

The freelance ready reckoner 2013-14

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| Equivalent annual gross salary | Total cost to employer | Total cost to employer per working day | Recommended freelance day rate |
|--------------------------------|------------------------|--|--------------------------------|
| 20000 | 31593 | 142 | 237 |
| 21000 | 32803 | 148 | 246 |
| 22000 | 34012 | 153 | 256 |
| 23000 | 35222 | 159 | 265 |
| 24000 | 36432 | 164 | 274 |
| 25000 | 37641 | 170 | 283 |
| 26000 | 38851 | 175 | 292 |
| 27000 | 40060 | 181 | 301 |
| 28000 | 41270 | 186 | 310 |
| 29000 | 42480 | 192 | 319 |
| 30000 | 43689 | 197 | 328 |
| 31000 | 44899 | 202 | 337 |
| 32000 | 46109 | 208 | 346 |
| 33000 | 47318 | 213 | 356 |
| 34000 | 48528 | 219 | 365 |
| 35000 | 50737 | 229 | 381 |
| 36000 | 51947 | 234 | 390 |
| 37000 | 53157 | 240 | 399 |
| 38000 | 54366 | 245 | 409 |
| 39000 | 55576 | 251 | 418 |
| 40000 | 56785 | 256 | 427 |
| 41000 | 57995 | 261 | 436 |
| 42000 | 59205 | 267 | 445 |
| 43000 | 60914 | 275 | 458 |
| 44000 | 62124 | 280 | 467 |
| 45000 | 63334 | 286 | 476 |
| 46000 | 64543 | 291 | 485 |
| 47000 | 65753 | 296 | 494 |
| 48000 | 66962 | 302 | 503 |
| 49000 | 68172 | 307 | 512 |
| 50000 | 69977 | 315 | 526 |
| 51000 | 71186 | 321 | 535 |
| 52000 | 72396 | 326 | 544 |
| 53000 | 73606 | 332 | 553 |
| 54000 | 74815 | 337 | 562 |
| 55000 | 76025 | 343 | 571 |
| 56000 | 77234 | 348 | 580 |
| 57000 | 78444 | 354 | 589 |
| 58000 | 79654 | 359 | 599 |
| 59000 | 80863 | 365 | 608 |
| 60000 | 82073 | 370 | 617 |

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 estimated 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 2013-14 version of the Freelance Ready Reckoner, now in its sixth 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 every two years 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; 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 13.8% of gross pay on all pay above the NI Secondary Threshold (£7696 a year).

Q: How have 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 2013 TOCS found that this cost varied from £16,915 (new office in the

core of London's West End) to £4,218 (twenty-year old building in Preston). According to TOCS, the average net effective rent has been virtually unchanged in the past twelve months. However, both maximum and minimum workstation costs are higher than in the 2011 TOCS, the issue used for the 2011-12 Ready Reckoner.

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 2013-14 Ready Reckoner has been increased by £250 pa to £7,750 in comparison with the 2011-12 Ready Reckoner which used the figure of £7,500 pa. This reflects among other things some upward movement in energy costs over the past two years.

Q: How have you treated pension contributions?

A: The latest figures from the Office for National Statistics' Occupational Pension Schemes Annual Report, published Autumn 2012 and relating to 2011, give the average pension contribution made by private sector employers as 14.2% of salary (for open final salary schemes) and 6.6% (for open money purchase schemes). These figures can be compared with the figures given in the Autumn 2010 issue (used for the last Ready Reckoner) of 14.9% and 6.4% respectively.

Very early 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. More recently however this approach was changed and the figure of 6.7% was used for all salary levels. This underestimates pension costs for those employers who continue to operate final salary schemes, of course.

Since ONS data suggests a very slight increase in the average employer contributions to money purchase pension schemes over the past two years, the figure used for the 2013-14 Ready Reckoner has been increased to 6.8% of gross salary.

Q: How have you treated recruitment costs?

A: The main source here is the 2013 edition of the survey on recruitment known as *Resourcing and Talent Planning*, published by the Chartered Institute of Personnel and Development (CIPD) each year.

This survey, based this year on 462 respondent companies, found that the median cost of recruitment of employees (excluding senior managers and directors) for private sector companies (which would include media companies) was £2350 in 2013. This represents an increase from the £2000 figure given in the 2011 report, but is down on the £3000 given in 2012.

The CIPD report also suggest that median labour turnover in the private sector service industries is 16.3%.

This year's Ready Reckoner combines these figures to assume a cost per employee to the employer of £2350 x 16.3% or £383 for staff employed on salaries up to £50,000. Above here, the Ready Reckoner assumes that staff can be described as senior management, where recruitment costs are shown in the CIPD survey as substantially higher (£6000). Here the annualised estimated cost of recruitment becomes £6000 x 16.3%, or £978.

Q: What about staff training costs?

A: The CIPD survey *Learning and Talent Development* for 2013 calculates the median training budget per employee for UK companies surveyed. The survey gives the median for private sector companies as £333 and this has been used for the Ready Reckoner.

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 are contracted to work 228 days a year.

Q: How have you calculated staff sickness costs?

A: According to the CIPD 2012 survey *Absence Management*, the average (mean) number of days lost through absence for non-manual workers in the private sector was 6.2 days a year. The Ready Reckoner, therefore, assumes that on average employees are actually working 221.8 days (228 less 6.2).

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 divides these figures by 221.8, to produce the same figure per working day.

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. Early editions of the Ready Reckoner added a notional 0.4% of payroll costs per individual, but this was revised downwards to a more conservative 0.3% for the 2009-10 edition. This has been maintained this year. 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, gym membership etc). The Ready Reckoner assumes that staff with annual pay up to £35,000 receive no additional bonuses; for staff earning £35,000-£43,000 a figure of £1000 has been included. For staff earning above £43000, an assumed annual cost of £1500 has been included.

Q: 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 freelancers, 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, freelancers 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 freelancers would need to add to their daily rate to allow for the fact that their clients normally pay just for their directly productive work. Freelancers 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 freelancers 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 221.8 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 what comparable freelance day shifts rates ideally should be.

| Equivalent annual gross salary | | <i>Recommended freelance day rate</i> |
|--------------------------------|--|---------------------------------------|
| 20000 | | 179 |
| 22000 | | 197 |
| 24000 | | 216 |
| 26000 | | 234 |
| 28000 | | 252 |
| 30000 | | 270 |
| 32000 | | 288 |
| 34000 | | 306 |
| 36000 | | 332 |
| 38000 | | 350 |
| 40000 | | 368 |
| 42000 | | 387 |
| 44000 | | 409 |
| 46000 | | 427 |
| 48000 | | 445 |
| 50000 | | 468 |

Ready Reckoner, freelances working casual shifts etc

Q: What differences are there between the 2013-14 Ready Reckoner and previous versions?

A: In headline terms, this year's Ready Reckoner shows a very small increase in the estimated total cost for employers of employing junior staff, and therefore in the

recommended freelance day rate. A similar situation applies for staff earning £50,000 and over. The situation is less clear-cut in the centre of the table, where recommended day rates are very similar to, or even slightly below, those given for the 2011-12 edition.

This year's table reflects slight savings for employers due to the rise in the National Insurance lower threshold ('secondary threshold') for employers, and further slight savings due to median spend on training declining. There have been small increases in the cost of recruitment (although the threshold at which the higher costs associated with senior managers are assumed to apply has been revised upwards), for office costs (cost of workstation) and pension contributions. Somewhat higher rates for absenteeism have meant a reduction in the total number of days that employees are deemed to be working, and this has also had the effect of slightly increasing the recommended day rates for freelances.

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.