How to Negotiate a Contract Renewal

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Towards the end of a contract, a client might want to negotiate a “renewal” or an “extension” to continue your services. This terminology is a little misleading, because however they phrase it, you are essentially entering into the possibility of a contract restart, whereby you can renegotiate your position as though you were being assigned for the first time.

Typically a renewal is a good opportunity to establish a pay increase. You can also use it as a chance to renegotiate your contract terms to get yourself outside of IR35. This can lower your tax contributions and is often a more successful negotiation as you are discussing terms rather than pay.

Whatever your reason for negotiating your contract renewal, there are some key strategies you should know in order to improve your chances of success.

--- GET YOUR TIMING RIGHT

Renewal terms and rates should be discussed four to six weeks in advance. There is no point leaving it until a day or two before your contract is up. Give your client time to consider your proposal and adjust their budget. Leaving adequate time will also mean you can line up your next opportunity if required.

--- KNOW YOUR MARKET

Do your research into current rates for similar contracts and compare them with your existing pay. If you’re being paid less than average, consider why this might be. You may want to improve your knowledge or skill set. Alternatively if you know your skills are up to scratch, you will be in a better position to argue your case for a higher rate. You can also use your network to get a better idea on the current market and where it’s headed.
**BACK UP YOUR HIGHER RATE**

When re-negotiating your contract, you have to be able to support any investment you’re asking the client to make and (if you’re looking to increase your rates), build the case for a possible rise in your pay.

Remember to provide specific examples of your skills, look at your development (have you been on any training courses that have advanced your skills for the benefit of the client during the contract?), see if your role changed during your contract (do you have increased responsibilities?) and evaluate whether there are other areas in the business where your input could be valuable.

**KEEP COOL**

It is important not to appear overly keen to renew your contract. Have a well-thought-out plan before you go into the negotiation, listen and be flexible but above all know exactly what you want and have the confidence to go and get it.

**STAY PROFESSIONAL**

It is hugely important that you maintain your professionalism throughout the negotiation process as you never know when you may need that particular client again in the future. Whatever the outcome from your negotiations, you will need to fulfil your contract and carry through the terms of your agreement. It is also worthwhile remembering that no matter what industry you are in, word spreads, so it is vital that you maintain a good reputation among co-workers and clients.

If at first you are unsuccessful with your negotiations, remember every role and every employer is different. As markets change you may also find there are more opportunities to renew your contract and increase your rate. Learn from your experience. The best negotiations come with practise.