

THE FEE RATE YOU NEGOTIATED - AND THE ONE YOU ARE PAID

Peter Bowbrick

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If you are not very careful, you will find that you end up being paid half as much as the fee rate you thought you had negotiated. There are a lot of pitfalls for the new consultant, as I found out the hard way.

There are many different ways of quoting a consultancy fee. It may be quoted as a price per calendar month, a daily rate assuming a 22 day month, a daily rate on a seven day week or a daily rate on a five day week for example. If you do not have your wits about you may be accepting a rate 30% less than the one you thought you had negotiated, being paid five days a week rather than seven days a week when abroad for instance.

The bottom line is that when you are working on one consultancy for, say, two months, you have no chance of earning any other money at weekends or on odd idle days. You have to charge two months' fees, and the way of counting it is not your concern. It

does not matter to you whether the client or consultancy company wants to base their fee on a nominal seven day week or a nominal five day week as long as you get the same amount of money at the end of the month. It follows that your daily rate for a five day week must be 40% higher than your daily rate for a seven day week.

Consultancy firms are well aware of this and they take it into account if you ask them to. If you do not mention it, they may not mention it either. It is only when you are stepping on to the plane that you find out that you are being paid for only 22 days a month. They may say 'But I thought you knew that the US Government only pays for a 5 day week'.

Some firms try to take advantage of inexperienced consultants. They argue, 'You are only working five days, so we only pay five days', or 'The client is only paying us five days, so we can only pay you five days'. Sometimes they even say, 'We will only pay you for the four days a week. We don't mind what you do the rest of the time'. This may have a certain superficial logic about it if you are working from your local office, and if you are in a field where you can pick up the odd one or two days' consultancy. It is illogical if you are working abroad: you cannot pick up two days' consultancy any weekend in Novosibirsk to use the free time. It is also illogical for an economist or an engineer, for instance, who takes weeks or months to do a consultancy project, and cannot sell the odd day or two to another client.

Some new consultants have been offered contracts where they only start receiving fees when they arrive in China or Siberia, or where ever they are working. This means that they do not get paid for the day or two travelling at each end. In fact, it is absolutely standard for the client to pay the consultancy firm from the moment you leave your house until the moment you return. I have never come across any exceptions. Clearly what is happening here is that the firm is being paid for the full period, and is pocketing the

difference.

These considerations are equally important for consultants who do very short term jobs locally. A friend specializing in training was charging what I thought was a comfortable hourly fee rate. It turned out though that most training courses were for an hour or two only, enough to ensure that he could not deliver more than one course a day. He charged only for contact hours, so he was not paid for the hours travelling to and from the client. Nor did he charge for the cost of preparing the one-off training course. In effect, he was working three to six hours for every hour he worked, which brought down his effective fee rate dramatically. A further anomaly was that he charged the same hourly rate whether he gave a one hour or a seven hour course.