

Plain facts about being a self-employed historian

Introduction

Being a self-employed historian is, for many, an insecure and, at times, perilous existence. The nature of free-lance work is that it is not constant and, financially, not always consistently rewarding.

When you are employed on a salary, it is easy to forget that your wage is only part of what it costs to employ you. Your employer has to provide a workplace and equipment, administrative support, sick leave, annual leave, maybe training or other benefits like superannuation or a medical insurance scheme. These in general add up to about as much again as a salary. If you are employing yourself you have to provide all these things as well as your salary and so you have to earn enough to cover them. You also need to set aside enough to cover provisional tax and GST. Together these can consume a third or more of your gross income.

When they start out in business, many public historians fail to charge enough because their experience of remuneration is only based on their experiences as a salary earner, not from being in business. So, the following is a guide to self-employment as an historian.

What to provide for

When you are in a solo practice, as the vast majority of self-employed historians are, you perform every function of business from cleaning the office to doing your accounts and all of these functions have to be performed in your working time. This means you cannot give your entire time to writing or research, so your charges have to allow for 'unproductive' but unavoidable activities such as:

- Office housekeeping - correspondence, filing, cleaning, maintenance of office equipment, replenishing supplies, doing your tax and GST (if you do your own), and miscellaneous tasks.
- Networking - looking for jobs, going to book launches, seminars and lectures so as to keep yourself visible; keeping in touch with colleagues; playing your part in your professional organisations; preparing applications for funding for projects.
- Professional development - keeping up both in your own field and in ancillary fields. Remember that when you undertake these you will usually not only be paying all your own costs, including travel and accommodation, but you will forgo chargeable working time, so the cost to you is greater than the cost for someone attending through their job
- Broader reading (including on the internet) to keep you generally up to date.
- Time without work, for gaps of weeks or even months between jobs are a fact of life in our insecure profession; we cannot insure ourselves against them but they are one of the factors to be borne in mind in establishing the level of income we are aiming at; it is a well-established principle of employment that contractors are paid at a higher rate than permanent employees to compensate for the lack of security.

If on average you are spending more than two-thirds of your working time on 'chargeable' activities you are probably neglecting the 'business' aspect of your practice. This of course will vary greatly at different times; if you have a deadline to meet, you will drop everything else for a while, but the other tasks will be waiting afterwards.

Other business costs you must meet

- Annual leave, sick leave
- ACC and superannuation
- Business, equipment, vehicle, life and income protection, and other insurances
- Depreciation, upgrading and repair of PCs, laptops, printers, cell phones and other devices. PCs can last a significant period of time if you ensure at the outset that they have plenty of storage and memory and capacity for hardware to be updated. Otherwise, expect to replace a PC every five to six years.
- Library
- Office stationery and consumables such as flash drives, printer paper, printer cartridges, business cards etc.
- Office equipment such as filing cabinets, shelving, chair, desk, footstool, carpet or rug etc.
- Professional expenses such as membership of societies, subscriptions to periodicals or newspapers, accountant
- Use of your car for business purposes
- Phone – landline and/or cell phone
- Use of a room within your home or in a commercial building for business purposes, including its heating, insurance and a proportion of your rates and mortgage (or rent if you are renting). You claim for this on a pro rata basis for the area so used e.g., if the study is 15 percent of the house, then you can claim 15 percent of the expenses.

All but annual and sick leave are tax-deductible, but you must keep proper financial records in order to claim them. For example, you will need to keep a log of your business-related travel if you run a motor vehicle. It is wise to keep a separate bank account for your business activities – to keep your personal expenditure separate, for accounting purposes and to track where the money goes. You could consider using accountancy software to manage the financial side of your business. Get advice from your accountant, if you have one.

Tax

You need to bear in mind that, depending on your income, tax will consume a not insignificant proportion of your gross remuneration. That takes the form of two main taxes.

One is a goods and services tax of 15% on your taxable income, required only if you reach the threshold of \$60,000.

The other is income tax, which self-employed people pay in the form of provisional tax. Remember that New Zealand employs a graduated taxation system and the current thresholds are as follows:

Up to \$14,000	10.5%
Over \$14,000 and up to \$48,000	17.5%
Over \$48,000 and up to \$70,000	30%
Remaining income over \$70,000	33%

This means that, for many historians, the majority of their income is taxed at less than 20%. As difficult as it can sometimes be, it is important to try and work out what your income is likely to be so that you can set aside enough money to cover your tax obligations.

It is important to get good tax advice. Talk to your accountant or someone else with suitable experience. For more information on your tax obligations, visit the Citizens Advice Bureau website: <http://www.cab.org.nz/vat/money/ird/Pages/SelfemployTax.aspx>

There you will find all the relevant IRD guides and links assembled in one place.

Costing work

Hourly rate

The first thing to do is to work out what your hourly rate ought to be. The figures below are based on rates currently paid to history and heritage professionals in the public sector. They are useful as a guide for professionals working in the private sector or directly with clients/commissioning agents. Remember, this is only a general guide and we are not offering specific figures for the kinds of work generally undertaken by historians.

It is understandable that some historians may not feel they are in a position to negotiate an hourly rate or gross amount that falls within the recommended guidelines. It is important to remember though that historians are skilled professionals with a responsibility to reinforce that professional status by seeking appropriate remuneration. This helps other historians to get paid appropriately for their work.

It is also important to remember that you will find that sometimes you may be offered work by clients who simply do not have the means to pay you properly or cover all your costs. It is up to you to decide whether to take that work. You will not be faulted for consciously agreeing to a lower rate of remuneration if the alternative is that the project is not done, or you miss out on the work altogether.

Some points to note when quoting either an annual salary or hourly rate for work:

- The position in the range depends on experience, complexity of the work, duration of the work and/or the position of the client/commissioning agent. Professionals charge different rates under different circumstances.
- A quote for a salary (or pro rata salary) is generally more appropriate for extended contracts of several months.
- History and heritage professionals working as contractors but using these base salary guidelines should multiply the figures by between 1.5 and 2, and then add GST of 15%. That covers ACC levies, allowance for sick pay, annual leave, costs of running office, withholding tax.
- Costs relating to travel, equipment, research expenses and so on should be charged back to the client on full-cost recovery (where possible).

Base salary range (per annum)

\$57,000 - \$106,000

Hourly rate (ex GST)

\$50 - \$140

Matters to consider:

- By way of guidance and example, straightforward archival research might sit near the bottom of the rate and evidence provided for a hearing might sit near the top.
- If a job requires both researching and writing, a suitable, single hourly rate that accommodates both those activities could be settled on.
- A well-qualified, experienced historian ought to be seeking remuneration in the middle to upper bracket of that range.

Sizing a job

Historians have calculated from long experience that the proportion of research time to writing time is roughly 60:40. In other words for each day of writing there will be 1.5 days of research.

For larger projects, you might want to consider allowing for a daily writing rate of 1,000 words, which would include revisions. This is helpful if you have a word limit or target in mind. Using the 60:40 proportion, this would assume roughly 2.5 days per 1,000 words. Remember that this is based on working a normal week (40 hours) and that it includes the 30% of 'business' time discussed above. You can achieve a quicker outcome if you ignore 'business' matters, but only temporarily.

If you don't have a word target as such, it might be possible to work one out based on the brief. Experienced practitioners acquire a skill in calculating this. Or you can suggest a word target to the client and work it out from there.

Remember that if your project also requires post-writing tasks of editing, photo research and captioning, indexing etc. then this must be allowed for in a bid. It is entirely dependent on the size of the work and the demands of the client. Expect it to take longer than you think.

Make sure you include your expenses (photo reproduction, travel and accommodation, consumables etc.) and if you are GST registered, add this to the price.

Other things to consider

It is important to ensure that, if you are working to a limited budget, you only offer what can feasibly be done for your anticipated hourly rate. It is easy to agree to doing work for a price that does not properly remunerate you or doing more than you have been asked for because you feel the need to 'go the extra mile'. Avoid that temptation.

Always keep the client updated with writing and research progress as you submit your monthly invoices. If they are in touch with progress on the project and feel they are guiding it, they will be more open to suggestions for more research or writing time if it is required.

Ensure that you have allowed enough time to do the work within the deadline set by the client. It is fine to seek some flexibility over deadlines, particularly if you are juggling several jobs at the same time.

Finally, don't be hard on yourself if you don't get it right first or second time. Experience will give you the tools to bid more accurately for work. If you are unsure about anything, seek advice from your peers.

This is based on guidance originally prepared for PHANZA by Susan Butterworth, 2001, updated and amended by the PHANZA committee, 2018.