

Negotiation for contractors

Introduction

This article is part of our [sales guide for contractors](#). In this article we describe the negotiation process.

Whether you know it or not, you will already have some negotiation skills and you will have used them all of your life. Children negotiate when trying to get out of chores or go to bed a little later. It is very much a part of language and human life. However, to negotiate well, we need to look more closely at the subject area.

For contractors, a typical area that requires some negotiation is when rates of pay are determined. You will need to use these skills when [negotiating your initial rate](#) and again when you need to [prepare and negotiate a contract renewal](#).

So what is negotiating?

What is Negotiating

To negotiate is to engage someone in a discussion and for you to agree to terms that suit you and whoever you are negotiating with, achieving the best possible outcome for you. In the case of negotiating a daily rate – how do you know how hard to push or when to stop and agree to a rate?

There is 'no magic formula' for negotiating. Actually, it is very logical and based upon detail and hard facts. Let's assume as a contractor you want to negotiate your rate with a recruitment consultant. You need to:

Determine the market rate for your skills, experience and position applied for

Know the target – the recruitment consultant

Understand the strength of your bargaining position

Know the lowest rate you are prepared to accept

The points above may seem quite straight forward, but they are often overlooked. Let's look at them one by one.

Determine the market rate

If you are not aware of approximately what rate the position you are applying for attracts, you are quite unable to negotiate effectively. You will be at the mercy of your recruitment consultant to 'advise' you as to how much you can earn.

From a sales perspective, there are good [reasons for agents not wanting to pay market rate](#). since it can increase their margin, and also make you appear as a bargain to their client.

Therefore it is very important to [determine your rate before entering the market](#). Ask fellow contractors about their rates of pay, look at job sites to see how much similar positions are being advertised for and make a note of the approximate rate you are expecting.

Know your target

Be aware that your recruitment consultant is not employed to better your career and earn you as much money as possible. A recruitment consultant is employed to 'make money/ a profit'. This is not the same thing. However, it is important to note that the recruitment consultant is not your enemy either and is providing you with a service that you need. Treat what your recruitment agent says with respect, but do not believe everything you hear until you have verified the information.

Understand the strength of your bargaining position

The strength of your bargaining position will determine how hard you can push the agent into paying a higher rate. Some aspects to consider:

Demand for your skills. Are you the only person in the world with them, or are they common?

Have you had an interview yet, and if so, did it produce a positive outcome?

Are you offering any unique skills to the client that perhaps the other candidates aren't?

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How desperate is the client for someone to start?

Do you know what they are paying other contractors at the client site?

How desperate is the agent to place you?

On the other hand, the agent will be trying to discover these things from you:

What is the lowest rate you will accept?

Do you have any other offers or interviews?

How keen are you to sign a contract soon?

Have you been out of contract for very long?

The agent will attempt to weaken the strength of your position by implying they have other candidates for the roles, who have better skills, and are asking for less money. It might not be wise to believe everything you are told!

A good contractor will attempt to strengthen their position by telling the agent about the many roles they are soon to be interviewed for and at much higher rates. Likewise, the agent might not believe everything a contractor tells them!

Know the lowest rate you are prepared to accept

This may seem obvious, but make sure you know this before you begin any negotiation. Do not mention this to your recruitment consultant however – this is what they are trying to find out!!!

Some agents will even ask you directly "**What is the lowest rate you would be willing to accept?**". Unfortunately, some first time contractors think agents are solely acting on their behalf and will tell them the answer, only to soon discover that the role can only pay an amount just under that lowest rate - surprise, surprise!

If your recruitment consultant asks you the lowest rate you are prepared to accept, you should either: not answer the question and ask what is the highest rate they can offer you OR you can mention a rate higher than your actual lowest rate. Do be careful not to negotiate yourself out of a deal by going in too high.

Some Negotiation Rules

When negotiating, there is a rule that when you get to the critical part of the conversation of agreeing or disagreeing to a rate – 'he who speaks first loses'! This may seem a little gimmicky, but it often holds true. Look your target in the eye and don't be too quick to say anything when a rate is proposed. Often in an uncomfortable silence, either party will crumble and offer a better deal – don't let that person be you! This is called the **silent close** which is discussed more in the article on [sales closing](#).

Don't be afraid to ask for more money. Your recruitment consultant is applying a margin on top of your rate. Of course the **agency is not legally bound to reveal their margin**. And whilst there are **acceptable agency margins** there is always room for movement. You must also be reasonable, if you ask for a rate that is far higher than your worth, you will negotiate yourself out of a deal. If you are offered a contract renewal you will be in a much stronger position to **renegotiate a smaller agency margin** than an initial contract.

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Try and enjoy the negotiation that you become involved in. Do not appear to be aggressive and do not come across as too nice either. You need to project the image of the professional that you are and appear comfortable with the dialogue you are in. Look your target in the eye, don't give too much away as to what you are prepared to accept and secure yourself a good rate. A slight increase on the rate you are agreeing to can make a big difference over time!

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