

Staffing Industry Report Webinar November 2016



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Staffing Industry Report Webinar

November 2016

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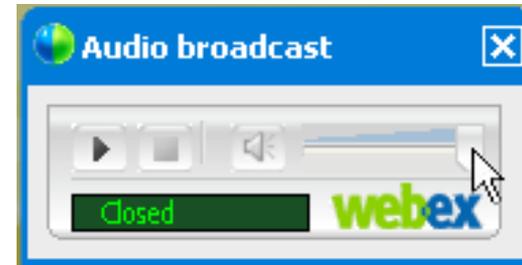
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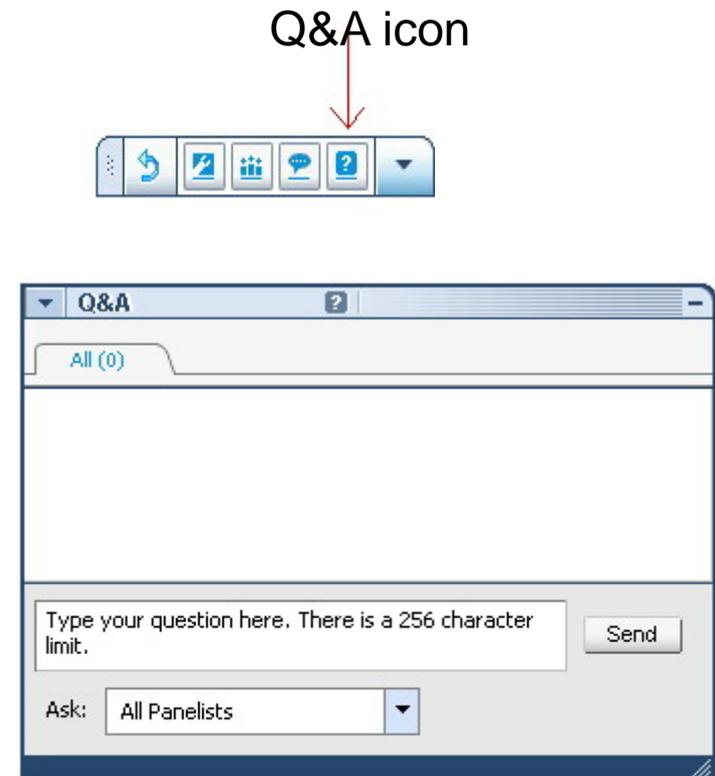
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- Type your question into the small dialog box and click the Send Button.



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Agenda

- Economic and employment trends
- Changes in overtime laws: what staffing firms need to know
- Best practices in managing at-home recruiters
- Temp-to-hire conversion rates, fees, and no-fee policies
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ECONOMY | ECONOMIC DATA

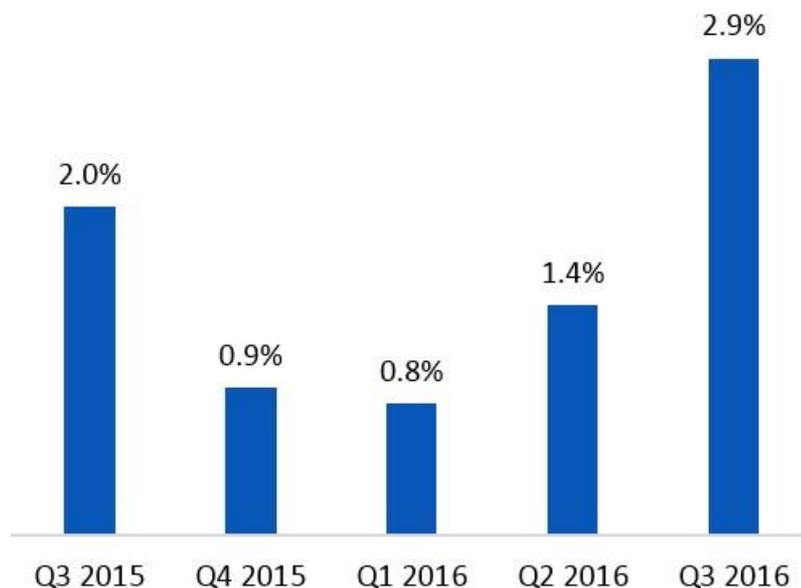
U.S. Economy Roars Back, Grew 2.9% in Third Quarter

Growth rate was the fastest recorded in two years after expanding an anemic 1.4% in the second quarter



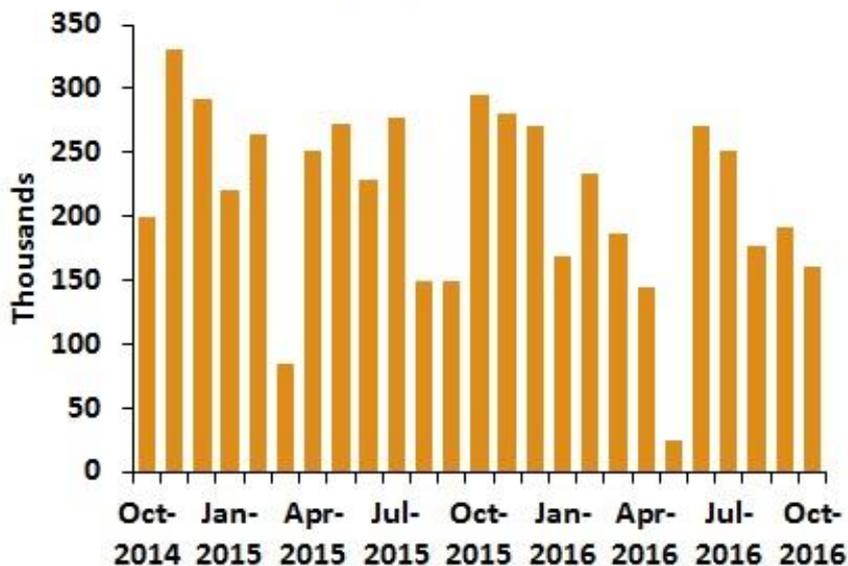
Errol Barrett brazing a bicycle frame at the Workman Cycles facility in New York in 2012. PHOTO: SCOTT EELLS/BLOOMBERG NEWS

Real US GDP, annualized percent change from previous period

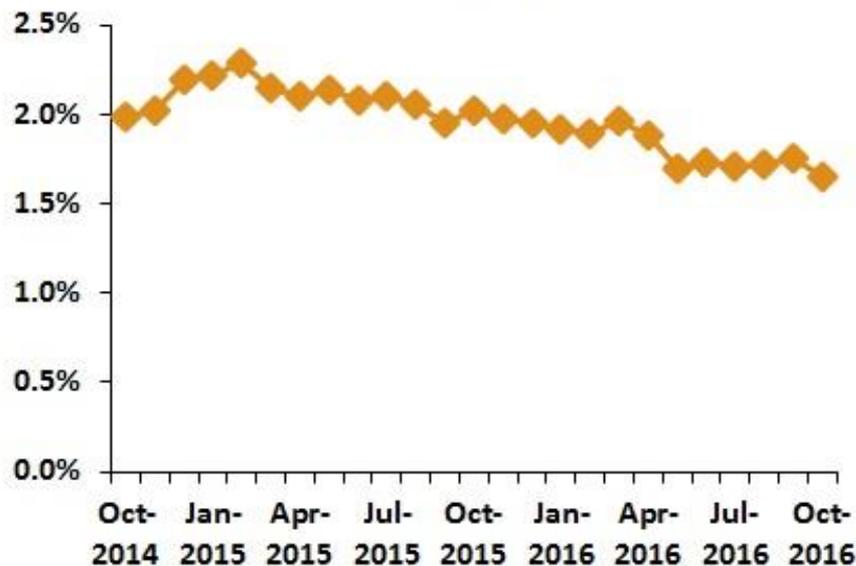


Employment up 161K in Oct., up 1.7% y/y

Monthly Change in Total Nonfarm Employment



Year-over-Year Change in Total Nonfarm Employment

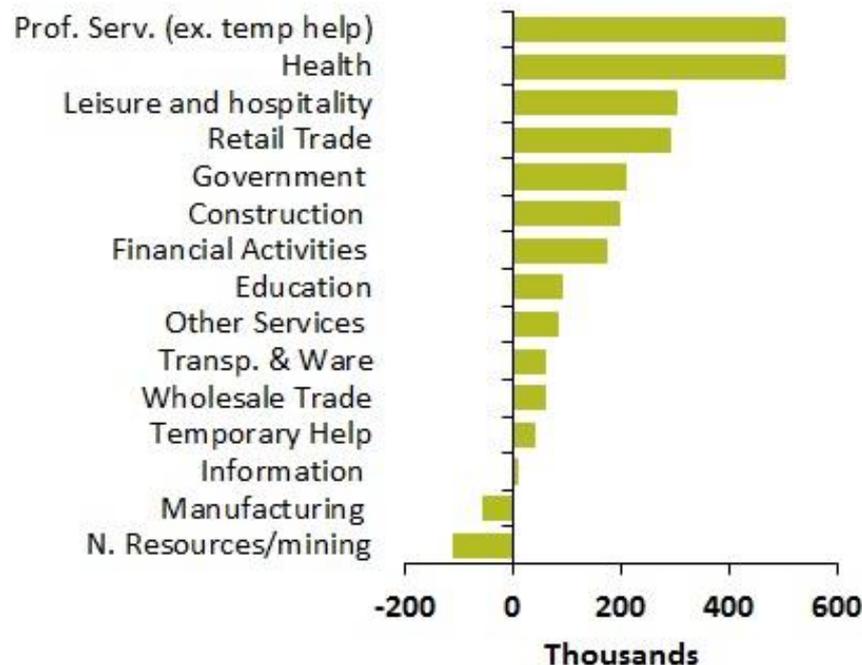


Employment trends by industry

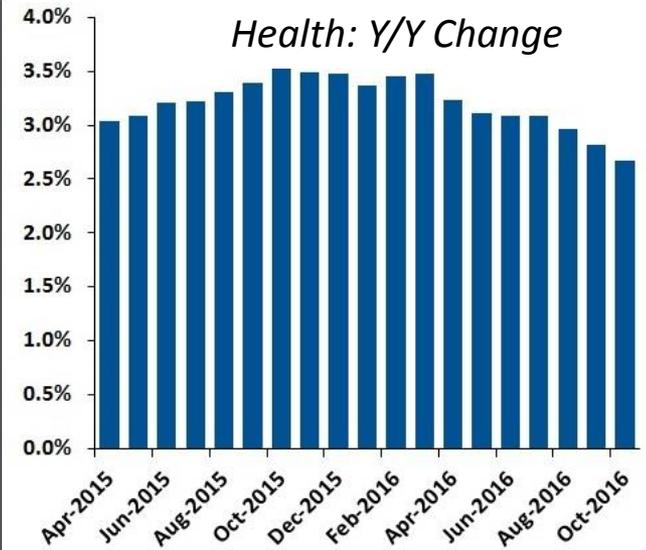
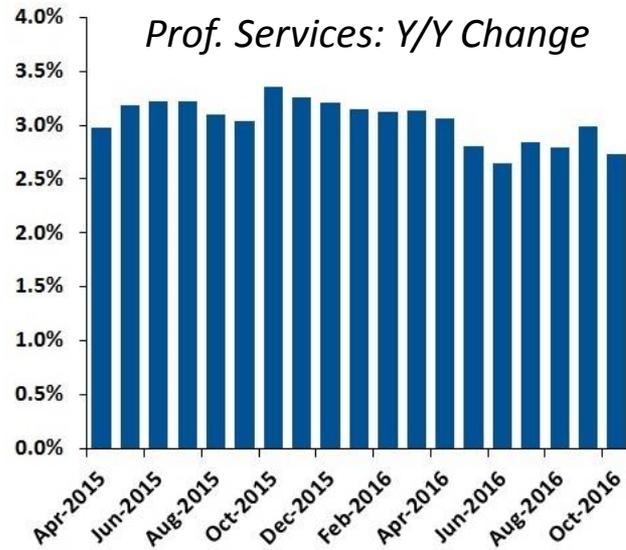
**Change in Employment: October
(000s)**



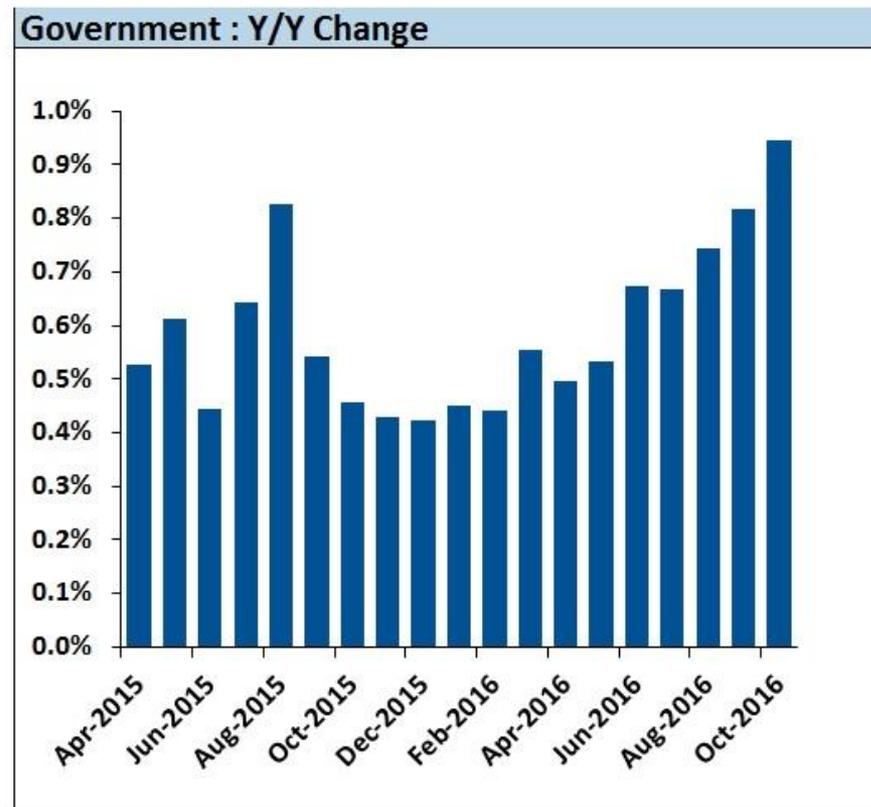
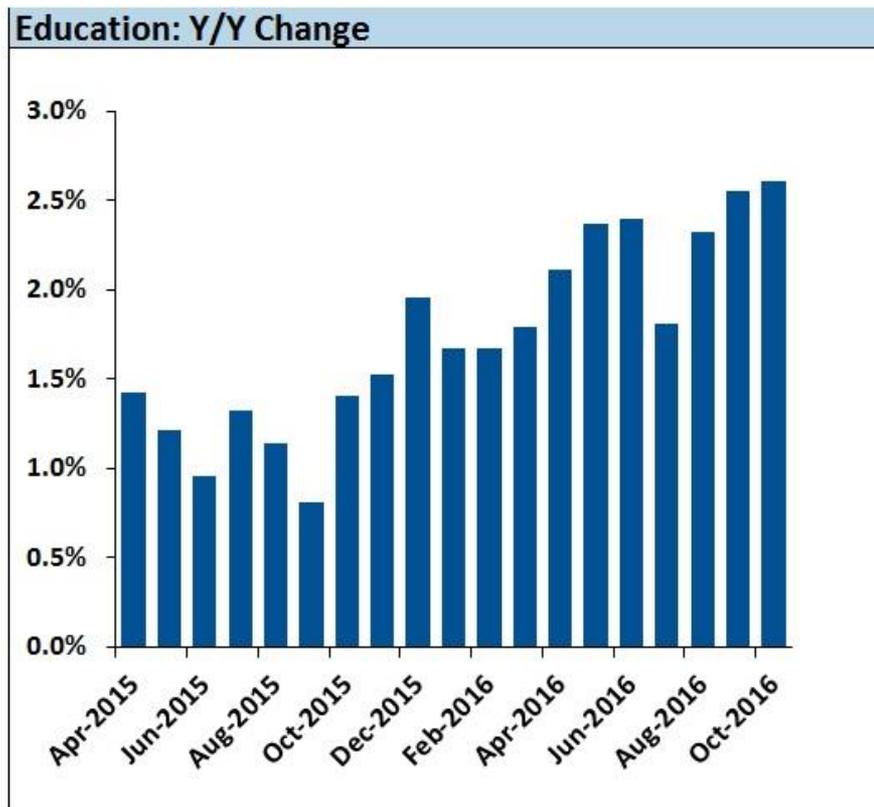
**Change in Employment: LTM
(000s)**



Four largest YTD job sources flat to slowing

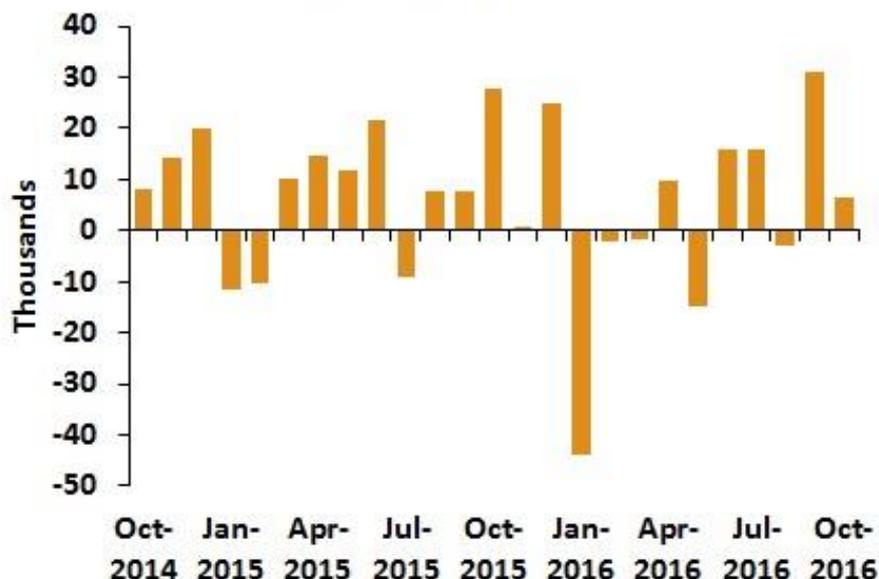


Two accelerating employment markets: education and government

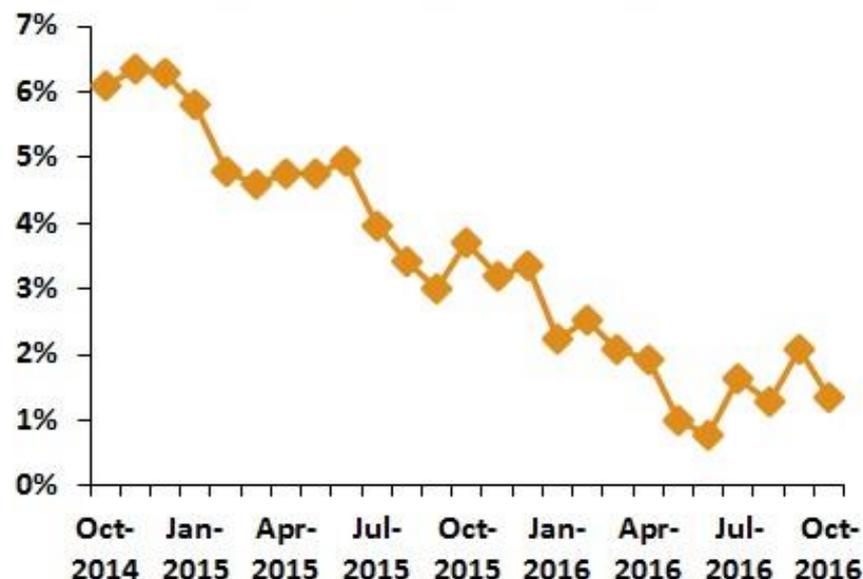


Temporary jobs up 6K in Oct., up 1.3% y/y

Monthly Change in Temporary Help Employment



Year-over-Year Change in Temporary Help Employment



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FLSA Overtime Rule Changes, Dec. 1, 2016

- Increase in minimum salary level for “white collar” exemptions: From \$23,660 to \$47,476, i.e. \$913 per week
- 10% salary level, i.e. \$4,747.60 can be nondiscretionary bonus payments, including commission
- Increase in minimum salary level for HCE exemption: From \$100,000 to \$134,004
- Automatic salary level increases: From 2020, to maintain 40th and 90th percentile level

“White Collar” Exemptions

Salary Level Test

- Minimum salary of \$47,476 annually or \$913 per week (excluding outside sales)

Salary Basis Test

- 90% paid as salary + 10%, i.e., \$4,747.60 in commission (excluding outside sales)

Duties Test

- The employee’s primary duty must meet the requirements of the relevant test:
 - *Administrative*
 - *Executive*
 - *Professional*
 - *Computer Employee*
 - *Outside Sales*

Exempt Employees

- Increase salary to at least 90% salary level (\$812 per week/ \$42,728.40 annually) with up to 10% commission (\$91.30 per week / \$4,747.60 annually). Quarterly “catch up” payments allowed.
- Ensure employee’s “primary duty” meets administrative or executive tests:
 - For recruiters, see *Pellegrino v RHI* and *Andrade v Aerotek Inc.*
 - Account/Branch managers directing two or more FTE with authority or influence to hire or fire, promote etc.
- Convert role to “Outside Sales”
 - Recruiters must be customarily and regularly engaged away from the employer’s place of business

Non-Exempt Employees

- Pay salary + commission + overtime pay at 1.5 x the employee's regular rate of pay
 - All remuneration (except expenses); this includes: discretionary bonuses, vacation and holiday pay, sick pay, premiums for working weekends/holidays
- Pay fixed salary for 40+ hours workweek + overtime pay at 0.5 x regular rate of pay for hours over 40, e.g., \$25k salary for 50 hour week = regular rate \$9.61 + \$4.80 x 10 hours
- Pay hourly including overtime
- Ban overtime or adjust hours and duties to avoid or limit overtime



North America

**STAFFING
INDUSTRY
ANALYSTS**

FLSA Overtime Rule Changes

The Impact on Staffing Firms

October 4, 2016

Fiona Coombe, Director of Legal and Regulatory Research
fcoombe@staffingindustry.com



Questions?

Legal Compliance and Risk



THE WALL STREET JOURNAL.

Donald Trump's Win Starts a New Era for Republicans

Party members across the country move toward adopting positions held by the president-elect that they previously opposed



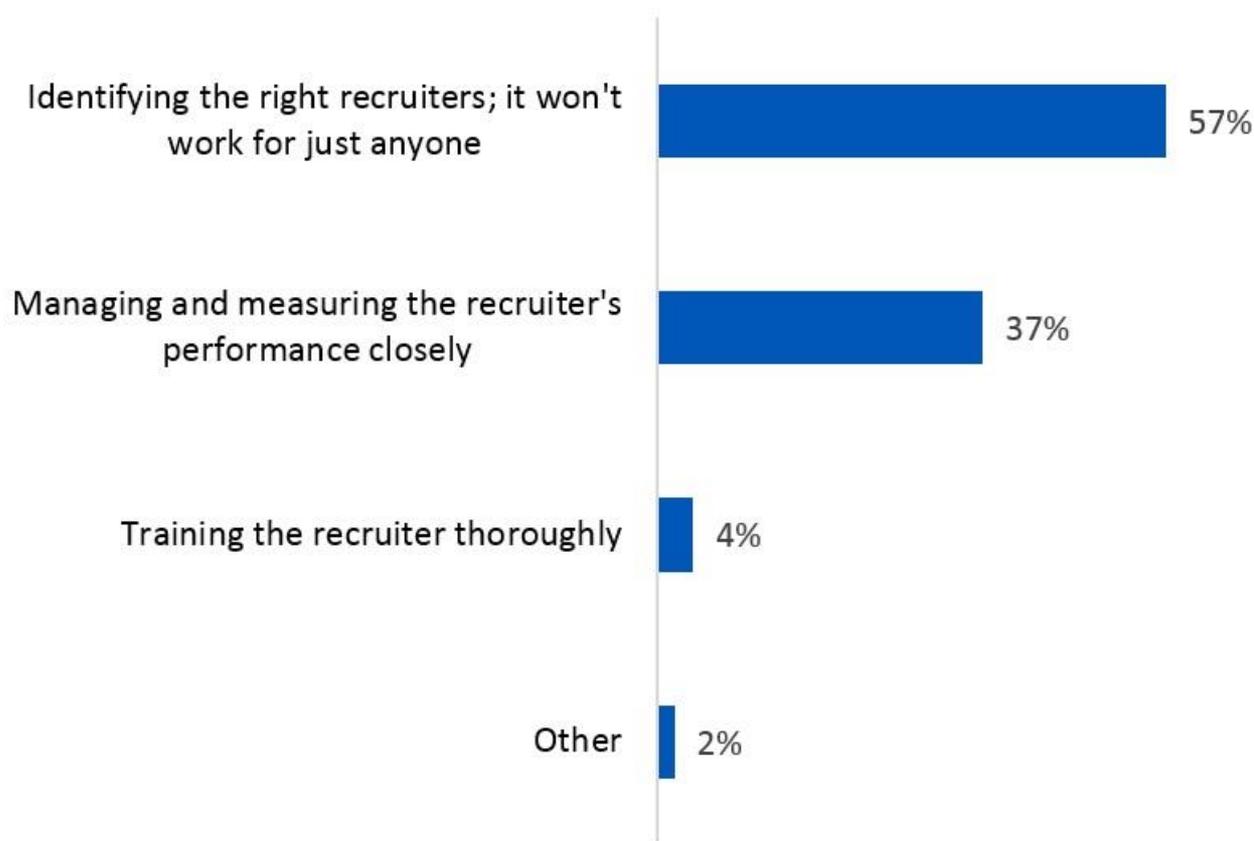
President-elect Donald Trump gestures as he speaks at his election-night rally in New York early Wednesday morning. PHOTO: MIKE SEGAR/REUTERS

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What's the #1 most important consideration in making an at-home/ remote recruiter situation effective?



Five additional tips for managing at-home recruiters

#1

- Keep them connected to team, communicate frequently

#2

- Set expectations, and get buy-in to those terms

#3

- Have recruiter work in-house first before working at home

#4

- Get the technology needed to make situation work

#5

- Use commissions to drive performance

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How often do temporary workers convert to permanent positions?

Of placed temps, percent that convert to permanent positions, as a function of staffing firm primary segment and firm size

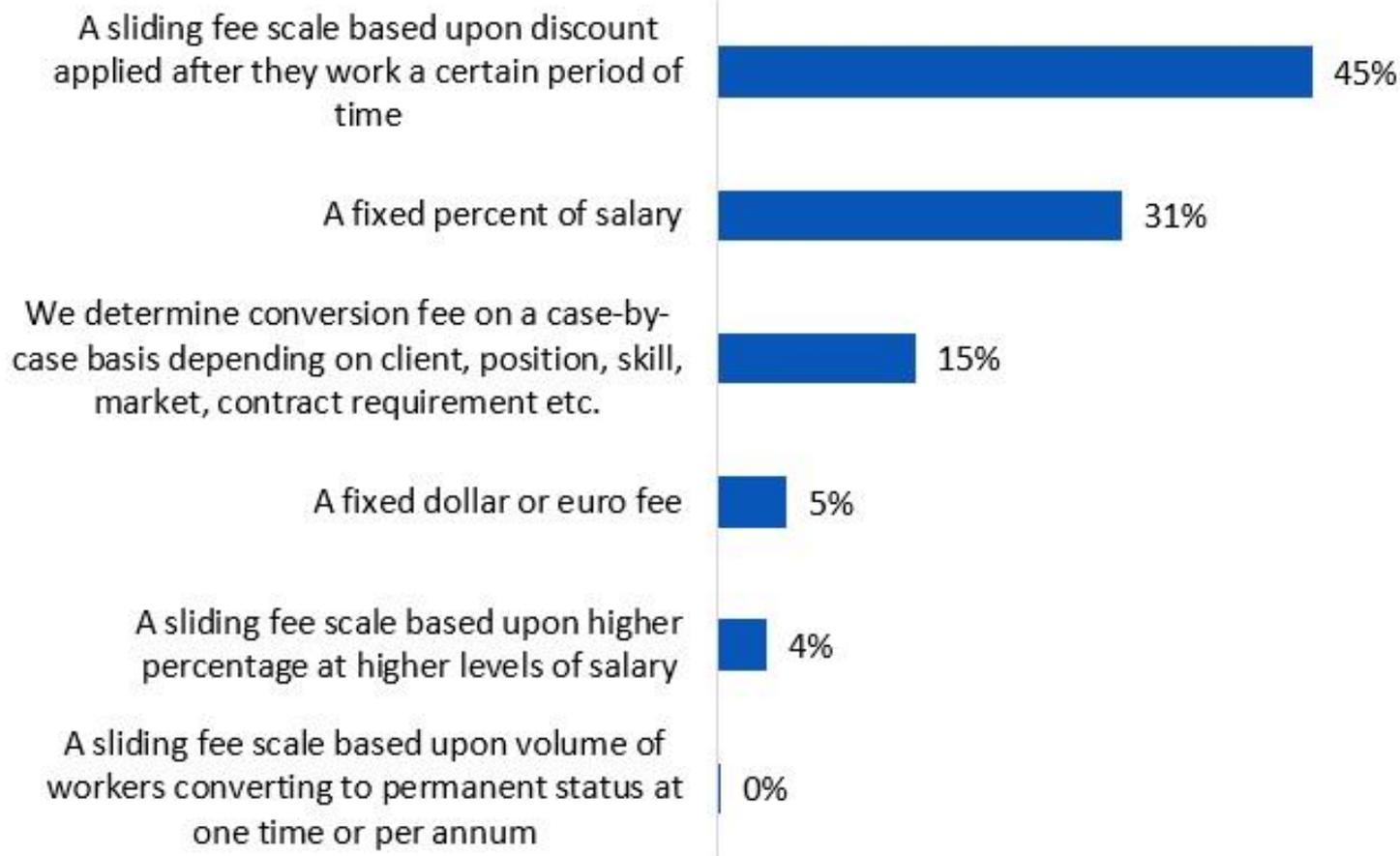
	25th Percentile	Median	75th Percentile	N
Commercial	16%	30%	60%	88
Professional	4%	10%	24%	172
<=\$10m	10%	20%	54%	117
\$11m-\$100m	6%	16%	30%	131
>\$100m	4%	8%	12%	36
All	7%	20%	32%	290

How much do staffing firms typically charge when a temp converts to a permanent position?

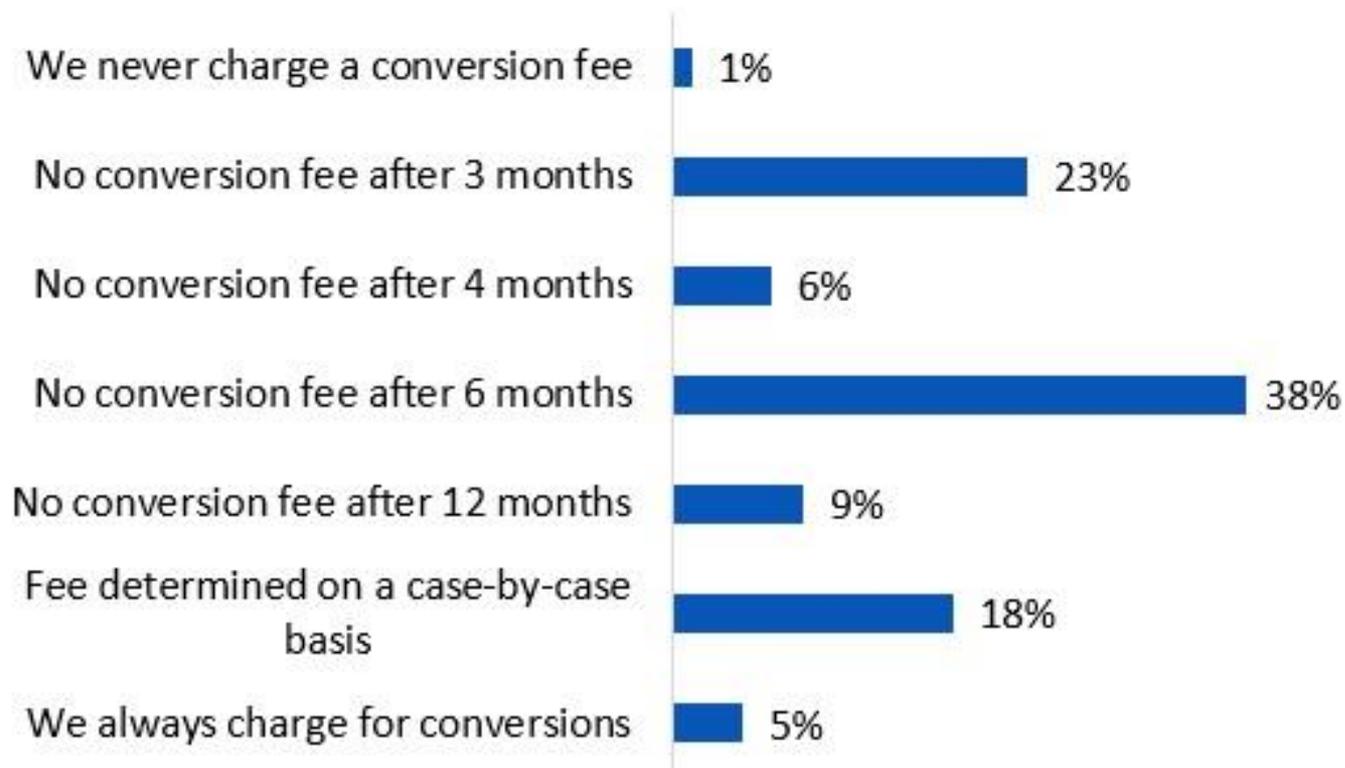
Average temp-to-hire conversion fee (% of salary)

	25th Percentile	Median	75th Percentile	N
Commercial	5%	10%	15%	66
Professional	10%	13%	15%	134
<=\$10m	3%	10%	15%	110
\$11m-\$100m	5%	10%	15%	122
>\$100m	5%	10%	15%	35
All	4%	10%	15%	272

How do staffing firms calculate temp-to-hire conversion fees?



At what assignment length do conversion fees no longer apply?



Agenda

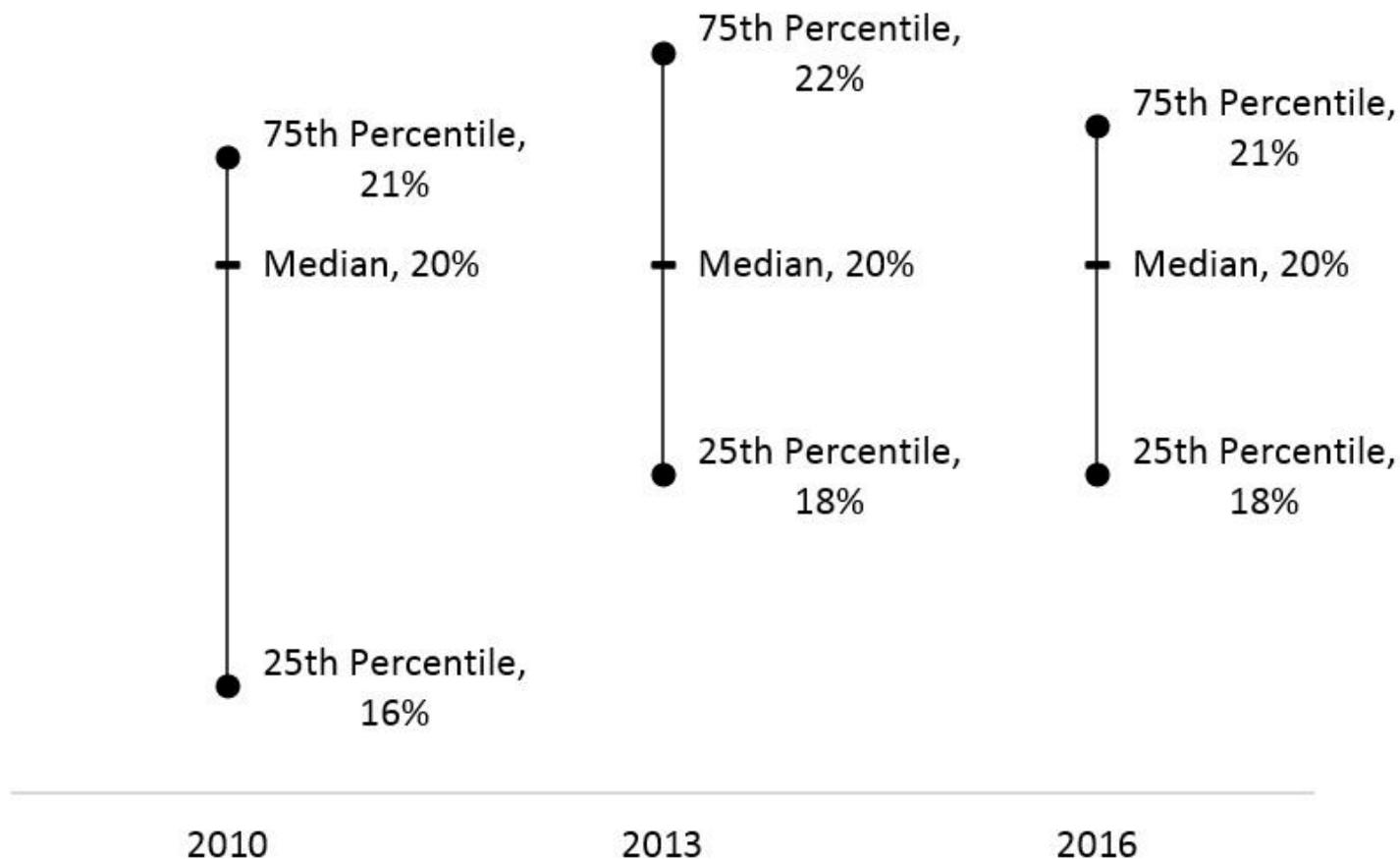
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How much do staffing firms typically charge for direct hire?

	25th Percentile	Median	75th Percentile	N
Commercial	15%	20%	20%	81
Professional	20%	20%	22%	148
Direct Hire	20%	20%	25%	19
<=\$10m	16%	20%	20%	107
\$11m-\$100m	18%	20%	22%	123
>\$100m	18%	20%	20%	33
All	18%	20%	21%	269

Trend in direct hire fees, 2010-2016



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Report: Staffing exec compensation

“Staffing Executive Compensation Analysis”

- Compensation examined for top two executives at 60 publicly-owned staffing firms. Source: Equilar, Inc.
- Full report: <http://www2.staffingindustry.com/Research/Research-Topics-Reports/North-America/Staffing-Executive-Compensation-Analysis-2016-Update>

Among US Executives...

- 2015 median total compensation: \$1.7 million
- 2015 median base pay: \$494,000
- Highest US compensation: Robert Half International Inc. Chairman and CEO Harold M. Messmer, Jr., received the most total compensation at \$9.9 million in 2015.

U.S. Executive compensation—ratio analysis

Percentile	Total Compensation/ Revenue	Total Compensation/ Market Cap
75th	0.37%	0.74%
Median	0.23%	0.42%
25th	0.14%	0.25%

2014 U.S. Executive total compensation, by executive title

Founder/ CEO/ Chairman

	25th	Median	75th	N
Firms with revenue <25MM	\$136,250	\$182,500	\$262,500	84
Firms with revenue 25MM+	\$212,500	\$287,500	\$550,000	41
All respondents	\$152,500	\$212,500	\$337,500	125

CFO/VP, Finance

	25th	Median	75th	N
Firms with revenue <25MM	\$ 68,750	\$125,000	\$147,500	10
Firms with revenue 25MM+	\$167,500	\$212,500	\$287,500	19
All respondents	\$127,500	\$177,500	\$262,500	29

President/COO

	25th	Median	75th	N
Firms with revenue <25MM	\$102,500	\$157,500	\$231,250	42
Firms with revenue 25MM+	\$177,500	\$237,500	\$312,500	28
All respondents	\$123,750	\$185,000	\$262,500	70

VP/SVP/EVP, Sales

	25th	Median	75th	N
Firms with revenue <25MM	\$102,500	\$132,500	\$180,000	19
Firms with revenue 25MM+	\$142,500	\$212,500	\$262,500	13
All respondents	\$122,500	\$160,000	\$225,000	32

Recommended report...compensation data for specific non-executive staff positions

INSIGHT

2016 U.S. INTERNAL EMPLOYEE COMPENSATION ESTIMATOR

January 22, 2016

Email G+

- This Excel file and accompanying PDF report contain annual compensation data reported by 10,581 staffing industry professionals from 184 staffing firms in the U.S. (with no firm comprising more than 10% of the data). In contrast to the “total compensation” values reported in the 2015 version of this tool, this year’s version reports on four compensation metrics: total cash compensation (which is the sum of base salary and bonuses/commissions/incentive pay); base salary; bonuses/commissions/incentive pay; and bonuses/commissions/incentive pay as a percentage of base salary. The data in this report reflects cash compensation only, and excludes non-cash items such as stock awards and fringe benefits.
- Both median total cash compensation and median bonus as a percentage of base salary were positively correlated with employee experience for both recruiters and salespersons. Salespersons earned higher median cash compensation and a higher median bonus percentage than recruiters at every level of experience.
- Among recruiters, salespersons and those in senior job roles, C-level executives earned the highest median total cash compensation at \$200,000 while recruiters earned the lowest at \$50,000. The highest median bonus percentage went to sales managers at 61%.



WHY THIS MATTERS

Compare your internal employees' base salary, bonus/commission/incentive pay and total cash compensation to staffing firm professionals with similar job titles and levels of industry experience at

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Coming soon...

2016 Staffing Firm Market Share Landscape and Book of Lists - North American Edition (select links below)

Regions	U.S. Temp Segments	U.S. Place & Search	U.S. Opportunity Lists
U.S. Largest	Office/clerical	Direct Hire	Fastest-Growing
Canada Largest	Industrial	Retained Search	Diversity
Mexico Largest	Information technology		Mentors
Global Largest	Healthcare		Protégés
	Travel Nurse		Acquirers
	Per Diem Nurse		
	Locum Tenens		
	Allied Healthcare		
	Engineering		
	Finance/accounting		
	Clinical/scientific		
	Legal		
	Marketing/creative		Notes & definitions
	Education		Alphabetical index

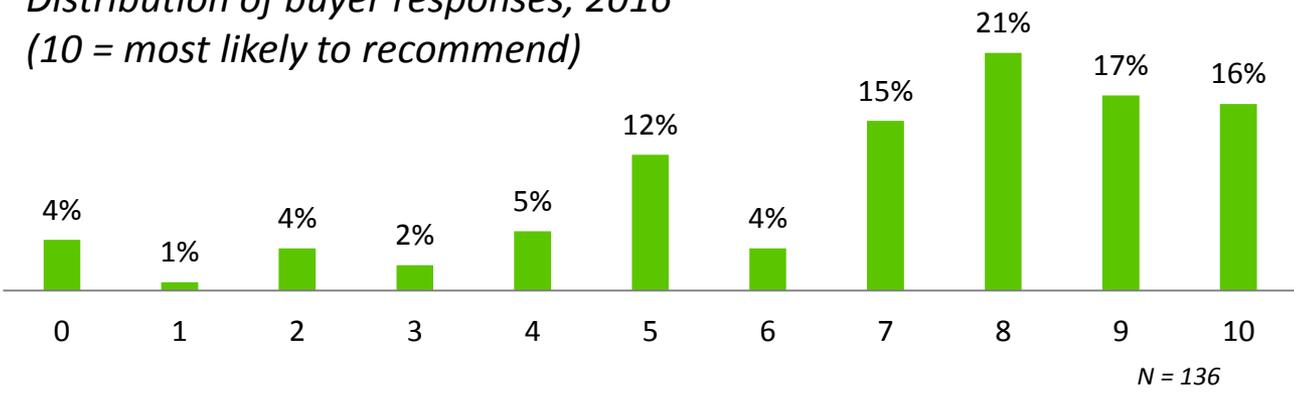
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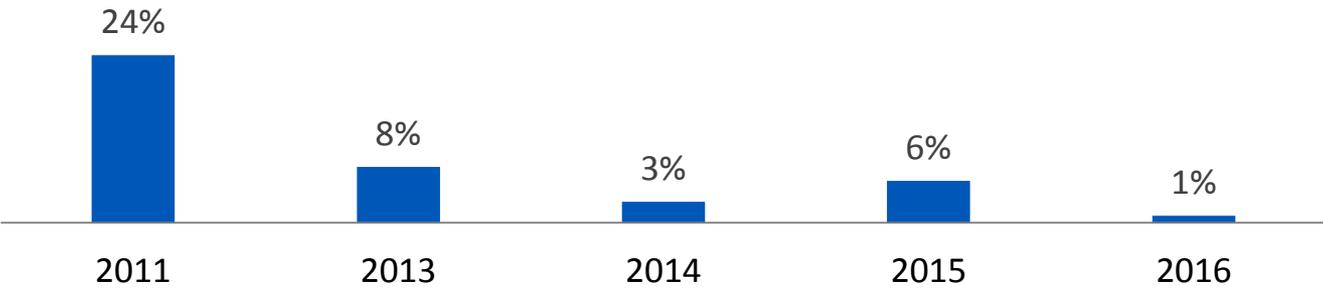
How likely are you to recommend your primary VMS?

*Distribution of buyer responses, 2016
(10 = most likely to recommend)*



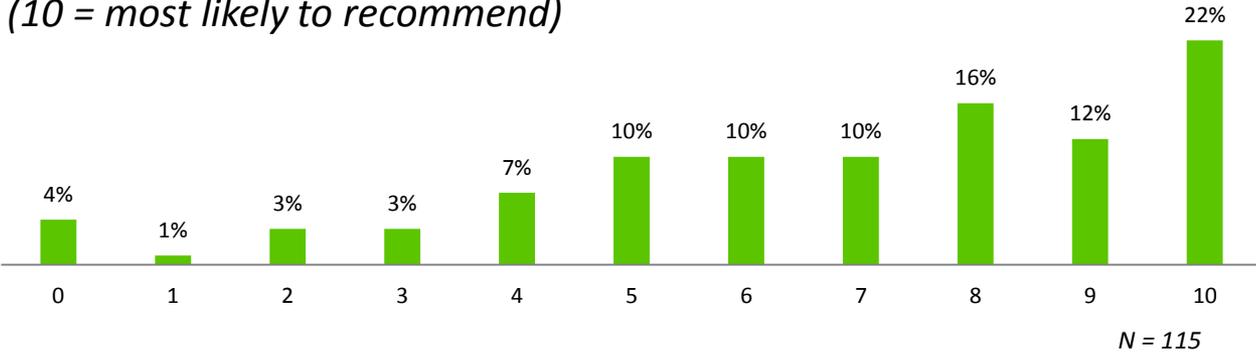
Average
= 6.98

Trend in Net Promoter Score (NPS)



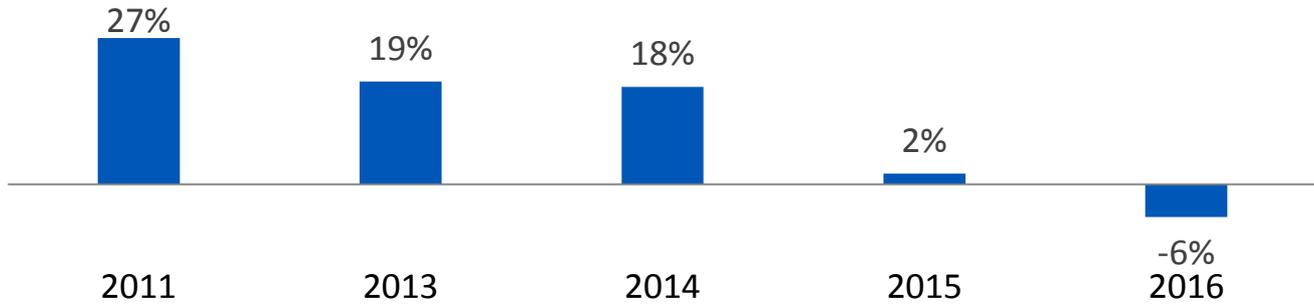
How likely are you to recommend your primary MSP?

*Distribution of buyer responses, 2016
(10 = most likely to recommend)*



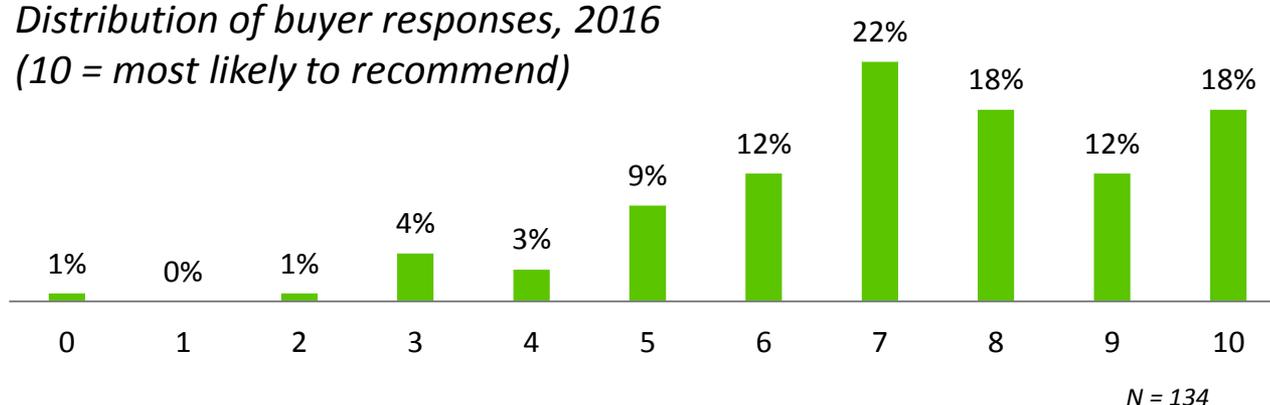
**Average
= 6.86**

Trend in Net Promoter Score (NPS)



How likely are you to recommend your primary staffing supplier?

*Distribution of buyer responses, 2016
(10 = most likely to recommend)*



Average
= 7.30

Trend in Net Promoter Score (NPS)



How important are the following factors when evaluating your staffing suppliers?

	Cost (e.g. bill rate savings, lower mark-ups, etc.)	Quality of workers supplied	Efficiency (e.g. time to hire, time to submit CVs, etc.)	Risk (e.g. legislative compliance, level of indemnity, intellectual property protection, etc.)
	Response %	Response %	Response %	Response %
Not at all important	0%	1%	0%	1%
Slightly important	4%	1%	3%	2%
Moderately important	15%	3%	20%	14%
Very important	50%	33%	40%	39%
Extremely important	31%	63%	37%	44%
	N = 183	N = 183	N = 183	N = 183

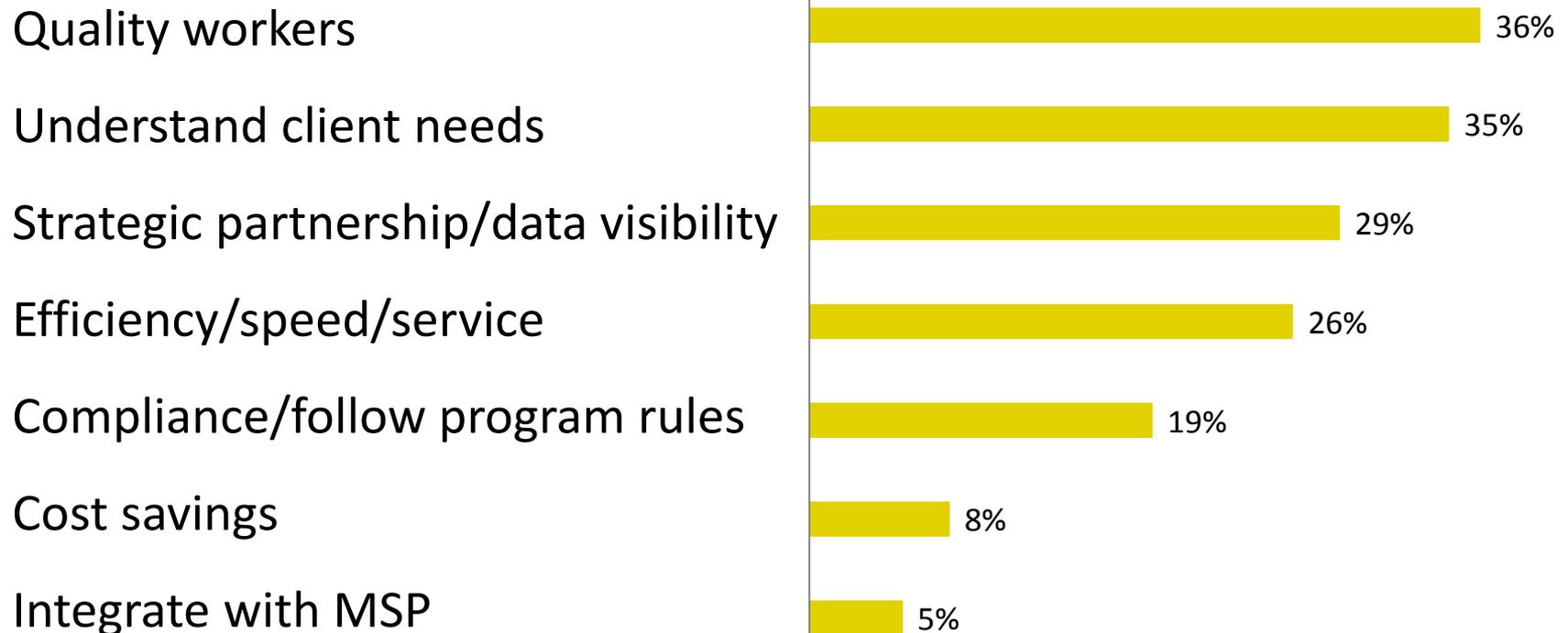
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Very important	50%	33%	40%	39%
Extremely important	31%	63%	37%	44%
	N = 183	N = 183	N = 183	N = 183

What is the most important advice you would give to your staffing supplier to improve your satisfaction? (open-ended response)



N = 118

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Reminders...

Risk Management Exposure for the Staffing Industry Webinar:
Wednesday, Nov. 30th, 10AM Pacific/1PM Eastern

Look for invitations in your email!

Want to see your name in print? Staffing Stream is looking for thought leaders. (Original content only.)

Email ssriram@staffingindustry.com

2017 **BEST**
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Nominate your staffing firm. Survey your employees. Gain insights into your workplace culture. Showcase your winner status!

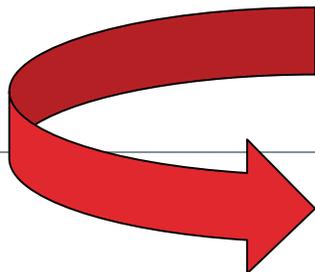
Wanted: The Best Staffing Firms

Employee satisfaction is one of the key drivers of staffing firm success. But how do you know what your employees are thinking? Find out by participating in Staffing Industry Analysts' annual *Best Staffing Firms to Work For* and *Best Staffing Firms to Temp For* surveys. The feedback you receive can be an invaluable tool for attracting and retaining the best talent for your company.

We honor winners in multiple size categories and the Grand Prize Winners will be announced at the annual Staffing Industry Analysts' [Executive Forum](#) February 13-16, 2017 at the Manchester Grand Hyatt in San Diego.

Nominate your firm
by November 18,
2016

[CLICK HERE](#)



Questions for the analysts?



Barry Asin
President



Jon Osborne
VP, Strategic
Research



Fiona Coombe
Director, Legal
& Regulatory
Research



**Timothy
Landhuis**
Research
Manager



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Two ways to submit questions:

- 1) To submit a question *now*, just click on the Question Mark icon (?) on the floating toolbar.
- 2) To submit one *later*, email memberservices@staffingindustry.com.

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Links to research discussed in today's webinar:

November US Jobs Report

<http://www2.staffingindustry.com/site/Research/Research-Topics-Reports/North-America/November-US-Jobs-Report>

FLSA Overtime Rule Changes: The Impact on Staffing Firms

<http://www2.staffingindustry.com/site/Research/Research-Topics-Reports/North-America/FLSA-Overtime-Rule-Changes-The-Impact-on-Staffing-Firms>

Staffing Company Survey 2016: Best Practices in Managing At-Home Recruiters

<http://www2.staffingindustry.com/site/Research/Research-Topics-Reports/North-America/How-to-Manage-At-Home-Recruiters>

Staffing Company Survey 2016: Temp-to-hire Conversion Rates, Fees, and Policies

<http://www2.staffingindustry.com/site/Research/Research-Topics-Reports/North-America/Temp-to-hire-Rates-Fees-Policies>

Staffing Executive Compensation Analysis: 2016 Update

<http://www2.staffingindustry.com/site/Research/Research-Topics-Reports/North-America/Staffing-Executive-Compensation-Analysis-2016-Update>

2016 U.S. Internal Employee Compensation Estimator

<http://www2.staffingindustry.com/site/Research/Research-Topics-Reports/North-America/2016-U.S.-Internal-Employee-Compensation-Estimator>

2014 Staffing Executive Compensation Analysis

<http://www2.staffingindustry.com/site/Research/Research-Topics-Reports/North-America/2014-Staffing-Executive-Compensation-Analysis>