

Contractors see labour government as a major threat to their livelihoods

The Labour Government has been taking a hammering in the polls, and our latest survey highlights just how hostile contractors have become to Labour's approach:

- o 88% of contractors are dissatisfied with how Labour supports their contribution to the UK economy
- o 93% of those surveyed actually feel their livelihoods are threatened by Labour's actions
- o Only 7% would vote for a Labour Government at the next election.

These results come hot on the heels of our Agency Workers' Bill survey in April, in which contractors were near unanimous in their rejection of further regulation of the sector.

Labour's "total lack of understanding"

Respondents to our latest poll repeatedly stated that Labour fails to appreciate the importance of a vibrant contracting sector to the wider economy, particularly in attracting overseas business to locate in the UK; ready access to a flexible and highly skilled workforce is a key reason many companies come to the UK.

As one contractor put it: "The Labour Government has an appalling understanding of the contractor and micro-enterprise." And, given the recent spate of largely rejected enquiries into MPs' business and financial affairs, sentiment is strong that 'there is one rule for them and one rule for us'.

What needs to be done?

Contractors want the Labour Government to:

- o Accept that freelance contracting is a valid 'third way' of working, and not try and pigeon-hole everyone as either an employer or employee
- o Reduce the red-tape and bureaucratic burden imposed on small businesses
- o Thoroughly assess the impact of new small business tax legislation on all types of small business before its implementation
- o Open-up more public sector contracts to small businesses; recent initiatives still place a disproportionate burden of paperwork for tenders
- o Stop HMRC treating small businesses and contractors as 'soft targets', less able than large companies to defend themselves with expensive legal support.

Overall, as one survey respondent commented: "Contractors want Labour to recognise that contractors are freelance professionals who trade their skills in the open market and accept the risks in exchange for relative freedom."

“ There's always one alternative, sign-on, buy '101 ways to claim benefits in the UK' and simply consume ”

Michael, Contractor, London

Tax and IR35

When asked how the Labour Government could support them, contractors overwhelmingly asked for the removal or clarification of [IR35](#) specifically, and, more generally, for a simplification of the tax rules.

Many claimed they had no problem with paying a fair rate of tax on their earnings, but objected to being almost criminalised by HMRC as tax evaders as a result of tax rules that are both badly thought-out and inappropriately applied.

According to contractors, the Labour Government has the opportunity to reduce the damaging effects of its tax regime on the UK's highly skilled, flexible contractor workforce by:

- o Abolishing IR35 and cancelling the introduction of proposed [income shifting](#) tax legislation
- o Providing clear definitions of 'an employee' and 'a service company' to remove uncertainty
- o Not treating contractors like tax evaders, and recognising the risk and sacrifices taken by contractors to provide the economy with such a highly skilled and flexible labour market
- o Treat businesses of all sizes fairly, making reasonable allowances for specific company issues, but not providing exceptions for major corporates
- o Create a stable tax environment where tax decisions are clear and unambiguous

- o Allow contractors and small businesses to reinvest in their own 'knowledge capital', like training, without limit.

With 60% of the respondents having been contractors for five years or fewer, they have spent their entire contracting careers under the shadow of IR35. It is telling that, knowing no different, so many of these newer contractors still feel the way the Labour Government and HMRC treat them is grossly unfair.

It is also a frightening thought that, as many responses to our survey suggest, UK PLC's knowledge leaders of the future are seriously considering leaving the country to work where their skills and approach to working are rewarded and not punished.

Considering a major platform of the Labour Government is the [development of a knowledge economy](#) by investing in training and skills, our survey shows that contractors are feeling badly let down.

Much of what our survey highlights would appear to be obvious, but being overlooked by the Labour Government. For example, that the clear result of placing undue restrictions on business enterprise will cause it to go elsewhere. This is as valid for major overseas corporations seeking a flexible and highly skilled labour market as for individual contractors and entrepreneurs. And the loss means reduced economic output, creativity and dynamism – features UK PLC needs desperately to survive in a global economy.

As our survey highlights, contractors are not just showing Labour warning signals, but also giving clear guidance on what needs to be done both to win back their trust and support the UK's economy.

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