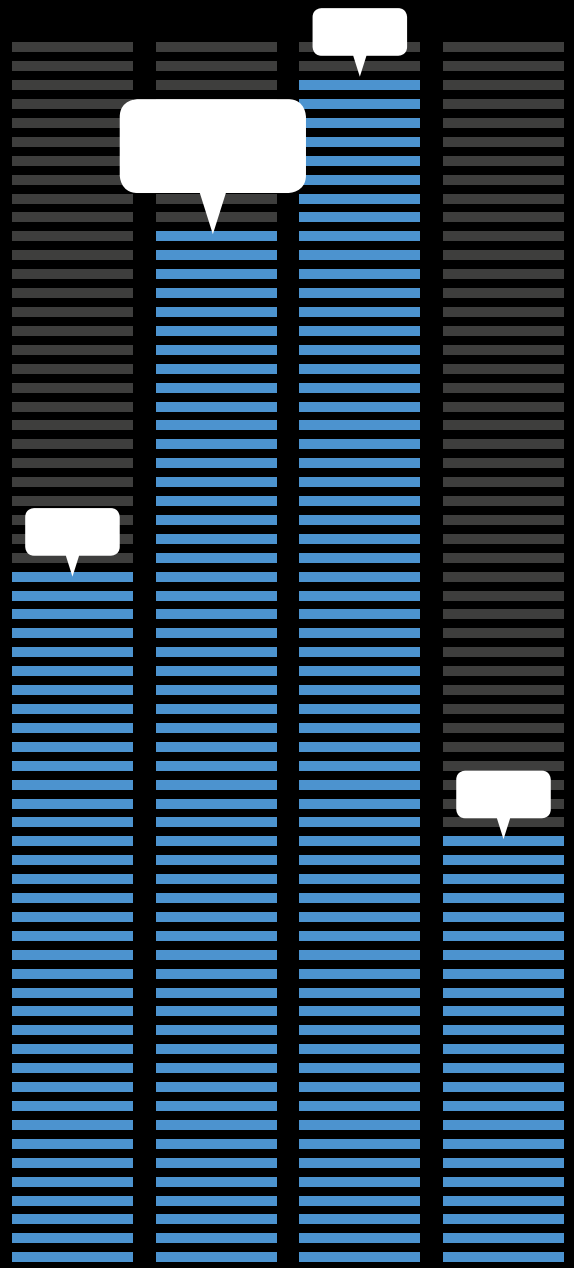
Design Business Association

2019 DBA Annual Survey Report

A report analysing the fees, salaries, utilisation, income, recovery rates, benefits, and trends of DBA member agencies



dba

In association with

MOORE Kingston Smith

Supported by

Paprika

Executive summary–1

Main report

Look out for these

Advice for the reader
Look out for these boxes throughout the report – they provide information and advice to our members.

dba

216 Member agencies responded
2018: 177

63%

Also responded last year

63% of responders also took part last year, and 41% have participated for the previous two years.

Member agencies by gross income

33.2%
<£500k
0.8% 2018: 34%

20.8%
£500k – £1m
1.2% 2018: 22%

19.8%
£1m – £2m
0.8% 2018: 19%

26.2%
>£2m
1.2% 2018: 25%

Compared with last year, the spread of respondent size is very similar – with all categories varying by only around 1%. This leads to more meaningful comparisons within the survey results analysed below, as we are able to compare like with like.

Member agencies by location

49%
London
2% 2018: 47%

Source of generated income

28%
Overseas clients*
4% 2018: 24%

Most prevalent disciplines

24.7%
Digital
8.7% 2018: 16%

23.1%
Branding
0.9% 2018: 24%

14.6%
Literature
2.6% 2018: 12%

* This year over half of overseas income came from European based clients (16.0% of total income compared to 12.6% last year) - it remains to be seen whether this trend will change once the final Brexit withdrawal agreement has been completed.

If a specific discipline accounts for over 20% of income for an agency it is regarded as significant. For the first time in the compiling of these reports "Digital' has highest prevalence within the membership.

Executive summary

This year's survey comes at a time of significant political unrest and uncertainty, following the extension of the Brexit withdrawal date from 29 March to 31 October 2019. With the withdrawal deal still very much up in the air at the time of writing, there is significant unease felt across the sector as agencies struggle to finalise realistic budgets, and core issues such as talent sourcing and the renewal of contracts with EU customers loom large.

When asked our usual question on business health, agencies were more cautious on the whole than in the previous few years – with increased numbers hoping to break even. This has permeated down to pay rise predictions for senior staff, with many looking at a pay freeze. The impacts of Brexit and agencies' reservations regarding it are discussed in detail later in the report.

A combination of concern over the robustness of UK based clients and their ability to commit marketing spend together with the reality of a weak Pound, has led to an increase in agencies who 'export their services' to overseas based clients. This year income from exports increased 4% to an average of 28%, with over half of that coming from European clients.

Outside of Europe the second most popular region for respondents to work in was North America. On average 7% of income came from clients based in that region, an increase from 5.3% last year.

Broadening their client base over a number of regions could help to insulate businesses against any potential negative effects of Brexit.

The other major changes coming to the creative sector at large are the changes in IR35 legislation and its impact on both Employer and Worker. There have been some very high profile cases in the media following the roll-out of the legislation to the public sector (for example news readers and presenters at the BBC) whereby workers engaged on freelancer basis through personal service companies were found to be providing their services on a basis much more closely resembling that of an employee than a genuine consultant. The individuals were subject to penalties and interest on the outstanding tax.

As the legislation rolls out to the private sector on 6 April 2020, following the HMRC announcement in July 2019, the important point to note is that the responsibility of assessing their workers' status sits with the employer engaging the services of each worker, not with the worker themselves. If a worker is determined to be providing services as a quasi-employee, the employer faces two options. Either they re-negotiate with the worker such that they are engaged on a real employee contract (so doing away with the personal service company), or the employer runs the invoice from the contractor (excluding VAT) through the payroll, and deducts employment taxes at source. The introduction of the legislation in April 2020 will initially exclude small companies, but we expect it to be widened to all companies, small and large, in a couple of years thereafter.

As the IR35 changes permeate their way through the sector next year, we may yet see a return to the traditional employee/employer relationship for the day-to-day workers, but with a boost to spend on recruitment fees, as those individuals wishing to have portfolio careers will now be jumping from employment contract to employment contract, rather than just booking their next project themselves.

Income from exports (Average)

28%

↑ 4%

Income from exports to North America

7%

↑ 5.3%

Click here for resources on growing your number of overseas clients

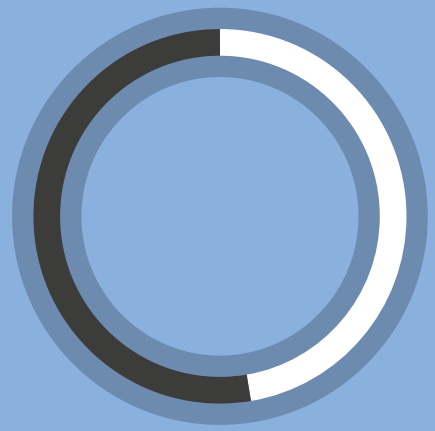
Click here if you are considering setting up an agency abroad

Executive summary

Gender profiles

Now in its third year, gender pay gap reporting has come into force for organisations with over 250 staff. Included within the survey questions, we ask respondents to detail the gender balance in their agencies across all roles. While our questions do not ask about difference in salaries, there is still a certain amount of information to be gleaned from the proportion of males and females in roles of different levels. Encouragingly, agencies reported an almost even split in their workforces, at 52.7% male and 47.3% female. However, behind the headline we see again that more senior positions are predominantly held by men, while women are much more prevalent in supporting roles, often topping out at a middle-management level.

Of course these statistics are unlikely to change overnight, however groundwork laid by agencies now could dramatically alter the diversity within agencies for staff of all levels over the next 10 years as the current junior staff rise up to more senior positions.



Male

52.7%

2018: 51.4%

Female

47.3%

2018: 48.6%

Salaries and charge out rates

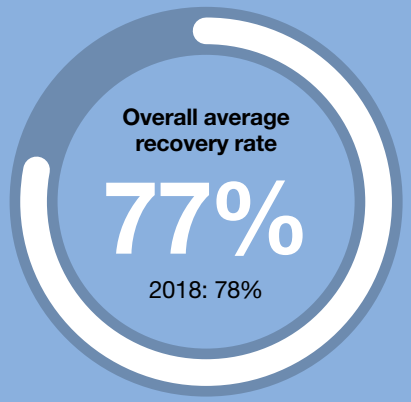
For around half of operational employees, a pay rise of 1-3% will be on the cards when salaries are next reviewed, with a further quarter looking at more than that. However, Equity Owners and Statutory Directors are more likely to face a salary freeze as they strive to keep their businesses profitable.

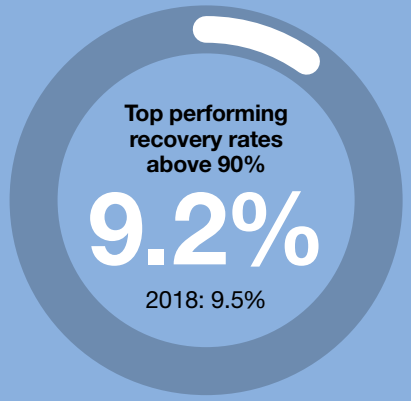
- Unsurprisingly, larger agencies continue to pay more and charge more than smaller agencies.
- London agencies continue to pay more and charge more than regional agencies.

Recovery rates

Many agencies are failing to make adequate recovery on the time spent by staff, with an average of 77% of time spent recovered, which was very similar to the previous two years.

The top-performing 9.2% are managing to keep recovery rates to more than 90%, very similar to last year's 9.5%. In the current climate such recovery rates are very difficult to achieve but this proves that, if you get it right, it can be done and it will deliver directly to your bottom line.





Executive summary

Employee remuneration packages

Share-based incentives are offered at roughly one in eight agencies. As one would expect they are generally offered to more senior staff. Used in the right way for the right people they can be a powerful retention tool.

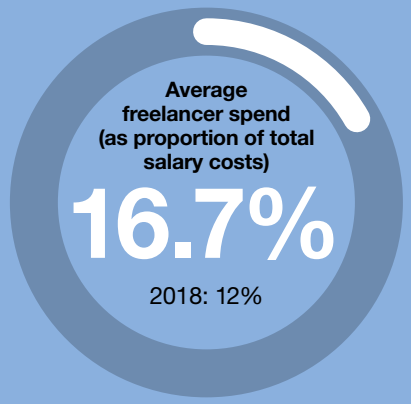
Three quarters of agencies have a training budget for staff, the majority of these being less than £750 per head. Larger agencies are spending more per head than their smaller counterparts, perhaps due to enrolment of staff on more structured training programmes, but there was very little variation between London-based and Regional agencies.

Following the government-mandated increases to employer pension contributions for 2019/20, agencies are now more likely to be putting in the flat rate of the company than last year, and percentages offered on top of employee contributions appear less generous. However, due to the increase in underlying employee contributions as a percentage of salary, overall employers are actually contributing more than ever into their employees' retirement funds.

Freelancers

The number of respondents using freelancers has decreased slightly from 83% to 80% this year. Whilst spend varied enormously between agencies, on average there was an increase to spend on freelancers comprising **16.7% of total salary costs compared to 12.2%** last year.

This makes sense in the context of increasing uncertainty from clients around spend, on top of the general project nature of design work, therefore making forecasting resource requirements more difficult. The increasing range of digital talent required on a project-by-project basis also makes it difficult to employ all the skill sets required on a permanent basis.

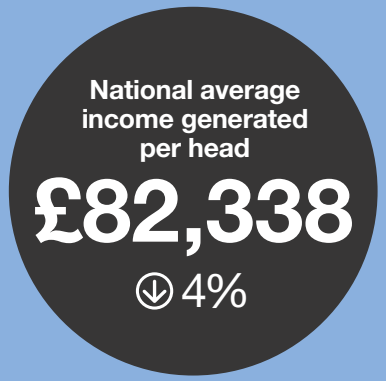


Gross income per head

The average fee income per head for across the whole sample was £82,338, a small decrease of 4% on last year's £85,913, however in each separate location and size category increases were seen. Given that Regional agencies on the whole return lower gross income per head than their London counterparts, the overall national decrease is therefore attributed to a different make-up within the sample, rather than an actual decrease.

It should be noted that these figures include freelancers as well as permanent staff to give a more realistic representation of how income is earned. As expected, the average fee income per head of the London agencies was more than those of the regional agencies and it was the larger London agencies reporting the very highest income per head.

The lower fee income per head at the regional agencies correlated with the fact that they have a lower cost base i.e. their staff are cheaper, as are other fixed costs such as rent, and so their staff do not need to generate quite such high fee income per head.



Main report

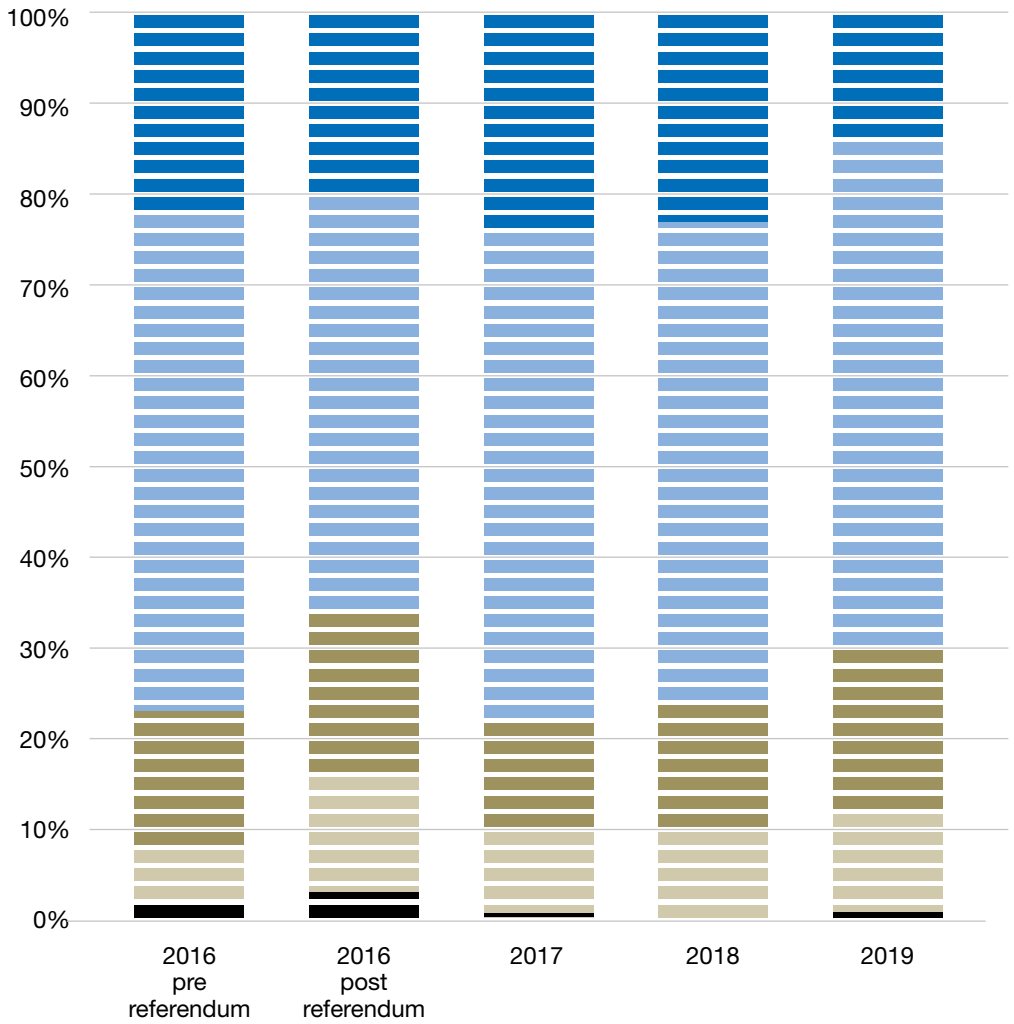
General sentiment on business performance

No analysis of business health can be complete without a glimpse of the core issues facing businesses in the coming 12 months. Members have pointed to key issues such as client budget uncertainty, delays in decision making, lack of business confidence, pressure on margins, and the attraction and retention of talent. However the overriding issue businesses are facing is reported to be Brexit. With the withdrawal date seemingly changing every time we draw near there is still a large amount of uncertainty on what post-Brexit Britain will look like. With that in mind, we have plotted members' business health sentiments on a longer-term graph, to include the comparisons dating back to 2016's pre- and post- referendum data.

The data shows that members felt

- Business is great and growing
- We're doing OK, our client base is solid
- We're likely to break even this year
- Concerned; we are actively tightening our belts
- Critical; we're struggling to stay in business

Business health



immediate concern once the referendum results were announced, with a general lowering of confidence in business performance overnight. During 2017 and 2018, while the negotiations were ongoing, businesses saw a period of relative stability. The actual withdrawal was seemingly still a long way off, and agencies were continuing with business as usual.

The latest sentiments, however, show the reactions to a potential "no deal" Brexit or indeed yet another delay. Only 15% of agencies, down from 23% last year, consider their business to be great and growing. While the proportion of agencies feeling concerned or struggling is broadly similar to last year, there is a rise in agencies likely to break even. While on the one hand it is reassuring that only a small number of additional businesses are falling in those bottom two categories for the moment, on the other hand sentiments of "break even" as a realistic outcome do not tend to promote business longevity.

Where a business sees itself currently has a bearing on the findings for pay rises later in the report, demonstrating that those businesses who feel they are in trouble are aware of their situation and want to recover – they are determined not to let the business topple.

Main report

Like-For-Like comparisons
Included in the results of this year are 136 agencies who gave data for both 2019's and 2018's survey, allowing us to give like-for-like comparisons. Of those agencies, 88 also participated in the 2017 survey. This core group of businesses, and their continued participation in the survey allow us to track absolute comparisons.

On average, fee income for these agencies increased by 9.5% from 2018 – 2019, however part of this is actually a recovery from the 3% fall in revenue from 2017 – 2018. The compound annual growth averages as 3.3% per annum, while headcount including freelancers at these same agencies actually decreased by 0.3% per annum on average across the period. This translates to a modest increase of 2% per annum in fee income per head.

This is likely more indicative of an increase in billings for the same amount of work, rather than an actual underlying growth in agency size or workload. This lends support to the sentiment of the majority above, that their businesses are "doing OK". Agencies are seemingly finding it ever more difficult to push actual growth, shown by the declining proportion of agencies reporting that they are actually growing.

The stand-out high achievers are the 7 of these 88 agencies returning an increase in fee income of more than 50% year on year since 2017. Overall 30 increased their fee income by over 10% year on year.

Of those increasing fee income, there was not much of a trend with regards change in staff numbers. Some agencies who are clearly expanding have staffed up accordingly, others have made very little change to the size of their workforce (though one imagines perhaps these agencies increased headcount in advance of the growth from 2017 – 2018, and as such were possibly slightly overstaffed for the 2017 figures, a ratio which has evened out now that the income growth has been achieved).

On the opposite end of the scale, 39 of these agencies reported a decrease in fee income over the same period. Again, there is a disparity when compared to staff numbers. Some agencies have cut staff numbers, indicative of a shrinking business, others have made little change, hoping to see out a rough couple of years, and others have staffed up, likely with the hope of returning to growth.

Business risks

This year's survey included two new sections regarding risks facing businesses, being late payment of invoices by customers, and Brexit. We analyse the results below.

Late payment of invoices
The late payment of invoices by their clients is an issue that has affected 56% of respondents this year. Of those affected, a third reported that invoices were up to a month overdue, a half reported invoices were 1-2 months overdue, and the remainder had invoices more than 2 months overdue.

Aside from the obvious negative impact this has on cashflow, and therefore issues with ability to fulfil payment obligations, agencies also reported additional time required to chase for payment, and the need to source other cashflow solutions such as loan financing. There were also concerns that late payment from their customers is making agencies cautious about their own growth plans and unwilling to invest in new projects.

Click here for resources on late payments

Late payment of invoices
2019

0-30 days overdue	33%
30-60 days overdue	52%
60-90 days overdue	15%
90+ days overdue	1%

Main report

Business risk
continued

Brexit impacts
No survey on business health conducted at the moment would be complete without a look to how agencies feel about Brexit. We asked, "How, if at all, do you feel Brexit is or will affect your business? Responses were as follows:

Although "Negative" was the most popular response by far, the proportion of people responding "don't know" is also very interesting. At an eighth of agencies, this shows how much uncertainty there still is surrounding the issue. With policies on many issues still to be finalised, and at the time of writing the actual withdrawal deal itself still open for debate, it is no wonder that agencies are finding it difficult to forecast.

This year's survey also asked respondents for any comments they had regarding implications of Brexit and worries they have. Results varied, as can be expected. Looking ahead to post-Brexit, there were key issues surrounding trading with existing EU customers and whether tariffs would be introduced; the worry of losing international clients; and the ability to attract talent from the EU at junior level, and retain those already here at more senior levels. But the overriding issue affecting businesses right now is the slow-down experienced in the market. Many agencies are finding clients are either slow to make any decisions (seeing how events will turn out themselves before signing contracts), or have already reduced their marketing budgets, putting projects on hold, cancelling them, or hugely reducing the scope.

While the negotiations continue in Whitehall this uncertainty in the market is likely to continue. If the withdrawal goes ahead as scheduled for the end of October, by the time our 2020 survey is conducted we will be able to analyse the financial impacts of the withdrawal agreement, and see if the above fears have materialised.

Click here for more information and guidance on Brexit

"It has slowed down client decision making and we think decreased appetite for risk until there's clarity around the outcome."

"We may not be able to attract as many EU students."

"Concerned international clients may be unconfident about doing business with a UK company."

Brexit impacts
2019

Positive / no change	13%
Negative	74%
Don't know	13%

Main report

Recovery rates

How much of the actual time spent on client work are agencies able to recover? As an average across all agencies, 77% (very similar to the three previous years) of recorded time costs were being recovered. It seems agencies are still working for free on Fridays.

Disappointingly over a quarter (29.0%, an increase on the 27.2% in 2018) have recovery rates of 70% or less, indicating that they are making very little, if any, money on many of their contracts. Some 43.0% (2018: 42.0%) said they recovered between 71% and 80%, and are therefore likely to be making small margins.

A further 18.8% (down on 2018's 21.3%) recover between 81% and 90%, which is a healthy recovery and should translate into respectable margins, though this category is decreasing in success rate each year, showing agencies are finding it difficult to consistently maintain these rates.

The final 9.2% (2018: 9.5%) were achieving incredibly high recovery rates of more than 90% - an enviable position to be in!

Agencies must ensure that projects are scoped in sufficient detail to allow them to be properly priced so the agency can go back to the client should work be done outside the original brief.

Agencies should set target recovery rates and monitor on a timely basis to determine what sort of work delivers the better recovery. Recovery rates can also feed into measurement for performance-related bonus schemes.

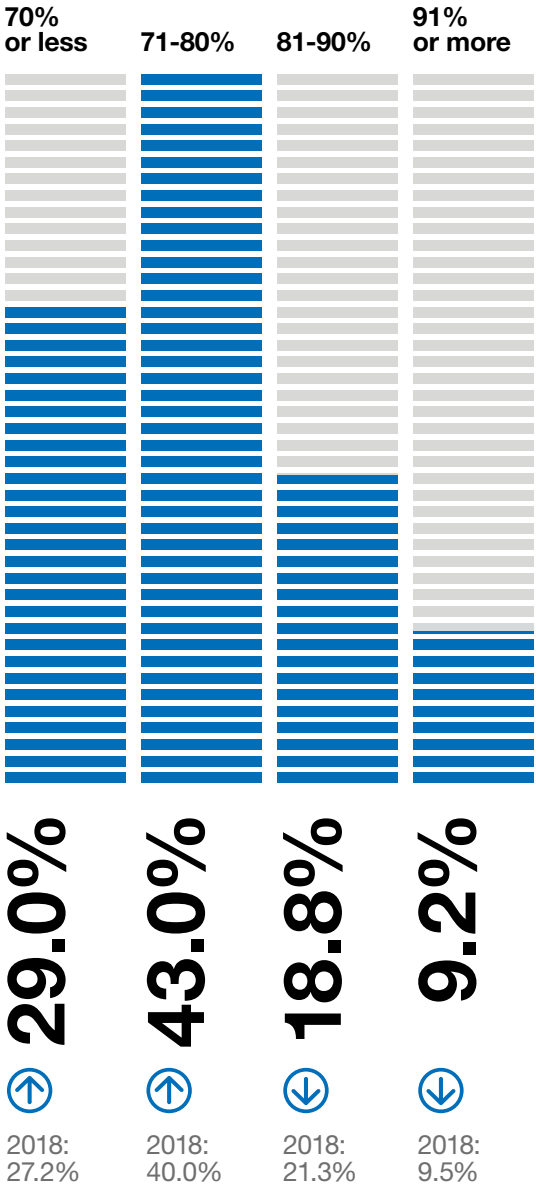
However, recovery rates should not be considered in isolation – they must be looked at in conjunction with utilisation rates i.e. the amount of an employee's time that is put down as potentially chargeable (discussed later in this report).

The combined effect of each is the proportion of hours worked that are ultimately billed. An improvement in the combination of these two ratios will mean a reduction in the ratio of fee income spent on staff costs, and thus an increase in profitability.

It is vitally important that agencies keep a check on the ratio of fee income spent on staff costs. We have previously suggested a target of 55%. However, in today's persistently challenging climate, 60% is probably a more realistic target. However, this needs to include the cost of freelance resource as well.

Click here for more information and resources on recovery rates

Recovery rates
Average 77% (2018: 78%)



Main report

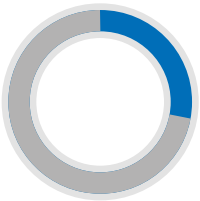
Gender profiles

Now in its third year, gender pay gap reporting has come into force for organisations with over 250 staff. These organisations are required to present information about the pay gap between male and female employees.

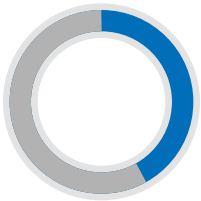
We are therefore pleased to present some key data on gender balance in the different roles within the design sector, as permitted by the responses to this survey.

Overall, of the staff working at the agencies in this survey, 52.7% are male and 47.3% are female. Considering the large increase in number of respondents in this year's survey, the fact there is only a small increase in disparity from the 51:49 male domination we reported last year is very promising. The split across the different departments is as follows.

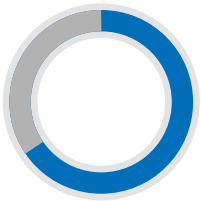
Gender split by department



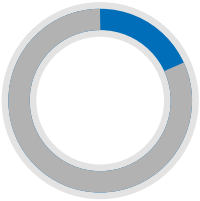
Agency management
Male 71.8%
Female 28.2%



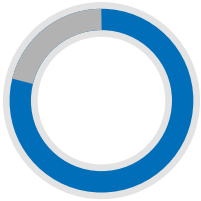
Creative & design
Male 58.1%
Female 41.9%



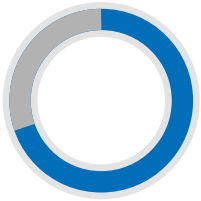
Planning & strategy
Male 34.8%
Female 65.2%



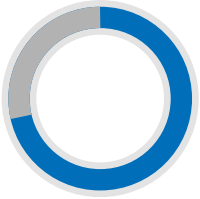
Digital
Male 81.6%
Female 18.4%



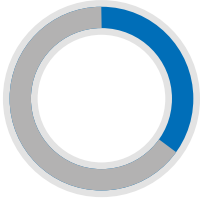
Account management
Male 21.2%
Female 78.8%



New business
Male 30.2%
Female 69.8%



HR, IT, studio, office services, finance
Male 28.4%
Female 71.6%



All other staff
Male 65.1%
Female 34.9%

All staff
Male 52.7%
Female 47.3%

As can be seen, the vast majority of Digital staff are male (81.6%, almost identical to last year's balance), while women are far more prevalent in Account Management and New Business, as we have seen in the previous two surveys as well. Perhaps agencies are finding that women are more successful in these roles, which involve more personable skills. Although the Digital statistic seems much skewed, on balance it seems that across the client-facing and fee earning roles, men and women are represented in similar proportions.

However, only 28% of the Agency Management roles are held by women (a slight decrease on 2018's 30%), compared to 72% of the "support roles" such as HR, Office Services and Finance.

When we dig deeper into the otherwise evenly balanced Creative & Design category above, we see a general tapering off of females as the roles get more senior. This reinforces the "glass ceiling" idea which we reported on last year – if we assume that designers with about 8 years of experience are around 30 years old, we see that before this stage the gender balance is very even. However, from this age onwards the proportion of women drastically decreases. Adding in the relevant "director" roles to simulate a career ladder shows this trend extending even further right at the top of agencies. DBA members who read 2018's survey will

Main report

remember the graph we plotted showing this. This year we have plotted this data for 2019 compared to 2018.

While broadly speaking 2019 is very similar to 2018 (after all, it is very unlikely these statistics will change radically overnight), the balance is worse at Creative Director level, but recovers quite a way at Executive Creative Director level. Perhaps some member agencies took last year's survey results to heart and have offered promotions to female Creative Directors over the last year, leaving fewer in that role, and instead counting them within the Executive band.

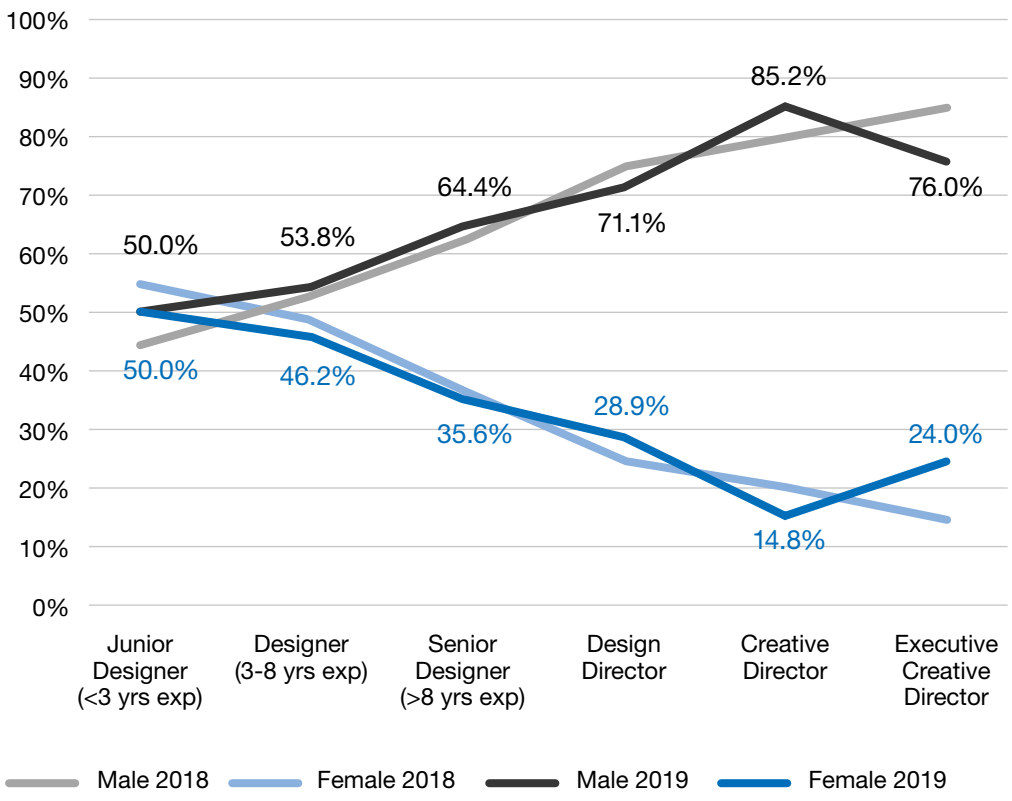
The same trend holds true on further investigation of the Planning/ Strategy area. The junior Planner/ Strategists were this year 70.8% female, however this gradually gives way as seniority rises such that Strategy Directors were 73.3% male. Although this represents a smaller sample (in smaller agencies this is more likely not to be a separate role), it is still an important issue for agencies to monitor over the coming years.

While the issues of gender balance are talked about more now than 10 years ago, and are now having more of an influence on hiring decisions, we do now see men and women being represented equally on an operational level overall, however this has not yet had time to filter into the top levels of seniority, where the top earners with ultimate control of the business are much more likely to be male, as is the historical model.

These findings do show, however, that factors such as flexible working hours; attractive maternity packages including child care solutions; and the ability to work from home are becoming ever more important in the drive to retain female staff at the top of businesses. This ensures that if women choose to have a career break to have a family they are motivated to return to work and can aspire to reach the top, and ultimately aim to mirror the firm-wide even gender balance in the decision-making roles at the top of their agencies.

Click here for resources on increasing diversity in your workplace

Gender split in creative roles



Main report

Direct staff salary levels

Direct staff are those involved directly with clients. For some roles there were not enough respondents in all categories for an average salary to be calculated. Therefore, when we are comparing size and location we are doing so across only the like for like roles, for which an average could be determined.

We have also excluded the CEO/ MD salaries from the averages, as this was deemed to be too variable and so could distort the averages.

We have summarised the results for the following 16 common roles where averages could be determined across all sizes and locations. The averages are as per the table opposite.

On average the salaries for these 16 job titles have increased by nearly 2% across the sample as compared with the same job titles last year, indicative of a small amount of inflation. However, this trend was not consistent on a role-by-role basis, as only 10 of the 16 roles saw an increase in salary, with some roles increasing significantly while others showed significant pay cuts.

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	£109,062	£111,362	£83,143	£123,708	£109,901	£81,540	£120,030
Creative Director	£72,598	£81,518	£76,732	£87,836	£65,555	£56,579	£80,634
Design Director	£56,931	£59,056	£58,021	£59,669	£52,918	£50,703	£55,394
Senior Designer (>8 yrs exp)	£41,222	£43,346	£41,478	£45,335	£39,455	£36,930	£43,495
Designer (3-8 yrs exp)	£29,565	£30,935	£30,355	£31,535	£28,721	£27,486	£30,551
Junior Designer (<3 yrs exp)	£22,706	£23,968	£24,064	£23,882	£21,535	£19,882	£23,833
Production Manager	£45,285	£50,870	£51,333	£50,724	£39,402	£36,167	£42,932
Senior Art Worker (>8 yrs exp)	£39,735	£42,339	£43,100	£41,939	£36,320	£33,379	£38,086
Art Worker (3-8 yrs exp)	£29,760	£32,581	£33,400	£31,996	£27,134	£26,991	£27,229
Strategy Director	£83,812	£91,721	£84,531	£96,115	£79,542	£60,200	£85,586
Digital / Technical Lead	£56,360	£67,700	–	£72,857	£51,213	£37,600	£58,020
UX / UI Designer	£33,727	£36,583	–	£36,900	£30,750		£32,667
Client Service Director	£75,079	£82,548	£57,600	£90,344	£71,852	£60,385	£86,759
Account Director	£52,760	£56,551	£57,660	£56,068	£47,364	£39,375	£51,625
Senior Account / Client Manager	£39,333	£41,507	£40,000	£42,098	£37,728	£35,010	£40,209
Account / Client Manager	£31,126	£32,674	£34,481	£31,770	£30,046	£27,705	£31,997
Average	**£51,191**	**£55,329**	**£51,136**	**£57,673**	**£48,090**	**£41,995**	**£53,065**

Looking for more detail?
In all we collect data on 55 staff roles, the full details of which are available to those who participated in the survey at **www.dbareview.org.uk**

Main report

Interestingly, it was the creative roles predominantly facing cuts – including junior, mid-weight and senior designers, art workers, UX/UI designer and executive creative directors. Art workers in small London agencies showed an 11% decrease, and their senior designer colleagues in the same category decreased by 14%.

Account management roles, on the other hand, continued to flourish – with account directors enjoying an 8% increase and senior account / client managers increasing by nearly 4%.

Larger agencies on the whole protected salaries better than their smaller counterparts with only four individual decreases shown, and all below 2.5%. Additionally, regional agencies considered on their own showed greater stability than their London counterparts – only two individual job roles showed decreases.

Therefore we must conclude that the source of the volatility stems from London, and in particular its smaller agencies. This is perhaps due to the comparatively higher staff turnover in London – where each year the people behind the job titles change, and so does therefore the average salary given to that job role. The change in make-up of the sample from year to year will also be a factor of course.

Location
As we would expect, direct salaries of those agencies based in London, or with offices in London, continue to be higher than agencies based outside of the capital. There was a:

9% 2018: 15%
Premium on the larger agencies for being in London

and a:

22% 2018: 32%
Premium on the smaller agencies for being in London

As can be seen, there tended to be less variance for the more junior roles.

Company size
For those like-for-like roles, larger companies tend to pay larger salaries than smaller ones. There was a:

13% 2018: 5%
Premium in London

and a:

26% 2018: 21%
Premium outside London

Again, there is much less variation in the more junior roles, however the sample is swayed by the large premiums available on the top jobs with “director” titles. This is not unexpected; given these top roles in larger agencies probably involve managing much larger teams of people and more high-profile projects.

Average salaries of Principals
As explained above, the average salary of principals/owners has been left out of the overall average as it can vary quite greatly. The table below shows those averages.

As can be seen, the salary of principals at smaller agencies is significantly lower than at the larger agencies – almost half outside London – with a further premium at London agencies. CEOs have taken a pay rise of around 20%, while managing directors at small agencies have taken an additional 15%. Managing directors of large regional agencies appear to have taken a 14% cut, however since there are 20% more agencies within this category this year, the decrease is likely due to the individual responses of agencies within this category which has brought the overall average down.

However, the difference can be exaggerated by companies which remunerate their owner-managers via dividends rather than salary (although we did ask respondents to include the dividend element to try and factor this variance out). This tends to happen in smaller companies that are more likely to be owner-managed and thus, for tax planning reasons, dividends may be chosen over salary and/or bonus.
It should be noted, however, that since the dividend tax rate increased there is now less of an advantage to taking dividends over salary once the basic rate band is used up.

Job title	London (up to 20)	London (21+)	Regional (up to 20)	Regional (21+)
CEO – 2019	£120,607	£180,228	£78,814	£153,500
CEO – 2018	£99,353	£152,517	£45,143	£128,885
Managing Director – 2019	£93,015	£120,149	£65,484	£95,673
Managing Director – 2018	£81,200	£109,813	£57,241	£111,059

Main report

Charge out rates

Summary
The relationship between revenue and employment costs is absolutely key to maintaining profitability. Staff costs (including freelancers) should ideally absorb no more that 60% of gross income (fee income plus mark-up on recharged costs) and so if staff costs rise then so should charge out rates.

When comparing average charge out rates, we have looked at the same 16 roles for which an average salary could be determined.

Compared to 2018 the 16 roles have shown a small increase in charge out rates of 5% overall. London agencies saw a 5.3% rise in charge out rates, while regional agencies saw a 2.2% rise.

The large London agencies saw the biggest increase, at 9.5%, while their smaller counterparts appear to have lowered rates by 2.5%, however this is possibly skewed due to gaps in the responses this year.

The largest overall increases were found in the Client Services Director role, where the national increase of 23% is underpinned by a 21% increase in London and a 14.5% increase outside London. This job role also has the highest individual increase, of 47% found at small regional agencies.

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	£197	£203	£152	£228	£176	–	£170
Creative Director	£133	£152	£127	£182	£118	£107	£137
Design Director	£127	£133	£112	£142	£114	£106	£123
Senior Designer (>8 yrs exp)	£101	£112	£100	£124	£93	£88	£101
Designer (3-8 yrs exp)	£91	£99	£92	£105	£83	£79	£89
Junior Designer (<3 yrs exp)	£76	£80	£75	£85	£72	£69	£77
Production Manager	£107	£121	£99	£129	£90	£77	£99
Senior Art Worker (>8 yrs exp)	£97	£105	£98	£108	£89	£83	£92
Art Worker (3-8 yrs exp)	£86	£95	–	£99	£78	£75	£80
Planning / Strategy Director	£158	£174	£143	£192	£132	–	£138
Digital / Technical Lead	£114	£134	–	£155	£101	£90	£108
UX / UI Designer	£98	£107	–	–	£89	–	–
Client Service Director	£164	£174	–	£186	£141	£150	£132
Account Director	£123	£133	£121	£139	£104	£85	£115
Senior Account / Client Manager	£101	£112	£99	£117	£90	£87	£93
Account / Client Manager	£90	£98	£85	£103	£83	£77	£87
Average	**£117**	**£127**	**£108**	**£140**	**£103**	**£90**	**£109**

Looking for more detail?
In all we collect data on 55 staff roles, the full details of which are available to those who participated in the survey at **www.dbareview.org.uk**

Main report

Location

As one would expect, in order to cover higher salary and premises costs practically all grades of staff in London are charged out at a higher rate than their counterparts outside of London.

For those like-for-like roles, there was an average:

28% 2018: 18%

Premium in London for larger agencies over their regional counterparts

20% 2018: 22%

Premium in London for smaller agencies over their regional counterparts

Similarly high double digit premiums were also seen for salaries, which is encouraging.

Company size

Charge out rates for larger companies generally remain higher this year, covering their more formal staff structure with many more administrative roles and larger fixed costs such as rent and other overheads. Also, the larger agencies are more likely to have larger clients with bigger budgets that can cope with the higher charge out rates.

Large agencies this year charged a:

29% 2018: 12%

Premium in London over their smaller London counterparts

and a:

21% 2018: 15%

Premium outside London over their smaller regional counterparts

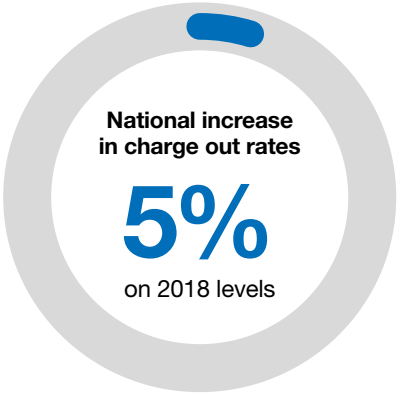
This is at odds with the salary premiums of only 5% in London but 21% outside. Agencies need to keep an eye on this and ensure staff salaries are adequately recovered in charge out rates.

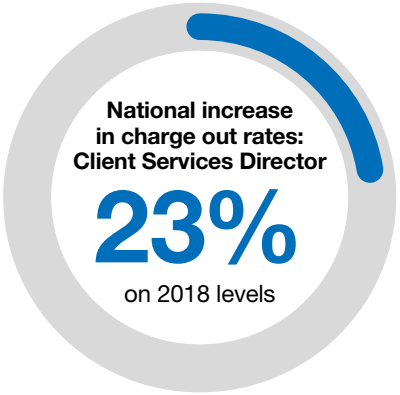
As with salaries, there tends to be less of a variance for more junior roles.

Average charge out rates of principals

The table below separately shows those averages.

As expected, the regional agencies charge less than the London agencies of a similar size and the larger agencies charge more than the smaller agencies. Compared to last year's survey the CEO rates in small regional agencies has increased significantly but decreased in their larger counterparts. In London, rates have increased at both sizes of agency, with Managing Director rates increasing by a larger percentage than their CEO colleagues. All categories except Managing Directors at large regional agencies were noted as receiving a pay increase over the same period of a much larger percentage than the increase in their charge out rate. Agencies need to ensure that pay increases offered are matched by increases in billings in order to maintain their margins.





Job Title	London (up to 20)	London (21+)	Regional (up to 20)	Regional (21+)
CEO – 2019	£151	£221	£125	£171
CEO – 2018	£145	£213	£86	£179
Managing Directors – 2019	£140	£200	£114	£161
Managing Directors – 2018	£129	£190	£107	£147

Main report

Charge out rates
Continued

Charge out rates compared to salary
The comparison between charge out rates and salary is a very important one for agencies to monitor. Looking at year-on-year changes first of all, we see some striking anomalies. The decrease in salaries of designers was mentioned above. While the salaries of these three "designer" roles have all decreased, their charge out rates have marginally increase. Other differences appear in the Production Manager role, where the 5% pay rise is matched by a 0.5% decrease in charge out rate.

However, we must not forget that some of these changes will have been to re-set charge out rates to a more realistic rate, perhaps as a result of the rates being too high before. The following table expresses charge out rates as a multiple of hourly salary. Your hourly salary is found by dividing your annual salary by 230 working days (accounting for weekends, bank holidays and average annual leave) and then dividing by 7.5 (hours in an average working day).

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	3.12	3.14	3.14	3.18	2.77	–	2.45
Creative Director	3.17	3.22	2.86	3.58	3.11	3.27	2.94
Design Director	3.83	3.89	3.31	4.11	3.72	3.60	3.84
Senior Designer (>8 yrs exp)	4.24	4.46	4.14	4.71	4.07	4.13	4.01
Designer (3-8 yrs exp)	5.31	5.50	5.25	5.73	5.01	4.99	5.03
Junior Designer (<3 yrs exp)	5.80	5.76	5.34	6.12	5.79	5.98	5.55
Production Manager	4.09	4.12	3.33	4.37	3.93	3.67	3.98
Senior Art Worker (>8 yrs exp)	4.19	4.27	3.91	4.46	4.22	4.30	4.16
Art Worker (3-8 yrs exp)	4.96	5.02	–	5.36	4.96	4.79	5.05
Planning / Strategy Director	3.26	3.28	2.93	3.45	2.86	–	2.77
Digital / Technical Lead	3.50	3.41	–	3.67	3.39	4.15	3.21
UX / UI Designer	5.03	5.05	–	–	4.98	–	–
Client Service Director	3.76	3.63	–	3.56	3.38	4.29	2.63
Account Director	4.02	4.07	3.61	4.28	3.80	3.72	3.84
Senior Account / Client Manager	4.44	4.65	4.25	4.79	4.13	4.28	3.97
Account / Client Manager	4.98	5.18	4.25	5.62	4.75	4.77	4.71
Average	**4.23**	**4.29**	**3.86**	**4.47**	**4.05**	**4.30**	**3.88**

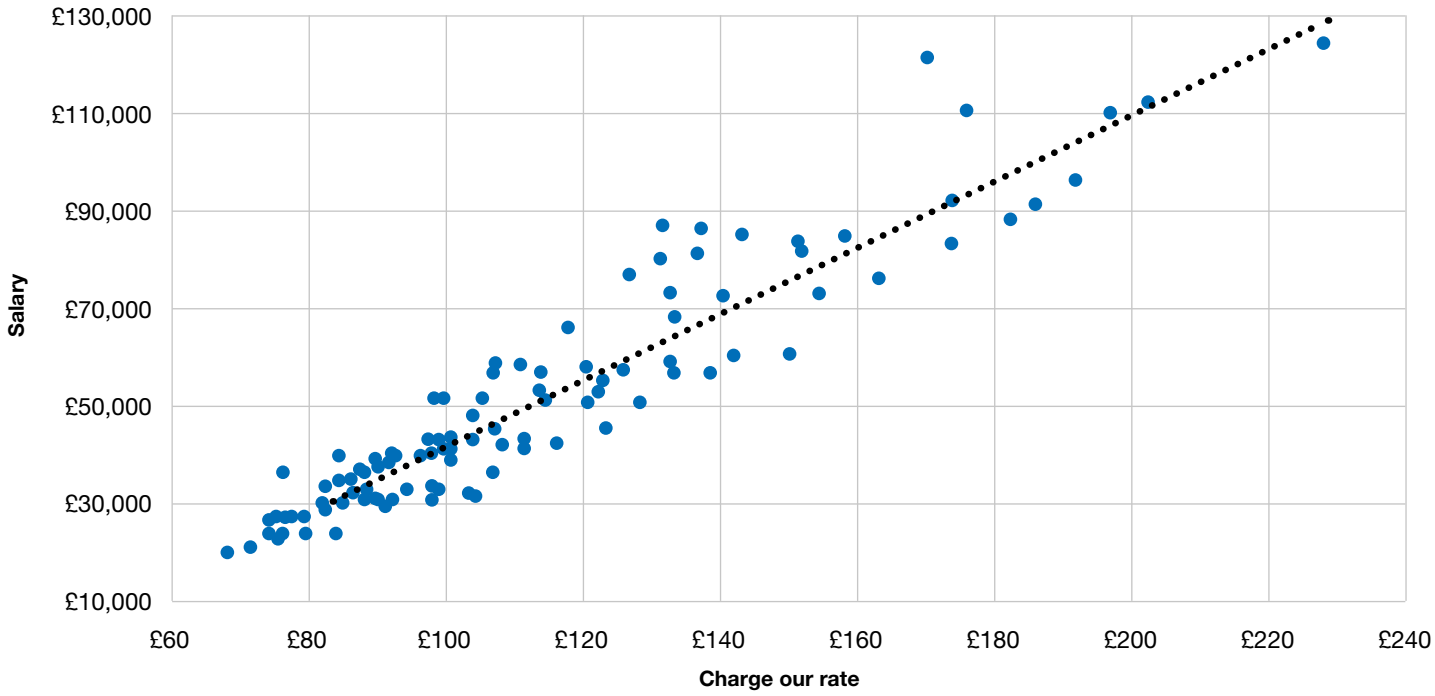
Main report

There is little variation between large and small agencies, and those inside and outside London. Overall we see the more junior roles charging out a higher multiple of their salary, reflecting the more operational nature of their roles. The multiple shown here for the designer roles is still higher than many other roles, and so perhaps the variance in charge out rate has come as a result of agencies struggling to charge on the time to clients.

The graph opposite plots the salary as compared to the charge out rate for each of the individual locational job roles above.

As can be seen there is a very distinct trend line – the data does not deviate very far from this trend line in all levels of seniority. For agencies aiming to reset charge out rates, the above model can be used as a guide for a starting point – though of course agencies will need to flex their own rates as required for their individual fixed cost base and staff mix.

Salary compared to charge out rate



Click here for more information on on how to set charge out rates

Main report

Freelancers

The number of respondents engaging workers on a freelance basis has decreased from 83% to 80% this year. London agencies are around 10% more likely to use freelancers than regional offices, and larger agencies are more likely to use them than smaller in both locations, though the difference is more marked outside London where one imagines the talent pool available to smaller agencies is more limited.

The cost of freelancers as a proportion of total people costs rose to 16.7% (2018: 12.2%) on average, though of course within that there are large variances, triggered by the numbers of people involved. Just over a quarter (28%) have kept freelancer costs below 5% of total staff costs (2018: 33%), a further 25% allocate 5-8% (2018: 28%), and 12% (2018: 13%) allocate 9-12% of their total wage bill to freelancers. There is a large increase in those allocating over 20% of their total wage bill to freelancers at 20% this year compared to 14% in 2018.

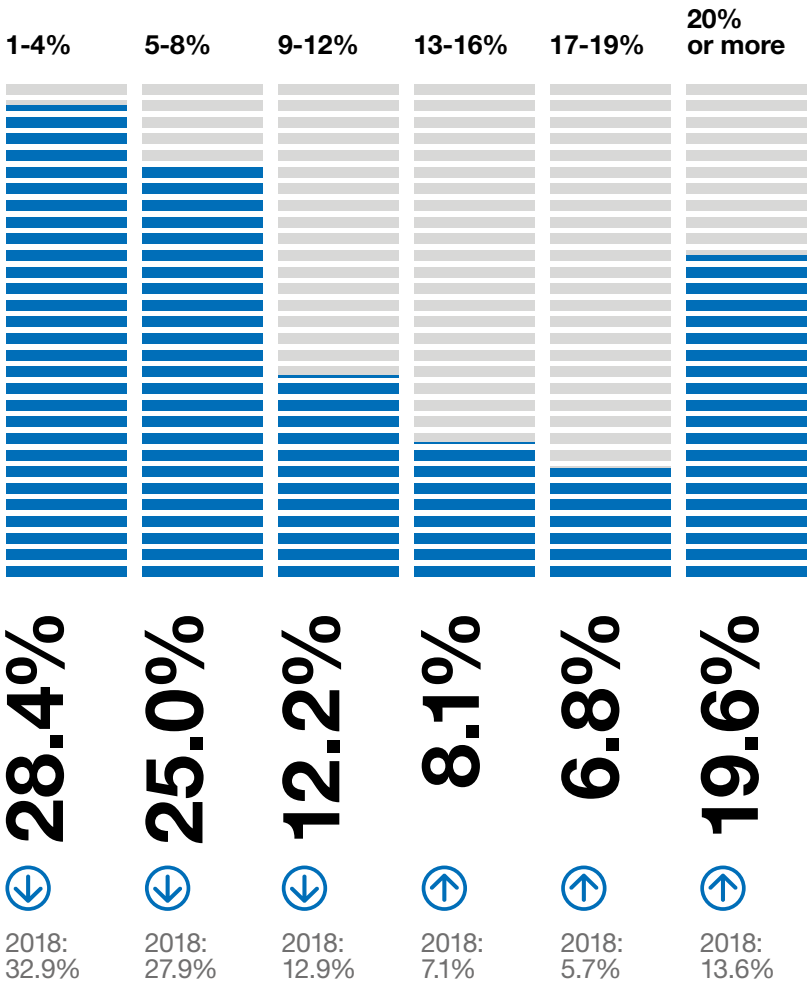
It would appear that while fewer agencies are using freelancer resource, those who do are increasing their overall spend. This is justifiable in the context of increasing uncertainty from clients around spend and therefore making forecasting resource requirements more difficult. The increasing range of digital talent required also makes it difficult to employ all the skill sets required on a permanent basis.

In an industry where much of the work is project based, the use of freelancers or short-term contracts (whilst more expensive than permanent staff) remains an important way of keeping monthly costs flexible. This is mirrored in the higher use of freelancers in larger agencies, where project work can afford to be more elastic in its staff requirements than smaller agencies. Some disciplines such as digital will rely even more heavily on the use of freelance resource to provide skill-sets which are required only occasionally.

Getting the balance right between this more expensive but flexible resource and permanent staff is crucial. Agencies need to continually review their use of freelancers and assess at what point they should consider making permanent hires to replace freelance resource that is in constant use. Having someone at senior level in charge of monitoring agency capacity and signing off use of freelancers is crucial to ensure extra resource (and thus cost) is brought in only when required.

Click here to download a template Freelance agreement and NDA

Proportion of total wages spend on freelancers
Average 16.7% (2018: 12.2%)



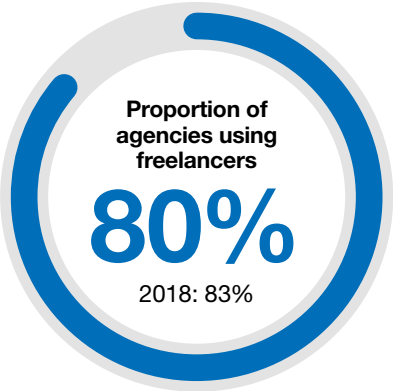
Main report

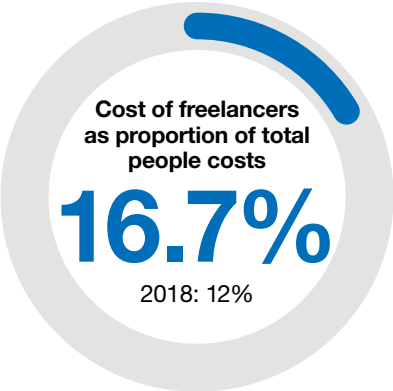
Day rates

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Designer (3-8 yrs exp)	£282	£293	£284	£307	£276	£267	£294
Art Worker (3-8 yrs exp)	£246	£260	£244	£277	£231	£229	£235
Web Developer (3-8 yrs exp)	£324	£330	£307	£365	£319	£323	£309
Planner / Strategist (3-8 yrs exp)	£435	£453	£473	£426	£396	£378	£418

Day rates varied from an average of £229 for Art Workers at small regional agencies to £473 for Planner/ Strategists at small London agencies.

The pulls of more flexible working as afforded to freelancers, and the ability to gain a variety of experiences are leading to an increased number of workers, particularly millennials, being attracted to this type of contract. This means that agencies are able to draw on a larger pool of talent and a wider range of skills, but also that freelancers are needing to price themselves more competitively. We have seen this year an overall decrease in freelancer day rates in London, but a rise outside of London, closing the gap.





Watch out with freelancers

Even where a worker is engaged on an intended temporary basis, freelancers who work for the same agency over an extended period of time and whose working practices fulfil a number of “employment indicator” factors may be considered to be an employee by HM Revenue & Customs under the anti-avoidance legislation IR35. In this situation, the company would be liable to pay HM Revenue & Customs any under-collected PAYE and National Insurance relating to the individual in question. There have recently been some high-profile cases in the public sector, and 2% of DBA member respondents have already encountered issues. The rules governing whether an individual is an employee or freelancer are subjective and it is the responsibility of the company to ensure they treat these individuals correctly. If there is any doubt over the employment status of an individual then professional advice should be sought. There is a useful checklist on the HMRC website at www.gov.uk/guidance/check-employment-status-for-tax.

Main report

Indirect staff salary levels

Indirect staff are those who are not directly client-facing. We have looked at indirect roles for each location of agency where we had enough information to calculate average figures. Many of these roles did not show sufficient data in smaller agencies, where we assume roles might be outsourced, performed by a more junior member of staff, or several tasks might be performed by a single person, making their categorisation difficult. The data is therefore presented by location only.

As can be seen, location as usual has an impact on indirect salaries, where we see London agencies offering the best salaries. A premium of around 15% role-by-role is available in London. There has been, however, little change in these salaries from 2018, with most showing a single-digit percentage increase. The exception to this is for the New Business and Marketing roles, each showing a 20% increase. This is perhaps due to the uncertainty felt in the market at the moment, with agencies putting a strong emphasis on winning new work, to offer themselves protection for the coming year.

Job title	National	London	Regional
New Business Manager	£50,662	£52,990	£48,572
Head of Marketing / Communications	£54,227	£58,778	£51,469
Marketing Assistant / Coordinator	£29,733	£30,643	£28,555
HR Director	£72,879	£77,778	£70,079
HR Manager	£40,209	£42,364	£34,524
Head of IT	£61,502	£70,440	£60,013
IT Coordinator / Administrator	£31,604	£32,200	–
Studio Manager / Traffic Manager	£36,452	£37,824	£35,399
Project Manager	£42,275	£43,286	£40,936
Personal / Executive Assistant	£34,749	£41,100	£28,440
Finance Manager	£41,031	£44,403	£37,587
Bookkeeper / Finance Assistant	£26,821	£27,984	£25,759

20%

Increase in salaries for new business & marketing roles from 2018

Looking for more detail?
Those who participated in the survey that this report is based on can get more in-depth data on salaries at **www.dbareview.org.uk**

Main report

Utilisation rates

This is the percentage of direct staff time that is recorded as chargeable to clients. Setting appropriate charge out rates is only useful if the time can actually be billed on to the client.

We refer again to the 16 job roles explored in previous sections with the results in the table opposite.

Utilisation rates varied from:

53%

for an executive Creative Director to

82%

for artworkers and UX/UI designers.

Overall across the 16 job roles, utilisation was 2% higher than in 2018 at 69.3% compared to 67%.

Generally speaking, the more junior staff had higher utilisation rates. This is what one would expect, i.e. the more senior staff get involved in non-client chargeable activities, such as business development and general management of the business.

As in previous years, the principals in larger agencies had much lower utilisation rates than their smaller counterparts. Again, this is to be expected, as the larger the agency the more time is required to run it and focus on new business and marketing etc. On average, London agencies had slightly higher utilisation rates than their regional counterparts. However, the trends varied across the job titles.

Job title	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Executive Creative Director	53%	57%	73%	50%	45%	–	38%
Creative Director	62%	63%	67%	60%	63%	67%	57%
Design Director	73%	76%	72%	77%	72%	73%	71%
Senior Designer (>8 yrs exp)	81%	81%	79%	83%	81%	81%	81%
Designer (3-8 yrs exp)	80%	83%	81%	84%	79%	77%	81%
Junior Designer (<3 yrs exp)	79%	81%	77%	83%	78%	78%	78%
Production Manager	64%	68%	–	65%	62%	56%	67%
Senior Art Worker (>8 yrs exp)	81%	82%	79%	83%	80%	78%	81%
Art Worker (3-8 yrs exp)	82%	81%	–	79%	84%	84%	81%
Planning / Strategy Director	58%	61%	66%	59%	55%	–	62%
Digital / Technical Lead	66%	66%	–	69%	68%	72%	65%
UX / UI Designer	82%	87%	–	87%	80%	–	80%
Client Service Director	56%	58%	–	56%	55%	60%	51%
Account Director	62%	63%	74%	61%	65%	71%	62%
Senior Account / Client Manager	64%	66%	61%	68%	65%	60%	68%
Account / Client Manager	66%	70%	65%	71%	65%	59%	70%
Average	**69%**	**71%**	**72%**	**71%**	**69%**	**71%**	**68%**

Click here to read more on the interdependency of fees, utilisation and recovery rates

Every agency should have target utilisation rates for different levels of staff which are clearly communicated and monitored alongside recoverability of time. Understanding the utilisation of each level can help an agency determine its capacity and therefore identify when it needs to be staffing up to avoid spreading resource too thinly.

Main report

Gross income per head

The average fee income per head across the whole sample was £82,338, a small decrease of 4% on last year's £85,913, however in each separate location and size category increases were seen. Given that Regional agencies on the whole return lower gross income per head than their London counterparts, the overall national decrease is therefore attributed to a different make-up within the sample, rather than an actual decrease.

	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
All staff (including freelancers)	£82,338	£96,053	£92,948	£101,832	£71,576	£66,147	£85,300
% growth on 2018	-4.16%	3.69%	10.48%	7.81%	7.68%	8.99%	23.04%
Permanent staff only	£91,144	£107,501	£105,032	£111,593	£78,097	£73,140	£90,628
% growth on 2018	-0.05%	6.41%	8.43%	9.56%	10.44%	10.23%	24.52%

NB. The above figures include admin and freelance staff as well as direct staff

National average income generated per head

£82,338

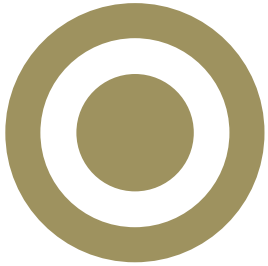
2018: £85,913

As expected the average fee income per head of the London agencies was more than that of the regional agencies. London agencies often have larger clients with bigger budgets and find it easier to command higher fees. This year it was again the larger London agencies returning the very highest income per head at £101,832, and being the only category to breach the £100,000 threshold. Though still quite a way behind their London counterparts in raw figures, the larger regional agencies enjoyed the highest growth in gross income per head this year, rising by an impressive 23%.

The lower gross income per head at the regional agencies correlates with the fact that they have a lower cost base i.e. their staff are cheaper, as are other fixed costs such as rent, and so their staff do not need to generate quite such high gross income per head.

Freelancers are a key factor to consider in assessing gross income per head. They are often missed from "number of staff" statistics, yet are often earning fees for the company. Taking freelancers into consideration reduces overall gross income per head from £91,144 to £82,338 (being the more realistic figure included in the analysis above), with the effects consistent across the London and regional agencies.

Gross income is your total fee income plus any profit made on rechargeable items such as managing print.



We recommend agencies aim for gross income per head in the region of

£100,000 – £120,000

in order to generate healthy margins after covering all costs. Agencies across all categories of the results above have a way to go to achieve this result.

Main report

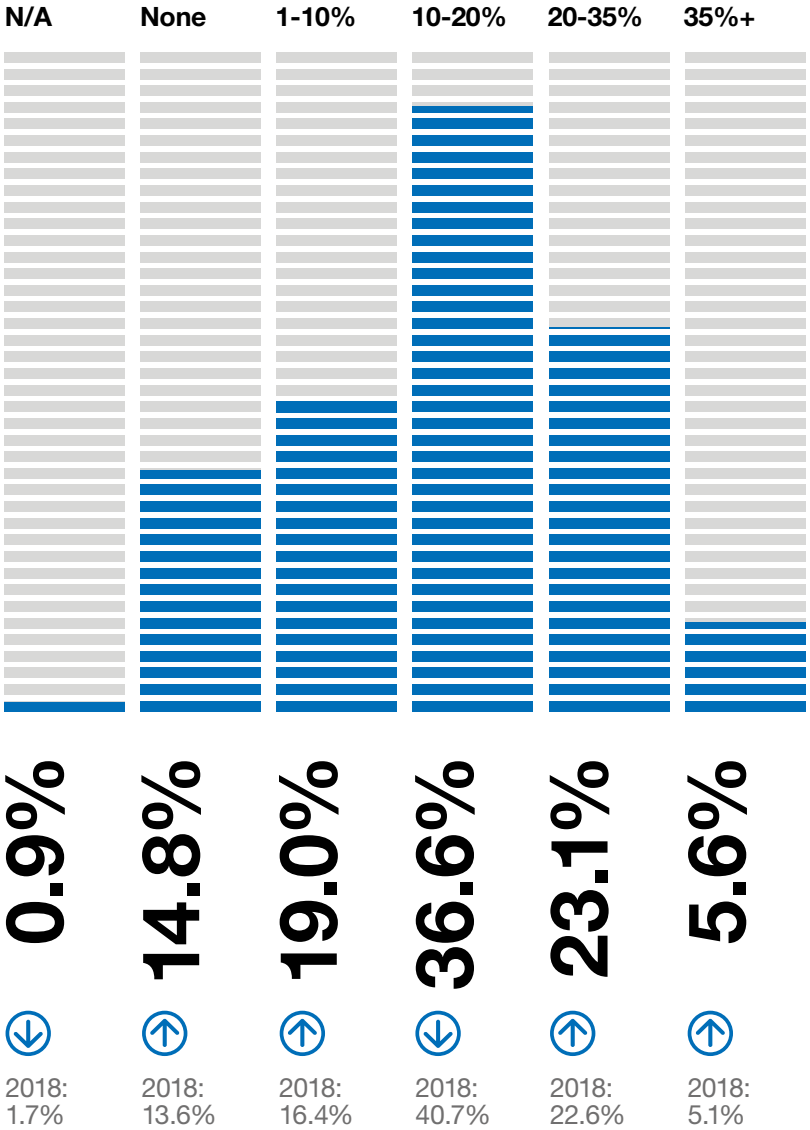
Bought in services

When buying in services on behalf of clients, some 36.6% (2018: 40.7%) of agencies indicated that they mark those costs up by between 10% and 20%. Some 28.7% (2018: 27.8%) indicated they mark costs up by over 20%. In this procurement-heavy environment this was quite surprising, as percentage mark-ups in many other marketing services disciplines have significantly decreased over the years and many have been replaced by charging handling fees.

Contrastingly, 14.8% (2018: 13.6%) said they don't mark up at all and 19.0% (2018: 16.4%) only add a small fee of up to 10%. These agencies need to make sure they are recouping the time spent in connection with bought-in costs in other ways.

The differences here are likely down to the size of the agencies. Larger agencies can, through volume, afford not to specifically mark up costs, but rather can more easily "hide" their handling fees within other fee income generated from those clients. Smaller agencies, on the other hand, already face pressures in fees and don't generate the same volume as larger agencies, and so would be more likely to add a specific mark-up to costs directly.

Mark up on bought in services



N/A
We never buy in services on behalf of a client.

None
We don't – we charge the client exactly what we are billed.

1-10%
We add a small fee of up to 10% to cover our time and cost.

10-20%
We add between 10 and 20% to cover our time and costs and to acknowledge that we are managing cashflow flow for the client

20-35%
We add between 20 and 35% as a management fee to ensure smooth running of the project even when other services are bought in.

35%+
We add over 35% as a management fee as we feel our expertise ensures the smooth running of the project even when other services are bought in.

Main report

Pay rises

Not dissimilar to the previous year's survey 43%-50% of junior, middleweight and senior staff are set to get a pay rise of between 1-3% when salaries are next reviewed, and around a quarter are set to get rises of 4-6%.

However, equity owners and statutory directors don't fare so well, with 50-60% facing a pay freeze and around a quarter looking forward to rises of between 1-3%.

Pay cuts are not anticipated for operational staff as in previous years, compared to a small percentage of equity owners and of statutory directors.

This being said, at the opposite end of the scale, top-level pay rises of over 11% are on the cards for 5.8% of equity owners compared to 6.2% last year, while around 1.5% of other staff are to expect these top rises, down on last year's 2.5%.

Many agencies who do not feel great about their business health are combatting that with pay freezes or cuts for their equity owners. As explored previously in this report, cumulatively 11.1% of agencies felt business health was concerning or critical. We see here that 54.2% of equity owners are prepared to take a pay freeze or cut to abate this. Overall the pay rises offered to equity owners are more conservative than the sentiments of business health, which is perhaps a precautionary measure in anticipation of the post-Brexit uncertainty.

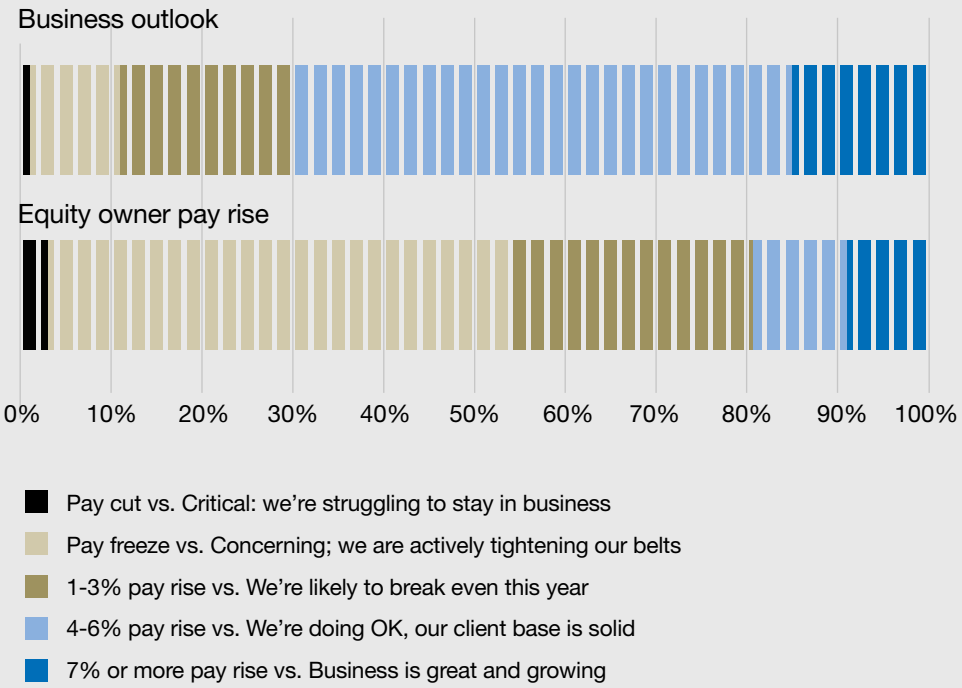
Whilst there is perhaps still an element of supply demand problem with getting the right skilled people in place, agencies must not let salaries get out of control. They generally need to be careful that pay rises stay in line with inflation to ensure that the ratio of fee income consumed by staff costs remains within a reasonable range. We consider that an agency should target to spend no more than 60% of fee income on staff costs including freelancers.

As noted in the comments on pensions, auto-enrolment has now reached all agencies, with a further increase to minimum contributions for 2019, and so the additional costs need to be factored into forecasts for staff costs and are likely to put more pressure on agency margins.

Click here for resources on staff benefits, incentives and management

Pay cut	Pay cut	0%	1-3%	4-6%	7-10%	11%+
Equity owners	3.2%	51.0%	26.5%	10.3%	3.2%	5.8%
Other board directors	2.4%	60.8%	25.6%	7.2%	3.2%	0.8%
Senior staff	0.6%	20.3%	50.0%	20.9%	6.3%	1.9%
Middleweight staff	0.0%	18.8%	46.3%	26.3%	7.5%	1.3%
Junior staff	0.0%	18.8%	43.0%	26.8%	10.1%	1.3%

Business outlook compared to equity owner pay rises



Main report

Staff training

The proportion of respondents that have offered staff training in the year has risen from 2018's 68.5% to 75.4% this year. As in previous years, training is more likely to be offered in larger agencies than small, and there is very little difference between agencies in London and out of it. The majority (78%) of these courses tend to be provided externally, and smaller agencies are slightly more likely than larger ones to send staff externally, likely due to the economies of scale possible for larger agencies. Training and development is something that staff value greatly and can really help with staff retention, and helps develop skills within the business allowing it to grow. It is therefore pleasing that a higher proportion of agencies this year are offering training in one form or another.

Overall, the average budget for staff training per head was £591, a significant decrease from £847 in 2018. Most spending is between £251 and £500.

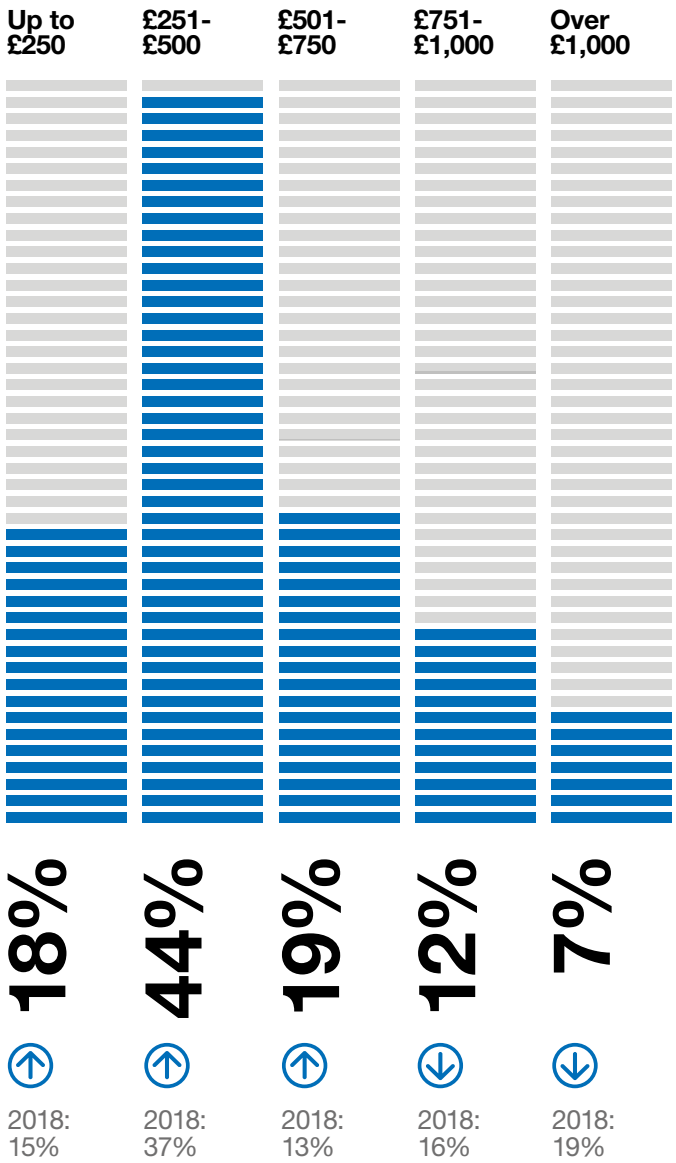
However, as can be seen from the table below, the spend per head varied depending on the size of the agency, with larger agencies tending to spend more, perhaps being more likely to offer structured graduate training programmes.

Regional agencies were generally spending less per head on training, perhaps because the same quality of training costs less outside of London, but they need to remember that they are fishing in a smaller talent pool and thus development of staff is vital. The average length of time an employee stays with a regional agency tends to be longer compared to London agencies and therefore they are more likely to reap the rewards from having invested in their staff.

Click here for more information and resources on training

	National	London	London (up to 20)	London (21+)	Regional	Regional (up to 20)	Regional (21+)
Training budget per head	£591	£615	£578	£652	£590	£570	£624

Training budget per head
Average: £591 (2018: £847)



Main report

Pensions

The new minimum pension contribution rates came into force on 6 April 2019. From this date the minimum contributions have been overall 8% of qualifying earnings, of which at least 3% must be paid by the employer. Of course businesses are always entitled to contribute more than the minimum.

In:

41% 2018: 29%
of cases were at the flat rate of the company,

29% 2018: 35%
were matched contributions, while

29% 2018: 36%
exceeded the employee contribution

Click here for government guidance on pension provision by employers

Employer contribution level

	2019	2018
Employee contributions matched	29.1%	34.6%
Double employee contributions	1.2%	0%
Employee contributions matched +1%	4.1%	16.8%
Employee contributions matched +2%	2.9%	7.5%
Employee contributions matched +3%	12.2%	9.3%
Employee contributions matched +4-7%	7.6%	2.8%
Employee contributions matched +8-10%	1.7%	0%
Flat rate of company	41.3%	29.0%

1.2%
Agencies doubling the employee contributions

1.7%
Agencies putting in 8-10% more than the employee

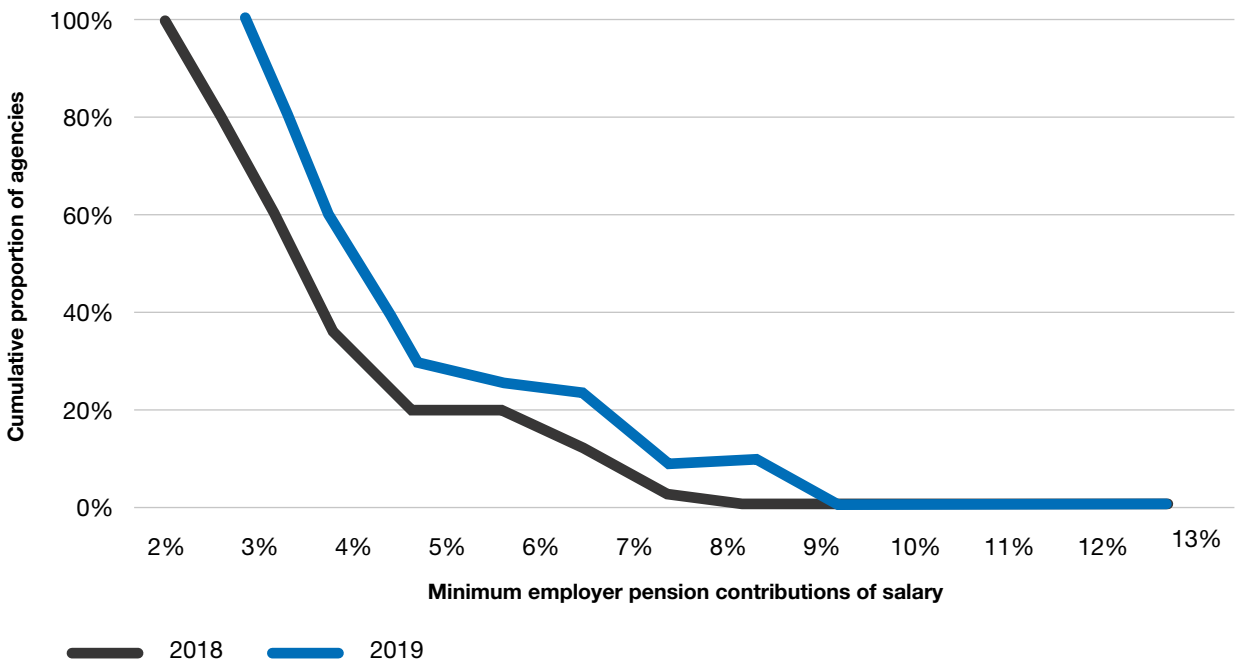
While these all look less generous than last year, we must remember that the statutory minimum contributions for 2018 were 3% employee and 2% employer, therefore overall employers are actually contributing more than in 2018. This year we see some extremely generous contributions – 1.2% are doubling the employee contribution, and a further 1.7% are putting in 8-10% more than the employee. The average agency contribution ranged from 3.7% for junior staff to 5.7% for equity owners. It is encouraging that even for junior staff, some of whom it is expected will have opted out, average contributions are still more than the statutory minimum.

Given the minimum contribution in 2019 applies to the employer portion (3%) and the total (8%) only, the employee contribution can be less than the assumed 5% if the employer puts in the difference. If we assume that at all times the employee to be putting in at least 3%, as was the minimum last year, the assumed employer contributions are as shown in the graph opposite, as compared to last year.

We see that the employer contributions for 2019 work out to be more generous than 2018 in general. However, given the statistics are based on a variable employee contribution, there is scope for the actual contributions to vary from the above.

Main report

Percentage of employers contributing at least 2% of staff salary in pensions



What's new
Changes to auto enrolment

Currently, only workers aged 22 and above are subject to automatic enrolment, provided they are earning over £10,000. Workers under this age are entitled to opt into a pension scheme if they are earning over £6,136, and their employer will also then be obliged to contribute. The Government has announced plans to extend automatic enrolment to 18 year olds by the mid-2020s, in a bid to promote saving earlier in life. Once introduced, the De Minimis limits currently applicable to over-22s will apply to all workers enrolled into the pension scheme.

Main report

Share incentives

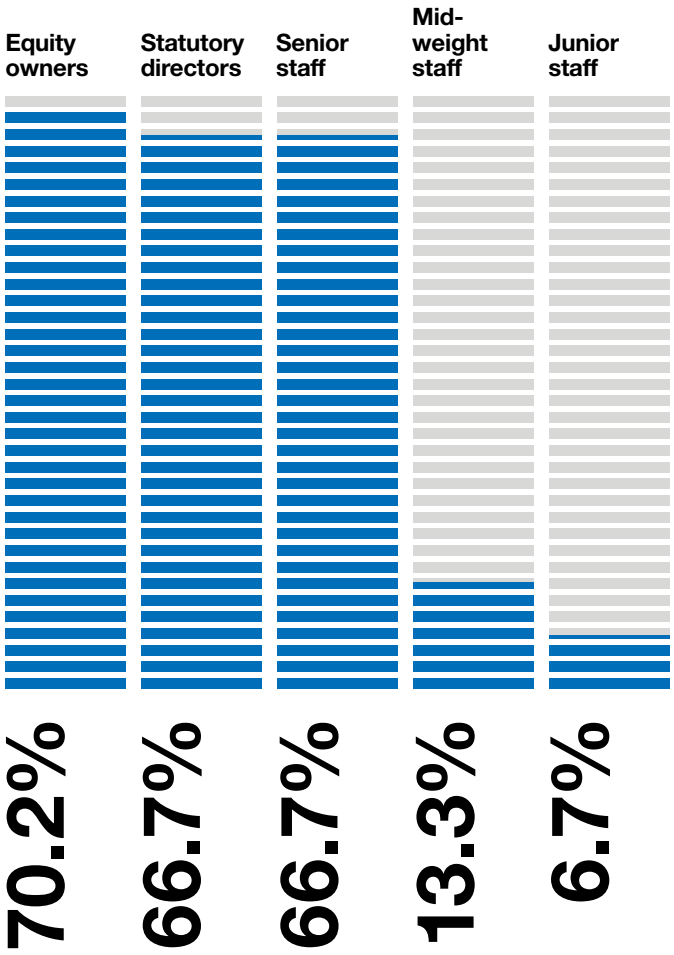
The number of agencies offering share incentives to staff (including existing equity owners) sits at 12.9%, or around 1 in 8. As per last year, incentive schemes were more likely to be found at larger agencies. Regional agencies are more likely to offer share incentives than their London counterparts. As one would expect, equity was much more likely to be made available to senior rather than junior or middleweight staff.

Share incentives, such as granting share options to staff through an Enterprise Management Incentive (EMI) option scheme, are a tax efficient way of allowing individuals to own a small part of the company that they work for. This can be a good motivator to the right staff as they will take a greater interest in the company's results, as increased profits will add to the value of their shareholding and will potentially give them access to dividends or a capital return if the company is sold.

As businesses start to gear up for a sale, one important consideration is how to lock in key staff, and equity is one of the best ways of doing this. It aligns the goals of the management team with the owners i.e. value creation and long term success. By widening equity to the key management, they are incentivised to stay and work hard towards an eventual realisation event and are also incentivised to continue to do so throughout any earn-out period, as they stand to benefit from any additional sales proceeds during this period.

Always ensure you plan ahead of a sale and have equity incentives in place before you go to market. Not only can putting them in at the last minute be a big distraction but also in order to maximise tax benefits for employees, options should be granted at least two years before sale.

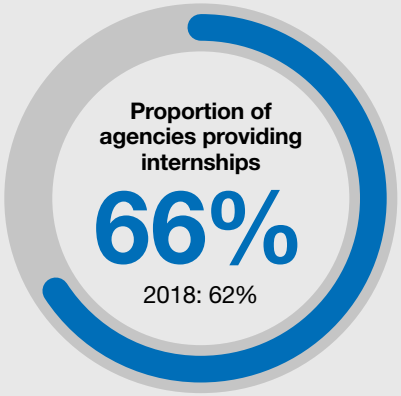
Where share incentives are offered they go to...



Main report

Internships

Some 66% of agencies provide internships (an increase on the 62% in 2018). They are more likely to be offered in larger agencies but the gap is closing between internships offered in London and elsewhere. Though the largest proportion of agencies offering internships are the large agencies located in London (86.1%), large agencies outside London agencies are not far behind at 77.1%. The majority of internships last a maximum of 3 months, with only a very small number lasting a year.



Where offered, 51% of these internships are given to graduates and 49% to students in full-time education. The vast majority of these are short-term, most likely happening over the summer break, however a few are more long-term arrangements, perhaps offered as a work placement integrated into a further education course.

Graduates are paid more than student interns across the board, as would be expected. Overall interns have seen a pay rise of 5.7% in the last year, the largest increase for those interns at small regional agencies of 20%. However, interns at large agencies both in and out of London have seen a pay cut of over 5% in the last year. Comparing to minimum wage statistics, all categories are now achieving averages above minimum wage (a vast improvement on last year's survey findings!) However, still none are paying the Living Wage.

Click here for more information on internships

How much is minimum wage?

Assuming a 7.5 hour day (e.g. 9am – 5:30pm), weekly minimum wage for a graduate (21-24 year old) is £289, for a student of university age (18-20) this is £231 and for a school-age student this is £163. For those employers wishing to pay the Living Wage, this works out at £396 in London and £338 elsewhere.

Duration of internship	Student interns	Graduate interns
Up to 2 weeks	50%	9%
2-4 weeks	17%	25%
1-3 months	17%	44%
4-6 months	5%	15%
7-12 months	11%	9%
Over 1 year	0%	1%

Payment for internship – £ per week	Student interns	Graduate interns
National	£261	£318
London	£276	£335
London – small agencies	£260	£330
London – large agencies	£289	£340
Regional	£236	£298
Regional – small agencies	£236	£293
Regional – large agencies	£236	£305

Agencies should be warned that if an intern is NOT undertaking their internship as part of a Full Time Education or Higher Education course then they are usually legally entitled to the minimum wage. Those agencies just paying travel expenses to interns who have already graduated may be acting illegally.

View from our sponsor

Paprika

Everyone who has contributed to this survey and everyone who reads it is looking for the same thing.

They want to be better.

- Better than their competitors in the industry
- Better than they were last year
- Better at delivering design which informs and inspires
- Better at enjoying what they do

Yet the Survey shows that in monetary terms at least, the design industry is doing worse. Gross income per head has decreased year-on-year by 4% or an average of £3,575 per person. Scaling that across all of the employees of all 216 participating agencies, that is a lot of money. Millions. Scaled across the design industry as a whole it is several hundreds of millions of pounds.

Our desire to be better brings us together as members of an association like the DBA and, at a more fundamental level, we come together in partnerships and businesses that develop synergies and utilise our collective talents to the best effect. We are better together.

As suppliers of software to the design industry our aim has always been to bring people together through the sharing of information. To find out more about being "joined up" please visit **www.paprika-software.com**.

We at Paprika are proud to be sponsors of the 2019 DBA Annual Survey.
We believe together is about so much more than simply being connected.
We live in a connected world but often this does nothing to foster deeper understanding. We believe in helping people to be **Better Together**

dba

Listen to how some DBA members make use of the data in this report
(2 minute video)

Terms of reference

This survey follows similar investigations carried out in previous years to establish current practices and to identify trends. The current survey was undertaken between 1st May and 19th June 2019, with respondents asked to report information as current. In order to aid comparability and enhance the usefulness of this survey, the format used in previous years has broadly been followed. However, some alteration has been made to some of the questions in order to improve the usefulness of the survey going forward.

We have included information regarding the minimum, maximum and average salaries, charge out rates and utilisation rates where relevant. As per last year, we have also included information representing the first and third quartiles.

These figures have been included to let readers know how responses are spread between the minimum and maximum results. As 25% of responses fall between each pair of lines, this suggests that popular responses are found where lines are close together.

As in previous years, information was requested from members to assess issues such as:-

- Business performance and the impact of Brexit
- Remuneration across the industry
- Charge out rates
- Gross income per head
- Mark up on third party bought in services
- Gender balance within job roles
- Freelancer usage
- Training programmes
- Pension schemes and share initiatives
- Use of interns

Results were analysed between:

- Companies based in and outside London
- Companies with more than 20 employees and those with less than or equal to 20 employees
- Companies offering different principal design services

The location of a company is taken to be in each region in which they have an office, e.g. if a company has an office in London and Yorkshire, they would fall into both London and Yorkshire for the location analysis.

The principal activities of a company have been taken to be those services ranked by respondents as representing at least 25% of their gross income. All replies were treated anonymously.

Job positions and locations failing to collect a sufficient amount of sample data have been removed from the appropriate graphs.

Response rate and coverage 2019
Our survey was compiled from the responses given by 216 DBA member businesses from across the UK, working within the key design disciplines.

The businesses varied in size from one person entities to consultancies with over 100 full-time staff. The breakdown of respondents was as shown below.

The make-up of the larger agencies column was broadly similar to last year. However, there were substantially more small respondents than last year both in and out of London.

	Up to 20	More than 20	Total
London	64	23	**87**
Regional	87	25	**112**
Both	5	12	**17**
Total	156	60	**216**

This report has been compiled with support from the following:

Data collection and analysis
Roger Ingham, Data Alive

Analysis and report writing
Esther Carder, Partner, Moore Kingston Smith

Design
Spire Studio

Paper supplied by Denmaur

Printed by Park Lane Press on FSC® certified paper, using fully sustainable, vegetable oil-based inks, power from 100% renewable resources and waterless printing technology. Print production systems registered to ISO 14001, ISO 9001 and over 97% of waste is recycled.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C013343

Design Business Association
35–39 Old Street London EC1V 9HX

Tel: +44 (0)20 7251 9229
enquiries@dba.org.uk

www.dba.org.uk

dba