



## How to negotiate agency rates with confidence

Agencies supplying temporary staff provide an important resource for the day-to-day running of many organisations, but how do you know you are getting a good deal from your agency?

You have every right to check you're getting the best possible deal, and it's something we recommend you take steps to do. If you were buying a new car you would shop around to find the best price, interest rate and terms and conditions for you. The same is true for the supply of temporary staff. In this article we give you our top tips to help ensure you are getting a good deal.

Shopping around for an agency may seem uncomfortable due to the mystique created within the market. We want to dispel common myths and give you the knowledge to confidently negotiate the best possible deal for your organisation.

You might feel that you don't have the time to negotiate the best deal for urgent bookings. We recommend planning ahead and agreeing rates with your agencies in advance. This will result in long-term cost savings and time management benefits, ensuring you get the best deal no matter how last minute a booking is. You won't need to renegotiate every time you require a temporary worker. The agreed rates will be set until you next review them with your agenc(ies).

## Top tips

### Understand your position

- make sure you know how much you spend on temporary resource in your organisation and with which agencies
- are there other organisations that you could partner with?
- combining your spend with other organisations will give you a higher overall spend and better negotiating power
- what daily charge and mark-up rates do you currently pay?
- **if you do not know, you really must ask**
- speak to your peers and find out what are they paying to help you gauge what rate is reasonable



## **Determine your bargaining range**

- establish the optimum daily charge and mark-up rates you would like to pay, as well as the highest daily charge and mark-up rates you are willing to pay (caps), as this will show you the range within which you should negotiate

## **Communication**

- invite the agency(ies) you use in for a discussion – this is more effective if done face to face
- define your negotiating position and discuss:
- agency performance – have you received a satisfactory service from them?
- spend – set out what your anticipated future spend will be
- discuss challenges – is your organisation facing cut-backs? do you need to reduce unproductive time by limiting the number of agencies you work with?
- discussing these issues will help incentivise the agencies to retain your business rather than lose you to a competitor – and it often leads to more attractive rates being offered
- work out a mark-up rate which is acceptable to you and the agency
- if the agency is unable to meet your requirements do not be afraid to walk away
- remember that this should not be a confrontational conversation: clarity and communication are key

## **Dispelling common myths**

### **The benefits of negotiation are not worth my time and effort**

It is not a waste of time to save money (and time in the long run). It's true that the initial process of getting a better deal needs an upfront investment of time, however, the result will be a fair price every time you need a worker, no matter how last minute. Peace of mind and controlled costs will be worth the time spent negotiating with an agency.

### **If I try to renegotiate with my agencies our good relationship will be affected**

Negotiation is common practice in the recruitment market and can generate positive outcomes for all parties. It should not be a process that adversely affects professional relationships, and most agencies will respect your need to get a good deal, enabling you to spend your already strained budgets on other vital resources.





## **I have to sign the agency's terms and conditions**

You can request agencies sign your terms and conditions. Under the Non Clinical Staff deal, agencies use the CCS framework terms and conditions. These are written with the best interests of the customer in mind. They also mean you have peace of mind that agencies are adhering to the relevant employment check standards.

## **My agencies have exclusivity over workers**

It is rare for an agency to have exclusivity over a worker. Most workers actually sign up with several agencies, which creates competition in the market. If you are able to offer more competitive pay, workers are more likely to be attracted to your vacancy.

## **I can't avoid temp to perm fees**

Agencies can charge transfer fees to protect their legitimate business interests via temp to perm fees. Agencies must, however, provide you with the option of an extended period of hire or a transfer fee as set out in The Conduct of Employment Agencies and Employment Business Regulations 2003. Temp to perm fees can be avoided with the Non Clinical Staffing deal, when a worker has been in post for 8 weeks or more and 4 weeks' notice is given to the agency.

## **A higher charge rate means the worker gets higher pay**

Not necessarily. If you are paying a higher mark-up, this could significantly diminish the worker's pay. If you pay a lower charge rate with a lower mark-up, the Worker can still receive more than if you were paying a higher charge rate with a higher mark-up.

## **I am not entitled to know what the mark-up rate is**

You are entitled to know the mark-up rate you are being charged, subject to general data protection regulations. This information is not commercially sensitive when shared between the agency and their customer – which in this case is you.

## **Mark-up and the impact on worker pay**

It's really important to pay attention to the agency mark-up rate when sourcing temporary and fixed term staff through agencies. It doesn't just affect the rate you pay – it can also make a big difference to how much your worker will get paid.

## **What is mark-up?**

Put simply mark-up is the fee the agency charges you for finding a worker.

It is an amount added on to worker pay and legislative costs to make up the total charge rate. Legislative costs include pension and National Insurance payments, apprenticeship levy and holiday pay, all of which are a percentage of the worker's pay.



## Why does it matter?

It's important to know what mark-up rate your agency is charging so you can be confident you are getting a competitive rate – not just for your organisation, but also for your temporary workers given it impacts on what they get paid too.

Workers typically register with several agencies and exclusivity is rare. As a worker is likely to be attracted by the best pay rate, by negotiating your agency mark-up, you are putting your organisation in a good place to attract the best workers.

Understanding the importance of mark-up will put you in a great position to negotiate with agencies. This is something you can – and definitely should – do. By negotiating on the mark-up rate you will benefit from:

- lower charge rate to your organisation = savings
- enhanced worker pay = increased opportunity to secure and retain workers
- improved worker benefits = satisfied and committed workers

It's also worth remembering that as the mark-up rates under the CCS framework are maximum rates suppliers will expect you to negotiate.

## Here's an example

On a daily charge rate of £200 this would breakdown as agency fee £56, worker pay £101.81 and legislative costs £42.19:





**Workforce  
Alliance**

Collaborating for a sustainable workforce

Through negotiation, the following could be achievable; on a charge rate of £190, the split would be agency fee £24.70, worker pay £116.89 and legislative costs £48.41:



**In this example you pay £10 less per day and your worker receives £15.08 more per day.**





Workforce  
Alliance

Collaborating for a sustainable workforce

## We're here to help

The Non Clinical Staffing deal can help ensure:

- full transparency of all costs, including the mark-up rate
- fair terms and conditions
- compliance with employment check standards

W *Non Clinical Temporary and Fixed Term Staff*

T 0345 410 2222

E *info@crowcommercial.gov.uk*

NHS Commercial Solutions (NHSCS)

*NHSCS.agency@nhs.net*

*www.commercialsolutions-sec.nhs.uk*

East of England NHS Collaborative Procurement Hub (EoE CPH)

*workforce@eoecph.nhs.uk*

*www.eoecph.nhs.uk*

NHS London Procurement Partnership (LPP)

*lppagency@lpp.nhs.uk*

*www.lpp.nhs.uk*

NHS North of England Commercial Procurement Collaborative (NOE CPC)

*enquiries@noecpc.nhs.uk*

*www.noecpc.nhs.uk*

