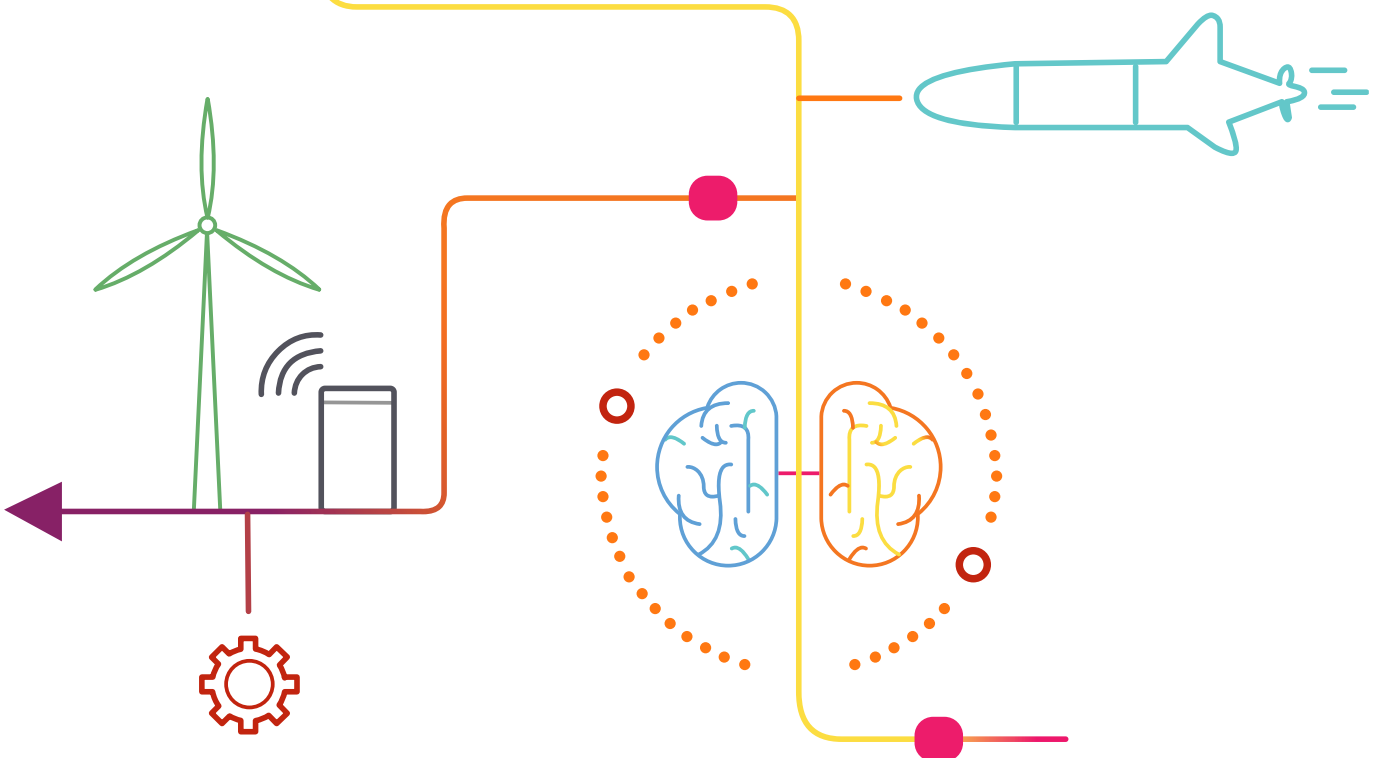


IR35 Software Engineering Survey

Impacts, threats and opportunities



The impact of the handling of IR35 legislation has been found to possess a significant risk to individual companies and the industry as a whole. This was the clear result of one of the widest surveys of Software Engineers, carried out one month before the changes to IR35 come into force.

Employers, recruiters and PSC/Umbrella companies have worked together to ensure the contractor community is aware of the change, yet the extent to which that information has been absorbed is questionable. Many contractors have outstanding reservations about the very basics.

Whilst 95% of the respondents are aware of the IR35 changes, it leaves a sizeable number who are not. Some of these are contractors working in relatively large organisations, whilst there are some who are in organisations for whom IR35 changes are irrelevant.

Communication, or lack of, is a current theme running through this research. With the impacts of Covid 19 and Brexit, some employers have overlooked the need for a more thorough communication strategy around IR35. This all leads to uncertainty.

Positivity towards
IR35 change amongst contractors

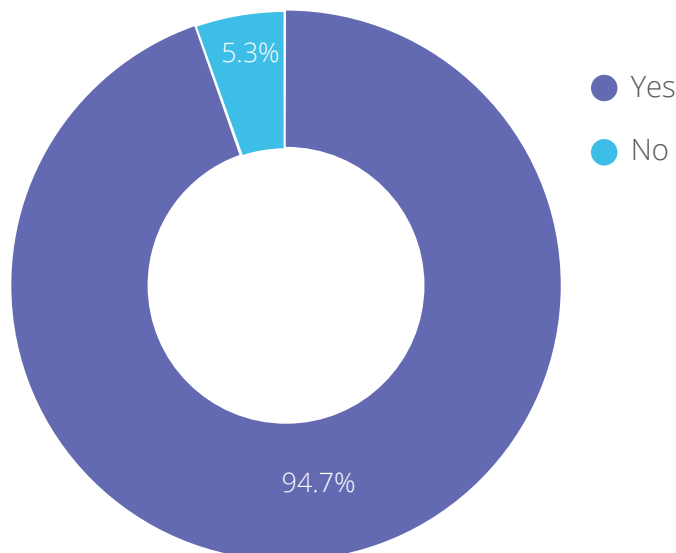
4.63/10

Understanding
of contractors to IR35 changes

3.56/5

Are you aware of the proposed IR35 changes?

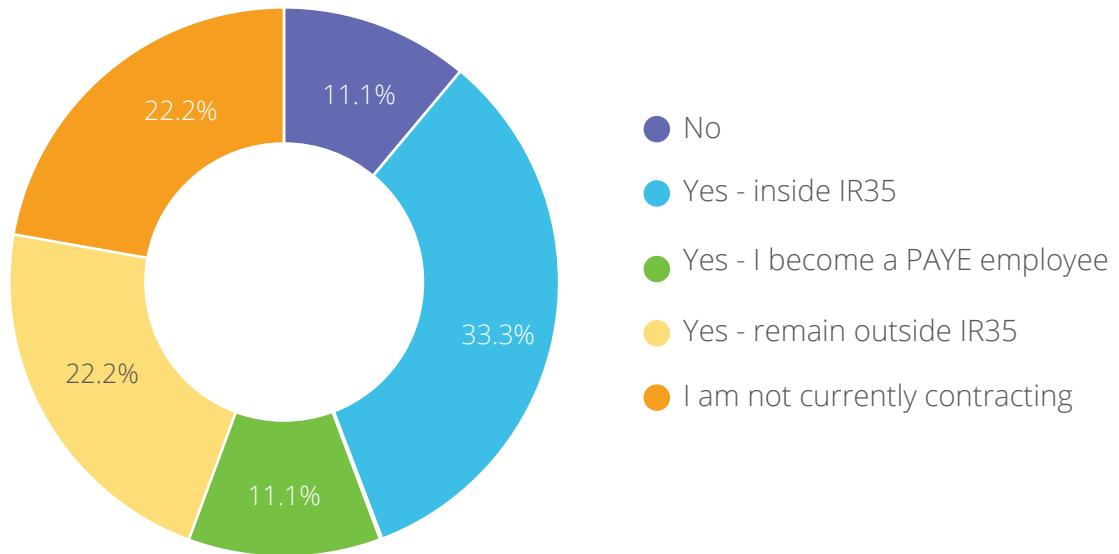
Multiple Choice



“Clients are blissfully unaware of the impact of IR35. They think it’s just about contractors paying the right tax.”

After April, have you been told what will happen to your contract?

Multiple Choice

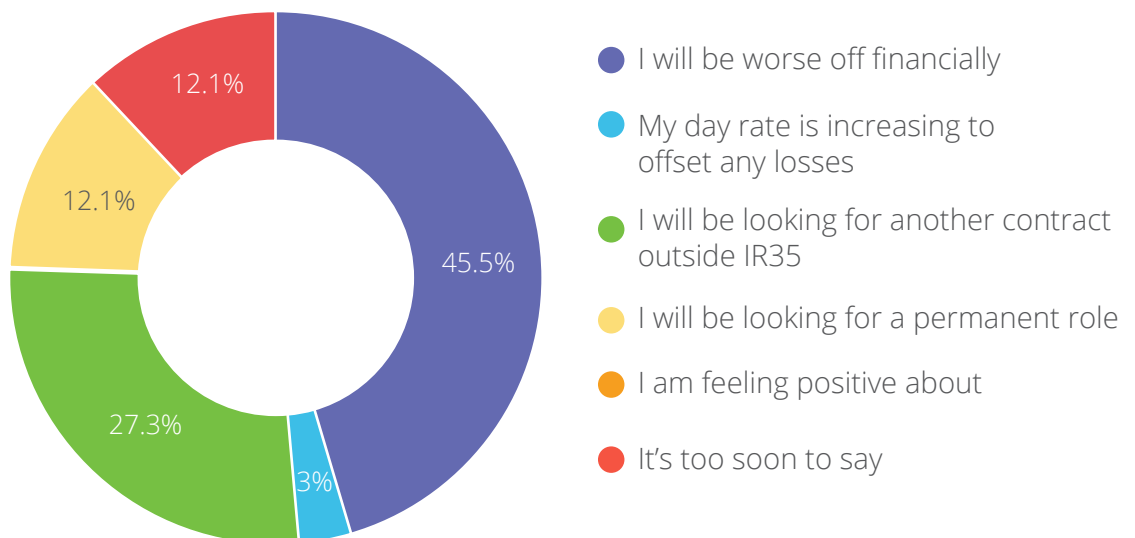


If I can't find a contract outside IR35 then I will just go and work overseas.



If you are judged to be inside IR35 how will this impact you?

Multiple Choice



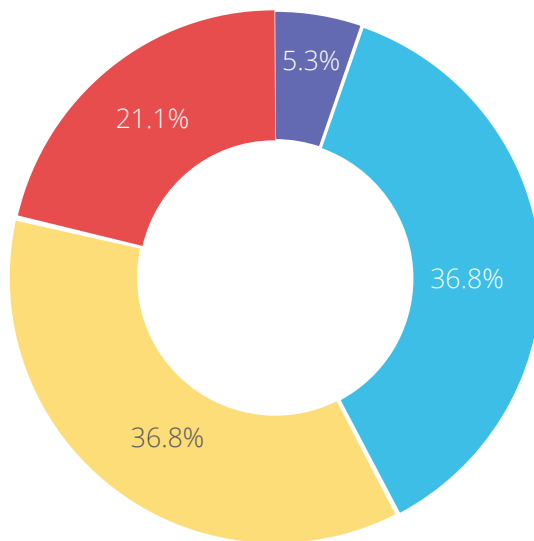


I don't think organisations have quite grasped the impact of IR35 on contractors. The take home pay can be reduced by over 40% when the full implications are considered, it's not just a headline of additional NI to pay. The following is a non-exhaustive list: Employers NI, Employee's NI, paying tax before expenses, unable to reclaim VAT on expenses, little to no control over pension contributions. The impact of IR35 on how expenses are taxed effectively makes any contract that cannot be fulfilled by a short daily commute from home un-economical. This is a great detriment to organisations in need of contractors because there will be a much more limited supply who are available locally. Also, it removes one of the main attractions of being a contractor that you have the freedom to choose to work on different types of project, different industries etc. IR35 will see the end of true contracting and unfortunately, I cannot see that it is something I will continue in the future. Ultimately, I will look to leave the industry.



If you move to PAYE, how will this impact you?

Multiple Choice



- I will be better off because I get paid holiday and other benefits
- I will be worse off financially
- My pay is increasing to offset the losses
- I will be looking for a contract outside IR35 as soon as possible
- I will be looking for a better permanent role
- It's too soon to say

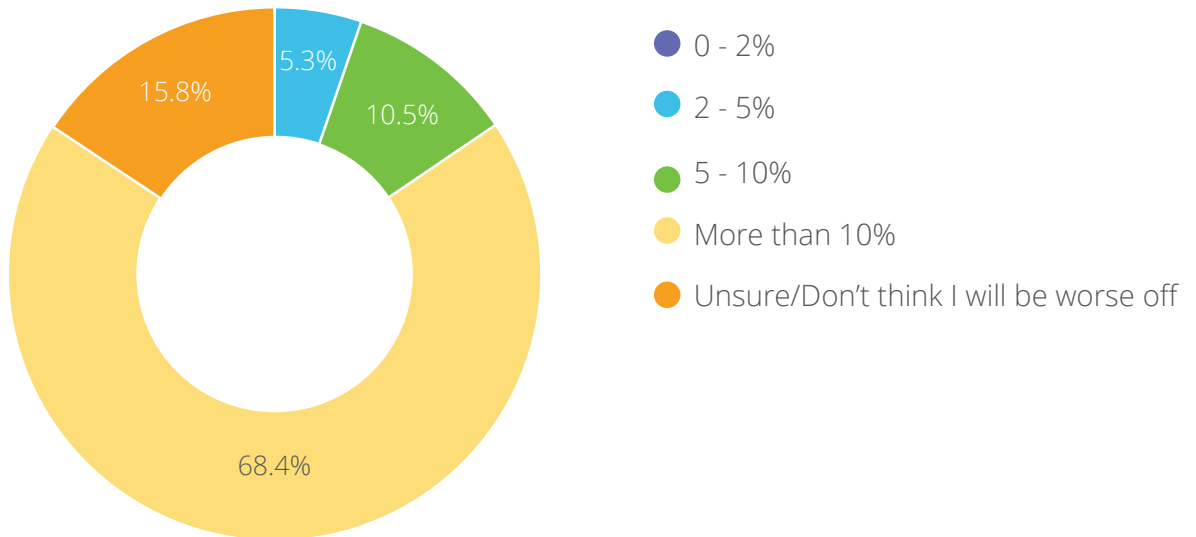


IR35 makes it virtually impossible to take a contract away from home due to financial constraints.



If you think you will be worse off financially, by how much do you estimate?

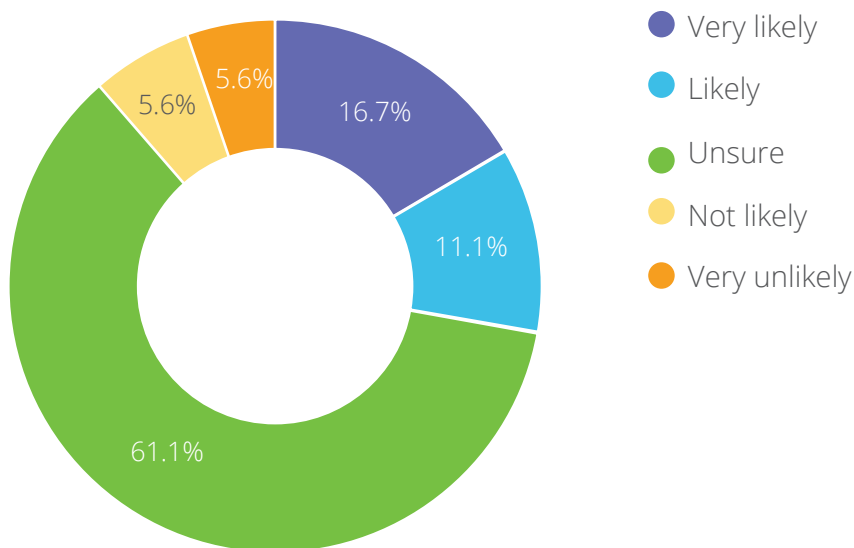
Multiple Choice



I don't think IR35 changes will impact any decisions I make next. In the longer term, it may become more important, and I expect it will be very hard to find something approaching my previous salary.

How likely are you to change sectors or industry after the introduction of IR35?

Multiple Choice



I left my contract as they blanket assessed me as inside IR35 despite several strong pointers to being outside, plus independent assessment and underwriting and then dictated if I remained a) there would not be a rate increase and b) I MUST operate via an umbrella

Conclusions

Uncertainty is the obvious key word from the research. But perhaps the most overlooked is opportunity. Opportunity for organisations to retain their top talent and opportunities for others to entice it to theirs.

It seems that the issue of employment status is falling onto different departments within organisations and this is often leading to weak decision-making. Companies are still grappling with whether legal, HR, accounts, procurement or software engineering departments themselves should be responsible for IR35. Consequently, many organisations have decided to make blanket determinations; everyone falls into IR35 or must become permanent, and that departments are not able to use outside IR35 contractors. For most contractors affected, they have already been moved to these new contracts (although many are effective from April 2021).

Whilst caution needs to be exercised (after all there are always unscrupulous suppliers or those offering magic solutions), poor decision-making is likely going to affect individual contractors in the short term, which will have a knock-on effect for organisations themselves, when the trickledown of a lack of motivation and goodwill, and eventually poor retention are felt.

Ultimately, organisations could lose their best software engineers because of this. Their competitors seeing this, might look to make more flexible determinations to identify those roles that are genuinely outside IR35.

The new rules are far too nuanced to be applied arbitrarily, and it is clear that contractors want to feel like they have been treated fairly. There is a lot of negative feeling in the contractor community. Whilst some was always likely to be felt with such a big change, one of the biggest complaints has been a lack of communication from employers.


Ultimately the concern is that whilst April may come and the impact on organisations actually be not immediately felt, as the economy improves and the financial realities begin hitting contractors, there could be a tsunami of change over the coming months, which could catch companies unaware.

What JAM have been doing

We have recognised this as being a significant issue, and have been working with our contractors and clients for several months now. The research showed that those who are JAM contractors felt more informed than those who were not. This doesn't mean that they were necessarily content with the determinations the client had made, but at least the irritation of poor communication had been removed.

We continue to work with clients to demonstrate the impact IR35 is having, and will ultimately support them in securing software engineers however they wish to work. However it is fair to say that any client coming to us asking for an outside IR35 contractor will have a far better choice.

Accepting that this is a big change, we have also been working with contractors to help them understand their options, but also to ensure that they don't make any immediate decisions. We have also signposted them to support options that can help them during this challenging period



“The companies who don't do blanket bans or offer fair assessments will get the best contractors.”

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