

inni Accounts

The State of the Nation 2019

Looking ahead for independent contractors



2019 is set to be another year of monumental change and uncertainty. Politics, the economy, society and technology are all continuing to change at lightning speed.

That's why, in January, we conducted a survey to find out how contractors are preparing for the future. Its aim was to gather a sense of how change is affecting the perception of contracting.

As such, this report will cover three main topics – the value of contracting to individuals, the future outlook related to Brexit and how contractors are managing the risks associated with IR35. We bring together our thoughts on the current mood of contractors across the nation, leveraging data from our expert clients and comment from our in-house specialists, to provide a close-up look at what contractors are talking and worry about for the coming year.

To highlight a couple of key findings, most contractors view contracting as a way to gain a better work/life balance, higher rates and freedom from office drama.

At inniAccounts we've always believed that contracting is as much about lifestyle changes as it is any financial benefits and our research confirms this is still the case. Contractors enjoy the flexibility that their way of working provides; allowing them to support the people in their lives and free up time and availability to focus on the things that are most important to them.

Many of our surveyed contractors expect to see their income increase over the next two years and have firm plans involving their future training and career path.

But IR35 and Brexit are prevailing worries. With the current political climate, some contractors are more reticent about recommending contracting to permanently employed friends and colleagues. Despite these concerns, the vast majority of our

participants have clear aims to continue contracting long into the future, demonstrating the longevity of the contracting lifestyle.

We hope you find this report useful. If you'd like to know more about the survey, the services we offer or contracting in general, have a chat with our client services team on **0800 033 7827**, drop us an email at marketing@inniaccounts.co.uk or take a look at our [website](#).



**Why do people choose
to become contractors?**

Our research showed that the most valued benefit of being a contractor was the higher rate of pay, alongside being able to avoid office politics and work more flexible hours, with the aim of achieving a better work/life balance.

With contractor roles typically offering 50-150% more in terms of equivalent base salary, contracting can be very lucrative. While you then need to provision for downtime, holidays, sickness, insurance etc. the greater financial freedom contracting offers seems to allow our clients to determine what's important to them.

It's a common theme we hear over and over again from new contractors; the need for flexibility and the desire to be away from that 9-5 desk; escaping office bureaucracy and team building exercises. It's rarely just about the cold hard cash – it's about funding the freedom to achieve a new lifestyle and future ambitions. The freedom to be able to work to suit your lifestyle is a powerful motivator for most contractors.

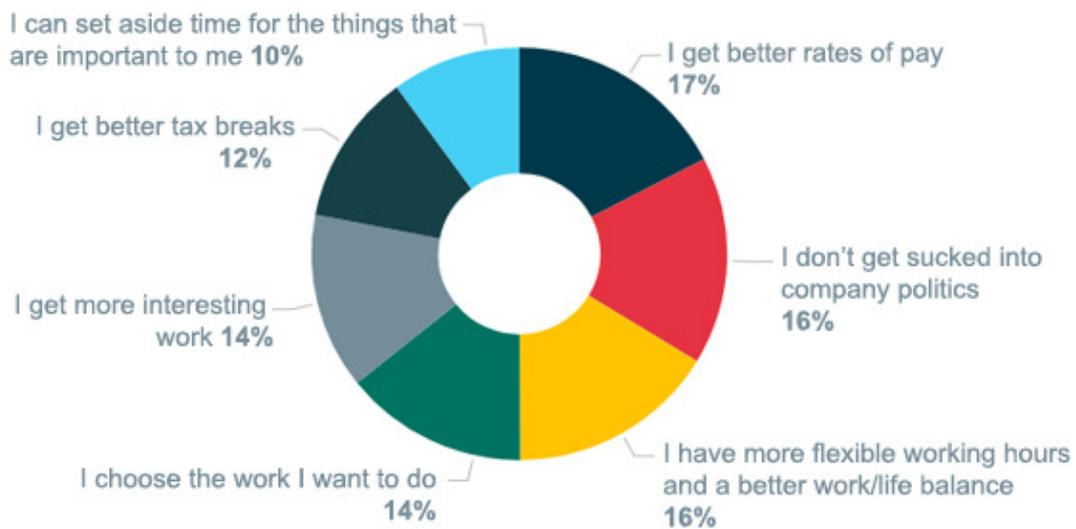
“I didn't want to go back to a full or part-time job after my children were born; the thought of rigid workdays filled me with dread. I wanted to be able to work when I wanted, so now it's mornings, late evenings and nights. I get to spend lots of time with my family, and have ultimate flexibility with my hours. If the kids are off school I just take on less projects! It's hard work and takes quite a bit of juggling but I feel lucky to have so much flexibility.” - Julia, IT contractor

After these benefits, more interesting work and having the freedom to choose what work to undertake ranked highly. Life as a contractor offers one massive advantage over a permanent role – variety. Our

clients are actively choosing their contracts and taking on the work they find most exciting - balancing their lifestyle with fulfilling work.

Take a look at how our clients are using their contracting careers to achieve their life ambitions.

What is most important to you when it comes to contracting



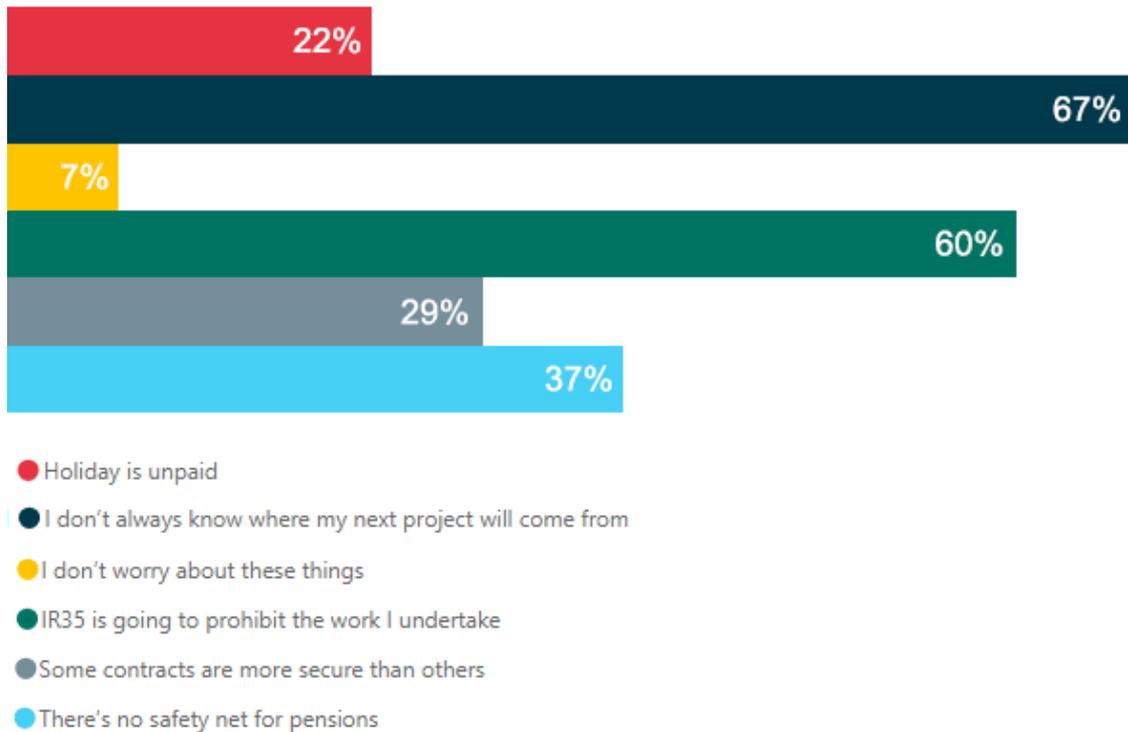
The drawbacks for contractors

Our participants acknowledged that there were day-to-day downsides to being a contractor. These largely related to the uncertainty of the market they operate in. The main concern was not knowing where their next job would come from.

Ensuring a steady flow of work in the long term is a common concern for contractors, especially if they're relatively new to the profession. While you can always line up a great specialist recruitment agent to find contracts that not only keep you in work but develop your career and skills, there are many other ways you can keep your pipeline full as a contractor. Going for the right sort of contracts, building your client relations, harnessing the power of social media and investing in yourself are all great ways to keep

your roster full. [You can find some top tips to help you successfully find and win well-suited contracts time and time again here.](#)

Which of the following most concerns you about contracting?



While flexibility is one of the key benefits highlighted in our results, taking time off (whether it's a bout of sickness or a holiday) is a stress for many contractors. A vast majority of contractors are guilty of not taking a break. Many of our clients carry a lot of responsibility and have high demands on their time, they can find it nearly impossible to put down work. There's an inherent concern that unlike the full-time workforce, time off is time not earning.

We try to get to know each of our clients and help them towards both their business and personal goals; working out how to get away and provision for the unexpected is a common objective. Taking the time to formulate a strategy ensures your business continues

to thrive whenever you want or need to take some time out.

Read a little more about [strategy planning for time off here](#). Or download our [free Day to Day Management of Your Company eBook](#), where you'll learn the business essentials you need to start trading, how to keep accurate records, the low-down on VAT, how to invoice clients and pay yourself, as well as planning for absence efficiently.

Of course, one of the major concerns for contractors is the looming off-payroll working changes to the private sector and what it could mean for not only forthcoming contracts but the government's future intentions. We'll discuss this in more detail later in the report.

Provisioning for the future

Continued financial security is clearly considered a risk factor for many contractors. But most of our clients are doing something to manage the financial risk associated with retirement. 56% are investing in pensions to balance the lack of future security. 20% are already using their personal tax-free saving allowance and 15% are buying stocks and shares. 25% either have or intend to buy a second home or invest in rental property.

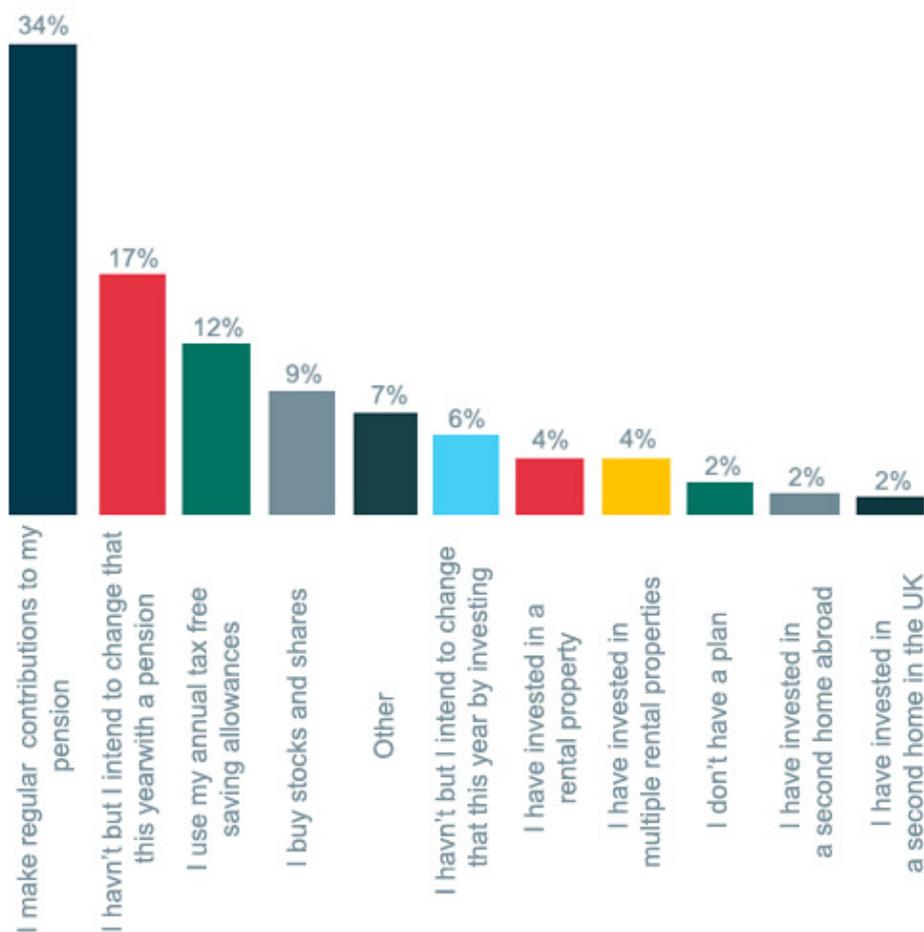
That leaves almost a third with no current plans for retirement, though many of our participants hope to change this by either investing in pensions, stocks or savings this year.

Those without pension plans may well be new to the world of contracting and yet to get this part of their finances straight, they could be focusing on building up a client base to spare the funds or they might just be directing their earnings to pursue their lifestyle objectives first.

We all know the fundamental rule of saving as a contractor – save when you’re earning for the times you’re not. Most contractors will experience times of boom and bust throughout their career. Ensuring consistent savings when work is flowing means you can survive any dry periods.

This can be easier said than done, so it’s worth reading [our beginner’s guide to kick-starting your savings](#) now.

How are you planning for retirement?



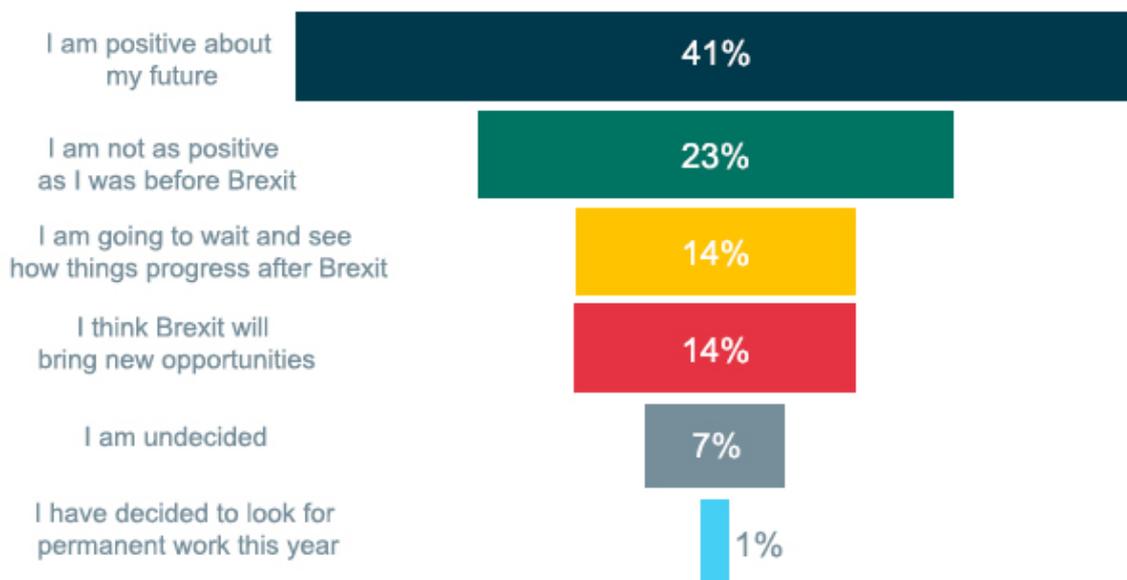


Brexit and the future of contracting

Three years down the line, everyone is still waiting to see what the effects of the decision to leave the EU will be. For now, there's still a lot of uncertainty, leaving many contractors to speculate over the potential implications.

We asked our clients to share their views on Brexit and their plans for the future. The results were decidedly mixed. 41% are positive about the future for themselves and an additional 13% are confident Brexit will bring new opportunities to contractors. 23% are not as positive for the future as they were before the Brexit vote. While 13% say they are waiting to see how Brexit pans out and may consider going permanent this year.

What best sums up your outlook for the future?



For now, the job market appears to still be going strong and IT contractors especially have seen a surge in demand. This may not always be the case as we venture into the unknown. But looking back at the global recession of 2008, contracting demand dropped sharply in the three months before the UK entered recession. Companies started to hedge their bets and delay or cancel projects – they wanted to control costs ahead of uncertain times.

As we saw then, business decision makers will look for opportunities to maximise growth. If there's enough confidence to invest, but not enough to take on permanent employees, this creates the perfect conditions for a buoyant contracting market. The contracting market has always been quick to rally in times of economic instability, but it's best to err on the side of caution. Now's the time to be focusing on growing your contacts and savings.

As a contractor in the UK, you may be wondering whether Brexit will have a positive or negative impact on your job, and how it will affect your pay; if so, you're not the only one. Because the full implications of Brexit have yet to come to life, contractors in all sectors remain unsure of what awaits them.

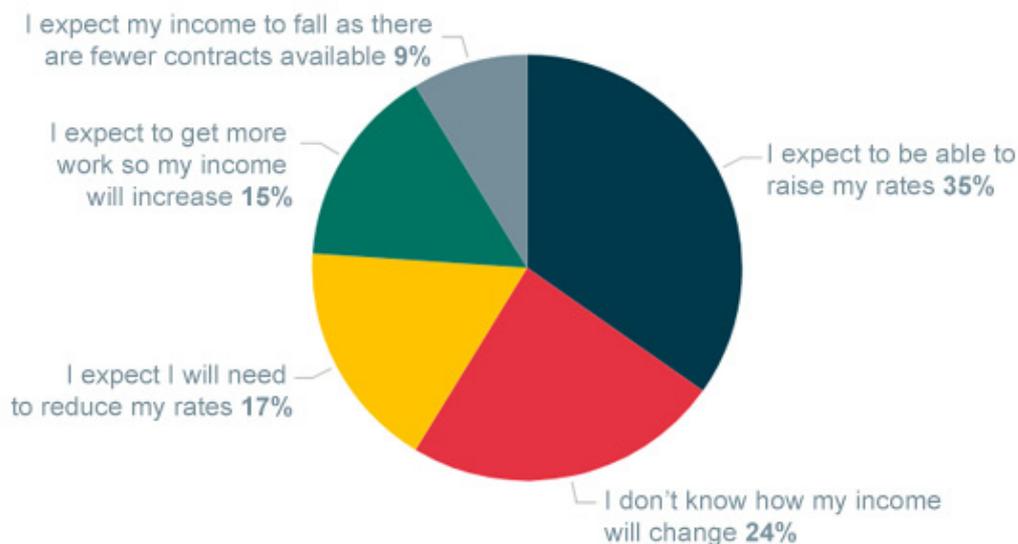
That's why we've created an expertly-authored eBook to help you ensure you're in the best possible position to thrive during and after Brexit. [Download our free eBook here.](#)

Managing future changes

When we asked our clients to look ahead to their finances for the next year or two, the outlook was variable. 50% of contractors believe they will see an increase in their rates or an increase work and earn more. There is certainly a shortage of appropriately skilled, willing and able candidates in certain markets; such as the IT and legal fields. Roles that will play a crucial part for businesses as Brexit plans become finalised.

Certain roles will always be in high demand no matter the economic situation. However, 26% believe they will have to drop their rates or will see a slowdown in available contracts. This could be a key indicator that some industry skills are more susceptible to negative impacts from Brexit. Certainly contractors working predominantly in the public sector where many projects are being paused to focus resource onto Brexit may feel something of a dip. 10% of our participants feel Brexit will bring new opportunities and an increased work load while 15% can't predict how their income will change what with the future plans for the UK still being murky.

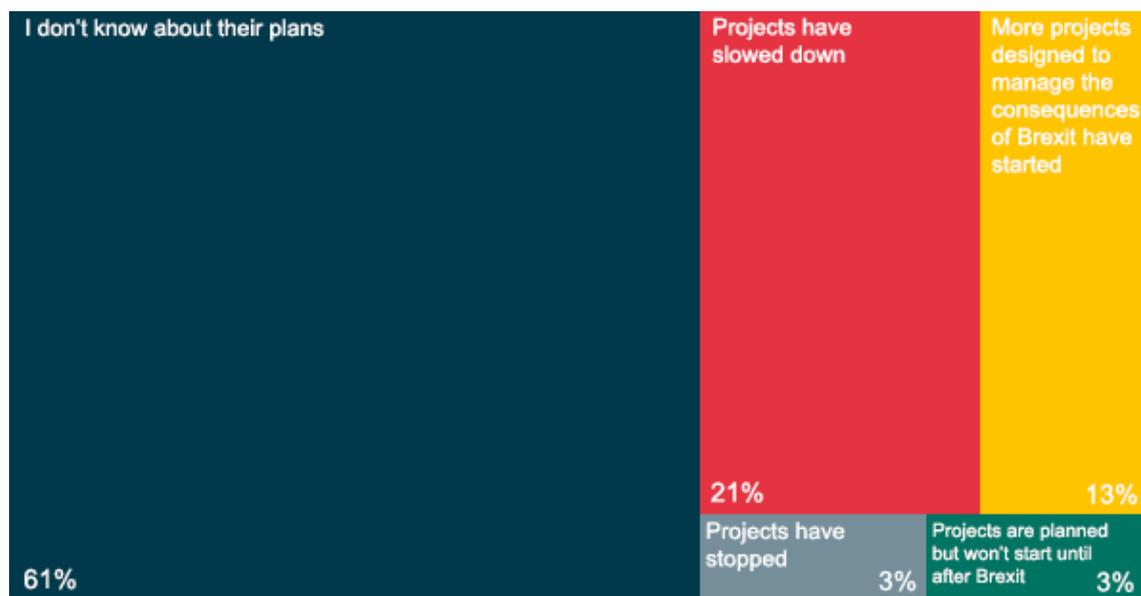
How will your income change in the next 1-2 years?



These predictions may be linked to what contractors know, or rather don't know, about their clients' plans to manage Brexit. A whopping 60% can't say how their client is currently planning for Brexit. Of course, contractors are there to get on with their set project and generally not to plan strategy or get involved with in-house politics (it's one of the perks of the job). But this could be more indicative of what we've recently seen in the news, with many businesses unsure of how they'll be approaching Brexit and still waiting for more certainty.

20% of our respondents reported a slowdown in their projects while 12% say their incoming work has ramped up – certainly many of our clients have reported a boost in projects focusing on Brexit risk management.

How has the uncertainty of Brexit affected the projects of your current client?



Investing in yourself to survive

To ensure they're best prepared for the future, 45% of our clients have started to invest in training or are already undertaking technical certifications to help make themselves more attractive to future clients and open up new options.

Keeping your skills up to date has never been more important. This is particularly so for fast-moving sectors like IT. As a contractor, you need to always be moving forward with both your contracts and your understanding. If you stand still, you risk being left behind. From the outset of your career, it's important to understand your weaknesses and areas for personal development and actively list them. This can form the first draft of your personal development plan.

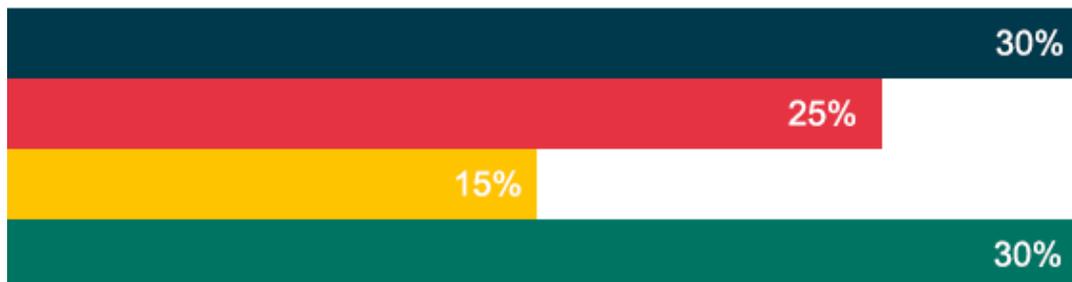
Personal development is best viewed as a continuous journey. Our clients have told us that deciding how they want to develop their own career is one of the most rewarding aspects of contracting.

"I need to ensure that I am not a pure specialist in technologies that are slowly dying. I look to diversify and work with new technologies in each new contractor role; that way I won't end up an expert in a dead technology as the world moves on." - Javier, IT contractor

It's also worth remembering that developing yourself through training shows that you are actively investing in your company. This is very handy should your IR35 status come into question as it is robust evidence of you acting as an independent trading company.

Want to know more about how you can develop your skills and career path as a contractor? [Take a look at our personal development guide, written by previous contractors for contractors.](#)

Are you investing in specialist training to make yourself more marketable?



- I don't plan to in the immediate future but I might in the later part of 2019
- No I don't think I need to do anything differently
- Yes I am undertaking more technical certifications to help me stand out in my area of expertise
- Yes I plan to invest in training that will broaden my areas of expertise to give me more options

Would they recommend contracting?

Contractors are roughly evenly split when it comes to recommending contracting. 52% would heartily recommend the contracting lifestyle. However, 48% reported that the current economic climate would give them pause. This is a big contrast to our last survey three years ago where 93% of contractors would recommend contracting to a friend or colleague.

"We know from conversations with our clients that once they make the leap to contracting, the majority never look back. Most feel the contracting lifestyle is the best route to a greater choice of work and a better work/life balance. But given the current turmoil in Westminster, it's easy to see why independent professionals are now more uncertain."
- Matt Poyser, co-founder of inniAccounts

As we've discussed, an independent UK could bring new opportunities for contractors. The 2008 global recession is now seen as a key booster of the contractor market. Brexit-induced instability could pave the way for businesses to once more turn to temporary contractors over full-time employees.

Within the right industry, there are still some great contracts available. The UK currently suffers from severe shortages of skilled professionals. This problem won't be going away anytime soon, allowing contractors to continue to carve their own niche market and thrive. If you have an in-demand skillset and great experience, the uncertainty around contracting can be minimised.

Considering becoming a contractor? Change can be daunting, especially when you're considering transitioning from permanent employment to running your own company – but we have some exclusive resources to help you make the change. [Grab our high-quality ebooks, earnings reports and masterclasses today.](#)



IR35 – changes to off-payroll rules in the private sector are causing concern

In less than a year off-payroll working rules from the public sector will be rolled out to medium and large sized private sector organisations. This means that from April 2020, if your client is a medium or large sized business, the responsibility for determining your IR35 status will shift from you to your client. Then, should your contract fall inside IR35, your client (or your agent) will deduct tax and NI for you, paying the net amount directly to your company.

You can find more information on the hows and whys of IR35 in the private sector in our [practical guide for contractors](#).

'More pressure should be put on the government about this. I don't think they've considered the impact, and perhaps they should start looking at us as a considerable asset to Britain's future growth, rather than viewing us as leeches on the tax payer, which couldn't be further from the truth. We pay more tax than people think. We contribute to society in different ways, whether that's through the freedom of donating to charity via the company - or helping businesses get out of sticky situations as their staffing requirements change. We don't get paid for holidays. We don't take sick pay. We don't take time off work unless it's dire or we choose to. We prop up the economy.' - Contractor survey response

IR35 currently seems to be producing more anxiety and uncertainty than Brexit. 28% of our surveyed contractors expect to be affected by these changes. Even with a year to go until the changes are introduced, 11% are considering returning to permanent employment.

HMRC has stated that at least two-thirds of those working via their own personal company are legitimately outside IR35. In many industries the proportion outside IR35 will be much greater – for example, the general view from the IT industry is that over 80% of engagements will continue to fall outside IR35.

Will you be affected by the introduction of off-payroll rules to the private sector?



- No I mostly work in the public sector where it is already applied
- No my clients are all too small for it to be a concern
- No my contracts tend to fall outside of IR35
- Yes I will be affected

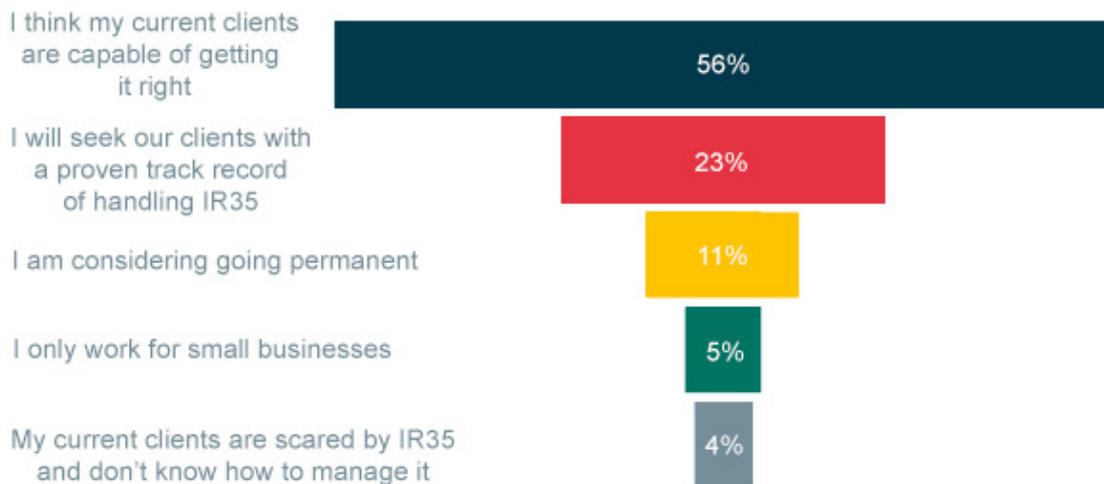
‘I’m not concerned. There will always be a market for interim contract resource and everyone will adapt to the new rules.’ - Contractor survey response

It's important to remember that IR35 legislation itself remains unchanged – these changes are purely about improving compliance. If you (and your client) are confident about your IR35 status, then you shouldn't be impacted. If you're unsure, now's a great time to read our [IR35 guides](#) and [download our free book](#) and make sure your working practices are up to scratch.

Contractors are concerned about how the process will be managed and as such whether they will be penalised unnecessarily. 56% say they will trust current clients to get it right.

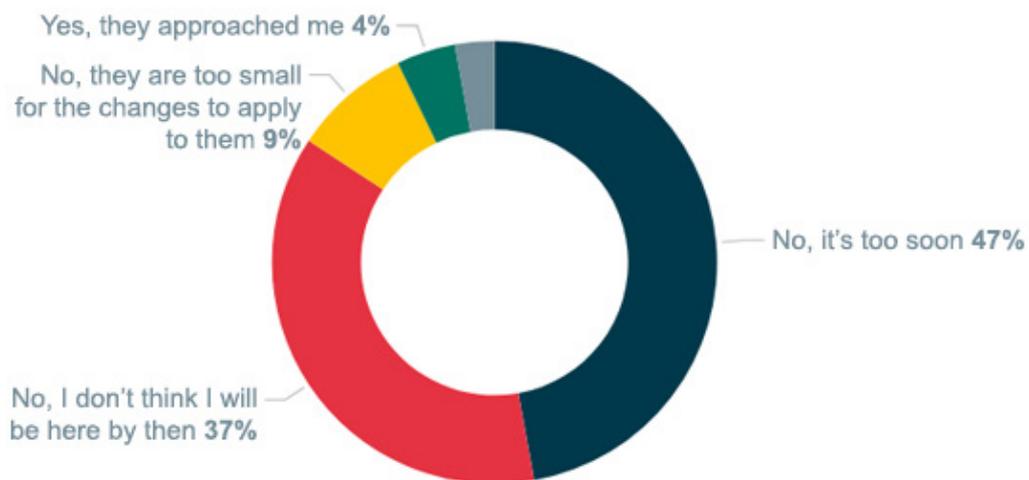
That leaves 44% who wouldn't, which might explain why 23% will actively seek out clients with a track record of getting it right. 4% of contractors felt their current clients were scared by IR35 and doubted they'd be able to get it right at all.

Will you change the type of clients your work for after April 2020?



Many contractors don't feel they can be proactive just yet - 45% of contractors who will be affected say it's too soon to discuss things with their client. Of those that have had discussions, 50% said their contracts were already compliant. But 25% expect the terms of the contract to change, and 25% say they will be looking for work elsewhere.

Have you started to discuss the changes with your current client?



'I understand the logistics of it and know quite a few contractors operating in the public sector with it. Personally, it does not bother me massively, rather just something I need to consider when agreeing my daily rate with contracts that are within IR35.' - Contractor survey response

The financial impact of being caught inside IR35 can be significant, so it's worth ensuring that you're clearly operating outside of the legislation wherever possible in both your working practices and your contracts. By having an open and upfront conversation with your agent or end-client, you can ensure you're always working to the best-suited contract. Consider

engaging your client and agent sooner rather than later to confirm the IR35 status of your current engagement. [Here are some top tips to help you facilitate those conversations.](#)

If you're outside IR35, [you need to ensure your working practices reflect this](#), particularly around supervision, direction and control (and make sure your client is aware of what this means in practice).

Whether your contracts are always inside IR35, always outside or a bit of both – we've created an intuitive experience for all our clients. With our software, it's easy to manage and switch between contracts that are inside or outside of IR35. So, contractors have the flexibility to take on any contract that suits them, while continuing to reap the benefits of being the owner of their own limited company. [Find out how we're supporting our clients with IR35 here.](#)



Conclusion

There's no doubt 2019 will be a momentous year of change. Despite the challenges of leaving Europe and the changes associated with IR35, we think the year ahead presents plenty of opportunities for independent contractors.

Contracting still remains a lucrative choice for those looking to find a career choice that offers not only interesting, variable work but a better work/life balance.

Brexit and IR35 will continue to be points of uncertainty over the next year, but rather than sounding the death knell for contracting, we think we'll see new demand for contractors; especially in specialist niches like IT. But that certainly doesn't mean contractors shouldn't be preparing. By ensuring they have a solid foundation of savings, building great relations with their clients and contacts, ensuring their skills are the most sought after - contractors can ensure they're standing out from the crowd and thriving over the course of 2019 and beyond.

"Businesses have been distracted by Brexit, pausing projects and redeploying internal resources to risk management. There will be short term turbulence whilst Brexit risks are managed, but the positive outlook remains. People from around the world find us an attractive place to work and study and so will business. The fundamentals of who we are as a nation hasn't changed. As the dust settles, business confidence increases and focus once more shifts to growth – the specialist skills provided by contractors will be needed." - Matt Poyser, co-founder of inniAccounts

For more information, why not take a look at our [free eBook library](#) or sign up to our [six weekly newsletter](#). We won't send you a hard sell just great content to keep you updated with the contracting industry and tax, and helpful hints and tips for ensuring the success of your limited company.

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