



FORECAST, SI Review, January 2008

Learn what your peers expect - and are planning for - in the coming year.

Jim Huling is excited about 2008. His company, Atlanta-based information technology staffing provider MATRIX Resources Inc. - which will celebrate its 25th anniversary in February - plans to open three or four new offices this year and is eyeing the cities of Denver, Boston, Los Angeles and Washington DC for expansion. Additionally, MATRIX plans to increase the number of strategic partnerships it has with large national companies and to grow its national operations center, which consists of a core group of people focused on recruiting and onboarding.

"We think it will be the biggest year in our history," comments Huling. "We laid down a foundation in 2007 that will yield a tremendous return in 2008 and 2009. We're extremely optimistic. We believe our future is very, very bright."

Many staffing executives and others in the industry, like Huling, are feeling positive about 2008 and what it will bring. They predict it will be a good year filled with active growth. Some of the many priorities executives say they have on the agenda this year include opening new offices in the United States and overseas, hiring and training employees, pushing the growth of existing locations and service lines, increasing the efficiency of back office operations and reducing paperwork.

Execs shared some of the challenges their companies and the industry as a whole will face this year. They also shared their thoughts about uncertainties such as the economy and the upcoming presidential election, and some of the trends they foresee.

CHALLENGES

One of the biggest challenges the staffing industry will face this year is the continued worker shortage. Baby Boomers are retiring, and there aren't enough younger workers to replace them. According to the Department of Labor's Bureau of Labor Statistics, 76 million Baby Boomers - people born between 1946 and 1964 - expect to retire in the next few years, but only 46 million GenXers will replace them.

"We are beginning to experience the consequences of Baby Boomers retiring who have not 'replaced themselves' with enough children to meet increasing demand for skilled workers going forward," comments Jay Finkelman, system-wide associate dean, program director and professor at Alliant International University's Marshall School of Management. "The problem will only get worse."

Amy Gerrity, president of The Reserves Network, based in Fairview Park OH, says, "Our biggest challenge for the coming year will be finding good talent. Recruiting is becoming critical every day. Our efforts will focus a great deal on recruiting."

Adds Andrea Hopkey, president of AllStates Technical Services in Birmingham AL, "With the unemployment rate hovering at all-time lows, the battle for talent will continue to be a challenge in 2008. We will continue to try and identify new sources for the technical/professional skills we place through new recruiting tools and the use of offshore sourcing and recruiting."

It's getting harder and harder not only to find people but especially qualified people, points out Bob Lopes, CEO of Veritude. "The challenge is finding the right talent. We're seeing increased challenges in making sure we find the right candidate who is an excellent job fit. It's harder to find qualified candidates."

Robert Caban, president of Caban Resources in Lawndale CA, observes, "The number of skilled candidates out there seems to be shrinking. Schools aren't graduating enough people. There aren't enough people, and it's going to be that way for awhile now."

Houston TX-based Dean's Professional Services, which specializes in medical staffing and consulting, has been affected by the nursing shortage, points out Jennifer Dean, president.

"In the professional area, there are less people, and more people are after them," she says. "We're all grabbing from the same pool. If you're unemployed and we know it, we're all going to grab for you. ...Your pool is shrinking every year."

Attracting and retaining internal staff also will continue to be an industry-wide challenge. "The war for talent is raging within our industry, and the fight for high producers is strong," comments Bill Yoh, CEO of Philadelphia-based Yoh. "This encompasses salespeople, recruiters and managers. The key for us is to continue to enhance our value proposition to prospective employees and to continue to improve our training and development capabilities to make them as productive as possible as quickly as possible."

Boston-based Professional Staffing Group expects to meet its internal staffing challenges by providing additional training and career development, paying people more and offshoring, according to founder Aaron Green.

Hire Dynamics CEO Dan Campbell says his goal for 2008 is to have a more than 80% retention rate for internal staff. His company had a 75% retention rate as of fall 2007. "We continue to believe that you can't have customer loyalty if you don't have employee loyalty," says Campbell.

With the number of illegal immigrants in the United States on the rise, another challenge for the staffing industry will be making sure the people it employs are working legally, notes Finkelman. Illegal immigrants are buying readily available fake documents, and staffing firms aren't qualified to determine what is fake and what isn't, he points out. "They're in a bit of a bind because they don't want to get nailed and they don't want to get accused of discrimination."

Patti Penny, CEO of Springfield MO-based Penmac Personnel Services, says, "We'll have to be more attentive to make sure we're not missing anyone who might be illegal." In 2007, her company started using eVerify, a government program through the Department of Homeland Security that helps employers identify people who are in the United States illegally. The program has to be run on everyone; it can't be used selectively, she points out. As of last fall, Penmac was using eVerify at one office in Arkansas, one in Kansas and one in Missouri and the plan is to implement it in all offices this year. "So far, it's been excellent," she says.

Last fall, Penmac also began using a small black light and 10-power magnifying glass to verify the authenticity of driver's licenses, state ID cards for people who don't have driver's licenses, resident alien documents and permanent resident cards, explains Penny. "We're really excited about it," she says. "We're starting it out where we know there might be some problems."

The black light needs to be used in a darkroom, and the magnifying glass came from a camera shop. "They are hard to find," says Penny of the magnifying glass. "It has to be 10-power."

An Unknown with Respect to the Economy

Some in the staffing industry are cautiously optimistic about 2008 due to the unknown with the economy. If the economy is strong and there is job growth, staffing companies will prosper, but if there's a downturn, staffing companies won't do as well.

"We're going to go into 2008 with cautious optimism," says Bob Lopes, CEO of Boston-based Veritude. "We've seen the economy really grow the last couple of years. How long can it continue to grow? You always go into the year with cautious optimism regarding the economy. That cautious optimism will become optimism as we get further into the year."

The uncertainty surrounding the economy stems from a decline in residential real estate in terms of property value and transactions, Finkelman says. "The average pricing is down a little bit in many markets, not all markets," he explains. "When houses are not being renovated and fixed up - and not being redecorated - that affects the Home Depots, Lowe's and many other suppliers to the staffing industry. That's the ripple I'm talking about."

Noel Wheeler, president and CEO of Reno NV-based CLP, a wholly owned subsidiary of Labor Ready, says his company has felt a downturn in residential construction but has still been able to grow because it also does commercial construction, which is faring better. "We're not seeing significant weakness in commercial construction right now and hopefully that will continue [through] the new year," he says.

Right now inflation is still creeping up and mortgage lending markets and sub-debt prime markets are continued drags on the economy, points out Harold Mills, CEO of ZeroChaos. "How that plays out in 2008 will still be interesting," he says.

Bill Pisano, director of branch operations for Stephen James Associates, predicts we'll start seeing a downturn in the economy this year that we need to be prepared for, but that we won't really start feeling the effects of the downturn until 2009, and then there will be a recession. "We need to make sure we're diversifying ourselves to prepare for an impending type of recession," he says.

Hopkey says the economy is a concern for her. "At the very least I think it will cause people to be more cautious in their hiring plans," she says.

Doug Boone, president of the American Labor Pool in San Diego, says he is going to wait for the economy to improve before making any big decisions. "Until the economy gets a shot in the arm, I will be a little apprehensive before rolling [out] any major policy or action."

Others aren't as concerned. "I'm optimistic about 2008," comments Matt Schubert, president of Northbrook IL-based Paramount Staffing. "The labor market is still tight. I think the economy is still moving ahead at a good pace. If we get any relief at all on gas prices, that will help the industrial sector. When people are paying \$40 or \$50 to fill up their gas tank, they don't have money to spend on discretionary things."

Uncertainty Surrounding the Upcoming Presidential Election

There is also uncertainty surrounding the presidential election that will take place at the end of the year. For most staffing companies, though, it will be business as usual, Finkelman believes. "Most election years tend to result in stronger business for staffing companies," he says. "From the staffing company point of view it's irrelevant (as to who the next president or political party will be). Business will go on. Both parties have a great vested interest in making sure the economy stays strong. Regardless of your political belief, you don't put business on hold."

Many staffing execs, such as Hire Dynamics' Campbell and Stephen James' Pisano, say they plan to "proceed as normal."

Still, those in staffing acknowledge the election will have an effect on the industry. "The political climate is important to our industry, particularly as it relates to healthcare costs," says ZeroChaos' Mills. "Some states will try to get things done; others will wait until the president is decided. That will affect our business, like everyone else in the industry."

Adds Hopkey, "I think an election year always causes some trepidation in the business community because decisions made by new leadership regarding public policy issues from healthcare to housing and taxes to technology impact the economy as a whole. And, as many of us in staffing know, fluctuations in the economy directly impact the state of the staffing industry."

Jennifer Dean, of Dean's Professional Services, says, "It's so volatile. You don't know what you're going to get. You don't know which way it's going to turn for you. It will make a big difference [who is in office]. It could be a female president. It could be so many things. Politics has become a huge business and it affects us in so many ways. The foundation of what we do is driven by the economy, by politics."

If you're thinking about selling your staffing company, it might not be a bad idea to do it before the election because you could find taxes increasing after it's over, comments Hire Dynamics' Campbell.

TRENDS

What are some trends we should see in 2008? Alliant University's Finkelman says companies are allocating more and more of their budget to training and development, and that trend should continue this year. Companies are offering more courses and training online, enabling people to learn and study in the comfort of their homes and when it's convenient for them, Finkelman points out.

Needham MA-based Resource Options Inc. will concentrate on providing training and development for its sales and recruiting staff in 2008, says president Matt Carlin. His company is training recruiters to become managers and then moving them to a new office.

Matt Johnston, CEO of Burbank CA-based Workway, says social networking is on the rise, and he expects that to continue this year. His company is hosting chat sessions and a message board for laid-off mortgage employees through statewide mortgage associations.

Veritude's Lopes says one trend he sees is clients paying more attention to candidate quality than they used to. "Quality is picking up steam day in and day out," he says.

PSG's Green says his clients are putting service ahead of price. "Don't get me wrong, price is still important, but PSG is getting a lot of new business and inquiries from clients who a few years ago made a staffing selection based on price, and they have not been happy," comments Green.

"As the contracts are coming up for renewal, clients are adjusting their process and paying much more attention to service, and these clients are willing to pay a little more for it. Clearly, not all clients follow this philosophy and plenty still view staffing as a commodity, but it is refreshing to me to see numerous clients with a more informed approach to vendor selection."

Opening New Offices, Adding Staff

Many staffing companies plan to open new offices and add staff next year. The Reserves Network plans to expand further into states in which it already has offices, says Gerrity. "We definitely plan on expanding our footprint in the Carolinas, Indiana and Florida. Our expansion plans will afford the staff in those markets additional career opportunities. It will strengthen our ability to service our customers."

Overall, "2008 looks to be a very good year for TRN," comments Gerrity. "We have a very aggressive growth plan in place for the year. Our plan is to grow through acquisitions as well as organic growth. Other opportunities for expansion will include growth with our customers as they expand into new markets as well. Our strong senior management team, including our acquisition team, positions us for growth with minimal increase in overhead. In other words, we have the structure in place to allow us to grow with minimal disruption to the existing business."

Burbank CA-based Workway hopes to open three to five new offices and is eyeing the East Coast cities of Philadelphia, Boston and Washington D.C. for expansion, according to Johnston. "We see a concentration of potential clients that we're focusing on for 2008 in the northeast," he says.

Workway is expecting a 50% revenue growth companywide, and its information technology and nursing sectors should grow 25% to 35% this year, Johnston predicts. The company also plans to beef up its staff by 10% to 20%. "We're optimistic about the year," says Johnston. "We're expecting a year of great growth."

Penmac Personnel plans to expand in northwest Arkansas because it's near the company's corporate office, and reports show that's where job growth is going to be, explains Penny. The goal is to open at least one office, either in Springdale or Fayetteville, where the University of Arkansas is, she says.

Stephen James Associates plans to open two to four new offices this year, primarily on the East Coast, according to Pisano. The company also hopes to make an acquisition this year and to increase its staff - which stood at a little more than 100 in 2007 - by 15% to 30%.

Stephen James, which is expecting 50% to 75% revenue growth in 2008, hopes to be profitable this year for the first time in its history. "2008 will be a solid year for us," comments Pisano. "It will be great for the recruiting and staffing industry as a whole."

Asset Staffing, which has offices in New York and Miami, hopes to open a new office next year, most likely in Philadelphia, according to president and CEO Ed Giannattasio. "We have clients who have operations in that immediate area," he explains.

Robert Caban, of Caban Resources, says his company hopes to open one or two new offices in Southern California and add staff to accommodate those offices. Jennifer Dean, of Dean's Professional Services, says her company plans to open at least one more office in Texas, California or Florida. Eventually, the goal is to have offices in all three states, she says.

Veritude is eyeing the southeast and southwest for expansion, but "I haven't put a date on that," explains Lopes. His company plans to add staff at its Raleigh NC office in 2008.

Resource Options Inc.'s Carlin also says his company will focus on hiring staff this year. "We need to do as good a job identifying, screening and qualifying candidates for our internal positions as we do for our clients, so we can have as much success on our own behalf as we have traditionally had for them," he comments. "To accomplish this we need to put a similar focus and commitment into filling our own positions as we have for our clients."

Some Want To Concentrate on What They Already Have

Some say their plan is to focus on what they already have this year. Resource Options Inc.'s Carlin says his company will focus on growing its existing offices as opposed to opening new ones.

Hire Dynamics also plans to concentrate on the offices it already has, explains Campbell. "We're cautiously optimistic, but certainly not aggressive in opening up new offices," he says. "Our focus is to build density where we already exist."

Continues Campbell, "It wouldn't be like in years past where we've been very aggressive. We just need to execute now. It will be a year in which we are able to breathe a little bit, which will be great."

Hire Dynamics is still expecting double-digit growth this year, "but it wouldn't surprise me if we have slower growth than in years past," comments Campbell. He still plans to add staff, because his existing offices are growing.

Matt Schubert, president of Paramount Staffing, says his company doesn't plan to open any new offices or add staff.

Building New Divisions a Goal

Some staffing companies say they expect their new divisions to grow this year. AllStates Technical Services recently established a search and place division that should "provide a steady revenue stream" for the company in 2008, comments Hopkey.

Similarly, CLP expects the travelers division it launched in the spring of 2007 to continue to grow this year, comments Wheeler. The travelers division enables the company to move groups of tradespeople across the country for major projects. "Clients like the ability - if they're short in one area - to get workers in another area," explains Wheeler. "[It provides] access locally to people for the projects who don't live locally."

International Growth a Goal

ZeroChaos, which has offices in Canada, the United Kingdom, Denmark and India, will probably enter another three countries this year, says Mills. The company is eyeing the South Pacific (Australia or New Zealand) and South America (Venezuela) as possible expansion locations. ZeroChaos is expecting strong growth this year in its international markets and moderate growth in its U.S. markets, according to Mills.

Sixty-five percent of the company's growth last year came from existing customers, and that figure should

remain the same this year, predicts Mills. Companywide, ZeroChaos is expecting 50% revenue growth this year. "We're anticipating a good year for us, another great year in our journey, as we like to say."

More Offshoring on the Agenda

In addition to growing its existing business lines and adding staff, PSG expects to substantially expand its offshore recruiting services, according to Green. PSG Offshore Resources had five U.S.-based employees and 50 Philippines-based employees at the end of 2007. Those numbers are expected to go to 10 and 200, respectively, by the end of 2008.

PSG also is renewing its lease and expects to add 30% more space this year. Additionally, the company is implementing a new phone system and will continue to invest in technology upgrades that save clients and candidates time and money.

Technology Leads the Way

Veritude's Lopes says his company will focus on improving dialogue with potential candidates as well as current ones. Specifically, it is going to put together more resources and communication on the Web.

Asset Staffing's Giannattasio says his company plans to focus on integrating its front and back end operations this year. The company changed its front office system and now it needs to integrate that with the back office system, he explains.

ROI plans to increase the efficiency of its back office operations this year, says Carlin. "As our sales and recruiting operations have grown, so too has an efficient back office become more critical in delivering the product our clients have come to expect for ROI," he explains.

Penmac Personnel is working on a document center it rolled out in 2007, according to Penny. People will sign a pad instead of paper and applications will no longer be available on paper. "It will make us completely paperless," explains Penny. "Our goal is to become completely paperless on the application side in 2008."

Cautious Optimism Rules - for Now

While no one has a crystal ball and knows exactly what will unfold this year, many in the staffing industry say they expect it to be a good year. Others, however, think it won't all be smooth sailing, that there could be some rough seas ahead due to the uncertainty surrounding the economy and presidential election. Only time will tell.

How Staffing Companies Plan to Spend Money This Year

MATRIX plans to spend money on continued expansion, an additional 50 to 60 account managers and recruiters, new technology (including a possible enterprise system for the company's business operations) and training programs that will help everybody perform better, according to CEO Jim Huling.

Patti Penny, CEO of Springfield MO-based Penmac Personnel, says her company also is putting a lot of its resources toward expansion and hiring new people. "We've got the tools, if you will. Now we need the people." The company also will devote quite a bit of money to training. "Our dollars are going to be invested in people," says Penny.

Stephen James Associates also plans to spend money on training for its internal staff, comments Bill Pisano, director of branch operations. "From the day you hire to the day you leave, there should always be some kind of training," he comments. The company also plans to spend money on marketing to candidates and on an acquisition.

What Staffing Companies Plan To Focus on in 2008

- Hiring new employees
- Training and development of internal staff
- Pushing the growth of existing locations and service lines
- Building new divisions
- Increasing international presence
- Improving the efficiency of back office operations
- Improving technology
- Offshoring
- Becoming paperless

Video Resumes To Pick Up Steam

Video resumes have started catching on and are expected to become more popular this year.

Jobster began offering video resumes in December 2006 and has watched them become more and more popular ever since, explains Christian Anderson, director of corporate communications. "It's a nice addition to what's out there right now," he says.

Video resumes allow job seekers to showcase their skills, talk about why they want to work for a particular company or share something that might not be on their resume. They also give employers an idea as to someone's personality, and employers have something other than a piece of paper to go by when they're thinking about hiring someone.

In the future, more and more people are going to send their regular resumes with a video attached to it, predicts Mike Agee, VP of Burbank CA-based Video Tag. "That's the direction that video resumes are going to head in the next 18 to 24 months," he says.

Matt Johnston, CEO of Burbank CA-based Workway, says some of his company's clients have already said they don't want a resume unless it has a video attached to it.

One thing a lot of people don't know is that video resumes can be made like a DVD where you skip to different parts of the video, Agee points out. But this new technology comes at a cost. "It's available, but it's expensive."

Video Tag, which launched in early 2007, was making anywhere from 20 to 100 videos a day last fall, and Agee expects business to continue to go up. "There will be a lot of buzz about it [video resumes] next year and into 2010, and then I see major adoption of it after 2010."

It's not just job seekers who are using video resumes, Jobster's Anderson points out. On the reverse side, employers also are using them to give a potential employee an idea as to what it would be like to work for their company.

Workway, for example, has made several videos about the company that it is using in its blogs and job postings on CareerBuilder and Monster. "We're big believers in video," says Johnston. "We think that this is the wave of the future. We have been trying to experiment with some things that work well and don't work well."

Jobster's Anderson predicts more companies will make video resumes in 2008. "We've got several examples on Jobster now," he says. "Tivo has one that is really good." Google did a video of The Today Show people talking about Google, Anderson points out. Anderson predicts individual teams and departments within companies also will start to do their own video resumes as well.

In order to make a video resume, you need the proliferation of broadband and a video capture device, such as a video phone or camcorder. Video cameras have come down in cost, which makes it easier for people to make video resumes.

"Technology has matured to the point where it's cheap enough," says Agee. "There are venues that make the publishing of videos not only accessible but easy. Ten years ago you might have had to master a DVD or a tape but now you can simply take your video camera. You can upload it to a site where it will be seen by hundreds, if not thousands, of people a day."

Pay Card Business Booming

Pay card companies say business is booming and will only get better this year. rapid! Financial Services, which experienced 1,000% growth in 2007, expects to double its number of active cards in 2008, according to executive VP Brian Slowik.

"We believe that 2008 will be a breakthrough year for rapid!," he says. "People no longer have to ask what a pay card is. They know about the features and functionality."

Most people who use pay cards don't have a bank account. Their employer puts their paycheck on the card, and that way they don't have to go to the bank, which would charge them a check-cashing fee.

Pay cards, which have the Visa or MasterCard logo, can be used to pay bills or buy merchandise online or over the phone. They come with safety precautions such as FDIC insurance and fraud protection. Other vendors who supply pay cards include U.S. Paycard Inc. and Global Paycard Corp.

Private Equity Could Slow Down

Private equity will start to slow down in the second half of this year, predicts Chad Lincoln, president of Esprit Capital Advisors. "I think companies will delay transactions, go slower during that time frame until they understand what the environment is going to look like," he says.

Instead of giving money to a new company, many private equity groups this year will provide funding to a company they already own, Lincoln believes. He says most private equity growth this year will be in the professional sector.

One trend Lincoln says he's seeing is larger companies over \$100 million in commercial staffing buying companies under \$25 million. "That's going to define '08's activity," he says. "They have had several years' good run. They have built up their balance sheets. They have built up their investment capital."

Lincoln predicts private equity groups will discover RPOs this year. RPOs are attractive because of their high volume and high profitability, he points out, mentioning they can have return rates of up to 20%.