How Much Cash Does a New Staffing Contract Require?

A profitable contract can still be one you shouldn't sign right now, if the cash it demands before it pays for itself exceeds what your agency can actually carry. This is a narrower, more urgent question than general working capital planning: what does *this specific deal*, starting now, actually require before it turns cash-positive?

Why this is a different question from steady-state float

See Why Staffing Agencies Need So Much Working Capital for the general structural reason staffing needs cash float at all. A new contract adds a sharper version of that same problem: for the first several weeks or months, payroll for the new headcount is going out in full while collections on that new business haven't started yet, and if there's startup or ramp cost on top (recruiting, onboarding, equipment), the early trough is deeper than a simple weekly-payroll-times-DSO shortcut would suggest.

Finding the actual trough

New Contract Cash Requirement runs a real period-by-period cash timeline for the specific deal: expected headcount ramp, pay and bill rates, collection delay, and any startup cost, then walks the cumulative cash position week by week to find the deepest point before receipts catch up. That trough, not an average or a rule of thumb, is the number that matters, because it's the amount of cash you need to have available at the worst moment of the contract's life, not on average across its life.

This matters because the shortcut most owners reach for, weekly payroll multiplied by DSO in weeks, systematically understates a ramping contract's real exposure. That shortcut assumes steady-state volume from day one; a real ramp has rising payroll against zero or near-zero collections in its earliest weeks, which is exactly when the cash position is most exposed and exactly what a full timeline simulation, rather than a static multiple, is built to find.

Feeding this into the decision to sign

Knowing the cash requirement is only useful if it actually changes the decision. That's what New Client Contract Go/No-Go is built for: it evaluates a prospective contract against margin, cash, client concentration, and (where you have the data) credit exposure as independently optional criteria, and never silently treats a criterion you haven't entered as a pass. A contract that clears margin comfortably can still fail the cash criterion if the trough exceeds what your agency can actually fund alongside everything else already running, and that failure is worth seeing explicitly rather than discovering it three payroll cycles into the contract.

The concentration criterion matters here too, and interacts with cash in a way that's easy to miss: a contract that's individually affordable can still push your book toward dangerous client concentration if it's large relative to your existing revenue, which is a separate risk from whether you can fund it. Evaluate both, not just whichever one occurred to you first.

What to do when the number is bigger than you can carry

A trough that exceeds your available cash and credit isn't automatically a no. It's a prompt to change one of the inputs: negotiate a faster ramp with lower peak headcount earlier, negotiate better payment terms specifically on this account, arrange financing sized to this specific deal rather than assuming existing capacity absorbs it, or phase the start date so the ramp doesn't overlap with another known cash-intensive period. Re-run the cash requirement after any of those changes; a "no" on the first pass is information about what would need to change, not necessarily a final answer.

Related

- New Contract Cash Requirement engine
- New Client Contract Go/No-Go engine
- Why Staffing Agencies Need So Much Working Capital
