

For freelance journalists: The freelance ready reckoner 2006-7

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Equivalent annual gross salary	Total cost to employer	Total cost, per working day	Comparable freelance day rate
20000	35179	154	259
21000	36362	159	267
22000	37545	165	276
23000	38727	170	285
24000	39910	175	293
25000	41093	180	302
26000	42275	185	311
27000	43458	191	320
28000	44641	196	328
29000	45824	201	337
30000	47006	206	346
31000	48189	211	354
32000	49372	217	363
33000	50554	222	372
34000	51737	227	380
35000	52920	232	389
36000	54103	237	398
37000	55285	242	407
38000	56468	247	416
39000	57651	252	425
40000	58834	257	434
41000	60017	262	443
42000	61200	267	452
43000	62383	272	461
44000	63566	277	470
45000	64749	282	479
46000	65932	287	488
47000	67115	292	497
48000	68298	297	506
49000	69481	302	515
50000	70664	307	524
51000	71847	312	533
52000	73030	317	542
53000	74213	322	551
54000	75396	327	560
55000	76579	332	569
56000	77762	337	578
57000	78945	342	587
58000	80128	347	596
59000	81311	352	605
60000	82494	357	614

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, bearing in mind comparable staff journalist salary levels?

- Look in column 4. This is the comparable daily income you would need to receive as a freelance. It is based on the assumption that you can undertake productive (paid) work for 3/5th of your working time.

How the ready reckoner works

The second column estimates as accurately as possible the *actual* total cost to employers of employing staff. (See below for details of this calculation.) The third column expresses this as a day rate, based on a five-day working week (it also allows for bank holidays and staff annual leave).

PHOTOGRAPHERS. This ready reckoner does not allow for the cost of supply of specialist equipment and is therefore not immediately suitable for use by freelance photographers or by those using their own video or radio equipment. But see below for possible ways to allow for this.

This is the 2006-7 version of the Freelance Ready Reckoner. The Ready Reckoner aims to calculate as accurately as possible the equivalent freelance daily income rates comparable to staff journalists' salary levels 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, an experienced professional freelance writer and 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. Feedback, preferably supportive, welcomed.

Frequently asked questions:

Q: Why do the comparable freelance rates seem so high?

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. By pricing their services too low, freelancers underestimate the real costs of working on their own behalf.

Q: What add-on costs have been 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.

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

A: 12.8% of all pay above the current NI threshold of £97 per week.

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

A: A number of independent organisations have attempted to calculate the typical cost to employers of providing office accommodation for employees. One source is the Total Office Cost Survey (TOCS) carried out each year by Actium Consult, together with Cass Business School. The TOCS survey includes such things as rent, rates, fitting out costs, furniture, security costs, cleaning, waste disposal, energy, telephones, catering, reception and property management, and works out the average cost per workstation. The March 2005 survey found that the cost of providing a workstation for staff was greater than £15,000 p.a. in London's West End and above £10,000 in other parts of London. Regional cities were somewhat cheaper (for example, Manchester, Leeds and Birmingham were around £8000). Since most freelancers work for clients based in London, a figure of £10,000 has been considered appropriate for the Ready Reckoner calculations. (TOCS offers an on-line calculation program for property costs, available at <http://www.tocsonline.com>.)

Q: How have you treated pension contributions?

A: The Ready Reckoner assumes a 5% employer contribution towards employees' pensions. For higher paid 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: According to the 2005 annual survey *Recruitment, Retention and Turnover*, published by the Chartered Institute of Personnel and Development, annual staff turnover for the media and publishing sector is 30.8%. The same survey reported 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 £3,500. (The comparable figure for managers and professionals was £5000).

The Ready Reckoner uses the £3,500 figure and 30.8% annual turnover, to produce an annualised estimated cost of staff recruitment of £1078. (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 somewhat lower).

Q: What about staff training costs?

A: The CIPD 2006 annual survey *Learning and Development* gives an average training budget per employee (private sector) of £488. This figure has been used in the Ready Reckoner.

Q: How have you calculated staff sickness costs?

A: According to the CIPD 2005 annual survey *Absence Management*, the average cost of staff sickness per employee per year for the media and publishing sector is £606. 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. These are probably under-estimates.

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.

Q: Why do you assume that freelances will only undertake productive work for 3/5th of their working time?

A: Even if it were possible for freelances to regulate their flow of work to such an extent that they had paid work offered to them by clients for every single working day of the year – an impossible situation – they would still be unable to take advantage of this since they also have to spend time on a wide range of administrative and non-paying work tasks: everything from accounting for tax to filing and paperwork.

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 may be possible to do this by adding to the figures in column 2 the total annual equivalent cost to an employer of providing photographic equipment (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.

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

A: The Ready Reckoner is based on the assumption that freelances will be working from their own premises, not from clients' premises.

Q: What differences are there between the 2006-7 Ready Reckoner and the 2005-6 pilot version?

A: The Ready Reckoner has been extensively revised, both to use the latest data sets available and in the light of comments received last year. The headline figures show a slight increase: for example, the comparable freelance day rate for a staff journalist earning £25,000 has increased from £290 to £302.