

Contractor doctor: what is an acceptable agency margin?

Dear Contractor Doctor,

I'm a first time contractor and am about to have my first interview.

What is an agency's usual percentage of the daily rate? Are we talking 10% or more like 30%?

Thanks

[Name supplied]

Contractor Doctor says:

Firstly, let me warn you not to tell any other agents you have an interview lined up, particularly where it is. If another agent knows you have another interview this weakens your chances with them. They might not want to risk one of their valuable interview spots by putting you forward.

If you tell them where it is you can bet your life they will phone the place and try and get a candidate in there, possibly ruining your chances. The more scrupulous ones could even sour your reputation to enhance their chances.

Spilling the beans to another agent about where you are being interviewed will risk your chances of securing the contract. Don't do it.

I recommend reading the article [Negotiating Rates and Building Agency Relationships](#) for further information.

Now, let me address the rate issue by asking you a question:

Q) When you go to the shops, say somewhere like Tottenham Court Road where you can bargain, do you ask the salesman what percentage mark up they put on their goods?

The answer to this is obviously 'No'. It is up to you to do your research and know what things cost to avoid getting yourself stitched up.

The same concept applies to contracting. You are a product bought by the agency and sold on at a margin and need to know your market worth.

In your question you stated 'what's an agency's usual percentage of the daily rate?'. This implies that the agent might have told you that they take a cut of the rate charged to you. This is not how it is done, and might be a case of the agent capitalising on your inexperience in the market.

Agents take a percentage of the gross amount charged to the client. You then get the rest. If the agent is telling you they take a percentage of the rate charged to you then perhaps they are trying to grab more margin. This is a fairly old trick and uncommon these days but one you should be aware of.

As with bargaining for videos etc, there is no reason to mention the salespersons margin. You should simply tell them what rate you charge. Discussing the topic makes you look amateur.

However, for reference most agents charge around 15 percent although it can range from 10 to 40 percent.

If you are a first time contractor and have not prepared then you could get taken for up to 40%. Well done to the agent and tough luck and lesson learnt to the contractor!

Knowing your market can be a catch 22 for a first time contractor, since it takes the first contract to get real knowledge of the market. Speaking to other contractors gives you a good feel.

Some advice for first time contractors would be to research as much as you can, and only sign up for 6 months to start with. This gives you the opportunity to renegotiate.

Good luck with the interview. You might find our article [The Killer Interview Technique for Contractors](#) useful.

Contractor Doctor

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