Contractors should be wary of accepting lower rates with promises of higher to come

Contractors should be wary of accepting an initial offer of a low rate on the promise of the rate increasing after a period of time. Such offers by agents or clients should always be written into the contract, because they seldom materialise.

An initial lower rate deal is typically presented by a recruiter as a client's requirement to test whether the contractor is really worth the full rate. Contractors are under no obligation to accept such deals, but if they do they should always ensure that there is a time limit and **termination clause** in the contract.

Sometimes it takes a frank conversation with the client to get to the truth behind the offer, because the deal could be a thinly veiled attempt by the agency to secure a higher **margin**.

Promising future rate rises is a common rate reduction ploy

Experienced contractors will be familiar with this ploy: An agent calls with a hot contract, but apparently the client has decided that it wants to "try the contractor at 75% of the going rate until they are satisfied that the contractor has proved their value".

This should set alarm bells ringing from the outset. Only if the market is very poor with few other options, or there is some other aspect of the project that makes it attractive, such as the opportunity to work on a new technology, should this sort of offer be given serious consideration.

Contractors are business-to-business suppliers who are at liberty to do deals and **negotiate an initial rate** that meets their financial target before **accepting and signing a contract offer**. They don't need to roll over when the first offer is made, and they can always walk away if they're unhappy with what's on the table.

Ensure future rate rises are included in the contract

If a contractor decides to proceed on the basis that they will be paid a discounted rate for an initial trial period, which will then be increased to the 'full' rate once the period is complete, they must ensure the deal is very explicitly written into the contract.

There should be no room for doubt. The contract should include a clause to the effect that the contractor has agreed to the discounted rate of X% for Y months on the understanding that they would get 100% after Z months, if the client wishes to continue with them. If the rate isn't going to go up, the contractor should be at liberty to leave.

For example, this might be £750 per day for three months, followed by £1000 per day for nine months thereafter, with an immediate break clause after the first three months for both parties. Seeking professional legal assistance at this point would ensure the clause is watertight, and the agency can't wriggle out of paying the full rate after the trial period.

What contractors can do if the promised rate rise never materialises

The action a contractor can take very much depends on what is in the contract, and whether the trial period and increased rate were clearly written in from the outset.

If there is a clause confirming that the contractor should be paid the full amount after the trial period expires, and the agency fails to pay that rate, then the contractor may, depending on the wording, be able to **terminate the agreement** and/or claim damages.

If there is no trial period at a discounted rate in the contract and the agent reneges on the original **verbal deal**, then the contractor has the choice of putting up with the discounted rate, or simply terminating the agreement if the agency fails to pay and if there is a termination clause.

Threatening termination may be a good tactic, as it could potentially leave the agency exposed if its contract with the client specifies that it will provide the contractor's services for longer than the trial period.

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Talk to the client and obtain the facts

At this point a candid discussion with the client may also be appropriate, because it is possible that the entire scenario is a fabrication by the agent designed to secure an additional margin at the contractor's expense.

If the agent has been duplicitous with the contractor and the client, by talking to the client the contractor can find out what's really going on. Then both the contractor and client will have stronger hands when talking to the agency about what needs to happen.

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