How to Evaluate a New Staffing Contract

"Should I take this contract" is really four separate questions wearing one trench coat: does it clear margin, can I actually fund it, does it push my client mix somewhere risky, and is it big enough to be worth servicing at all. Answering only one of the four and assuming the rest follow is how a contract that looked obviously good on the first pass turns into a genuine problem six months in.

Question one: does it clear margin

Start with Assignment Profitability on the specific rate structure being discussed, full economic contribution once billable vs. paid hours, program fees, and funding cost are counted, not just the headline bill-rate-minus-pay-rate spread. A contract that clears a comfortable margin on a simple markup calculation can look considerably tighter once every real cost is actually subtracted.

Question two: can you actually fund it

A contract that clears margin can still be cash-negative to take on right now. See How Much Cash Does a New Staffing Contract Require? for the full mechanics, but the short version: run the actual ramp timeline, don't estimate the cash trough from a weekly-payroll-times-DSO shortcut, and know your own DSO baseline (see Staffing Agency DSO Explained) going in, since it directly determines how deep and how long the trough runs.

Question three: what does it do to your client mix

A contract can be individually profitable and individually affordable, and still be a bad idea because of what it does to your book as a whole. Client Concentration Risk shows your largest-client share, top-N share, and HHI, both as they stand today and, run again with the new contract's projected revenue included, as they'd stand after signing. There's no automatic threshold that makes a concentration number a hard no, that depends on your own risk tolerance and your contract terms with that client, but seeing the number before signing, not after, is what lets you actually decide with it in view rather than discover it later.

Question four: is it worth servicing at all

Small accounts have a way of costing more, proportionally, to service than large ones, since account management and recruiter attention don't scale down linearly with account size. Minimum Profitable Account Size computes the break-even account revenue below which servicing cost eats the account's contribution, converted to whichever unit you have data for, active workers, weekly hours, or assignments. A contract that's individually profitable on paper but below this threshold is a candidate for either renegotiating scope, higher pricing to cover the servicing cost, or genuinely not worth taking on.

Bringing it together: the composite decision

New Client Contract Go/No-Go is where these threads meet: margin, cash, concentration, and credit exposure (where you have the data, from Client Credit / Bad-Debt Exposure) evaluated together, each criterion independently optional so a criterion you haven't entered is shown as not evaluated, never silently defaulted to a pass. A contract can genuinely fail on cash alone while passing margin and concentration comfortably, and seeing that breakdown, not just a single blended verdict, is what makes the decision actionable: you know exactly which lever to pull if you still want to make the deal work.

Try it with your own numbers:

Contribution margin	Your minimum margin	Required starting cash
22 %	20 %	85000 $

Available reserve	Projected concentration	Your concentration ceiling
60000 $	28 %	35 %

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Evaluate the credit criterion

Get expected credit loss from Client Credit / Bad-Debt Exposure, then check this box to include it; left unchecked, Credit is shown as not evaluated, not passed by default.

Overall

NO-GO

- **Margin: Pass** — Contribution margin is 22.0%, your minimum is 20.0%.
- **Cash: Fail** — This contract requires $85,000 in starting cash; you have $60,000 available.
- **Concentration: Pass** — This client would become 28.0% of revenue; your ceiling is 35.0%.

Not evaluated: Credit.

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The order that actually matters

Run margin first, since a contract that doesn't clear margin at any reasonable rate structure isn't worth the further analysis. Then cash and concentration in either order, since both are independent checks against the same margin-clearing deal. Bring in the minimum-account-size check specifically for smaller accounts where servicing cost is a real risk, not as a blanket step for every deal. Let the composite go/no-go be the last step, a summary of work already done, not a replacement for actually looking at each criterion individually.

Related

- New Client Contract Go/No-Go engine
- How Much Cash Does a New Staffing Contract Require?
- Staffing Agency DSO Explained
- Every client and account economics engine