

The freelance ready reckoner 2011-12

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Equivalent annual gross salary	Total cost to employer	Total cost to employer per working day	Recommended freelance day rate
20000	31417	140	233
21000	32626	145	242
22000	33835	151	251
23000	35043	156	260
24000	36252	161	269
25000	37461	167	278
26000	38669	172	287
27000	39878	178	296
28000	41086	183	305
29000	42295	188	314
30000	43504	194	323
31000	44712	199	332
32000	45921	204	341
33000	47129	210	350
34000	48338	215	359
35000	50547	225	375
36000	51755	230	384
37000	52964	236	393
38000	54173	241	402
39000	55381	247	411
40000	57525	256	427
41000	58733	262	436
42000	59942	267	445
43000	61651	274	457
44000	62859	280	466
45000	64068	285	475
46000	65276	291	484
47000	66485	296	493
48000	67694	301	502
49000	68902	307	511
50000	70111	312	520
51000	71320	318	529
52000	72528	323	538
53000	73737	328	547
54000	74945	334	556
55000	76154	339	565
56000	77363	344	574
57000	78571	350	583
58000	79780	355	592
59000	80988	361	601
60000	82197	366	610

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 2011-12 version of the Freelance Ready Reckoner, now in its fifth 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; 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 (£7072 a year). The employer's NI rate went up from 12.8% this 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 2011 TOCS found that this cost varied from £14,500 (new office in the core

of London's West End) to £4,200 (twenty-year old building in Norwich). According to TOCS, workplace costs have been relatively stable between 2010 and 2011, though the trend in several areas is upwards.

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 2011-12 Ready Reckoner has been set at £7,500 pa (the same as the last edition of the Ready Reckoner).

Q: How have you treated pension contributions?

A: The latest figures from the Office for National Statistics' Occupational Pension Schemes Annual Report, published Autumn 2010 and relating to 2007, give the average pension contribution made by private sector employers as 14.9% of salary (open final salary schemes) and 6.4% (open money purchase schemes). Rates are higher (at 18% and 6.5% respectively) for pension schemes closed to new entrants.

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. For the last edition this was revised, and the figure of 6.7% was used for all salary levels. This has been maintained for the current edition. This underestimates pension costs for employers with final salary schemes.

Q: How have you treated recruitment costs?

A: The main source here are the annual surveys on recruitment, now known as *Resourcing and Talent Planning*, published by the Chartered Institute of Personnel and Development. The last edition of the Ready Reckoner used the 2009 CIPD survey (then known as *Recruitment, Retention and Turnover*), which helpfully gave detailed information for annual staff turnover for the media and publishing sector of 22.9%. The same survey reported an estimated total cost of labour turnover per employee of £6125. Previously therefore the Ready Reckoner used these two figures to produce an annualised estimated cost of staff recruitment ($£6125 \times 22.9\% = £1403$).

The 2011 CIPD survey does not offer the same detail. However, it does show a clear decline in the staff turnover rates in all private sector service businesses of around 18% between the 2009 and 2011 surveys. If we assume that this same proportionate fall applied in the media and publishing sector, we would obtain an annual turnover rate of 18.7%.

The 2011 CIPD survey also treats the total cost of labour turnover differently, no longer offering the 'all employees' category used in 2009. However, what is clear from the CIPD survey is that total costs of turnover have fallen significantly over the past two years. For non-managerial staff in the private sector, the average cost is estimated to be £2000.

This year's Ready Reckoner has had to make do with these figures, and assumes a cost per employee of $£2000 \times 18.7\%$ or £374 for staff employed on salaries up to £40,000. 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 (£7000). Here the annualised estimated cost of recruitment becomes $£7000 \times 18.7\%$, or £1309.

Q: What about staff training costs?

A: The CIPD survey *Learning and Talent Development* calculates the median training budget per employee for UK companies surveyed. The 2011 survey gives the median as £350 (2009: £220), 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 2010 annual survey *Absence Management*, the average number of days lost through absence in the media sector is 3.4 days. (The 2011 Absence Management survey was not available at the time when the Ready Reckoner was revised.)

For this edition of the Ready Reckoner, therefore, the treatment of sickness has been changed from an estimated monetary cost to one where the number of actual working days undertaken by employees is reduced. For this year, the Ready Reckoner assumes that employees are actually working 224.6 days (228 less 3.4).

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 224.6, 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 have 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 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: 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: 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		177
22000		195
24000		213
26000		231
28000		249
30000		267
32000		285
34000		303
36000		328
38000		346
40000		371
42000		389
44000		411
46000		429
48000		447
50000		465

Ready Reckoner, freelances working casual shifts etc

Q: What differences are there between the 2011-12 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 junior staff, and therefore in the recommended freelance day rate. The situation is reversed for more senior staff.

2011 has seen an increase in the employers' national insurance contribution, from 12.8% to 13.8%. On the other hand, staff turnover is at a lower level than previously, reducing the estimated cost to employers of employee recruitment. Average staff training costs show a slight increase, which is also reflected in the Ready Reckoner. Office premises costs have been assumed to be unchanged since 2009; the Ready Reckoner underestimates the cost of employing staff in high-cost business centres.

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.