

Renewing a contractors contract

Contractors are under no legal obligation to accept a renewal or extension of a contract. Equally, clients do not have to offer the contractor an extension or renewal. But after the initial term of three, six or twelve months, the client will know who they want to keep.

Chances are that good contractors will already have been looking at other options if the end of their contract is approaching. They will start calling agencies and other client contacts at least a month before the end of their current contract, so if the client needs or wants that contractor to stay, they should start negotiations early.

Alternatively, if the project is coming to a natural end, or the client has been unhappy with a contractor's performance, then it is perfectly acceptable to expect the contractor to walk away once the contract end date arrives. After all, they are not being made redundant or being fired – they are a contractor whose contract has ended.

Contract renewals – client preparation

Before starting the renewal process, a client project manager should ensure that they will continue to receive funding for the project. If senior management consider the project complete at the end of the current cycle, then there is no point the client wasting time and raising hopes by even starting a conversation with the contractor about renewals.

It is also important for the client project manager to check there are no rules within their organisation that might prevent the renewal. Some organisations have blanket policies that prevent contractors from spending more than a certain period of time contracting for that client, or from having more than a certain number of renewals. This could be important if the contractor has worked elsewhere within the client's organisation before their current contract.

The contractor and client will need to agree and sign a new contract. Starting the process early will ensure the paperwork is completed as soon as possible, and make sure the contractor is not tempted to go elsewhere because of delays.

And if the market has moved since the contractor started, the client project manager might need to prepare themselves for a request for a rate rise from the contractor and see whether they have the budget to sustain this.

If the client [hired the contractor via an agency](#), then it will be the agent's responsibility to manage the renewal process with the contractor. But the agent will look to the client project manager for a briefing, and the contractor will try to influence the client, who is the ultimate decision maker.

Negotiating renewals with contractors

Clients who want to keep their contractors should start the process early, possibly in advance of the usual four-weeks-before-contract-end cycle that most contractors will be working to.

Remember, the contractor does not have to accept a renewal and their willingness to renew early without exploring other options largely depends on the market conditions. If the market is buoyant with high demand, it will be harder to keep them and may require a rate rise.

If the market conditions are poor and demand for the contractor's skill set is low, then the contractor will almost certainly accept an early invitation to renew, and possibly for a longer contract period. There might even be an opportunity for the client to negotiate a rate reduction with the contractor.

But asking contractors to take rate cuts should be done with extreme caution, as it is likely to backfire. Most contractors would choose to move on, rather than accept a rate cut – they might prefer to work on something different, or somewhere different, or their professional pride might simply force them to look elsewhere. And even if they stay, human nature is such that the contractors' productivity might match their new rate. So it is generally best practice never to expect a contractor to take a rate cut.

Ideally, contractors should not be left working without paperwork when their contract ends. If they continue working and no new contract has been negotiated and sent, then the terms of their previous contract will apply.

If the client has sent the new contract to the contractor, but they have not gotten around to signing it before the contract end date and continue working, then the fact that they have kept working is considered to be acceptance of the new contract's provisions.

Contract renewal 'ransom'

Clients need to avoid getting themselves caught in a situation where they might feel they are being held to ransom by the contractor. A contract renewal might be approaching, and if market demands are high and the contractor has highly sought after skills they will certainly be looking at other opportunities. If

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contractors are not renewed early clients could find themselves being asked to pay more, with no room for negotiation. Whilst this may seem a bit like 'pay us more or we'll leave and the project gets it!' it's purely a matter of business.

This is a judgement call for the client – if the project is at a crucial stage of development the contractors might have to be kept on at a higher rate. It might also be that the contractors are legitimately asking for rates they could comfortably achieve with a new client and are simply reacting to market forces.

Should the client bite the bullet and pay the higher rates, this could be on the understanding that the contractors are on a short-term contract and leave when the project is completed.

As with all contract negotiations, if all sides are 'firm but fair' during the renewal negotiations, and compromise where they can, it should always be possible to find a solution that works to the advantage of all parties – contractors, agencies and clients.

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