

Is This Still Worth It? An Update

By Jonathan Hine

Mark Adams looked up at his translation class from the pit of the amphitheater. They hated this windowless room. The cramped chairs with folding writing surfaces gave the students nowhere to open dictionaries or lay the source texts next to their translations. He was stuck behind a lectern because the rows of bolted-down chairs prevented his walking among the students or circling the chairs for discussions.

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Normally, he might have a backache from not moving around, but today the class was different. These students were usually active and engaged. Now that they were discussing the practical side of setting up a translation business, the interest level was even higher. The first hour and a half had vanished, and it was almost time for a break.

“Now the article by Mr. Hine¹,” he said. The students pulled out their photocopies of the reading assignment, but did not look at them. “What is it about?”

“It’s for freelancers,” said Anita quickly. With only three students today, there was no need to raise hands. “How to budget. How to calculate prices.”

“Does he say you can turn down jobs?”

“He says you can take a job if it fulfills specific needs.”

“Yes. That is the key. To be aware of what the job entails. How do you know? Have you had economics or accounting?” Mark paused as the

silence settled on the class. He knew they knew more than they realized.

“Do you know what the break-even point is?” Their faces brightened.

“The break-even point is where you cover costs with no profit,” Anita said. Marcia and Jed nodded.

“He gives you four principles in the article. What are they?”

Marcia jumped in this time. “You are in it for the money.”

“We charge for expertise,” said Jed.

“That is why we charge more,” said Mark, writing their answers on the board. “That is why it is so difficult to put a price on what we do. What about principle #3?”

“Selling time-based units,” said Anita.

“What does that mean?”

“The only thing you can measure is your time, so you should be billing for it.”

“Yes,” Mark said. “That is why we need to keep time sheets. And principle #4?”

“Some advice for freelancers,” Marcia offered. “Don’t put money from yourself into the business.”

“It’s OK to do it, as long as you document it,” said Anita.

“You have to keep track of it,” added Jed.

Mark went to the board. He drew a big T, representing a double-entry accounting ledger sheet. For the next few minutes, he explained double-entry accounting in simple terms. The students seemed to understand, but did not react much. Anita and Jed had taken introductory accounting as sophomores. Mark was not sure about Marcia; he found her harder to read than the others. As he finished this part of his lecture, he made a mental note to use a simple checkbook example next time. He moved on to the next point.

“So what are the three parts of a budget, according to Mr. Hine’s article?”

“Personal, operating, and growth and capitalization,” said Anita without looking at her paper.

Mark looked at the others. “You agree?”

“Yes,” said Jed. “Customers do move, and if you want the business to grow you need money.”

“Then what?”

“Determine the rate,” said Marcia.

“How?”

Jed again, “See how many hours you have.”

“Then divide your income requirement by the number of hours available to get the break-even point,” said Anita.

“Yes,” Mark said.

He then pulled the screen down in front of the blackboard and projected a transparency of Table 1. They discussed how a full-time availability of 2,080 hours in a year shrank to 1,255 hours after allowing for sickness, holidays, and overhead. “That is a key number to keep in mind: 1,255. Then if the cus-

tomers want a piece rate, like cents per word, we convert that by figuring out how long the job will take.” Mark gestured to his head to indicate “keep this in mind.”

Table 1: Finding the Number of Billable Hours in a Work Year

Conditions	Hours/Year
52 weeks @ 40 hours/week (full-time)	2,080
Less a two-week vacation (80 hours)	2,000
Less eleven holidays (8 hours/day)	1,912
Less allowance for sick time (10 hours/month)	1,792
Less overhead (indirect costs) (e.g., 30%)	1,255

“The goal is to relate your piece rate to your hourly rate. Once we know how long the job will take, we calculate what it should cost and then divide the number of words, pages, or whatever into that. Any questions?” He expected the silence. “OK, let’s break until 9:15, then meet in Room 222.”

With some cheering over the move to a room with big tables, the students packed their book bags and left.

The article that Mark Adams (a fictitious name) used in his class for translators appeared in this magazine more than two years ago. The material in that article has been published as a small booklet² and included in workshops for translators and interpreters. The basic principles remain the same. You have to find out how much money you need to earn, and then figure out how much work it takes to earn it. That is called the break-even point.

Calculating the break-even point is a crucial first step for any businessperson trying to determine how to price a service. When you know the break-even point, you know how low you can afford to go in negotiating a rate for your work.

The purpose of this article is to cover three aspects of calculating the break-even point that the first article did not cover in depth:

1. Couples and freelancers with multiple sources of income
2. Whether to use target or source text for basing the price
3. Pricing additional services

Multiple sources of income. When more than one source of income is involved, freelancers need to pay special attention to their time availability when calculating the break-even point. This would apply, for example, to working couples and whether they are both language mediators or working different jobs. It would apply to someone making a living from different part-time jobs. Of course, it applies to a freelancer who is com-

binning freelance income with a part-time or full-time job. Consider Table 2, the Business Budget Worksheet, on page 20.

There should be two kinds of entries in the row entitled “Portion coming from other sources.”

1. **Asset income:** money from stocks, bonds, investments, savings accounts, or allowances from relatives, trusts, and so forth. This is income that does not require your working time. For example, you could have purchased the asset(s) with working earnings earlier or it could be an inheritance or a credit union account that is paying dividends. A retirement check would be an example of an asset income.
2. **Salary or wages:** income from a job other than the business for which you are calculating the break-even point. If the source of money requires that you devote time to it, it belongs in this row.

If the entry comes entirely from asset income (see #1 above), then a single person should use 40 hours/week (2,080 hours/year) for the starting point in calculating the amount of time they will be available to work on this business. If two people are completely free to work on the business (say, a husband-wife team or two siblings in business together), then the starting number is 80 hours/week, or 40 times the number of people working.

Do not include the hours of someone who is not actively working in whatever it is your business does. If a relative is giving you money regularly to help out, simply enter it in the “other sources” column. The contribution will lessen the amount of money you need to earn. If someone is providing you services (like a book-

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keeper), whether it be your spouse or someone else, pay them and budget for the expense (under “fees,” for example). The expense represents the impact of their work on your budget.

If the entry comes partially or completely from another job (#2 on page 19), subtract the weekly (or annual) hours from 40 (2,080) to get your starting point. Similarly, you need to subtract a proportionate amount of time from holidays, sick days, and vacation when calculating the time you have for the business.

For example, if you work 10 hours per week at something else, you would start with 30 hours available per week, or 1,560 hours per year. Now 30 hours is $\frac{3}{4}$ of 40 or 75 percent, so in Table 1, the vacation time would be 60 hours ($\frac{3}{4}$ of 80), the holidays would be 66 hours, and the sick time would be 7.5 hours per month. The overhead stays the same because it is already a percentage.

Thus, a freelancer with a 10-hour/week part-time job would have about 941 hours per year to devote to the freelance business.

A two-person team would double these numbers (assuming each had a 10-hour/week job), or you could calculate your individual available time separately and add the answers together. If only one partner had the 10-hour job, their hours would be 941 and 1,255, respectively, so the team would have 2,196 hours available per year for the business.

Source text or target text. Since the 1998 article, the transmission of source documents electronically has become commonplace, but the general advice remains the same: count what the freelancer and the client can agree upon. Ideally, the client pays the translator to translate a certain amount of material—the source text. If the source text can be counted accurately, then both

Table 2: Business Budget Worksheet

ITEM	MONTH	YEAR
<u>Personal Budget:</u>		
Rent/house payment	525	\$6,300
Groceries	400	\$4,800
Insurance (life, health, etc.)	250	\$3,000
Clothing	125	\$1,500
Vehicle fuel, repairs	60	\$720
Charitable pledges	90	\$1,080
Eating out	120	\$1,440
Vacation	125	\$1,500
Utilities	250	\$3,000
IRA	188	\$2,256
Other (hobbies, school, etc.)	220	\$2,640
<i>Subtotal: personal budget</i>		\$28,236
<i>Portion coming from other sources</i>	686	\$8,236
“OWNER’S DRAW” REQUIRED		\$ 20,000
<u>Business Operating Budget:</u>		
Advertising	10	\$120
Vehicle (mileage)	120	\$1,440
Fees	15	\$180
Depreciation (179 expense)	350	\$4,200
Office expense	10	\$ 120
Rent	150	\$1,800
Supplies	100	\$1,200
Utilities	110	\$1,320
Dues	40	\$480
Other (postage, books, training, etc.)	75	\$900
<i>Subtotal: business operating</i>		\$11,760
<i>Personal budget</i>		\$20,000
<i>Subtotal</i>		\$31,760
<u>Growth (3%)</u>		\$953
TOTAL REQUIREMENT		\$32,713

parties know exactly what the job will cost up front, and the translator is free to render the target document in the best style possible without considering the target-text word count.

However, if the source document is coming by fax or in the mail and the target document is going to be electronically delivered, then software held in common can only count what is in the target text. The condition of the source document (handwriting, illegible material, tables, sheer bulk, etc.) often makes only a rough estimate of the word count possible. Resetting tables and typing in numbers will take more time than replacing them in an electronic document. More often than not, I find myself insisting on a target-text word count when dealing with a paper source text.

Table 3: Section of a Translator's Sales Record

Job #	Date Sent	Rate	Count	Revenue	Hours	\$/hr	Wph	Date Paid	Remarks
TRA-01-99	15/12/99	\$0.13	15,568	\$2,023.84	26.30	\$76.95	592	22/3/00	Trailmix
ATX-09-98	31/3/00	\$0.10	135,344	\$13,534.40	235.20	\$57.54	575	15/4/00	TAC-01-84
LSU-07-98	12/4/00	\$0.10	253,889	\$25,388.90	437.74	\$57.99	580	28/7/00	Messen
CTX-01-00	02/2/00	\$0.13	7,895	\$1,026.35	14.50	\$70.78	544	15/3/00	Comtox
TRA-01-00	15/2/00	\$0.13	11,250	\$1,462.50	22.30	\$65.58	504	21/3/00	Trailmix
SUMMARY			534,556	\$58,344.20	1,818	\$32.09	294		

Pricing additional services. Once you gain an appreciation of the value of your time, the impact of non-language aspects of your work becomes more visible. Slowing down to read illegible faxes in small font sizes, or retyping tables, or manually replacing decimal points with commas—all these slow down the work and may invalidate the piece rate (cents/word) on which you based the price of the job. Anything you can do to avoid underestimating a job can help. One of the best defenses is having data from your past work.

Freelancers must keep decent records, but they need not be fancy. Table 3 shows a section of a hypothetical translator's sales record. It is based on an Excel® spreadsheet. The summary at the bottom includes rows not shown, so the bottom line does not add up.

In each row with a Job #, the Revenue is the product of the Rate and the Count. If the job were for hourly services, then Revenue would be the product of the Rate and Hours. The \$/hr and the Words Per Hour (Wph) are the quotients of the Revenue divided by the Hours and the Count divided by the Hours, respectively. In the summary row, the Count, Revenue, and Hours entries are the sums of the columns above them, but the summary of the \$/hr and Wph are created by dividing the summary Revenue and Count by the summary Hours.

You might quote a total price for a really large job. If you do, then you would enter the Revenue as a number and change the Rate so that it is the quotient of the Revenue divided by the Count.

The Remarks should be able to help you recall what kind of work was involved, especially if something about the job caused you to adjust the piece rate you quoted the customer. Armed with this information, you will be able to quote a rate or price quickly the next time you see a job like it. After a while, you will be able to guess the "price" of a job just by looking at it. What you will be doing is recognizing something you remember pricing on your spreadsheet.

You write "the rest of the story." The scene from Mark Adams' class comes from a real class, called Introduction to

Translation. Also, there are workshops at every ATA Annual Conference and at meetings of large ATA-affiliated chapters, such as the Florida Chapter of ATA, National Capital Area Chapter of ATA, and the New York Circle of Translators. The material in these presentations is continually changing to meet the needs of the attendees. If you have questions about freelancing or organizing your business, please send them to the author at hine@cstone.net. We will try to answer them in the pages of this magazine or in the conference presentations.

(Reprints of the original article as well as the presentations in the Proceedings of the 38th, 39th, and 40th ATA Annual Conferences are available from Headquarters.)

Notes

- Jonathan T. Hine, "Is This Worth It? Economic Decision Making for Freelance Language Specialists," *The ATA Chronicle*, February 1998: 23-30.
- Jonathan T. Hine, *I Am Worth It! How to Set Your Price and Other Tips for Freelancers*, Freelancer's Self-Help Series 2 (Charlottesville VA: Scriptor Services, 1997).

