

The freelance ready reckoner 2007-8

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Equivalent annual gross salary	Total cost to employer	Total cost, per working day	Recommended freelance day rate
20000	33311	146	245
21000	34493	151	254
22000	35676	156	262
23000	36859	162	271
24000	38042	167	280
25000	39224	172	288
26000	40407	177	297
27000	41590	182	306
28000	42772	188	315
29000	43955	193	323
30000	45138	198	332
31000	46321	203	341
32000	47503	208	349
33000	48686	214	358
34000	49869	219	367
35000	53808	236	396
36000	55041	241	405
37000	56274	247	414
38000	57507	252	423
39000	58740	258	432
40000	59973	263	441
41000	61206	268	450
42000	62439	274	459
43000	64172	281	472
44000	65405	287	481
45000	66638	292	490
46000	67870	298	499
47000	69103	303	508
48000	70336	308	517
49000	71569	314	526
50000	72802	319	535
51000	74035	325	544
52000	75268	330	553
53000	76501	336	563
54000	77734	341	572
55000	78967	346	581
56000	80200	352	590
57000	81433	357	599
58000	82665	363	608
59000	83898	368	617
60000	85131	373	626

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 casual shifts as a freelance? – see inside**

- **Working as a freelance photographer? – see inside**

This is the 2007-8 version of the Freelance Ready Reckoner, now in its third 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 Earnings Threshold of £100 per week (£5225 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 2007 TOCS found that this cost varied from £14,778 (London's West End) to £4,682 (Preston) with a UK average of £6,422.

The Freelance Ready Reckoner, by using a single figure for property costs, underestimates costs for employers in central London and major provincial cities but conversely overestimates employers' costs in secondary business areas. The figure used for the 2007-8 Ready Reckoner is £8,000 pa. 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 Ready Reckoner is calculated on the basis that employers make a 5% employer contribution towards lower-paid employees' pensions. For employees earning £35,000 and above, a higher rate of employer contribution of 10% has been included.

Q: How have you treated recruitment costs?

A: The main source here is the 2007 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 27.1%. The same survey reports an estimated total cost of labour turnover per employee for administrative, secretarial and technical staff (including vacancy cover, redundancy costs, recruitment/selection costs, training and induction costs) of £5,000.

The Ready Reckoner uses the £5,000 figure and 27.1% annual turnover, to produce an annualised estimated cost of staff recruitment of £1,355. (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 average training budget per employee for UK companies surveyed. The 2007 CIPD survey gives a figure of £273 for private sector companies, and this has been used for the Ready Reckoner. (The CIPD has changed this year 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 2007 annual survey *Absence Management*, the average cost of staff sickness per employee per year for the communications sector is £700. This is the figure used in the Ready Reckoner.

This may be an under-estimate. A Health and Safety Executive press release in 2002 reported as follows: "In 2001 Norwich Union Healthcare published a study that found the direct costs of sickness absence in the British workforce was £534 per employee, with indirect costs twice that figure. The total cost per employee per year of sickness is £1600 – around 9% of payroll costs"

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". Since more up-to-date data appear not to be readily available, a notional 0.4% of payroll costs per individual has been included in the Ready Reckoner.

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 freelances?

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 freelances 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 freelances of running a freelance business.

Freelances 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). Freelances 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: The Freelance Ready Reckoner above is based on the assumption that freelances are working from their own premises and using their own equipment.

Following the production of the 2005-6 and 2006-7 Ready Reckoners, a number of strong requests were received for a similar table to be produced which does adequately cover the situation of freelances (for example, casuals working shifts) who work in

clients' premises, using clients' equipment. This has now been produced, and is given below:

Equivalent annual gross salary	<i>Equivalent total cost, per working day</i>	<i>Recommended freelance day rate</i>
20000	111	186
22000	121	204
24000	132	221
26000	142	238
28000	153	256
30000	163	273
32000	173	290
34000	184	308
36000	206	346
38000	217	364
40000	228	382
42000	239	400
44000	252	422
46000	263	440
48000	273	458
50000	284	476

Ready Reckoner, freelances working casual shifts etc

Q: What differences are there between the 2007-8 Ready Reckoner and the 2006-7 version?

A: Whilst some staffing costs (recruitment, staff sickness) have increased, these have been offset by reductions in the calculations made for property costs and for training costs (the latter explained by the change in the CIPD method of calculation), and by the effect of the slightly higher NI threshold. As a result, the headline figures show a slight decrease this year compared with 2006-7. For example, the recommended freelance day rate comparable to a staff journalist earning £25,000 has decreased from £302 to £288.

Freelances using the Ready Reckoner may like to remember, however, 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.