

Contractor Doctor: Can my client replace me with cheap labour from outside the EU?

Dear Contractor Doctor,

Along with other contractors, I have been working on a long-term contract based in Denmark, for a UK client and via a UK agency.

Well before the end of the contract, the UK client told me that I, and two other contractors, were due to be replaced by labour from outside the EU -- Mumbai, India, in fact. We were told this was because the replacement workers are far cheaper. We left our jobs and the labour from outside the EU took our place.

Is the UK client within their rights to replace UK/EU contractors with workers from outside the EU just because they are cheaper? Also, can a British contractor working on a contract with a UK client be told he has to leave to be replaced by a worker from outside the EU?

Thanks

Mark

Contractor Doctor says:

The short answer is yes and yes – the client is fully within their rights to use whatever service providers they choose to work on their project.

The whole essence of contracting in situations like this is that, as a contractor, you are essentially a company providing a service, under contract, and not an employee. This keeps many contractors outside [IR35](#) and allows them to earn considerably more than they would by being employed. Which is great.

However, the benefits of being in business in your own right can come at a price, and this is one example where, because you are not an employee of the client, you have [no employment rights](#) and are just another supplier.

Business to business

Contractors working through their own [limited companies](#), or via an [umbrella company](#), are providing their mainly knowledge-based services to end-user clients on a business-to-business basis.

This effectively means contractors are just like any other business supplier used by the client – just like the company that provides office furniture or the accountancy firm providing audit services. The contractor is in no way an employee and is not due any employment rights in that respect. But, just like any other business-to-business contract, both the client and contractor must stick to the terms of their contract.

Should the client wish to change supplier, they can terminate the existing supplier within the terms of the contract, and search for a new one on the open market. If the replacement supplier is outside the EU, the client is largely free to choose who they like, irrespective of who is delivering the service and where.

Free market dynamics

It is also important for contractors in business in their own right to understand that they inhabit a fiercely competitive space – that of providing knowledge services to clients in a global market place. So price, as well as quality, experience, reliability, etc will be factors influencing the client when choosing a supplier.

The client is free to choose service providers that offer the service they need at the right price. Just like when a contractor is looking for someone to paint their house. They will look at difference options and choose the right combination of cost and service levels.

Where contractors do have an advantage is in the level of service they can provide. A significant amount of knowledge-based services previously 'off-shored' to low cost countries in Asia and elsewhere have been returning to the UK and Europe because the service levels and quality have fallen far short of expectations, and what is needed.

In fact, many off-shored projects have ended up costing much more than if they had remained in the UK in the first place, because

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projects have not been completed according to spec', and have had to be re-done or 'fixed' by UK suppliers.

Therefore, because it is very possible the client will come back in six months time looking for the original team, it is important that contractors leave amicably in such circumstances and don't burn any bridges.

Contractual obligations

Although a contractor has no employment rights, because they are a business supplying a service, they do have some legal rights according to the original contract between their contracting limited company and the client, or agency.

In particular, nearly all contractor contracts will have a termination clause requiring each party to give a certain amount of notice before ending the contract. If a client, or the agency, fails to adhere to the termination clause then they will be in [breach of contract](#) and legal action could be taken by the contractor to recover any losses.

There are many examples of clients using cheap labour from different parts of the globe to fulfil project needs, but in many cases the last laugh has been with contractors, who have been recruited to come in, clean up the mess and save the day.

Good luck with your contracting!

Contractor Doctor

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