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Pros and cons of making the move into consultancy



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You won't necessarily have more security as a formal employee.

If you're thinking about moving on from your current job – and over a third of UK workers are, according to research from the Institute of Leadership and Management – instead of finding work as a formal employee, it may be worth

considering a shift into consultancy. This won't be an option for all. But if, for example, you find yourself negotiating the terms of a role, and you are given the choice between becoming an employee (with a salary and benefits) or a consultant, what key points should you contemplate?



Employers can turn flexible working requests down

SECURITY

Having a fixed salary as an employee may give you reassurance and financial certainty. If you have high fixed costs each month, such as a hefty mortgage, knowing that you have a regular income must be a key

factor. It would be wrong, however, to assume that your position as an employee will always be secure. Many employers require staff to pass a probationary period, during which notice on either side could be one week. And even after successfully completing your probationary period, in the first two years of employment, employers can usually dismiss as long as adequate notice has been given, apart from a few exceptions.

Further, if you are only being paid for services rendered or income generated as a consultant, in lean times, the business may well be less likely to sever the relationship than if it was having to pay you a fixed salary. Your income as a consultant may be higher too.

OTHER RIGHTS AND BENEFITS

Employees, of course, have certain rights and may receive benefits. Workers are entitled to a minimum of 28 days paid holiday a year if working full-time. Maternity and paternity leave, time off for dependants, and statutory sick pay are just a few other rights employees may have. Benefits could include a pension, contractual sick pay, private health cover, and permanent health insurance. Consultants would usually have none of these rights or benefits. But if consultants are contractually obliged to personally perform work or services, they may be deemed to be workers and therefore enjoy associated rights.

FLEXIBILITY

This is a big one in favour of consultancy. Consultants have far greater flexibility in terms of hours and days worked. Similarly, they may have greater autonomy in working remotely. Under the new flexible working regulations that came into force last year, it is true that all employees with 26 weeks' service can request to work flexibly. But employers still have plenty of scope to refuse. Consultants also tend to be able to work for other companies during the consultancy, whereas employers are usually much more strict about allowing employees to work elsewhere.

TAX

There may be certain tax advantages to consultancy, particularly if it is carried out through a service company. But beware of the IR35 legislation, which is effectively designed to tax disguised employment. This is where workers receive payments from a client via an intermediary, and where the relationship is such that, had the worker been paid directly, they would be employees of the client.

The choice between employment and consultancy will depend on your



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circumstances. There may be other issues to consider and you would be wise to obtain advice from your lawyer before making a decision.

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