

Budgeting Time and Costs for Professional Conference Interpreters

Who wants to be a Millionaire?

Julia Böhm

Can you make enough money to be a millionaire as a conference interpreter? Well, it is probably more difficult in Britain than in most other countries in the EU ... In this article Julia Böhm tries compare input and output, i.e. the work, time and money we spend on the one hand and the income we earn by doing so on the other. Probably, at some point, every one of us has wondered whether input and output are well balanced. The author is a conference interpreter herself, not an accounting or finance specialist, her considerations merely originate from her own experience running her own one-woman business.

It was at the beginning of 2004 when I started to wonder whether there is a good balance between our inputs into a job and the income that we generate from this input. Other authors before me have tried to compare, for example, experienced conference interpreters and civil servants, or in the translation field, have put forward approaches to calculating prices per line and word.

However, I was mainly inspired by Mr. Andreas Schiemenz¹, an economist by training, who – for translators – has developed a very entrepreneurial, comprehensive approach which takes account of fixed costs, variable costs, the time that we have available to be “productive”, i.e. the “time” we must sell to break even (cover all the costs) and the “time” we have left to sell to earn ourselves an income.

One aspect that has not been covered sufficiently in earlier publications is coverage for risk (sickness, disability and – yes – old age). If you were to ask a question about old age provision of a group of Conference Interpreters in their early 30s, everybody would respond by saying: it is certainly on my to-do-list, but it keeps slipping ...

Since there is no obligation whatsoever in Germany for freelancers or self-employed people to pay into a public pension scheme, and there is hardly any independent advice or consulting on the issue for those who need to make up their own “pension schemes”, and since you do not feel like thinking about what happens when you are 64, it tends to be forgotten altogether or at least neglected. Since it makes up a big chunk of your expenses and since things get worse the later you start thinking about it, old age provision must be accounted for realistically in any business calculation.

Furthermore, in 2004, at VKD (Verband der Konferenzdolmetscher, the Conference Interpreters' Chapter of the BDÜ), we identified the need for better marketing skills among Conference Interpreters and therefore planned to offer a seminar on how to negotiate prices. We involved Mr. Schiemenz as a speaker on price negotiations. My presentation on costs and input at the beginning of the seminar was meant as a motivator for the participants, since there seems to be a certain resistance to

¹ Mr. Schiemenz, without translating himself, used to be a partner in a small translation firm. He also provided consulting for the translation profession and has been teaching seminars at BDÜ on business, marketing, negotiating, time management etc. for many years. He is now Head of Fundraising at Johanniter Unfallhilfe e.V., a German non-profit organization.

marketing and selling our services (and ourselves) to clients. What I wanted to convey was that selling ourselves well is not something that is arbitrary but a business necessity and – in the end – something that is immediately related to what we end up having in our own pockets to spend, in other words, our very standard of living.

I must admit, however, that, when we took a poll at the end of the seminar asking who of the 12 participants enjoyed negotiating and selling as part of their job, there were still only two ...

The figures and calculations in the following article are to be understood as models. Depending on the way you work, you might find some of the figures inappropriate or unrealistic. The reader is invited to use the calculations as examples and fill them in with their own numbers.

Assumptions – the cost and time budget

In the cost and time budget we distinguish

- costs and input (time) related immediately to specific jobs (job-specific costs and job-specific input (time))
- costs and input that are not related to specific jobs (general costs and general input (time)).

We further assume that all job-specific costs – like transport expenses (mileage allowance for using our own car, taxi, train) and other travel expenses (for food, hotel etc.) which arise in connection with a specific job are reimbursed by the client (through a flat amount – per diem – or actual costs documented by receipts) so that this parameter equals 0.

Therefore, with our daily fees we need to finance three items:

- **job-specific** time input (time spent for work related directly to a specific job, i.e. preparation time, travel time, time spent at the job)
- **general** time input (time spent on building and maintaining our professional resources, and on managing our business)
- **general** costs (i.e. operating costs which arise whether we have jobs or not)

Let us first turn to the two time input items of our budget

Time input to be financed by our daily fees

Job-specific time input

Apart from the time that we spend interpreting on site, this category includes the time required for the bidding and negotiating phase (in the case where the offer is successful and leads to a specific job), obtaining information and preparation material

from clients, managing/passing on this information (if applicable), coordinating the team (if applicable), and the preparation and post-job processing of the material (prepare speeches and presentations, detailed subject research (internet, library), production of glossaries or terminology etc.) plus a post-job business calculation. We should not forget some of the more unpredictable factors such as having to print out presentations (e.g. ppt presentations with loads of pictures converted into pdf files of 66 MB with which not even the most modern printers can cope).

We assume that 8 hours (or one work day) per paid conference day is required for job-specific time input. It might be less for a job where the subject is less difficult or familiar and where we only interpret between two languages (a bi-active booth is frequent on the German private market). However, if we have to prepare the subject in more than 2 languages and where the subject is unknown or difficult, where we need to coordinate a larger team or deal with a “difficult” client, we definitely need more time.

General time input

This is the time we spend to carry out and manage our job as conference interpreter professionally – including our role as entrepreneurs. Apart from all the tangible assets that we use as professional interpreters (PC, office furniture etc.), we draw on highly intangible, immaterial assets to be successful and competitive with our product: our abilities and talent, our knowledge and expertise (human capital), which have to be maintained, enhanced and kept up-to-date on a permanent basis.

As knowledge workers, our product consists in the ability to have the right knowledge available and ready to use at the right time and in the right place. That is why intensive knowledge management is extremely important:

- Keep general knowledge up to date in all our working languages and corresponding cultures
- Read the current press in all our working languages
- Read other literature/publications in all our working languages
- Update technical knowledge in areas of specialisation on a regular basis by reading technical magazines, industry publications – in all our working languages
- Terminology management

Furthermore, it is necessary to continuously improve our job-specific knowledge and skills, to know the interpreters’ market and be known in it:

- Continuous professional learning: obtain professional information, read and learn.
- Take part in job-specific training seminars
- Network with colleagues, network with other professional fields, for example by being a member of an association, being active in an association or doing pro-bono work.

Being self-employed, we are usually our own accountants, secretaries and business managers:

- Accounting, invoicing, tax returns

Apart from that we are our own marketing managers, advertising specialists and client relationship managers:

- Advertising, e.g. design website, produce brochures, mailings, write advertising texts
- Client relations management, or CRM: call existing clients, visit and keep in touch with clients
- Cold calls: define target client groups, develop a strategy, make calls, follow up

General time input also includes time spent on unsuccessful bids or offers, often a black hole where a lot of work disappears without any remuneration:

- Draw up an offer/quotation
- Place and/or cancel options with colleagues
- Negotiate on the phone or on site with the client.

We need a lot of time and effort for all these activities which needs to be considered and refinanced with our paid conference days.

So in fact we spend a lot of "unpaid" time on preparing and managing jobs, managing our business and keeping our resources up-to-date. For the purposes of our budget, we therefore need to ask the question of how many paid conference days we can actually do per year.

How much time / how many days do we have available to make money?

The fee revenue we can attain per year is limited by the number of days on which we can actually generate such revenue². Limiting factors are, among other things, our own mental and physical capacities (we need time to recover) and, sometimes, our families. You might deny that by saying that this applies for anybody who goes out to work, and that weekends and holidays are there to recover. However, there is an increasing trend in our market where we could (if we only could!) work many consecutive days without interruption during the busy season, while outside that season the market is in the doldrums. Therefore, mental and physical capacity and recovery phases are in fact an issue. We need to account for them just like for demand fluctuations and seasonality. However, the most significant limiting factor is the *general time input* as described above!

² As far as I have heard there are colleagues who charge a daily fee also for job preparation days. This is certainly not the rule in Germany.

The crucial question therefore runs: “how many paid conference days per year are feasible, how many of them make sense professionally – how many paid conference days should actually give us enough money to decently live on?”

There are various ways of substantiating that, on average, conference interpreters work 75-85 conference days. I would like to quote 2 of them:

Andreas W. Schiemenz has analysed Interpreters' and Translators' accounts. He concludes that 30% of available workdays are „unproductive“, i.e. days when no immediate turnover is generated³ (note that this category corresponds to our “general time input” category – for administrative work, knowledge management, general learning, canvassing etc.). Similar time assessments can be found in other literature about freelancers, whatever their profession. This leads to the following calculation:

365 days – 104 weekend days – 29 holidays/bank holidays = **232 workdays**

232 workdays available – 30% „unproductive“ days (70 days) = **162 „productive days“**

According to our assumption that per conference day we spend one day for job-specific work (mainly preparation), this results in a possible **81 paid conference days**.

AIIIC statistics also show that, on average, interpreters work 85-90 days; note that this figure includes freelancers working for the EU, so that the figure could be rather high. The VKD (Conference Interpreters Chapter of BDÜ, Germany) quotes similar figures.

Thus, if we were to account for the same number of days for job-specific work as for conference days (80/80), there are 72 days left for general professional input. So, it seems as if a split into three (1/3 at conferences, 1/3 job-specific work (mainly preparation) plus 1/3 general activities (knowledge management, administration, canvassing, general learning) is both realistic and allows us to be professional in our job as interpreters and entrepreneurs.

Now that we know the number of paid conference days, we can take our daily fee and calculate our net fee revenue (daily rate x number of paid days).

However, for our budget we are missing one factor: the general, non-job-specific cost.

Cost to be financed by our fees – general costs

As professional interpreters there are two types of „general costs“ we must account for: fixed (operating) costs and provisions for risk (old age, sickness, disability).

³ <http://www.aticom.de/a-seminf-berichte.htm#kalkulation>

OPERATING COSTS annual (model calculation)

Office rent (also if office at home), electricity, heating, cleaning	€ 2,500.-
Advertising, stationery with letterhead, ad in the yellow pages, website (design and maintenance), mailings, brochures, flyers, Christmas cards, Christmas gifts	€ 2,500.-
Liability insurance for property damage and consequential financial loss	€ 500.-
IT-cost, e.g. IT service, software, e.g. anti-virus, accessories like memory sticks, back-up hard drives etc.	€ 1,000.-
Technical literature, dictionaries, electronic dictionaries and resources	€ 1,500.-
Asset write-offs (office furniture, PC incl. operating system and office software, Laptop, fax etc.	€ 2,500.-
Postage and stamps, phone, mobile, office material	€ 3,000.-
Further training	€ 1,500.-
Tax advisor	€ 1,200.-
Contribution to professional association (average)	€ 400.-

General costs	€ 16,600.-

This is merely a model calculation, and it is mainly based on experience in Germany. What is more, conference interpreters tend to focus on different things, and spending also tends to depend on areas of specialisation. Think of different literature and dictionary needs if one's area of specialisation is medicine, for example. With regard to IT services, some of us are very literate ourselves, or have good friends who can help; if not, we need professional IT support when we run a professional business.

A car is not included in the asset write-offs, because there are various possibilities in Germany for writing off a car that is used for both private and business purposes. To the extent that the car is used to go to conferences, these costs are generally paid for by the client (as a mileage allowance) and therefore belong to the non-fixed cost category that we excluded right at the beginning, because it is offset by client reimbursement

From gross to net

In order to calculate net income, the following calculation starts from 3 possible/realistic annual fee revenue levels that result from the number of conference days per year multiplied by the daily rate (for your own calculation, always take amounts net of VAT). The range of these three figures seems realistic also when we take the most recent survey carried out by ADÜ Nord⁴, which shows that the majority of full-time conference interpreters surveyed reported a profit (revenue less operating cost) of between € 33,400.- and € 46,400.-. Please fill in your own figures to check how reasonable the calculation is.

⁴ <http://www.adue-nord.de/>

	Example 1	Example 2	Example 3
net fee revenue (days x daily rate achieved)	50,000.-	57,000.-	63,000.-
costs (general)	16,600.-	16,600.-	16,600.-
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profit	33,400.-	40,400.-	46,400.-
private health insurance contribution including daily benefits insurance. ⁵	3,000.-	3,000.-	3,000.-
less part of remaining provisions for risk (life, private pension, disability insurance covered by the tax-free amount: (€ 5.000,-). <i>(Please refer to risk-provision section at the end of the article)</i>	2,000.-	2,000.-	2,000.-
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taxable income	28,400.-	35,400.-	41,400.-
Deductible tax (according to 2004 table)	5,434.-	7,830.-	10,092.-
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net	22,966.-	27,570.-	31,308.-
€ 8,000.- more for risk provisions to be paid out of net income <i>(please refer to risk provision section)</i>	8,000.-	8,000.-	8,000.-
annual net income available for spending	14,966.-	19,570.-	23,308.-
monthly net income	1,247.-	1,630.-	1,942.-

Please note: according to a survey (2003) of the Federal Statistics Office⁶, the average monthly net household income in Germany amounted to € 2,770.- (self-employed: € 4,440.-).

Provisions for risk seem to diminish our household spending considerably. Conference Interpreter No. 1 is not very likely to invest € 10,000 on top of private health insurance in provisions for risk. However, they should at least start by investing the equivalent of an employee share to the public system in private insurance products (especially occupational disability insurance), which is 19.5%. With regard to example 1 the amount would be € 6,513, then their monthly net income would amount to € 1,530.

By the way, please note that the above-mentioned calculation does not account for any reserves for periods of low demand (entrepreneurial risk). Freelancer literature recommends we should have put money aside for rainy days in the amount of an annual income.

⁵ Please note that there is a tax-free (i.e. pre-tax) amount (€ 5,000 for a single person) for risk provision

⁶ http://www.destatis.de/presse/deutsch/pk/2004/evs2003_Statement_Hahlen.pdf

The German system which allows for a tax free amount of only € 5,000 for provisions for risk and old age seems highly unfair for the self-employed (if you are employed, 50% of your insurance payments are paid for by employers before tax, so that the tax-free amount is applied to only 50% of an employee's insurance payments. Employees need to spend much less of their after-tax income on private insurance products). Changes seem to be underway, but while the tax-free amount for risk provisions will rise, benefits will be taxed, e.g. pensions, once they are paid out (they used to be tax-free).

Conclusions

So how can we achieve our aim of generating a household income, i.e. a standard of living, which corresponds to our level of education and job experience now and when we are old while keeping occupational stress at tolerable levels, i.e. without compromising our health and our resources?

Cut costs?

Cost reduction is truly a buzzword nowadays. However, we should put this option in perspective. It might be possible to save costs (fixed costs) in the amount of € 1,000 (before tax). However, we can achieve the same effect by increasing our daily rate by only € 15 (Example: for 80 paid conference days a year we can increase our annual fee revenue by € 1,200 by increasing the daily rate by € 15). Does it not seem much easier to raise your daily rate by 2% instead of trying to reduce costs – probably spent on meaningful things – by 6%?

Try to work more days?

In order to increase our fee revenue, we could simply try to work more conference days than the assumed 75-85 days. We should, however, not forget that more conference days will necessarily be at the expense of either the job-specific time input (preparation), the general time input (required for the maintenance of our human capital and for entrepreneurial tasks) or at the expense of recovery periods. Working more conference days therefore seems to be realistic only if we can save on preparation time without compromising the quality of our work, which is possible if we have regular jobs from the same client on the same subject, if some of our jobs are short (like the odd 1-hour press conference), or if we manage to acquire jobs lasting several days where the content or agenda is the same every day.

Translate?

Quite frequently we are told: "but you can also translate". However, from our time budget, the time that we spend on general work is not available for translation. Because if we also do translations, the time that we need to spend on learning, knowledge management, canvassing, administration etc. does not diminish. The opposite is probably true, since we are likely to need some extra input to keep ourselves up to scratch as professional translators, too.

Just think of the level of terminology management required for a professional translator as opposed to a conference interpreter, let alone the time spent on maintaining your translation memories in good order. Moreover, translation is ruled

by deadlines, which are frequently incompatible with the typical downtime for conference interpreters. That is probably why many conference interpreters have opted out of translation altogether. It seems as if the odd translation job is then completed at the expense of recovery periods (on the weekend) or, what is worse, on days where we are actually supposed to be working for other clients (in the booth).

However, colleagues working with languages that are in less demand quite frequently do both. Time-budget-wise this means that, if the market does not provide sufficient conference days, the time that they thus do not spend at conferences or for preparation is available for translating. If, according to our assumptions, one conference day requires one day of job-specific input, we can say that the equivalent of one daily conference rate has to be generated by two productive translation days, i.e. half a daily interpreting rate per translation day. Quite a realistic figure, and in fact I have met a number of professional translators who work fast enough to generate much higher daily turnovers. Translating might be more profitable than interpreting after all!

Get paid for extra services?

Extra services that we render in the course of interpreting projects (i.e. consulting, team management, travel time) require a lot of time and, on the other hand, create tangible benefits for our clients (the services reduce the client's effort, save the client time, deliver high quality output thanks to consulting, give the client absolute certainty that the interpreters will arrive at the conference on time if they arrive the day before). The added value of such services is plausible to clients, and we should therefore not hesitate to invoice them in the form of fees for time spent on travelling or consulting. The degree to which we are successful in doing so depends on our negotiating skills.

Raise the daily rate?

The effect of an increase in the daily rate on our net income (standard of living) is quite impressive: the available net household income in example 2 is 30% higher than the net household income in example 1 while the fee revenue is only 14% higher!

The net household income in example 3 is more than 55% higher than the income in example 1, while the fee revenue was only 26% higher.

This does not mean that we should increase our rates by 26% over night. It just shows how great the impact of fee-increases is, and it also illustrates what it means to accept a job for a higher (or lower) fee!

This small calculation can also be underscored by a statement made by Mr. Andreas Schiemenz who said: "The great thing about fixed costs is that they are fixed". In other words: once you have earned enough to cover your costs – i.e. once you have achieved the break-even point – any amount that exceeds it has a disproportionate impact on your available income.

Conclusion:

Better perfect your negotiating skills than try to save money penny-wise!

DIGRESSION:

How much should we invest in provisions for risk?

Risk provision is about providing for personal risks that may affect the entrepreneur. As self-employed conference interpreters we ourselves are our only resource, which is why this resource must be treated with care and secured against risks: sickness, disability, age, death. The corresponding expenses are considerable and must not be neglected in a budget calculation.

Up until recently the tax-free amount for an individual for provisions for risk was € 5,000 (2004). Premiums for life, private pension, occupational disability benefits insurance were deductible pre-tax up to a limit of € 5,000. These pre-tax deductions thus lower the taxable income.

However, for self-employed people with no employer to pay an “employer’s” share, the tax-free amount is gobbled up by the health insurance premium alone which amounts to at least € 3,000 in Germany. Only € 2,000 are left for remaining payments into pension or disability schemes, which is hardly enough. That is why self-employed people need to pay the lion’s share of their risk provision out of their net income. The tax-free amount will be increased over the next few years in Germany, and will be applicable to insurance policies from 2005 onwards, but benefits are then no longer tax-free (i.e. private pensions will be taxed once they are paid out).

At a seminar with a financial planner from the company MLP in spring 2003 we were told that if we start in our early/mid thirties, we can secure purchasing power of € 2,000 per month for the age period 65-90 if we set aside € 8,400 annually (with an inflation factor of 2.5%). However, we need to treat this figure with care:

- Financial planners tend to expect a person to earn more with increasing age, and increase their payments. Since the only resource we have is ourselves, we cannot expect our income to increase over the years as it would for civil servants or managers climbing the career ladder. The opposite might even be true, because – most probably – the older we get the longer the recovery phases required.
- These figures date back to 2003! Capital bonuses have been cut back and interest rates (in general and the guaranteed returns of insurance companies) have fallen a lot since then. Some insurance companies are in very poor shape.
- Furthermore, financial experts would base their assumptions on a mix of investments which includes riskier products with higher returns. Not everybody might want to expose their savings to the whims of the private market given they cannot count on a (low risk, low return) public/statutory element in their mix.

Another point of reference might be the maximum monthly contribution for voluntary members to the public pension scheme in Germany of € 1.000,- = € 12.000,-/year. However, the public pension scheme nowadays no longer includes disability benefits insurance.

Another reference point is an article published in “MDÜ” the BDÜ’s magazine for members. BDÜ’s financial expert (interviewed by the editor-in-chief, Jutta Witzel) recommends setting aside 40% of one’s gross income to provide for risk (including private health insurance, disability benefits, accident, private pension). This seems to correspond to the social security payments of employees, of which, however, half is paid by their employers.

Forty percent of gross income (operating profit) for examples 1-3 would be an annual € 13,360, € 16,160, € 18,560 respectively for risk provision. If we subtract health insurance in the amount of € 3.000, there would be € 10,360, € 13,160, € 15,560 respectively to provide for the remaining risks.

Providing for risk as an entrepreneur is a highly individual thing. We need to account for aspects like age, marital status, children, present or expected property (home, inheritance). We might also regard mortgage payments as part of risk provision, if we assume that paying no rent when we are old reduces our purchasing power in our old age.

Considering all the reference points mentioned above, an annual € 10,000 seems a realistic figure for self-employed persons in their thirties.

However, everybody should obtain professional consulting on the issue in time to develop an investment strategy geared to their needs.



About the author:

Julia M. Böhm was born in 1969, acquired her interpretation degree at the University of Heidelberg in 1996, and has worked on the private market in Germany since then (German-English-German). Between 2004 and 2006 she was a member of the board of VKD (Verband der Konferenzdolmetscher im BDÜ, www.vkd.bdue.de), the interpreters’ chapter of BDÜ, Germany, as treasurer. She is now an active member of the VKD Public Relations Team.

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