

# The Freelance Ready Reckoner 2019-2020

Produced by National Union of Journalists and Andrew Bibby

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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 3/5<sup>th</sup> of work time is directly productive. See below for more details.

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

*This is the 2019-2020 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. 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.*

| <b>Equivalent gross salary</b> | <b>Total cost to employer including premises</b> | <b>Total cost to employer per working day</b> | <b>Recommended freelance day rate</b> |
|--------------------------------|--|---|---------------------------------------|
| <b>£20,000</b>                 | £31,935  | £144  | <b>£240</b>                           |
| <b>£22,000</b>                 | £34,318  | £155  | <b>£258</b>                           |
| <b>£24,000</b>                 | £36,702  | £166  | <b>£276</b>                           |
| <b>£26,000</b>                 | £39,085  | £177  | <b>£294</b>                           |
| <b>£28,000</b>                 | £41,468  | £187  | <b>£312</b>                           |
| <b>£30,000</b>                 | £43,851  | £198  | <b>£330</b>                           |
| <b>£32,000</b>                 | £46,234  | £209  | <b>£348</b>                           |
| <b>£34,000</b>                 | £48,617  | £220  | <b>£366</b>                           |
| <b>£36,000</b>                 | £52,000  | £235  | <b>£391</b>                           |
| <b>£38,000</b>                 | £54,383  | £246  | <b>£409</b>                           |
| <b>£40,000</b>                 | £56,767  | £256  | <b>£427</b>                           |
| <b>£42,000</b>                 | £59,150  | £267  | <b>£445</b>                           |
| <b>£44,000</b>                 | £62,033  | £280  | <b>£467</b>                           |

| <b>Equivalent gross salary</b> | <b>Total cost to employer including premises</b> | <b>Total cost to employer per working day</b> | <b>Recommended freelance day rate</b> |
|--------------------------------|--|---|---------------------------------------|
| <b>£46,000</b>                 | £64,416  | £291  | <b>£485</b>                           |
| <b>£48,000</b>                 | £66,799  | £302  | <b>£503</b>                           |
| <b>£50,000</b>                 | £69,182  | £312  | <b>£521</b>                           |
| <b>£52,000</b>                 | £71,565  | £323  | <b>£539</b>                           |
| <b>£54,000</b>                 | £73,948  | £334  | <b>£557</b>                           |
| <b>£56,000</b>                 | £76,332  | £345  | <b>£575</b>                           |
| <b>£58,000</b>                 | £78,715  | £356  | <b>£593</b>                           |
| <b>£60,000</b>                 | £81,098  | £366  | <b>£610</b>                           |

## 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 (£8,424 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 2017 TOCS found that this cost varied from £18,142 [2015: £17,486] in London's West End to £4,840 [2015: £4,339] 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 2015-16 Ready Reckoner was £8330. This has been increased to £8715 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 Winter 2016-17), produced by the Chartered Institute of Personnel and Development (CIPD). This reported that the average employer contribution to a defined contribution

pension scheme was 5% of pay; for the sadly diminishing number of defined benefit schemes it was 8%. 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 6.25% of pay. This year we have veered on the side of caution and have reduced this to 5%. 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 2017 edition of the survey on recruitment known as Resourcing and Talent Planning, published by CIPD each year.

This survey, based this year on 1068 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 [£2000 in 2015]. The CIPD report also suggested that median labour turnover was 16.5%. (Put another way, on average 16.5% 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 16.5%, or £330 [2015: £272].

**Q: What about staff training costs?**

**A:** The CIPD survey Learning and Development for 2015 (no further surveys available) 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 [2015: £225].

**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 Health and Well-Being at Work report (published May 2018), the average number of days lost through absence per worker has increased from 6.3 days per employee to 6.6 days in 2018.

The Ready Reckoner, therefore, assumes that on average employees are actually working 221.4 days a year (228 less 6.6) [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 221.4, to produce the same figure per working day.

**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.

| <b>Equivalent gross salary</b> | <b>Total cost to employer less premises</b> | <b>Recommended freelance day rate for shifts at client's premises</b> |
|--------------------------------|---|---|
| <b>£20,000</b>                 | £23,220                                     | <b>£175</b>   |
| <b>£22,000</b>                 | £25,603                                     | <b>£193</b>   |
| <b>£24,000</b>                 | £27,987                                     | <b>£211</b>   |
| <b>£26,000</b>                 | £30,370                                     | <b>£229</b>   |
| <b>£28,000</b>                 | £32,753                                     | <b>£247</b>   |
| <b>£30,000</b>                 | £35,136                                     | <b>£264</b>   |
| <b>£32,000</b>                 | £37,519                                     | <b>£282</b>   |
| <b>£34,000</b>                 | £39,902                                     | <b>£300</b>   |
| <b>£36,000</b>                 | £43,285                                     | <b>£326</b>   |
| <b>£38,000</b>                 | £45,668                                     | <b>£344</b>   |
| <b>£40,000</b>                 | £48,052                                     | <b>£362</b>   |
| <b>£42,000</b>                 | £50,435                                     | <b>£380</b>   |
| <b>£44,000</b>                 | £53,318                                     | <b>£401</b>   |
| <b>£46,000</b>                 | £55,701                                     | <b>£419</b>   |
| <b>£48,000</b>                 | £58,084                                     | <b>£437</b>   |

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| Equivalent gross salary | Total cost to employer less premises | Recommended freelance day rate for shifts at client's premises |
|-------------------------|--------------------------------------|--|
| <b>£48,000</b>          | £58,084                              | <b>£437</b>  |
| <b>£50,000</b>          | £60,467                              | <b>£455</b>  |
| <b>£52,000</b>          | £62,850                              | <b>£473</b>  |
| <b>£54,000</b>          | £65,233                              | <b>£491</b>  |
| <b>£56,000</b>          | £67,617                              | <b>£509</b>  |
| <b>£58,000</b>          | £70,000                              | <b>£527</b>  |
| <b>£60,000</b>          | £72,383                              | <b>£545</b>  |

**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 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 the Ready Reckoner be used by freelancers 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. Ready Reckoner, freelancers working casual shifts etc

**Q: What differences are there between the 2019-2020 Ready Reckoner and previous versions?**

**A:** In headline terms, this year's Ready Reckoner shows a very marginal increase 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 decline on estimated spend on pensions, whilst recruitment has increased, and training remained the same.

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. 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.