

Contractor doctor: how can I renegotiate a smaller agency margin?

Dear Doctor,

I am currently on a low rate compared to the market and have discovered from the client that the agency mark up is high at 28% - bad news!

Firstly, are there any legal implications if they find out that I know what margin they are charging?

Also, could I perhaps switch agencies to get a better rate, and would this be legal?

I'm nearing the end of a 6 month contract which the client wants to renew. Relations with the client are very positive and they are encouraging me to get a better deal.

Should I wait till the end of my contract before negotiating or changing agency?

Any advice would be great

kind regards

[Name supplied]

Contractor Doctor says:

Thanks for your question.

The agency margin of 28% is certainly high. [Agency margins](#) range from 10% to 40%, with 15% being most common.

From a legal standpoint there are no implications due to you finding out this information. The agent will be disappointed with their client, but will do nothing about it since they want to keep good relations with the people who pay them.

The agent is the only party in the transaction who is interested in a high margin. Contractors certainly don't want it, and clients want their contractors to be happy and not leave due to an over zealous agent. Large companies often have fixed margins they agree with agencies to avoid this situation.

Many first time contractors unfortunately suffer from a lack of sales experience, and sell their product (i.e. themselves) for less than it is worth. If, after [negotiating an initial rate](#) you find yourself in this position, you only have yourself to blame. The agent will be rubbing their hands with glee. There is certainly nothing legal you can do about coming out less favourably in a commercial business transaction.

If your existing agency won't play ball on the rate, which is unlikely, then you could consider switching agencies, but this will be difficult and you will need to take legal advice. There will probably be a clause in your contract that states that you can't work for the same client for a minimum period after leaving them. This clause isn't enforceable of course if you opted out when you signed the first contract. If you haven't opted out then you could still legally make the switch happen, since the clause might not be enforceable by law - they aren't allowed to stop you from working. Again though, this will be messy and you should take legal advice.

To stress again though, your agent is not at fault here. Your initial negotiation could have been much better. Switching agencies is not a renegotiation tactic that any contractors generally use.

In this case your best bet would be to enhance your sales and negotiation skills, then [prepare and negotiate a good contract renewal](#).

Good luck.

Contractor Doctor

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