



**Issue Date:** *Contingent Workforce Strategies Magazine*

## **Best Practices: Do you have a Rate I.Q.? Contingent Workforce Strategies**

Gathering rate intelligence can help negotiate competitive bill rates.

**By** *Leslie Stevens-Huffman*

Comparing your current staffing bill rates against a set of industry norms can have its financial rewards. Experts state that companies, particularly those that utilize multiple staffing vendors, can expect a 10 percent savings in annual expenditures, simply by gathering some staffing industry rate intelligence, and then using the information to negotiate more favorable, consistent bill rates from staffing suppliers.

While companies have been expressing an increasing desire for external data sources to conduct rate comparison exercises, many have been frustrated, because there have been few sources for industry information.

“At present there’s no central repository for staffing industry data, so clients really have no way of knowing if the rates they are being charged are good or right in line with industry averages,” says Jason Ezratty, managing partner with Brightfield Strategies, a consulting firm that specializes in contingent staffing. “There’s just been a whole lot of moving parts to consider from shift differentials, to geography, to temp-to-hire scenarios, so there’s been no one gold standard for gathering rate intelligence.”

However, things are beginning to change, and a number of MSPs (managed service providers) and rate intelligence firms are stepping up to fill the unmet client need for data, although in most cases, the development of a truly mature set of industry rate norms may be one or two years away. Despite the obstacles, there are enough available data sources for companies to begin realizing savings simply by following a few data gathering best practices.

### **Data Elements**

To compare your present rates against other companies’ via third party sources, you’ll need to compile your company’s staffing expenditure history using a standard set of data elements. The experts agree that the following items are the components that most greatly influence staffing bill rates, so looking at each component independently will allow for better comparisons and expose savings opportunities.

While the list still represents a bit of a wish list from an available data standpoint, many intelligence firms provide rate information broken out into some of these categories today, and many more say that they will be providing this information within the next two years.

- Skill class and job titles
- Pay rates
- Bill rates
- Mark-ups
- Geographic location of assignments
- Length of assignments

One strategic sourcing manager we spoke with recommends gathering mark-ups simply because they stay static over a longer period of time, while bill rates and pay rates can fluctuate based on market conditions. He says that in the long run, breaking out the mark-ups will require companies to review fewer items each time they receive revised rate information, making the data validation process easier. Companies are also able to conduct a more in-depth analysis and improve savings opportunities by compiling their present expenditure information down to the single assignment or purchase order level.



“What I’ve found is that the length of the assignment has a 20 percent weight in determining the bill rate,” says Doug Berg, co-founder of HotGigs Inc.

Ezratty agrees, especially if clients are looking to save money in professional staffing expenditures, an area that still offers significant savings opportunities for many clients.

“If you have the ability to compile your expenditure history by individual assignment instead of totaling it by skill set or department, so much the better, because assignment length is a vital element in bill rate determination, especially for IT contractors,” says Ezratty.

### **Rate Gathering Best Practices**

So how exactly should you go about gathering competitive rate information? Our experts recommend the following four steps.

#### **1. Start internally**

You will need to build a company baseline for comparison purposes and comparing your own bill rates might offer the first savings opportunities. “I’ve found different managers in the same company, located across the hall from each other, were paying vastly different bill rates for the same skill sets and didn’t even know it,” says Berg. “Just comparing the rates charged by your current vendors, across your own company, might provide some savings opportunities.”

#### **2. Compare**

Compare your data elements against external sources to see if your various rate components fall within the industry standards and to expose additional savings opportunities.

#### **3. Customize and validate**

This step is vital because you want to validate your rate intelligence against more than one source, and the information needs to be tempered, to reflect the uniqueness of your market and your company’s requirements. Things such as locale, special certifications, short skill supply and demanding work-

environments have to be taken into consideration, especially if the external data source is providing blended rates across all markets.

“There are too many gray areas within staffing purchases to get to complete rate equity, so I’m typically looking to see if I can get the best talent at a competitive price and if my rates appear to be directionally correct,” says a strategic sourcing manager.

#### **4. Negotiate savings**

Savings can be driven through an RFP, an online auction or by migrating to an MSP or vendor management system. A simple solution for all clients, regardless of expenditure level, is requesting proposals or rate cards with guaranteed pricing from a number of current and prospective staffing suppliers. Having a baseline of standard data to request proposals, and the added confidence gained through rate intelligence gathering, will make your negotiations more fruitful.

Having good information and data about the market can help CW managers ensure that they are getting competitive rates. With good information comes good decisions, and ultimately a more effective contingent workforce program.

*Leslie Stevens-Huffman is a freelance writer in Southern California who has 20 years of experience in the staffing industry.*