices in relatively prime business areas.

Q: How have you treated pension contributions?

A: The latest figures from the Office for National Statistics's Occupational Pension Schemes Survey, published Autumn 2008 and relating to 2007, give the average pension contribution made by private sector employers as 15.6% of salary (final salary schemes) and 6.7% (money purchase schemes). Earlier versions of this Ready Reckoner were calculated on the basis that employers made a 5% employer contribution towards lower-paid employees' pensions and a 10% contribution for those earning £35,000 and above. For this year's version, this has been revised, and the figure of 6.7% is used for all salary levels. This underestimates pension costs for employers with final salary schemes.

Q: How have you treated recruitment costs?

A: The main source here is the 2009 annual survey *Recruitment, Retention and Turnover*, published by the Chartered Institute of Personnel and Development. This gives a figure for annual staff turnover for the media and publishing sector of 22.9%. The same survey reports an estimated total cost of labour turnover per employee of £6125.

The Ready Reckoner uses the £6,125 figure and 22.9% annual turnover, to produce an annualised estimated cost of staff recruitment of £1,403. (Note: this has been used for both lower- and higher-paid staff. Though the recruitment costs of higher-paid staff are greater, the Ready Reckoner makes the assumption that turnover rates for higher-paid staff are likely to be lower).

Q: What about staff training costs?

A: The CIPD annual survey *Learning and Development* calculates the median training budget per employee for UK companies surveyed. The 2009 survey gives the median as £220 (2007-8: £273), and this has been used for the Ready Reckoner. (The CIPD has changed in recent years the way it calculates this figure, using median rather than mean averages, resulting in a significant fall in the headline figure).

Q: How have you calculated staff sickness costs?

A: According to the CIPD 2009 annual survey *Absence Management*, the average cost of staff sickness per employee per year for the media sector is given as £348. This represents a significant reduction on the figure of £614 quoted in the 2008 survey and is based on a survey size of only three companies (2008: 16 companies). The 2009 survey reports that the average cost for service sector companies in the private sector is £666. The CIPD also report that an average of 3.2 days were lost per employee in the media sector.

For consistency with previous editions of the Ready Reckoner, the figure of £348 has been used in the calculations. Note, though, that this is likely to represent an underestimate.

Q: How have you calculated the cost of employer's liability insurance?

A: The cost of employers' liability insurance (which is compulsory) was widely discussed in 2002-3, at a time when premiums were increasing dramatically. A survey at that time by analysts Greenstreet Berman found that the cost of employers' liability premiums had increased as a proportion of the UK's total payroll from 0.19% in 1996 to 0.25% in 2001. The Greenstreet Berman study is quoted in the Department of Work and Pensions *Report of Employers' Liability Compulsory Insurance: first stage report*, which also adds "It is worth remembering that these trends represent the position before 2002, the year in which the most significant premium increases took place".

It has proved impossible to find more up-to-date data in this area. Previous editions of the Ready Reckoner have added a notional 0.4% of payroll costs per individual. This has been reviewed this year, and has been revised downward to a more conservative 0.3%. In practice, the sums of money involved are proportionately small.

Q: What about other employee benefits?

A: Higher-paid workers are often eligible for other benefits (company car, health insurance etc). The Ready Reckoner assumes that staff with annual pay up to £30,000 receive no additional bonuses; for staff earning £30,000-£43,000 a figure of £1000 has been included. For staff earning above £43000, an assumed annual cost of £1500 has been included.

Q: How does the Ready Reckoner deal with holidays?

A: The Ready Reckoner assumes that staff are given 25 days' annual leave (plus public holidays and weekends). The assumption therefore is that staff work 228 days a year.

The second column in the Ready Reckoner shows the total annual costs to an employer met in employing a member of staff, using the methodology and data outlined above. The third column therefore divides these figures by 228, to produce the same figure per working day.

Q: Why does the Ready Reckoner not take into account the different tax system applying to freelancers?

A: The Ready Reckoner's methodology is to look solely at the actual costs to employers of employing staff journalists, and from this to offer a comparable day rate which freelancers may wish to use. It is not concerned with staff take-home pay or their actual standard of living. Equally, it does not examine the typical costs for freelancers of running a freelance business.

Freelancers may have business overheads which, when compared to those of their client media companies, are lower (for example, lower property costs because of location away from expensive business centres) or higher (for example, because of inability to benefit from economies of scale). Freelancers may also be able to set more expenses

against tax than employees. However, since the Ready Reckoner is concerned with the actual costs faced by employers, not by freelances, these do not affect the calculations.

Q: Are there other costs of using employees which do not show up in the Ready Reckoner?

A: The figures in column 3 in the Ready Reckoner effectively underestimate the real cost to employers of using employees, in two respects.

Firstly, staff journalists are able to undertake their work in part because their employer employs other people to perform necessary administrative and operational tasks. These include everything from processing tax and pension contributions to offering IT support. Some of these add-on costs (reception and switchboard staff, cleaners, etc) have already been taken into account in the property overhead calculations but others are not.

Secondly, and more significantly, employers take the risk when employing staff that work may not be there in the future for them to do. Because workload typically fluctuates, there will be periods when staff are idle, underemployed or working in unproductive ways. For example, 'water cooler time' is unproductive, but paid for.

Because of this, freelances are advised that, were they to use the figures in column 3 in the Ready Reckoner for comparability purposes, they would be likely to be charging for their services at rates which undercut their staff colleagues. The Ready Reckoner's approach is to make allowance for these factors by assuming, in the calculation of the *Recommended freelance daily rate* (column 4), that 3/5th of employees' working time is directly productive.

Another way of approaching this would be to ask what uplift freelances would need to add to their daily rate to allow for the fact that their clients normally pay just for their directly productive work. Freelances should recall that, even if it were possible to regulate the flow of work to such an extent that there was paid work offered for every single working day of the year, they would still be unable to take advantage of this: time also has to be spent on a wide range of administrative and non-paying work. The assumption of a ratio of 3:2 productive/unproductive work in this context seems not unrealistic.

Q: How can the Ready Reckoner be used by freelance photographers?

A: Photographers and other freelances who use their own specialist equipment cannot use the Ready Reckoner as it currently stands but may be able to adapt it for their own uses. It is possible to do this as follows:

Add to the figures in column 2 the total annual estimated equivalent cost to an employer of providing photographic equipment to a staff photographer. This is not the actual cost of capital purchase but either the depreciation figure or the total equivalent leasing cost, plus the full cost of disposable items such as film, photographic paper etc. Motoring costs may also need to be added. (Divide the revised figures in column 2 by 228 to produce figures for column 3 and divide again by 3/5, to produce figures for column 4.)

Standard PC equipment, desk equipment, etc, is already allowed for in the Ready Reckoner and should not be added again.

Q: Can be the Ready Reckoner be used by freelances undertaking casual shifts etc?

A: Following the production of earlier versions of the Ready Reckoners, a number of requests were received for a similar table to be produced which adequately covers the situation where freelances (for example, casuals working shifts) work in clients' premises, using clients' equipment. The table below uses the main ready Reckoner but removes property costs; for a number of reasons it is less robust methodologically than the Freelance Ready Reckoner, but may be used to give a broad indication of comparable freelance day shifts rates.

Equivalent annual gross salary		<i>Recommended freelance day rate</i>
20000		186
22000		204
24000		221
26000		239
28000		257
30000		274
32000		292
34000		309
36000		334
38000		352
40000		370
42000		387
44000		409
46000		426
48000		444
50000		462

Ready Reckoner, freelances working casual shifts etc

Q: What differences are there between the 2009-10 Ready Reckoner and previous versions?

A: In headline terms, this year's Ready Reckoner shows a very small decrease in the total cost for employers of employing staff, and therefore in the recommended freelance day rate.

The recession is having an effect in several ways: office premises costs are down on previous years, and employers appear to be cutting back markedly on training costs. Both these changes have been taken into account, as has the apparently significant fall in the cost to employers in the media sector of staff sickness (as mentioned above, data here are somewhat suspect).

However, changes to the Lower Earnings Level for national insurance mean that employer contributions this year are higher than for previous versions of the Ready Reckoner.

Other changes are due to methodological changes in calculating average pension contribution costs and employer liability insurance costs, discussed above. These changes result in slightly more marked changes in upper salary level comparison rates.

Freelances using the Ready Reckoner may like to remember that as a result of cost of living wage rises, pay increments or promotion, staff are likely to have progressed up the table by at least one position during the past twelve months. Freelances are advised also to consider doing likewise.