scribing NTC services can be obtained by contacting the National Translations Center, Library of Congress, Washington, D.C. 20540. Phone 202-707-0100.)

To summarize, firms and individuals now have access to quality translations, either through commissioning the translation or purchasing it already in translation. Because the translation profession is becoming a specialized one and modern technology allows rapid delivery of a translation from any part of the globe, translators themselves know the importance of developing the skills provided by membership in ATA, STC, and other organizations. Whether it is through access to translations by database, sharing of translations, as at the NTC, or continuing education, such as through professional societies, the translator and client are undoubtedly becoming more sophisticated, thus helping to ensure the high quality of and access to translations. Although many difficulties are still present, I would prefer to think that the coming decade will be an even better one for the profession and, in a larger sense, for the U.S. scientific-industrial community.

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The Business of Technical Communication

Dart G. Peterson, Jr., Editor

EDITOR: *This column was contributed by Christopher Juillet, an independently employed technical communicator whose column* "Focus on Consulting" *appears in the newsletter of the Southeastern Michigan Chapter and other chapter newsletters. Chris is the motivator who got the Society's new Professional Interest Committee on Consulting and Independent Contracting started in 1989. I feel that this information is important for anyone who's contemplating going into independent employment as a technical communicator.*—DGP

THE METER IS RUNNING . . . BUT WHAT'S THE RATE?

Once you have made your move to become independently employed, one of the first decisions you must make is to determine how much to charge for your time. It's an important issue, since you have a limited number of hours in each day, and you owe it to yourself to obtain the best remuneration you can for your time and talents.

WHAT I MADE AS AN EMPLOYEE

But just how do you go about establishing a fair rate for your services? The first, easiest, and worst way is to use the "What I made as an employee" method. Simply take your salary, divide that amount by 52 weeks per year, then divide the result by 40 hours per week. What you get is your hourly rate as an employee.

This method is the first because the newly independent often do not begin immediately to "think like an independent." It is easiest because it requires no more than simple arithmetic without regard for basic business principles. It is worst because it fails to take into account a myriad of other factors, such as expenses, travel, telephone, benefits, market pressures, and such. This is *not* the way you want to determine your rate if you want to stay in business for more than three months.

THE "RAMBO" RATE

So then, having rejected the first method out of hand, what do you do next? The next most obvious method is the "What the market will bear" approach. This method, also known as the "Well, it's what other consultants in this area charge" method, is a good first step, but little more. It does, for example, take into account that there are other consultants in your market with whom you compete.

Using it, you can get a rough heading on the minimum you should accept and the maximum you can expect to receive from a client. Unfortunately, it does little to take into account the various costs of doing business. In addition, it is difficult to defend to a prospective client who wants to know more about why you charge what you charge for your time.

DICK MEYERS' "RULE OF THIRDS"

The first serious and reasonable approach to setting rates is what I have heard called the "rule of thirds." Using this method, you can determine what your rate should be by deciding how much you want to earn. It works like this:

- One third of your rate goes toward your salary.
- One third goes to cover overhead (equipment, supplies, office space and the like).
- One third is profit.

So, if you decide, for example, that you need to earn $10 per hour, multiply that times three and set your rate at $30 per hour. Actually, the rule of thirds has much to recommend it. First, it is easy and straightforward to apply, and second, it accounts for the three major areas for which you should be compensated (your labor, your overhead and your profit). The only trouble is that it can be a bit awkward to explain to clients, and explain you must, especially if you are trying to get a government (local or federal) contract or a contract with a government contractor. It also indicates a certain vagueness that you might have about your business. This can come across to a prospective client as an uncertainty and lack of confidence that may cost you business.

THE RATIONAL RATE

Each of the three methods presented here has strength, each liabilities. Each one has a feature that should be taken into account, but each also lacks certain key aspects that must be considered as you work toward a rate that accurately and fairly reflects the compensation you are due for your experience and talent.

A fourth, more complete approach to determining your consulting rate is one that combines the best features of each of these methods. Properly developed, it gives you a useful insight into your business and provides a rationale that stands up to the scrutiny a prospective client often gives an independent consultant.

This approach, what I'll call the "rational rate" method, involves a series of four steps:

1. Determine your daily labor rate.
2. Determine your annual business expenses.
3. Set your profit margin.
4. Determine your consulting day rate.

Central to this method are the five magic words: *the client pays for everything.*

"Another, Day, Another $37.50. . ."

As a first step, determine your daily labor rate. This is the amount of money for which you'll work for you. Or, put another way, this is the value of your time in the marketplace. This can be as easy as deciding that you want to make $45,000 a year. (Neat, eh?) If you like, you can use your current salary (if you are still an employee) to determine this rate. Take your annual salary (say, $27,000) and multiply it times 1.5 (to add in your health, life, disability, and retirement benefits).

Take the resulting annual salary ($40,500 in our example) and divide it by 180 billable days per year. The result is your daily labor rate.

Daily labor rate =

$$\frac{\$40{,}500 \text{ per year}}{180 \text{ billable days}} = \$225 \text{ per year}$$

How Many Days Are in a Year?

Notice that we've assumed only 180 billable days per year, not the 261 days that remain after you subtract the 104 weekend days. Well, first, there are 8 or so holidays that you may not want to work. Then, you'll want to have 10 days for vacation; figure another 5 for "sick days." (Yes, even independents get sick and need time off.) This takes us to 238 days. From this, subtract 24 days (2 days a month) for administrative tasks, such as tracking expenses, looking at new equipment and figuring out how to run your new equipment. Then, there's time spent trotting out your wares to prospective clients, writing proposals that may never convert to business, maintaining contact with colleagues and the like, all of which consume what we'll see will become rather valuable time. Figure 3 days each month for this kind of marketing work. The result is that you can expect to bill about 180 days (about 1450 hours) each year.

Billable days per year =
365 − weekends − holidays − vacation − sick − admin. − marketing =
365 − 104 − 8 (approx.) − 10 − 5 − 24 = 180

Now, let's have a look at what sort of expenses you're going to encounter to keep your business in business.

No Free Lunch

Said the venerable economist, "There ain't no such thing as a free lunch." Bad grammar, good business sense. Add to lunch: supplies, capital equipment, utilities, office space, outside help (yes, consultants regularly use other consultants to help them meet specific needs) and a variety of other business-related "overhead" expenses. All of these expenses have one thing in common: they all cost you money, whether or not you bill a penny. Each printer ribbon, paper clip, even the electricity to run the printer and the office in which you put it, cost you money. Who will pay for all of this? Your clients, that's who. It's not wrong, unethical, or illegal. After all, each of your clients receives (or should receive) the very best you can offer in ideas, consultation and end-product to help solve his or her problem.

Here is a list of common business expenses. No doubt, you'll have others.

- Computer equipment
- Printer paper
- Copier
- Paper and supplies
- Accounting fees
- Legal fees
- Business cards
- Stationery
- Other printing
- Office rent
- Utilities
- Telephone
- Advertising
- Association dues
- Publications
- Seminars
- Conferences
- Postage
- Shipping
- Employment taxes
- Business licenses
- Business taxes
- Travel
- Entertainment

As you probably expect, business expenses can add up quickly. Don't be surprised to spend upwards of $1200 per month on "incidental expenses," and that's if you plan to work out of your home. If you'll have an office outside the home, triple this figure, since you now have office rent and utilities, additional office equipment and furniture, insurance for your office equipment and furniture, business telephone charges, and, quite likely, a secretary.

For the sake of example, let's say that you'll spend $1,500 a month for overhead expenses to run your home office, a reasonable amount for a new business that is outfitting itself with supplies, furniture and equipment. That's $18,000 a year, or about $100 per day.

Daily overhead rate =

$$\frac{\$18{,}000 \text{ per year}}{180 \text{ billable days per year}} = \$100$$

Overhead expense is often expressed as a percentage of the daily labor rate. In our example, overhead is running about 44 percent of labor, a reasonable level and one that you're not likely to better by much.

Making It up on the Margin

The final part of your rate is your profit. Yes, profit; you're in business, you're accepting risk, you're providing a service, and you deserve a profit on the money you invest in your business. Basically, profit is a function of, well, of greed, a question of how much you believe you should earn on your business investment. Less than 15 percent is probably too low, more than 40 percent is perhaps excessive. A 20 percent profit margin is reasonable, defensible, and fair in most markets.

Daily profit =
(Daily labor rate + daily overhead rate) × 0.20 = ($225 + $100) × 0.20 = $65

Your Daily Billing Rate

Having determined your daily labor rate, your daily overhead rate and your daily profit, you can now determine what your billing rate should be. Add these three numbers to determine your daily billing rate:

Daily billing rate =
Daily labor rate + daily overhead rate + daily profit = $225 + $100 + $65 = $385

Assuming an eight-hour billable day, this translates into an hourly rate of $48.

WHAT'S THE FUSS, ANYWAY?

So you've determined your daily and hourly billing rate, based on your labor rate, your overhead, and a healthy profit margin. Could you have just as easily pulled a number like $48 per hour (OK, let's round it up to $50 an hour) out of the air? Sure you could. After all, it's what a lot of other consultants in your field and market charge, and it's certainly fair compensation for your time and talent. So why go to all the additional work of "determining your rate" when you can just take a wild guess?

The answer to this is based on how you want to run your business. If you want to guess at your business, "play it by ear," and "see what happens," that's your prerogative. You may be just as successful as if you went through each step to determine how much to charge for your time.

If, on the other hand, you want to operate as a business, work through the steps. And when you've arrived rationally at a fair billing rate, the confidence you'll exude in meetings with prospective clients will show them that you are a professional in your field, an entrepreneur in business for yourself.

Christopher Juillet

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Corrections

A photo caption on page 278 of 3Q89 incorrectly attributes credit for the founding of the International Audiovisual Competition: the founder is STC Fellow Frances J. Sullivan.

The first group of conference abstracts is incorrectly labeled on page 285 of 3Q89: the label should be "Education, Training, and Professional Development."

We regret the errors.