

Internal employee trends in the staffing industry

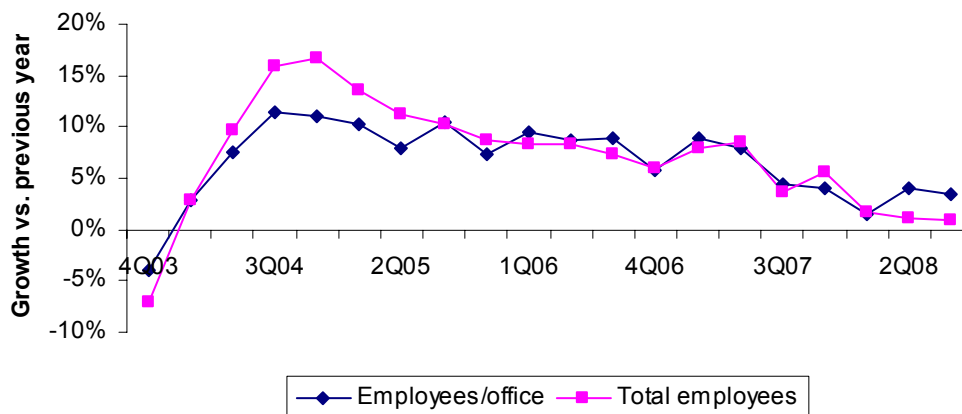
Sona Sharma, ssharma@staffingindustry.com

Growth in internal hiring at staffing firms has been gradually decelerating over the last several years, paralleling changes in industry growth, according to data from the Staffing Industry Benchmarking Consortium. Internal staffing wage growth also moderated over the same period.

Hiring boom moderating

The chart below shows that growth in both employees per office and total employees peaked around the latter part of 2004 and has been steadily decelerating ever since. This makes sense given decelerating industry expansion during the same period.

Staffing firm internal employment growth trends



Source: Staffing Industry Benchmarking Consortium

Robin Mee, founder and president of Mee Derby & Company, a staffing firm that recruits for staffing companies, said she has noticed increased number of layoffs in the industry in the past couple of months – mostly recruiters. "Another thing is that is that while companies have cut back on internal recruiters, they are more active in hiring sales people, or managers who can sell. There is a shift to new business development and away from aggressive candidate recruitment," Mee said.

Confidential Report – NOT for Distribution | ©2009 by Crain Communications, Inc. All rights reserved.

PROPRIETARY DATA, DO NOT DISTRIBUTE OUTSIDE YOUR ORGANIZATION.

Your company's use of this report precludes distribution of its contents, in whole or in part, to other companies or individuals outside your organization in any form – electronic, written or verbal – without the express written permission of Staffing Industry Analysts. It is your organization's responsibility to maintain and protect the confidentiality of this report.

Staffing Industry Analysts | 881 Fremont Avenue | Los Altos, CA 94024 | 650.232.2350 | www.staffingindustry.com

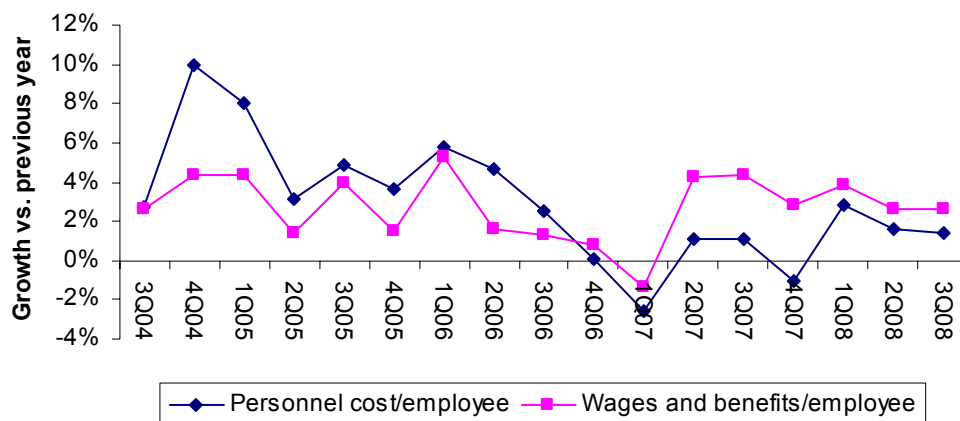
Jan. 23, 2009

Paul Fortin of Paul Fortin & Associates, another recruiter for the staffing industry, said that while the economy has had an impact, he is still seeing good demand in the professional staffing sector, such as healthcare, finance and accounting or creative staffing. "They are looking to find talent more in the regional side and more at the upper management levels," Fortin added. "In the more recruiter-level, or branch level positions -- especially in commercial staffing or traditional staffing -- there has definitely been a pullback."

Wage growth decelerates

In 2004 and 2005, wages and benefits per employee typically grew in the 2% to 4% range and total personnel costs/employee (wages and benefits plus commissions) grew slightly faster, in the 3% to 5% range. In 2006 and into early 2007, growth in both metrics decelerated and in 1Q07 the consortium saw an actual decline in such costs versus the year earlier, and another decline in 4Q07. There was a pick up in 1Q08, only to experience deceleration again in the recent quarters. The chart below shows the trend in growth in personnel costs per employee as well as wages and benefits per employee.

Staffing firm internal employment cost trends



Source: Staffing Industry Benchmarking Consortium

Commissions less of a factor

Notably, growth in personnel costs (which includes commissions) is running lower than growth in wages and benefits and has been since the first quarter of 2007, indicating declining commissions as a share of personnel costs. This likely reflects both lower direct hire commissions, as that business has slowed, as well as a possible shift in compensation toward wages and away from commissions, reflecting employee preference in the current uncertain sales environment.

Internal turnover drops again in 2008

Another factor to look at is turnover rate at staffing firms. Internal turnover at staffing firms, which decreased throughout 2006, started to stabilize in the first few quarters of 2007 before dipping again 2008. The drop in turnover is expected considering the down economy and the layoffs happening both within and outside the staffing industry. Now is not a very good time to jump ship, but rather hunker down and hope to hold on to the existing job.

Confidential Report – NOT for Distribution | ©2009 by Crain Communications, Inc. All rights reserved.

PROPRIETARY DATA, DO NOT DISTRIBUTE OUTSIDE YOUR ORGANIZATION.

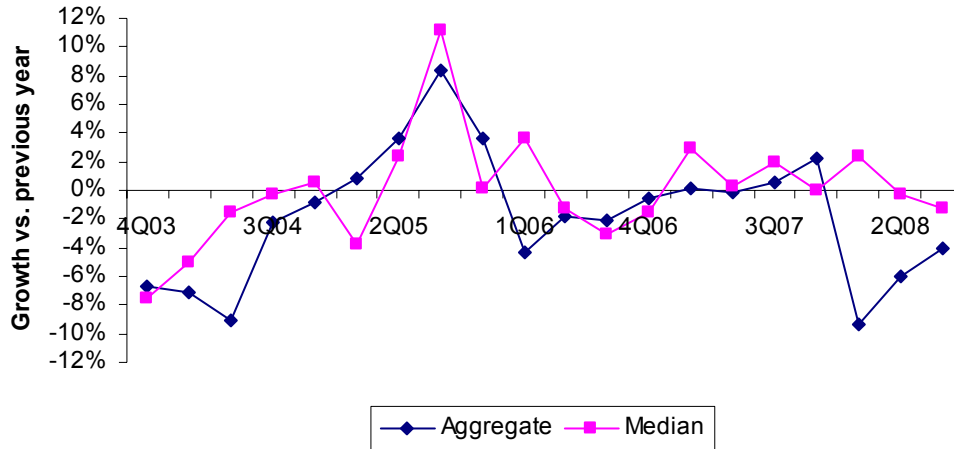
Your company's use of this report precludes distribution of its contents, in whole or in part, to other companies or individuals outside your organization in any form – electronic, written or verbal – without the express written permission of Staffing Industry Analysts. It is your organization's responsibility to maintain and protect the confidentiality of this report.

Staffing Industry Analysts | 881 Fremont Avenue | Los Altos, CA 94024 | 650.232.2350 | www.staffingindustry.com

Jan. 23, 2009

The chart below shows that aggregate turnover has been declining particularly at larger firms (represented by the "aggregate" line). Median turnover rate, more representative of smaller firms, has declined more moderately.

Staffing firm internal employee turnover trends



Source: Staffing Industry Benchmarking Consortium

Confidential Report – NOT for Distribution | ©2009 by Crain Communications, Inc. All rights reserved.

PROPRIETARY DATA, DO NOT DISTRIBUTE OUTSIDE YOUR ORGANIZATION.

Your company's use of this report precludes distribution of its contents, in whole or in part, to other companies or individuals outside your organization in any form – electronic, written or verbal – without the express written permission of Staffing Industry Analysts. It is your organization's responsibility to maintain and protect the confidentiality of this report.

Staffing Industry Analysts | 881 Fremont Avenue | Los Altos, CA 94024 | 650.232.2350 | www.staffingindustry.com

Jan. 23, 2009