

The freelance ready reckoner 2015-16

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Equivalent annual gross salary	Total cost to employer	Total cost to employer per working day	Recommended freelance day rate
20000	31756	143	238
21000	32960	148	247
22000	34164	154	256
23000	35369	159	265
24000	36573	164	274
25000	37777	170	283
26000	38981	175	292
27000	40185	181	301
28000	41389	186	310
29000	42593	191	319
30000	43797	197	328
31000	45001	202	337
32000	46205	208	346
33000	47410	213	355
34000	48614	218	364
35000	50818	228	381
36000	52022	234	390
37000	53226	239	399
38000	54430	245	408
39000	55634	250	417
40000	56838	255	426
41000	58042	261	435
42000	59246	266	444
43000	60951	274	457
44000	62155	279	466
45000	63359	285	475
46000	64563	290	484
47000	65767	296	493
48000	66971	301	502
49000	68175	306	511
50000	69379	312	520
51000	70583	317	529
52000	71787	323	538
53000	72992	328	547
54000	74196	333	556
55000	75400	339	565
56000	76604	344	574
57000	77808	350	583
58000	79012	355	592
59000	80216	361	601
60000	81420	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 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 2015-16 version of the Freelance Ready Reckoner, now in its seventh edition. 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 threshold (£8,112 a year).

Q: How have you 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 2015 TOCS found that this cost varied from £17,486 [2013: £16,915] in

London's West End to £4,339 [2013: £4,218] for a twenty-year old office in Preston. It reported an annual increase in average net effective rents for older offices of 8.1%, with increases varying from +38% (West End) to -4% (Cardiff, Swindon). For new offices, the change in total office costs varied between +18% and -1%.

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 was £7750. This has been increased to £8300 for this year's edition.

Q: How have you treated pension contributions?

A: Data this year have been taken from *Employee Outlook: Focus on Employee Attitudes to Pay and Pensions* (published March 2015), produced by the Chartered Institute of Personnel and Development (CIPD). This reported that the average employer contribution to a defined contribution pension scheme was 6% of pay; for the sadly diminishing number of defined benefit schemes it was 9%.

Pension schemes vary hugely between employers, of course. The 2013-14 version of the Ready Reckoner was based on the average employer pension contribution being 6.8% of pay. This year we have veered on the side of caution and have reduced this to 6.25%. This underestimates pension costs for those employers who continue to operate final salary or other defined benefit schemes, of course.

Q: How have you treated recruitment costs?

A: The main source here is the 2015 edition of the survey on recruitment known as *Resourcing and Talent Planning*, published by CIPD each year.

This survey, based this year on 520 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 £2000 [£2350 in 2013].

The CIPD report also suggested that median labour turnover was 13.6%. (Put another way, on average 13.6% of the labour force leaves in any one year).

The Ready Reckoner combines these figures to assume an annual cost per employee to the employer of £2000 x 13.6%, or £272 [2013: £383].

Q: What about staff training costs?

A: The CIPD survey *Learning and Development* for 2015 found that the median annual learning and development budget per employee was in the range £201-£250. For the purposes of the Ready Reckoner it has been assumed that annual training costs per employee are £225 [2013: £333].

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 £43,000, 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 are contracted to work 228 days a year.

Q: How have you calculated staff sickness costs?

A: According to the latest CIPD *Absence Management* survey (published Oct 2014), the average number of days lost through absence per worker is 6.6; for the private sector service sector, this falls to 5.5 days. The Ready Reckoner, therefore, assumes that on average employees are actually working 222.5 days a year (228 less 5.5) [2013: 221.8].

The second column in the Ready Reckoner above 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 222.5, 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 photographic paper etc. Motoring costs may also need to be added. (Divide the revised figures in column 2 by 222.5 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 freelancers (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		176
22000		194
24000		212
26000		230
28000		248
30000		266
32000		284
34000		302
36000		328
38000		346
40000		364
42000		382
44000		403
46000		421
48000		439
50000		458

Ready Reckoner, freelancers working casual shifts etc

Q: What differences are there between the 2015-16 Ready Reckoner and previous versions?

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

This year's table reflects savings for employers due to the rise in the National Insurance threshold, and further slight savings due to estimated spend on pensions, training and recruitment declining. There has also been a decrease because of the reduced average figure for absence and sickness. On the other hand, this year property costs are higher than they were when the last edition of the Ready Reckoner was produced two years ago.

Freelancers 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. Freelancers are advised also to consider doing likewise.