



2 February, 2022

Testimony on how to invest covid relief money in the cultural sector Submitted to the Mass Cultural Council

What hourly pay provided to a freelancer amounts to minimum wage for an employee, a living wage or a reasonable professional wage? While it is hard to be precise it is possible to create reasonable estimates. I believe that all funders should use these reasonable estimates to set wage floors for grants they fund which are being used to pay anyone as a freelancer. We have been seeing far too many freelance positions advertised at \$20 - \$25/hr with no benefits. Based on the calculations below we believe this is unconscionable and that funders have a role to play in correcting this inequity and injustice in pay.

First, realize, calling someone a freelancer simply means they run their own business and are, therefore, self employed. As such they must create a tax entity such as a sole proprietor, LLC etc.

Second, although minimum wage in Mass is going up it is still only 14.25 as of 1/1/22. MIT's living wage calculator (<https://livingwage.mit.edu/states/25>) in its 2020-21 update suggest the minimum living wage in MA should be 17.74/hr for a single person with no children. It goes up as the family size increases. The living wage is the hourly rate that an individual in a household must earn to support his or herself and their family. The assumption is the provider is working full-time (2080 hours per year). We would argue that this number is low based on when it was calculated and the increase in inflation since. Also, living wage is not the same as a professional wage. It only amounts to 36,899/year (assumes 40hr/week x 52 weeks/year). The median household income for Massachusetts was \$85,843 in 2019 (the latest figures available) which is a much better approximation for a professional wage. This would be 41.27/hr.

Freelancers must fund costs that regular employees do not. Some of those are easy to calculate and some must be estimated. But all should be included when calculating freelance pay. Things to deduct from the value of an hourly wage to a freelance are things they must fund. They include:

- Employer side SSN (7.5%)
- 2 weeks vacation (4%)
- 14 official holidays (5.5%)
- marketing and bookkeeping time (20% estimated)

Those amount to 37% of the wage paid.

Also they must fund

Workman's comp/disability insurance (196/year average in MA or .10/hr)

Health care costs (\$3048/yr est. from MIT living wage calculator or \$1.48/hr)

In addition, if the employer does not provide them the freelancer must also provide mileage (.585/mi)

Additionally they must often provide computers and software, cell phone and work space value which are harder to estimate but should be calculated in. For the purposes of these calculations we use these estimates which we consider low based on real world experience of 4 decades:

computer and software \$1,000/yr or 0.48/hr

cell phone \$600/yr or 0.29/hr

work space value \$5000/yr or 2.40/hr.

Calculating based on those numbers produces the following freelance pay values (Also deduct estimated mileage 0.585/mi if not reimbursed which will lower the real value further):

Hourly Pay	\$20.00
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Deductions

Employer side SSN (7.5%)	\$1.50
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2 weeks vacation (4%)	\$0.80
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14 official holidays (5.5%)	\$1.10
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marketing and bookkeeping time (20% estimated)	\$4.00
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computer and software \$1,000/yr or 0.48/hr	\$0.48
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cell phone \$600/yr or 0.29/hr	\$0.29
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work space value \$5000/yr or 2.40/hr	\$2.40
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workman's comp/disability	\$0.10
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Health care	\$1.48
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Real Value of Pay	\$7.85 (sub minimum wage)
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Hourly Pay	\$30.20
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Deductions

Employer side SSN (7.5%)	\$2.08
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2 weeks vacation (4%)	\$1.11
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14 official holidays (5.5%)	\$1.52
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marketing and bookkeeping time (20% estimated)	\$5.54
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computer and software \$1,000/yr or 0.48/hr	\$0.48
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cell phone \$600/yr or 0.29/hr	\$0.29
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work space value \$5000/yr or 2.40/hr	\$2.40
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workman's comp/disability	\$0.10
Health care	\$1.48
Real Value of Pay	\$14.28 (effectively minimum wage)
Hourly Pay	\$35.70
Deductions	
Employer side SSN (7.5%)	\$2.49
2 weeks vacation (4%)	\$1.33
14 official holidays (5.5%)	\$1.83
marketing and bookkeeping time (20% estimated)	\$6.64
computer and software \$1,000/yr or 0.48/hr	\$0.48
cell phone \$600/yr or 0.29/hr	\$0.29
work space value \$5000/yr or 2.40/hr	\$2.40
workman's comp/disability	\$0.10
Health care	\$1.48
Real Value of Pay	\$17.74 (effectively living wage)
Hourly Pay	\$39.25
Deductions	
Employer side SSN (7.5%)	\$2.78
2 weeks vacation (4%)	\$1.48
14 official holidays (5.5%)	\$2.04
marketing and bookkeeping time (20% estimated)	\$7.40
computer and software \$1,000/yr or 0.48/hr	\$0.48
cell phone \$600/yr or 0.29/hr	\$0.29
work space value \$5000/yr or 2.40/hr	\$2.40
workman's comp/disability	\$0.10
Health care	\$1.48
Real Value of Pay	\$19.98 (effectively 20/hr wage)
Hourly Pay	\$73.00
Deductions	
Employer side SSN (7.5%)	\$5.29
2 weeks vacation (4%)	\$2.82
14 official holidays (5.5%)	\$3.88
marketing and bookkeeping time (20% estimated)	\$14.10
computer and software \$1,000/yr or 0.48/hr	\$0.48
cell phone \$600/yr or 0.29/hr	\$0.29
work space value \$5000/yr or 2.40/hr	\$2.40
workman's comp/disability	\$0.10

Health care \$1.48

Real Value of Pay \$41.24 (effectively median wage)

We hope MCC will institute this as policy and help us inform other funders and freelancers throughout the commonwealth. Pay equity and justice is an important principle to include as we seek to improve the lives and status of professionals in the creative community and for all freelancers across all disciplines.

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