

## Workshop: Why you should lower your rates

*Introduction and cue cards for the discussion, including some feedback and corrections*

Hi, my name is Edwin den Boer, I'm from the Netherlands and I live nearby in Utrecht. I call this workshop "Why you should lower your rates", so that you will tell me **why you will not lower your rates**. I have been a freelancer for the last 7 years, and I today hope to learn a few things from more experienced translators, and from people with experience in other markets.

Before we go and discuss reasons for lowering your rates, I will talk for about 20 minutes. I want to give some theoretical background, I hope this will give you a new perspective on the translation market. If we have any time left, we might discuss reasons for raising your rates, but I haven't heard many of those.

Now, I will focus on negotiating with agencies rather than with direct clients, because I usually work for agencies. And I will focus on economic theory. I won't be paying much attention to the psychological aspect of negotiating. But I should point out that **a negotiation is not a discussion**. The purpose of discussing these arguments is to convince other translators, especially beginners, not to accept discounts or low rates. Negotiating is a form of power play, it's about who needs who most, it's about bluffing, like a poker game, it's like haggling at a bazaar when you're on holiday. You've got to have the confidence to pretend to walk away and expect that they will call you back.

This doesn't come naturally to us, so no one should be ashamed to admit they negotiated badly. But what I often see happening instead is that experienced translators will give all sorts of rationalizations why they are right to accept low prices, out of a **misdirected sense of pride**. This, in turn, gives beginning translators the impression that is normal to put up with anything in order to get a job. That's why I want to discuss 6 reasons for lowering your rates that agencies tend to give, and 7 reasons that freelancers tend to give.

Let me tell you a bit about my own work. My specialization is translating business software from English to Dutch, and especially the related documentation. I got into this specialization because I had worked as a computer programmer before I became a freelancer. And I became a computer programmer, because I graduated in Literary Studies and never even tried to get a job in that field.

As I said, I've been a freelancer for 7 years, but I haven't always worked as a full-time translator. From 2003 to 2006, I worked for a Dutch business news magazine once day a week, where I wrote posts on their weblog, basically rewriting and translating financial news, and mixing it with gossip and lifestyle news to make it more interesting. This weblog, called [quotenet.nl](http://quotenet.nl), started as an experiment; I'm proud to say that I was one of the first professional bloggers in the world. My main qualifications were that I already spent much of my time reading blogs and news sites, and posting comments about them on a mailing list. But still, **none of my translation jobs ever paid as much per hour as this blogging job**.

After 3 years, I quit because I wasn't *that* fond of money to be writing about it every week, but I am still interested in writing. One of the reasons why I invested my time in this workshop, is that I hope to turn it into an article later, and maybe a commercial training. I think many of you could do more with the writing skills that you need to have to be a good translator. Maybe even write a book, like Oleg and Cora. The downside is

that I divide my attention between translation and journalism, and don't get down to hunting for new clients.

Now, let me explain how I got the idea for this workshop. It happened during a discussion on a mailing list. One experienced technical translator wrote that a major client had hired a new agency for a certain recurring project, in order to pay a lower price. But the Dutch translation job ended up with the same freelancer, because he was the expert. The only difference was that he got paid 20% less for the same work. And he didn't really mind because, he said, **he was so experienced that he could do this job fast enough to still make a decent living**. Do I have to explain what's wrong with this line of thinking?

This is just one example, but this week a book translator said the same thing on the Proz.com forum. I'm afraid this represents a common mistake: **we are all to aware of the cost of our work, but we fail to consider the value**. Maybe you're thinking: I value my work, but my clients don't. Well, I'm sorry, but that's not their job. You'll have to stand up for yourself. As Maksym said yesterday, a fair rate is what the market accepts.

Let's take a closer look at the translation market. In the first place, are translators really underpaid? Well, compared to other professions we definitely are. This was confirmed in a PhD thesis by a Dutch economist called Arjan van den Born. Among highly-educated self-employed professionals, translators were the group with the lowest revenue from 15 professions, substantially below artists and journalists, and even below 'facility professionals' (personal and management assistants, security specialists) among full-timers. [I said facility professionals had a lower revenue, but that was including part-timers.] Of course, income will be lower than revenue.

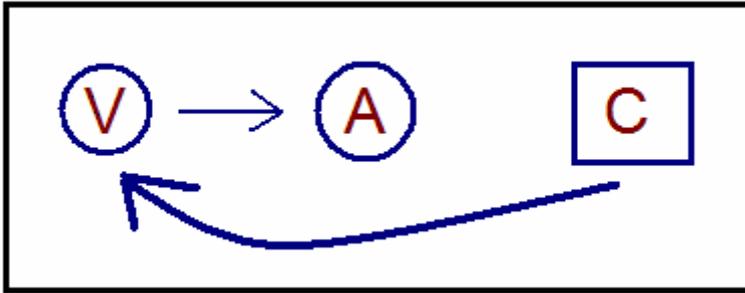
Average annual revenue for translators	Average for self-employed professionals
€ 36,300	€ 85,900

**In other words, our annual revenue is only 42% of the average.**

[Clarification: I do not mean 'underpaid' in a moral way, but relative to other professions, because some people are able to switch to another profession, e.g. students and translators with specialist knowledge.]

*Based on a survey of members of Dutch professional organizations, who have no other sources of income. Source: Arjan van den Born, The drivers of career success of the job-hopping professional in the new networked economy, Born To Grow, 2009. ISBN 978-90-9023961-3. Free download at <http://www.hetisdeventnietdetent.nl/DownloadBoek.html>*

Another peculiarity of the translation market is the position of agencies. In creative professions, such as art, acting and writing, in the US in particular, it's not unusual to hire an agent who will negotiate on your behalf with publishers, film studios and other large, powerful corporations, in exchange for a percentage of year earnings, something like 15%. It's like when you buy a house; you will probably hire a real estate agent who will make a deal with the agent of the seller. The beauty of this system is that **negotiating on behalf of someone else works better than negotiating for yourself**. The agent doesn't have to be a genius to say: "Well, I don't think my client will accept this." I made this comparison just as a thought experiment, I and never thought the translation market could work in this way, until I heard Oleg explain his solution yesterday: he hired a manager to take care of all communications with clients.

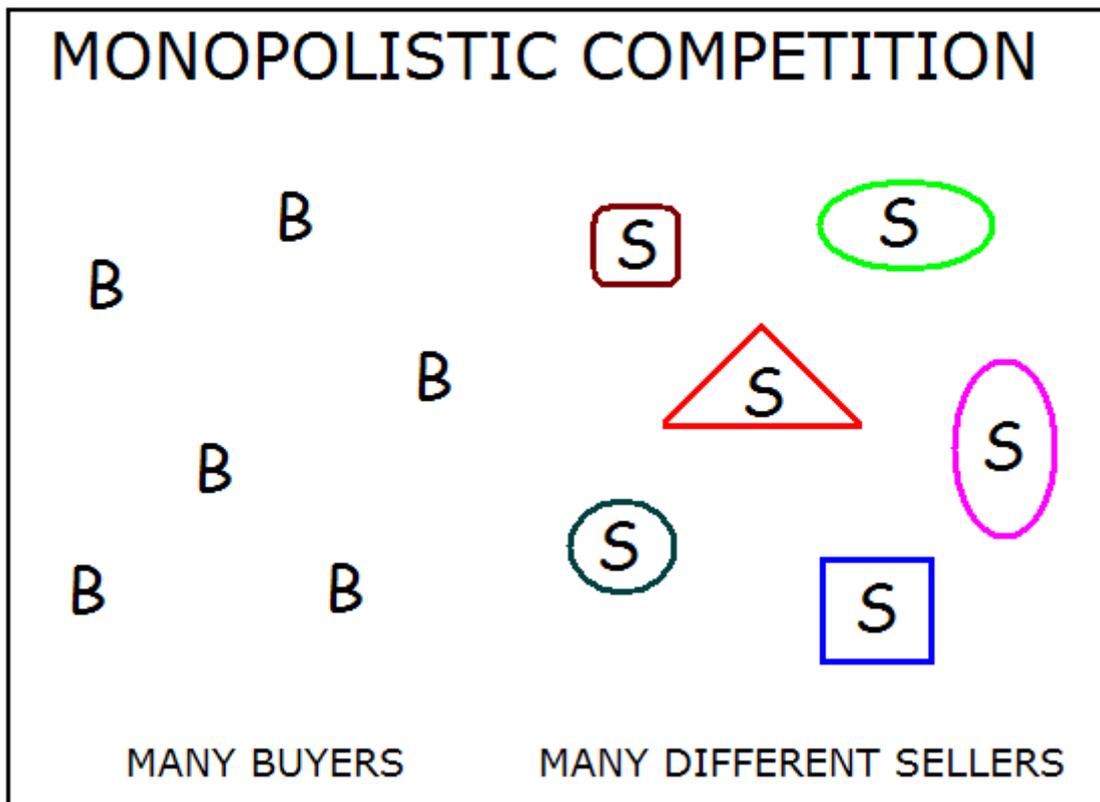


Of course, for most of us the reality in the translation market is different:



The intermediary is on the side of the client. The PMs may be nice people, in fact, that is part of their job description, but they are not your friends. We are faced with a situation where we must negotiate with people who are communicating and negotiating for a living. So we'd better be prepared to be tough negotiators ourselves.

Of course, your success also depends on what you have to offer. That brings me to the 3<sup>rd</sup> and final diagram, about the market form we are working in, according to economic theory. Professional services are usually bought and sold in a market form that is called...



That's a nice oxymoron, isn't it? It's competition, because there are many buyers and sellers, and it's easy to enter or leave the market. But it's also a monopoly, because there is only one Marga Demmers, there is only one Maksym Kozub...

Translation is monopolistic competition to the extent that we have different language combinations, different specializations, a different package of services, a different life experience, a different cultural background, and different qualifications in translation and other fields.

In monopolistic competition, individual buyers and sellers have some influence on their own prices, without affecting the price level of the market as a whole. If we were interchangeable, the market form would be called PERFECT COMPETITION - which is not perfect at all, because in that case, we would have no influence on prices at all.

That's why it's so important to have a **Unique Selling Point (USP)**. I would say, being unique is even more important than delivering quality. I mean, who of you is a quality translator? Raise your hands! [Half of the participants raised their hand, a modest bunch, but still enough to choose the cheapest translator.] **If you try to compete on the basis of quality or timeliness, you are still competing on price!** Think about that when you write the tagline and the user message on your profile.

On the other hand, if you specialize too much, you risk ending up in another market form, with the beautiful name OLIGOPSONY. That's a market where there are a few buyers and a relatively large number of sellers. In an oligopsony, individual buyers have the power to drive down prices for everyone else in the market. My specialization, especially ERP software translations, is coming close to an oligopsony, since it is dominated by a few end clients (SAP, Oracle, Microsoft). One of them just cancelled two projects I was planning to do through two different agencies. That's why I had enough time to prepare for this workshop. Other people will notice that agencies are growing bigger and more powerful. But there are still 29,000 agencies and companies to choose from in the Proz.com directory. Whenever you wonder where your next job will be coming from, **think about how many of those 29,000 companies you haven't worked for yet.**

Table: Relevant market forms

<u>Name</u>	<u>Description</u>	<u>Market power</u>	<u>Typical examples</u>
<b>Monopolistic competition</b>	Many buyers, many sellers, differentiated products/services	Individual sellers have some influence on their own prices, without affecting the price level of the market as a whole	Restaurants, psychotherapy, legal advice
<b>Perfect/Full competition</b>	Many buyers, many sellers, interchangeable products/services	Individual sellers have no influence on price levels at all; they can only change the quantity they sell	Staple foods (wheat, rice, milk, potatoes)
<b>Oligopsony</b>	Few buyers, many sellers	A single buyer is able to drive down prices for everyone in the market	Tobacco, cocoa
<b>Monopsony</b>	One buyer, many sellers	The buyer is able to set the price, but prices will usually be regulated by the government	Court interpreters, defense contractors

## Six reasons agencies give for paying low rates

<b>1</b>	Give us a volume discount, because this project will keep you busy for months.	<ul style="list-style-type: none"> <li>- This would amount to lowering your standard rate, since you will spend much of your time on high-volume projects.</li> <li>- In the mean time, you won't be able to work for other clients.</li> <li>- We don't have the economies of scale that manufacturing companies have.</li> </ul>
<b>2</b>	We need discounts for repetitions, full matches and fuzzy matches.	<ul style="list-style-type: none"> <li>- This also amounts to lowering your standard rate. Rates are based on average texts, including matches and repetitions.</li> <li>- If you paid for your CAT software, you should be able to reap the benefits.</li> <li>- This only makes sense for major recurring projects, not for incidental jobs where discounts are not passed on to the end client.</li> </ul>
<b>3</b>	We need to give the client a crisis discount.	<ul style="list-style-type: none"> <li>- Will in-house staff get lower wages, too?</li> <li>- Our cost doesn't get lower.</li> <li>- Do we get a raise when the economy grows?</li> <li>- Demand is still strong in growth sectors: IT, health, government.</li> <li>- One participant noted that the credit crisis only meant she didn't have to refuse as many requests as she would normally.</li> </ul>
<b>4</b>	The text is not technical, and therefore easy to translate.	<ul style="list-style-type: none"> <li>- Do you think Nike paid 30 cents for the slogan "Just do it"?</li> <li>- You need to be creative to write texts that appeal to a wide audience.</li> <li>- Sometimes idioms are harder to translate than technical terms that you can look up.</li> </ul>
<b>5</b>	Because there are several intermediaries between the end client and you, less money remains to pay for the actual translation.	<ul style="list-style-type: none"> <li>- If PMs are more important than translators, let them try to deliver the translation without you.</li> <li>- Or they should find a more direct way to reach you. That's their problem.</li> </ul>
<b>6</b>	Sorry, we can't discuss terms and conditions. This is our policy/the client's policy.	<ul style="list-style-type: none"> <li>- Agencies are continually working to connect clients to vendors. They must be flexible and creative, they're not civil servants.</li> <li>- If this isn't a bargaining trick, it's probably just laziness.</li> </ul>

## Seven reasons freelancers give for accepting low rates

<b>1</b>	Since I am an expert, I can work fast and still earn a decent living from a low rate.	<ul style="list-style-type: none"> <li>- You should be paid more for working fast.</li> <li>- You should be paid more for being an expert.</li> <li>- In other professions, people earn more money when they are more experienced.</li> </ul>
<b>2</b>	This job is fun, so I don't need to make a lot of money.	<ul style="list-style-type: none"> <li>- Lionel Messi: € 9,500,000 salary, Tiger Woods: \$ 75,000,000 income. They must really hate their job.</li> <li>- Enjoying your work makes you work better.</li> <li>- Do you charge extra if a job is boring?</li> <li>- Highly educated people are supposed to have more pleasant and better-paying jobs. We suffered for that in school.</li> <li>- 'Fun' is subjective. I wouldn't like to do subtitling or translate novels.</li> </ul>
<b>3</b>	A prestigious, interesting, famous or non-profit client doesn't have to pay the full rate.	<ul style="list-style-type: none"> <li>- This covers a lot of clients.</li> <li>- Non-profits pay big money to lawyers, printers, fundraisers and managers.</li> <li>- If you feel guilty, just give away the money and save a starving translator from falling prices.</li> <li>- Working for free is better than working for a low price - at least you're not confusing people about the value of a professional translation.</li> </ul>
<b>4</b>	I have other sources of income, so I don't need to ask that much.	<ul style="list-style-type: none"> <li>- I really don't understand this one. It's just a rationalization. Why not work for a decent rate if you can afford to lose clients, and do volunteer work if you're bored?</li> </ul>
<b>5</b>	I don't have other sources of income, so I must take on jobs at any price.	<ul style="list-style-type: none"> <li>- If you manage to raise your rates by just 10%, you only have to work 45 weeks a year instead of 50. Imagine what you can do in 5 weeks in order to find new clients and become a better translator!</li> </ul>
<b>6</b>	I don't speak an exotic language.	<ul style="list-style-type: none"> <li>- I included this for the Dutch participants in particular. Dutch people understand why translations into Chinese or Arabic are more expensive, but they don't realize that Dutch is a minor language in the US, a strange and difficult language in China.</li> </ul>
<b>7</b>	I wouldn't feel right about charging too much.	<ul style="list-style-type: none"> <li>- Yes, I actually heard a translator worry about this.</li> <li>- Little chance, if you look at diagram 1. (Translators make only 42% of the average revenue of professionals.)</li> <li>- Let's hope your clients are adults and able to take care of themselves. Clients who don't know the business will ask for quotes from several vendors.</li> </ul>