

When an agent can be a contractor's guardian angel

The contracting sector is sharing the pain being suffered by the UK economy, and recruitment agencies are being hit hard by clients taking longer to pay. Yet contractors, quite rightly, expect their pay to hit their bank accounts on time, without fail.

But in these tough times, unusual alliances have sprung up that clearly demonstrate recruitment agents and employment businesses really do value their contractors and treat them as the long term, business partners they are.

Veteran recruitment consultant Ashley Cooper, of contractor and permanent IT agency [Parc Ellis](#), tells ContractorCalculator how they've played guardian angel to one contractor this year, insulating the contractor from all the action behind the scenes.

Easing contractor cash flow

"We've had a contract running with a client since the new year, and payment has been erratic, to say the least – at one point we were owed £45,000," says Cooper. "We took a view that we would continue to pay the contractor every month, even though the client's cash flow issues meant we did not get paid, and we were only on a relatively low margin."

According to Cooper, who did his time with some of the larger agencies, some of the bigger players would have dumped the client and the contractor right in it. "We held our nerve," he says, "shielded the contractor, who remains blissfully unaware of any of these issues, and will have a strategic long term client."

And why did Cooper and his colleagues take this view? "You can't afford to treat contractors badly in a recession or at any other time," continues Cooper, "because they are an agency's lifeline; without each other we don't have a business and they don't have a cost-effective route to market."

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Ashley Cooper, Parc Ellis

Each has a place in the supply chain

The economic downturn has, without doubt, impacted heavily on the contracting sector, and, as Cooper observes, you only have to look at rates and margins to appreciate that: "An ideal margin for an agency is 15-18%, but many are working on single figures and I've even heard of one dropping to 4%.

"Contractors who were earning £550 per day are now on £350 per day, and glad to have the work, because even the prudent ones who have been saving through the good times can only exist for three or four months without it."

But Cooper is upbeat about future prospects and confident that changes in regulations imminent in the financial services sector, together with new developments in technology, will result in a buoyant IT contracting sector in two to three years.

"We've seen plenty of boom and bust in IT contracting in only the last decade," says Cooper. "Yes, this one has been tough, but without a doubt the market will bounce back. It's just a question of when. And we need to ensure there is a pool of good contractors ready to take up all the new contracts."

Playing the long game

"Most contracts we are working on this year have been generated through our own activities," explains Cooper. "Because we are not a primary supplier to one of the big clients, we don't receive ongoing opportunities every day."

A measure of how much Cooper and his colleagues are prepared to invest over the long term is reflected in a new public sector market opportunity they have been developing, working alongside a client company that will ultimately hire contractors from Parc Ellis to deliver their cost-saving solution.

"The public sector is still a buoyant market for contractors," continues Cooper, "and we have developed a strategic partnership to supply IT contractors for our client, who is launching an IT solution that has the potential to save public sector healthcare millions."

However, it is unlikely that the agency will see any revenues from the project until the end of the year, but long lead times and investment in creating opportunities are what's required to stay ahead.

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