

Contractor doctor: is it possible to negotiate a rise when there are 'no rises'?

Dear Contractor Doctor,

I'm currently in my first contract which expires in 6 weeks time. It is caught by IR35.

We are in the middle of a project and the client wants me to stay. The agent contacted me recently to renew early but told me there will be no rate increases and they cannot make the contract IR35 compliant.

I know I could get much more in the market since demand has increased since I went contracting, but would prefer to stay where I am.

Do you think I could negotiate a higher rate?

Any advice would be appreciated.

[Name supplied]

Dear Contractor,

Firstly, well done for making the leap into contracting.

With the market getting better you are in an excellent position to negotiate a higher rate or more favourable contract terms.

Our article [Preparing and Negotiating a Contract Renewal](#) covers this process in depth.

Here are a few things for you to consider:

No rises?: Every contract position is negotiable. Sellers set the prices, not the buyers. 'No rises' is the first statement in negotiation.

Renewal: It's your first contract, and getting a renewal is important for your contracting career. It shows sticking power. If you decide to jump ship then make sure you get a renewal on your next contract. It is only worth jumping ship if you can get significantly more money - i.e. outside IR35 and a higher rate would be the optimum.

Timing: Your bargaining power is stronger the closer it comes to your renewal date (because you might leave). Negotiating 6 weeks in advance doesn't give you the chance to line up something better to increase the strength of your bargaining position (i.e. pay me or I'll go).

IR35: Since you fail IR35 (ouch) it might be better to focus on getting yourself compliant rather than chasing a rate increase. Bear in mind that if you are on £40 per hour then getting yourself outside is an effective £14 per hour increase.

Pitching: Always pitch to the client as opposed to the agent. Remember that the agent wants minimum hassle and for you to renew. This gives them more time to focus on other opportunities. Don't use the agent as a messenger for your sales pitch.

Happiness: Keep your client happy. Leave on good terms. This might mean you agree to a small extension whilst you handover to someone else. You could even offer a week for free if in the long run it makes financial sense. A small extension is also a renewal as far as your CV is concerned.

Agent: Not all agents are 100% genuine and will tell you whatever you want to hear. If you suspect foul play then simply confirm all facts with your client. As a general rule it is better to remove the agent from all renewal negotiations and just use them for getting initial contracts.

Bargaining position: If you give the client/agent the impression that you want to stay and will probably do so with no rise then you're unlikely to get it. Begging bowls never work in business negotiations. Your client needs to get the impression that they have a 'buy now' option and that if they don't take it, or offer something close, then they risk losing you. Your strongest position is 'Pay me or I leave'.

Overall I suggest you hold out for a few weeks whilst you try and get a favourable IR35 position. You can tell the client that you are tempted with other offers and they will understand and perhaps try and do something about it. If this doesn't work and you are 100% sure you can get a better contract elsewhere then the small extension tactic will be the next best option.

Agents and clients alike need to realise that we are coming out of a slump and it is no longer a buyers market. The happy days are coming back!

Kind regards

Contractor Doctor

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