

A blurred background image of an office environment. In the foreground, a person's hands are visible, holding a stack of papers. The person is wearing a light-colored, long-sleeved shirt. In the background, other people are seated at desks, working on laptops. The desks are cluttered with various office supplies, including a blue folder and a smartphone. The overall scene suggests a busy, professional workspace.

inni Accounts

The State of Off-Payroll 2021

May 2021

Foreword

The survey results show the two-track market we hypothesized earlier this year is now a reality.

Specialist contractors, with niche skills and greater bargaining power, have been assessed fairly by their clients and determined outside IR35. These contractors are happier in their outlook, settled in their current contracts and feel more positively about their clients handling of their assessment.

Contractors working in generalist roles, where there is an abundance of skill, have less bargaining power and have been determined inside IR35 or PAYE only. Those inside IR35 are unhappy and disengaged compared to those outside IR35. They feel they have been treated unfairly by clients which has negatively affected their attitude towards their working environment, and as a result 82% are looking for new clients.

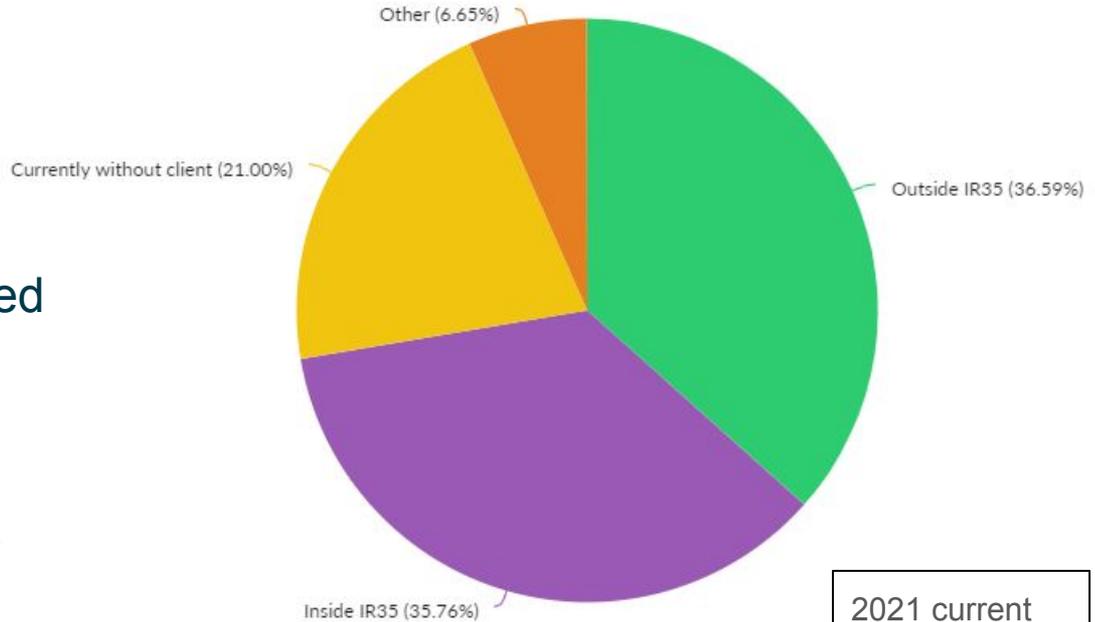
Summary of findings

- **Two-track market of specialist and generalist contractors and consultants**
 - 36% are outside IR35
 - 35% are inside IR35/subject to a PSC ban
 - 29% don't currently have a client or are waiting on/challenging a determination
 - **Businesses who are not assessing contractors fairly and continuing with the blanket PSC ban / umbrella approach risk losing their competitive advantage**
 - 47% of contractors say there is a difference between how the client publicly says they treat employees and suppliers and how they've been treated
 - 46% wouldn't recommend their client to other contractors
 - 82% of those inside IR35 / subject to a PSC ban are looking for a new client
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Contractor position vs last year

Outside IR35 status determination

- In Feb 2020, **16%** of contractors were determined outside IR35.
- In April 2021, **36%** of contractors had an outside IR35 status determination.

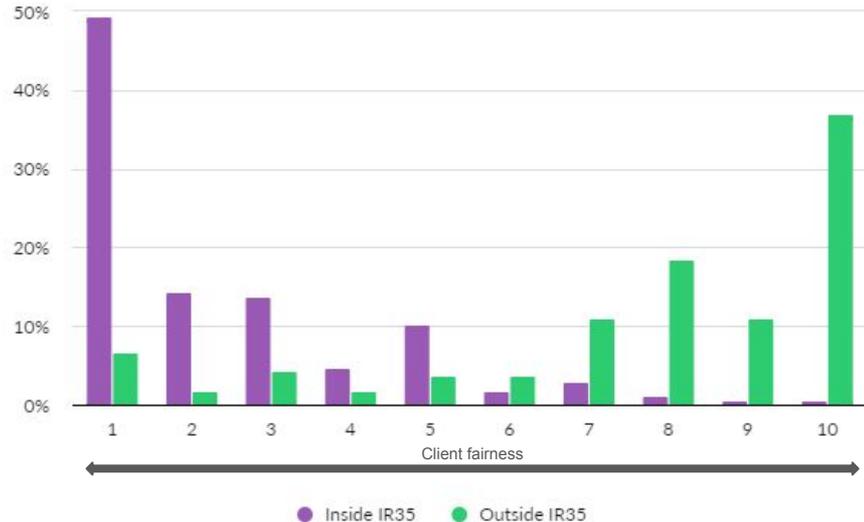


2021 current position

481 respondents

How fairly was your status determined by your client?

- **67%** of those outside IR35 (rated 8-10) said they were fairly assessed by clients.
- **Over three-quarters** (77%, rated 1-3) of those inside IR35/PSC ban said clients determined their status unfairly.



452 responses

1 (Not at all fairly, no communication) - 10 (Very fairly, with open communication)

i A Fair clients with fair assessment processes lead the way to outside IR35 with two-way communication, collaboration, and a blend of CEST and third-party tools

"I justified in a simple bullet point letter why I am outside and the third party agreed with my justification."

"Comprehensive and fair assessment conducted by independent third party experts."

"Client used CEST, but involved me in the process and checked his answers with me before committing to them."

"The client and 3rd party completed 80% of the assessment and I the rest. Discussions were started with the client mid 2019 and they understood my position and agreed the outside status."

"Open fair discussion and use of a comprehensive 3rd party assessment service (IR35 Shield)"

i A Unfair clients issue ultimatums, blanket PSC bans with a “take it or leave it” attitude

“Answers changed by the client to put all contractors inside IR35. Appeals process ignored regardless of evidence supplied.”

“They made a decision without my presence. The determination should have been made by a 3rd party. I feel sad, depressed and disheartened... Contractors are leaving, work ethic has changed, atmosphere is awful, people are feeling betrayed.”

“All contractors terminated”

“Left my last client due to their blanket ban, no assessments at all.”

“Left my last Client due to a blanket ban even though I was clearly Outside.”

“Blanket ban on PSC and go PAYE, take it or leave.”

“I was blanketed Inside by my previous client with no weight given to individual circumstances. My new client was the exact opposite, with a full individual assessment carried out.”

In delivering fair IR35 determinations, the top 3 most important things to contractors are:

- 1. To be individually assessed**
 - 2. To have experts undertaking the assessment**
 - 3. For assessments to be done by a third party**
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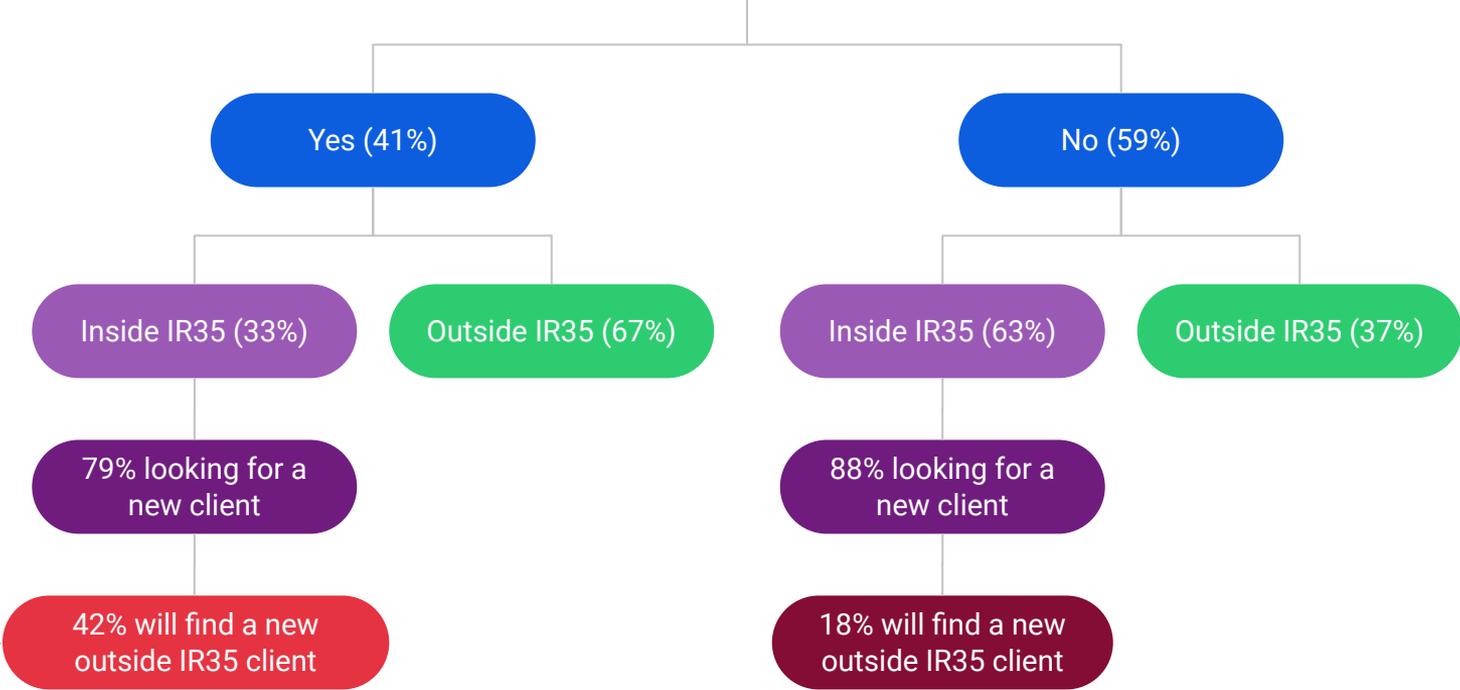
Impact of skills shortage on bargaining power of contractors

- Over half (55%) of contractors outside IR35 say a shortage of skills in their industry has increased their bargaining power with clients. 70% of this cohort say their status was determined fairly by clients.
- Where there is an abundance of skill, bargaining power is lower.

The research identifies a cohort of skilled contractors inside IR35/subject to a PSC ban, who say there is a shortage of skill in their industry but this has *not* impacted their bargaining power. 84% of this cohort say their status was determined unfairly by their clients.



Are your skills in short supply?



These highly skilled contractors who have been forced inside IR35 by an unfair determination or PSC ban present a huge flight risk to end clients. Those inside IR35 with niche skills are more than twice as likely to find a new contract outside IR35 than those without niche skills. To avoid losing top talent we recommend clients undertake remedial action and fair assessments.



71% of those inside IR35 are being paid by an umbrella company

Those inside IR35 want employment rights and are willing to join a class action case to get them

78%

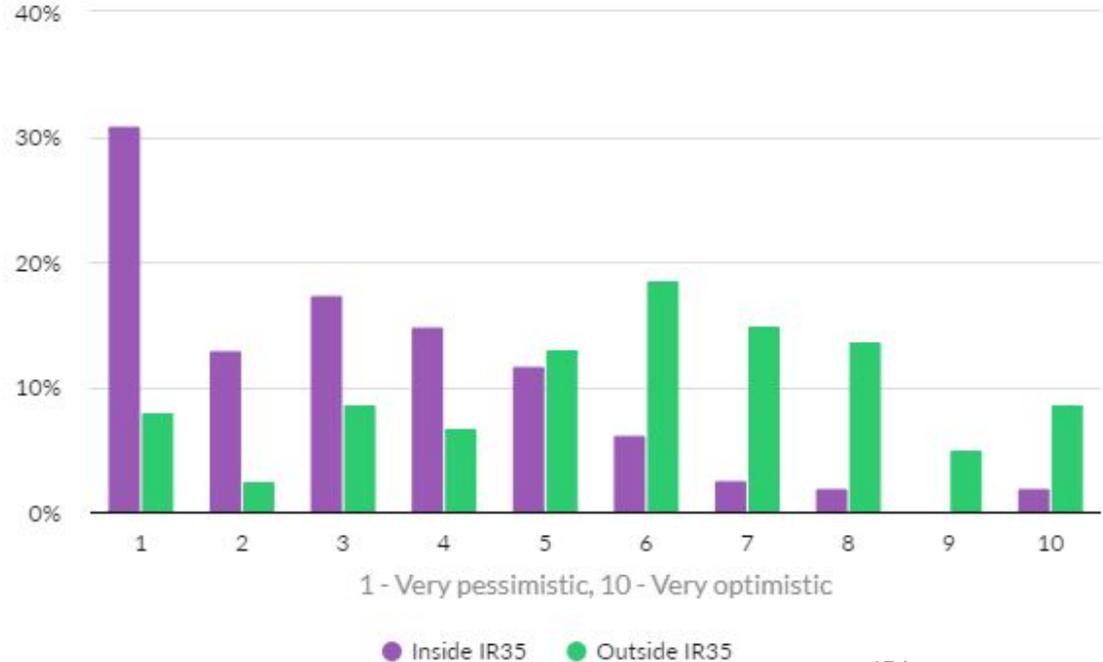
of those inside IR35
want full employment
rights and benefits

38% would join and **43%** would
consider joining a class action case
against their client to seek
employment rights

Contracting career outlook

How optimistic do you feel about your contracting career compared to the same time last year?

- Contractors outside IR35 are **cautiously optimistic** (avg rating 6) about their career
- Contractors inside IR35/subject to a PSC ban are **pessimistic** (avg rating 3)



451 responses

Closing comments

- Over a third of contractors continue to work successfully outside IR35 and are cautiously optimistic about their future.
 - A blanket approach by end clients leads to a disengaged, very unhappy workforce.
 - Contractors want a fair, independent assessment of their IR35 status.
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End clients

- Be careful how you treat your contractors.
- Highly skilled contractors who are pushed inside IR35 by unfair processes or blanket PSC bans are a significant flight risk. They know their worth and are looking for a way out.
- Clients undertaking fair assessments will have the pick of the talent.

Contractors

- Those with niche skills are twice as likely to find an outside IR35 contract. Prioritise developing your in-demand skills for greater bargaining power.
 - Fair clients offering outside IR35 contracts are out there.
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About inniAccounts

- www.inniaccounts.co.uk
 - Accountancy firm that specialises in supporting small service businesses
 - Team of 27, privately owned and UK based
 - Founded in 2006 by former self-employed contractors and consultants
 - Campaigning for fair treatment of the contractors via www.offpayroll.org.uk sister site
 - We, together with our freelance PR consultant, won The Drum PR Grand Prix award for campaigning and contribution to public affairs.
 - In 2020 we researched and collated evidence of the challenges implementing IR35, which was accepted by the House of Lords Economic Affairs Finance Bill Sub-Committee.
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Research methodology

- Research to understand IR35 status determination outcomes, client attitudes and business confidence in the contracting and consulting community.
 - Survey live between March 30 2021 and April 30 2021.
 - 491 responses from self-employed freelancers, contractors and consultants
 - Additional information and insight is available for over 500 end clients at www.offpayroll.org.uk
 - Updates are published on LinkedIn at <https://www.linkedin.com/company/offpayroll>
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