CHAPTER ONE
A BALANCING ACT

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WHAT IS THE STAFFING INDUSTRY?

The staffing industry refers to a collection of businesses that serve organizations and individuals with a variety of employment related services.

The industry has evolved from what once were several distinct kinds of businesses — temporary help, permanent placement, contingency recruiting, retained search, contract project staffing, outplacement and professional employer organizations (PEOs) — to one industry with many sectors that have blended together.

Not that many years ago, it was considered taboo — if not downright illegal — to blend the services of these distinct sectors. For example, it was illegal for a staffing service in Illinois to operate both temporary help and permanent placement services out of the same office. But as staffing companies — and their clients — became more sophisticated, customers developed needs for a wider range of services. As client relationships matured, staffing firms that originally provided a single service began to offer a variety of employment options to meet clients’ needs.

Thus, over the last several decades, we have seen a majority of direct placement agencies begin to offer temporary help services. Conversely, many temporary help firms, small and large, have added place and search or temp-to-hire as either a recruiting or marketing strategy. More and more temporary help businesses also offer payrolling and outsourcing services.

Similarly, many independent contingency search firms have added contract professional or technical staffing services in their particular areas of expertise. Some even offer outplacement and other HR services. At the same time, outplacement firms are offering services that are closer to placement and HR consulting. The integrated talent acquisition solution is beginning to emerge from some leading providers in the marketplace, incorporating full-time and temp staffing hiring/sourcing in the same solution process.

As staffing sectors broadened their offerings over time, industry players sought to find a broader banner under which to do business. They adopted the term “staffing” to describe the variety of interrelated services typically offered by employment service providers and temporary help firms. In fact, Staffing Industry Analysts, with the launch of Staffing Industry Report in 1989, was one of the first organizations to publicly promote the term “staffing industry.”

Organizations calling themselves staffing firms are telling customers that they understand that their needs vary and that a variety of staffing solutions is needed to solve their strategic staffing problems. They also want customers to know that the services they offer are interrelated.

Today, the term “staffing” is commonplace. The temporary help industry trade association is now the American Staffing Association. This follows a shift to the terms “staffing” and “staffing services” by many organizations that were referred to as temporary help and permanent placement firms in the past.

Now, just as the industry and its customers are fully comfortable with staffing, other terms and services have emerged — again reflecting changes in the marketplace. Traditional staffing firms have expanded their services or at least their marketing into human resources consulting and the “human capital management” arena. Some staffing firms are starting to offer a more complicated pattern of consulting, diagnosing and implementing workforce solutions in recruiting, staffing, technology and outsourcing.

The staffing industry has also seen the growth and adoption of the Internet make an impact, in everything from the use of job boards to the widespread adoption of vendor management systems (VMS). VMS has been used to describe Web-based procurement systems designed to rationalize end-user staffing vendor selection and process. These systems and the services that surround them have recently seen accelerating adoption by large customers as they seek to better control their staffing spend.

In our view, VMS companies and job boards are not staffing companies; they are tools to assist in staffing and the procurement and management of contingent labor. Other disintermediates, such as oDesk and Elance, are threatening to cut out the middle man in the traditional staffing procurement process.
Three-Way Relationships

From Staffing Industry Analysts’ perspective, staffing is a broad term encompassing any three-way employment relationship involving an employer, a worker and a third party. Sometimes the staffing firm itself, such as a temporary help supplier or PEO/staff leasing company, is an employer. In these cases, the customer is the third party. A staffing firm can also be the third party — for example, when a permanent placement agent facilitates a worker getting a job or when an outplacement service takes on the task of transitioning a terminated employee.

If a temporary help firm hires an employee, and then provides that employee to a third party, that is staffing. If a permanent placement firm recruits an employee for another firm, that’s staffing too, because there are three parties involved — the employer, the employee and the recruiting firm.

Taking our three-party definition a step further, the joint employer status inherent in an employee leasing arrangement through a PEO also creates a staffing relationship. Some employer responsibilities are allocated to the client (worksite employer) and others to the PEO. Because the relationship is ongoing and permanent, it is not a contingent employment relationship, but a three-party “staffing” relationship.

But if an employer hires a full-time, regular employee directly, that’s employment, not staffing.

Outsourcing and Consulting

Some staffing industry enthusiasts suggest that, under certain conditions, business services companies may belong in the “staffing” arena as well. A company that contracts with clients to provide services that are primarily or substantially personnel services or that are performed by contingent or project workers — such as cleaning, security or programming/systems integration — could be seen as performing primarily staffing functions.

Similarly, mailroom, reprographics, or telemarketing outsourcing contractors that take on workers previously employed by a customer to handle those functions could also be considered partners in a three-party staffing arrangement.

However, we consider most of these types of services as related to staffing, but not directly part of the staffing industry. The key issue differentiating these services from the temporary help component of staffing is that clients do not usually have day-to-day control and direction of the work being done by the employees of the third party. Additionally these business arrangements are typically done with a fee usually tied to a fixed deliverable rather than based on hours worked. These arrangements could include traditional consulting work, IT solutions development or other outsourced business.

Co-Employment

Three-party work relationships are not to be confused with “co-employment” or “joint employer” relationships. Co-employers share responsibility for employment. But an outplacement firm, permanent placement agency or executive search firm has no such “co-employer” relationship with its clients. In fact, it generally doesn’t have any employment relationship with its placement candidates or with the terminated employees it outplaces.

Contingent Work

Moreover, the employees involved in the three-party work relationships of the staffing industry are not always the same as “contingent” workers. In the early 1990s, as the use of alternative work arrangement was quickly expanding, economist Audrey Freedman coined the term “contingent workers” to describe the portion of the workforce that was contingent upon the variable needs of the employer rather than part of the core workforce. This definition quickly expanded to include all types of flexible work arrangements, including workers who were part-time, temporary, independent contractors, statement of work consultants or self-employed.

Thus, although some parts of the contingent workforce are encompassed by the staffing industry — specifically most temporary or contract workers — not all contingent workers are part of the staffing industry and not all staffing industry arrangements include contingent workers. Permanent placement, executive search, and outplacement do not generally involve contingent workers and PEOs usually service ongoing, full-time workers who are part of the core work force of the PEO client.

To confuse the definitions even further, flexible employment arrangements can be, but are not necessarily, staffing relationships. Part-time positions, job-sharing, telecommuting, and flex-time are all examples of flexible work arrangements that companies are offering to increase productivity and enhance worker satisfaction. While staffing companies can accommodate these types of arrangements, flexible work arrangements do not typically fall under the staffing services umbrella.

Serving Two Masters

More and more, customers are spurring the development of new staffing solutions to meet their needs and are demanding that providers offer a broader continuum of staffing services. To meet these growing and changing needs, staffing firms need to be true “staffing solutions providers” — offering more alternatives than ever before.
And just as staffing firms are morphing to meet the needs of ever-changing client companies, staffing firms are beginning to change their relationships with their other client audience, their applicants/employees. As part of their three-part work relationship role, staffing firms serve two distinct customer groups: the client companies and their applicants/employees.

**Looking Ahead**

Two key forces are causing staffing firms to re-assess their relationships with applicants/employees. First, the forecast of a tight U.S. labor market for decades ahead is sending staffing firms of all types scrambling. Retiring baby boomers will leave no slack in the job market. Employee retention and loyalty are taking on a new meaning that can be measured in dollars and cents.

In addition, the seemingly boundless opportunities presented by the Internet to recruit and to retain employees and applicants will certainly change the dynamics of the staffing model. Staffing firms now are among the top users of job boards and many have developed their own job boards as well. Others are tailoring their websites to applicants/employees to increase retention and offering value-added services, such as training, bonuses, vacation pay, and health and pension benefits, to retain those valuable human assets. And many find themselves in direct competition for staff with their customers — as well as third party job boards and e-communities that offer placement help and advice.

Finally, the advent of technology will continue to have a major impact on the staffing firm-client relationship. An entire industry of technology-oriented companies offering vendor management systems (VMS) and services to clients has developed. Additionally, many firms are now offering managed services. Managed service providers (MSPs) take on primary responsibility for managing an organization’s contingent workforce program. An MSP may or may not be independent of a staffing supplier. The vast majority of MSPs also provide their clients with a vendor management system and may have a physical presence on the client’s site. Typical responsibilities of an MSP include overall program management, reporting and tracking, supplier selection and management, order distribution and often consolidated billing.

Now many staffing firms, including most of the largest players, have their own VMS and workforce management offerings that they provide to large users as well. This trend will no doubt continue as staffing firms seek advantage and develop these services to deliver to smaller customers.

Change has been one of the hallmarks of the staffing industry over time. While no one can predict with certainty the next set of disruptive changes that will impact the industry, it is sure that more change is on the way. However, with companies increasingly valuing flexibility as well as driving to focus on their core competence, the overall signs for staffing growth and development are quite positive.

RETURN TO TOC
The temporary help segment of the staffing industry can be traced all the way back to the 1890s. Back then a man by the name of D.J. Nugent, who was in the “stevedoring” business in Milwaukee, found his workers, who loaded and unloaded ships, often left in the wintertime when the lakes froze over to find other work. So, in order to make sure that they would be around in the spring when he needed workers, he began to find temporary factory jobs for them during the off-season.

It was around this same time, in 1893, that a staffing firm by the name of Engineering Agency opened to find permanent jobs for engineers. The company is still in business today as General Employment Enterprises Inc.

The Twenties

In the 1920s, Sam Workman, who sold manual calculators, discovered that his clients needed personnel to help out on special projects such as inventory, so he hired his fellow salesmen to work on the projects after hours.

The Forties

Philadelphia-based Yoh, a business unit of Day & Zimmermann, opened in 1940, making it the first technology staffing company on the scene, according to CEO Bill Yoh. He says his grandfather, Harold Yoh Sr., saw a gap in the marketplace where companies didn’t have the ability to hire contract engineers and contract personnel.

In 1945, Clifford Stivers opened Stivers Office Service to meet the growing demand for temporary clerical services. Stivers created and administered his own set of skills tests and even went so far as to hire a statistician to validate the test scores. It was in 1945 that an engineer by the name of Charlie Jester launched Allstates Engineering — now Allstates Technical Services, says President Andrea Hopkey.

William Russell “Russ” Kelly launched what is now Kelly Services in Detroit in 1946. Back then, “America was recovering from World War II and shifting to peacetime economy,” points out Terry Adderley, Kelly Services’ chairman. “The troops had come home and were re-entering the civilian workforce. Pent-up demand for consumer goods and services, including autos, homes and appliances was expanding rapidly.”

Also at that time, “There was a lot of pressure on women who held civilian jobs during the war to exit the labor force,” explains Adderley. “Russ Kelly played a major role in helping women (who wished or needed to do so) to remain employed, and his business provided many opportunities for them.” In the years that followed, Kelly Services remained a leader in providing employment opportunities for women, minorities and others who had not been part of the traditional workforce to find productive work and to increase their skills and experience.”

Temporary help was a foreign concept for most businesses in 1946, so Kelly was faced with the challenge of explaining to companies what it was, how it worked and how they could benefit from it, explains Adderley. Kelly Services generated $847.72 during its first year of business, a far cry from the $5.6 billion in revenue the company reported in 2011.

In addition to the opening of Kelly Services, 1946 was also the year that Leroy Dettman launched City Car Unloaders in Chicago to supply manual labor to unload railroad boxcars. The company changed its name multiple times, first to Labor Pool, then to Personnel Pool and then to Interim Services Inc. and then to Spherion in before finally becoming SFH Group in 2010. In 2011, the company was acquired by the Netherlands-based Randstad Holding NV, currently the world’s second largest staffing firm.

In 1947, accountant Robert B. Miller opened Employers Overload in Minneapolis, lending his own administrative staff to customers in the off-season. The next year, Miller asked the U.S. Treasury Department for a ruling to determine that a staffing company is its workers’ legal employer, and he later heard back that the staffing company is indeed “the employer of the employees furnished.”

Also in 1948, attorneys Aaron Scheinfeld and Elmer Winter opened Manpower in Milwaukee, Robert Half started Robert Half Personnel Agency in New York City and Robert (Bob) Stover launched Western Employers Service, now Westaff, in California.

Stover, who came out of the Navy in 1946, was working as an engineer for Western Electric Co. in New York when the company sent him to Northern California. He liked the area so much that he decided to stay and open Western Employers Service with the $800 he had from the Navy. “I read an article about Sam Workman in Chicago,” he explains. “I thought, well, nobody is doing anything like that here.”

While many things have changed over the course of 60 years, other things have remained the same, points out Westaff CEO Michael Willis. When the company first started, the goal was to go into smaller communities because there was less competition and the cost of doing business was lower, and today it is still in a lot of smaller towns, Willis explains. Another thing that hasn’t changed is the type of jobs the company fills.

“It was and is today a light industrial and clerical company,” says Willis, who founded Talent Tree in 1976 and Corestaff in 1993. Willis recalls how Westaff was referred to as “the Santa Claus company.” Westaff used to provide temporary Santa Clauses to malls in the United States.
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The Fifties
William Olsten opened possibly the first office/clerical temporary help service in New York City in 1950. That same year, brothers Bill and Jerry Shaw launched Volt with just $13 in the kitchen of their mother’s home. Jerry Shaw says his brother had been looking for a job for 40 weeks when they decided to open the company, which began as a technical writing business and added workforce solutions in the 1960s. How did the brothers choose the name? “Volt is the electrical measure of potential,” comments Jerry Shaw. “The only thing we had [when we started] was potential.” Although the majority of Volt’s revenue comes from staffing, the company also publishes telephone directories.

Comprehensive Designers Inc. (later CDI Corp.) opened in Philadelphia in 1950 to provide technical and engineering services on a temporary outsourced basis. In the spring of 1951, Louis and Gwen Snelling opened Snelling Staffing Services in Philadelphia. During its first four years in business, the company focused on permanent placement in sales, administrative, technical, and office services. It soon added temporary help services, and in 1956, the company opened its first franchise. Also in 1956, Manpower opened its first offices outside the United States in the Canadian cities of Montreal and Toronto. Volt went public in 1957 and that same year, Henri-Ferdinand Lavanchy launched Adia in Switzerland, which would later merge with Ecco to become Adecco.

In the late 1950s, two staffing companies renamed themselves to include the word “Girl” in order to stress women’s role in the workplace. Kelly became Kelly Girl Services in 1957, and a year later, in 1958, Western Employer Services changed its name to Western Girl. Kelly ended up dropping the word “Girl” from its name in 1966, and Western Services did the same in 1973. Manpower went public in 1959 and changed its name to ManpowerGroup in 2011.

The Sixties
The National Employment Association (now the National Association of Personnel Services) began in 1961. In 1962, Dave Grimes and Bob Trotter, two former IBM employees, formed Source Edp, which would later merge with Romac International in Boston to become Kforce.

It also was in the early 1960s that Guy Millner established an Atlanta personnel service called Southeastern Personnel, specializing in the placement of college graduates. Two years later he bought a small clerical employment agency named Norrell Personnel Services, and the firm was renamed Norrell Southeastern Corp. Norrell, which began franchising in 1966, dropped “Southeastern” from its name in 1972.

In 1965, a laid-off engineer, Emanuel Logothesis, started Joulé Inc. in New Jersey, and Alan Schonberg founded Management Recruiters International, which would become the world’s largest search network.

The Seventies
The U.S. Bureau of Labor Statistics measured temporary help for the first time in 1970 and found there were approximately 184,400 people working as temps on any given day, with an annual payroll of $547.4 million. It also was in 1970 that The Nelson Family of Cos. opened its doors. It started off as a human resource firm and got into the staffing business a year later, in 1971, by doing direct hire and executive recruiting, says Gary Nelson, chairman and CEO. The company began providing temporary help in 1972.

Olsten Corp. launched Olsten Healthcare Services in 1971. In 1972, Comprehensive Designers Inc., which changed its name to CDI Corp. the following year, acquired Management Recruiters International.

SOS Staffing, founded by Richard Reinhold and Russ Christen, opened its doors in early 1973. The two, who had already been in the staffing industry, decided to branch off on their own and picked Salt Lake as the base to start a clerical and light industrial company. Today, SOS Staffing places people not only in light industrial and clerical positions, but also in technical, accounting and financial, executive search and permanent placement positions as well, according to CEO JoAnn Wagner.

In 1974, Manpower, for the first time in its history, derived more than half of its revenue and net earnings from offices outside the United States. Also, Robert Half International launched its Accountemps division in 1974. Personnel Pool of America was acquired in 1978 by tax preparer H&R Block Inc. In 1979 the founder of Adia, Henri-Ferdinand Lavancy, retired, and Adia went public in Switzerland.

The Eighties
In 1983, Bob Funk, Bill Stoller and James Gray bought a portion of Acme Personnel and renamed it Express Personnel. (Express purchased more Acme offices a year later.) What’s been the key to success over the past 25 years? For one thing, Express has preserved its culture “since day one,” says Stoller. Additionally, Express has good people, has grown organically, maintained high values and ethics, focused on providing service and support to franchises, and made a point to keep up with the times, Stoller points out. “Basically, we have changed with the times,” he says. “In order to sustain yourself, you have to live with change and change with change.”
In keeping with that philosophy, the company is now called Express Employment Professionals.

Veritute was founded in 1986 to manage the temporary staffing needs of large and growing organizations on an in-house basis, according to Jim McCoy, SVP of consulting.

Chicago-based Staff Management and Springfield MO-based Penmac Personnel both opened in 1988. It was a good year to start, notes Penmac CEO Patti Penny. “Manufacturers had started looking,” she says. “Things just started to bloom, if you will. People were really starting to look for a contingent workforce. By accident, my timing was great. It was all by accident, really.”

Legal Assets Corp., which provides attorneys, paralegals and law clerks to firms in Washington D.C. and northern Virginia, also opened in 1988. “When we opened our doors there were two, maybe three, temporary agencies in the D.C. market assigning legal staff,” comments Rick Rosenfeld, who founded the company in August 1988 with Jeff Miller. “Secretarial and receptionist staffing groups were everywhere but it was difficult to convince law firms to utilize students and law graduates to perform document reviews, much less substantive research and writing. As firms realized that contract staff were both an option and an efficient and cost-effective way to manage a litigation case, a new era was born.”

Allstates Technical Services was acquired in 1989 by BE&K, an engineering and construction firm in Birmingham AL, according to Andrea Hopkey, president. “Someone from DuPont said [to BE&K], you should look at the company [Allstates],” she explains.

**The Nineties**


Express Employment Professionals established its first strategic partnership in Moscow in 1993, two years after the Soviet Union collapsed. In 1996, Adia and Ecco merged to form Adecco. Source Edp was acquired by Romac International in 1998, and a year later the company changed its name to Kforce. Kelly Services Founder William “Russ” Kelly died in 1998. In 1999, former Manpower CEO Mitchell Fromstein retired, and Jeff Joerres was promoted to president and CEO.

**The New Millennium: 2000 to the Present**

The dot-com bubble burst between 2000 and 2002. “Lots of companies went through several layoffs,” explains Mary Voss, president and CEO of Foxhunt Staffing in Los Altos CA. “Larger public companies cut back to maintain what they had. Smaller companies went out of business and were cannibalized by a larger company.”

Many in the staffing industry were hard hit. “Our revenue went down about 30% in a two-year period,” explains Gary Nelson, of The Nelson Family of Cos. “In 2000 we were $200 million and in 2002 were down to $136 million. We were probably more impacted than other parts of the country. We had to write off about a million and a half in bad debt (accounts receivable) that were uncollectable, I believe in 2001.”

On Sept. 11, 2001, in the worst terrorist attack in U.S. history, terrorists associated with Al-Qaeda hijacked four planes, slammed them into the World Trade Center, the Pentagon and a field in Pennsylvania. Nearly 3,000 people lost their lives in the tragedy, which caused an economic downturn.

Kforce’s McMahan recalls the effect that 9/11 had on his company and the staffing industry as a whole.

“The impact was devastating at a personal level for so many people. Some of our people in New York saw the second plane hit and one of our offices is located right across the street from the World Trade Center. At a business level the primary impact was to extend the recession so in that sense it was bad for the staffing industry.”

SOS Staffing’s JoAnn Wagner says 9/11 hurt her company’s information technology business and the IT industry as a whole. “It was horrific. [Before 9/11] we had a very nice, fast-growing IT business — 50% was consulting and 50% was IT staffing. The bill rates were over $100 per hour for the consulting and for IT staffing about one-third of that. With 9/11, the IT industry changed because anyone who was working on a H1-B visa, a lot of those workers found their assignments ended early or were not extended. That was a very tough period for the industry. It was a tough period for companies that had just gone public, or had accumulated any amount of debt. It had a tremendous effect on the IT industry infrastructure. There were some very good workers that were out of work.”

Caban Resources opened its doors in October 2001, just a month after 9/11. “At that point we were already committed,” explains Robert Caban, president. “The ship had to sail, so to speak. We were already on course. That was tough. … Everything was set up, and then Sept. 11 happened. There was no turning back at that point. I remember people from outside the industry saying, ‘Are you crazy? This is not the time to do this — go into staffing and start a business.’
It was tough in the beginning, but in 2003 or 2004 things started to pick up.”

How did Caban Resources make it through the downturn? “We got as close to our clients as possible,” explains Caban. “We got as close to our clients as we could to provide them a level of service and experience, and service to meet their needs that others weren’t doing.”

The Sarbanes-Oxley Act, which provides public companies with mandates and requirements they must follow when reporting their financial information, went into effect in 2002 in the wake of Enron, Tyco International and WorldCom scandals. “It took significant funds [for us] to do all the necessary compliance,” recalls SOS Staffing’s Wagner. However, SOX became a huge opportunity for finance and accounting staffing and, later, for IT staffing.

In 2004, Manpower acquired Right Management, the world’s largest career transition and organizational consulting firm, for approximately $488 million. In 2005, staffing companies helped victims of Hurricane Katrina, who suddenly found themselves without not only their homes and possessions but their jobs. Also, Manpower’s worldwide sales surpassed $15 billion in 2005. In 2007, Kforce’s revenue exceeded $1 billion.

The staffing industry suffered its own Enron-like scandal in early 2008 when vendor management provider Ensemble Chimes Global unexpectedly shut down, and its parent company, Los Angeles-based Axium International Inc., filed for Chapter 7 bankruptcy. Staffing firms are owed about $42 million, and it could be years before they see any money, if they get it at all, warns Howard Ehrenberg, the trustee for the bankruptcy case. In fact, numerous staffing firms — through bankruptcy court proceedings — received requests to return funds for services paid for a period of time before the ECG bankruptcy. Almost $8 million in such preference claims against staffing vendors was collected, according to the bankruptcy trustee.

“It has kind of tainted the marketplace,” comments Gary Nelson, of The Nelson Family of Cos. “Customers are scrambling to find an alternative to ECG, looking at companies that have a stable track record of success.”

Observes SOS Staffing’s JoAnn Wagner, “Most of us have tight credit policies, yet we walked into some of these VMS providers that were underfunded without the degree of due diligence or caution. We just backed into them without being nearly as cautious as we should have been. We are not overly eager to work through a VMS, or some of the VMS’ that are not as stable or well-funded as they should be. I think it can be a risky area.”

Yoh CEO Bill Yoh notes that the Chimes debacle has “made buyers very wary of jumping into these large-scale engagements and these large-scale solutions. There’s a risk when you’re dealing with a company that has recently been acquired. [Now] there is a lot of opportunity to get the message out better and pick up more business. For anyone who competes against Chimes, it’s a business opportunity. “It’s a change and change creates opportunity. That’s the way we’re looking at it.”

**Trends of the New Millennium**

The Chimes shutdown came at a time when vendor management systems were being used more and more by staffing companies. “[VMS use is] still immature but it’s growing and will continue to grow,” says The Nelson Family of Cos.’ Gary Nelson. “It will be the way most companies acquire talent down the path. It’s basically the way most corporations are conducting business now. It will be embedded over the next three or four years. Smaller firms will be using VMS as well. Some companies will use it independently; others will have a third party.”

Yoh CEO Bill Yoh says VMS “is absolutely here to stay.” But, he points out, “It has hurt the quality of our business because it has taken the human face out of the industry a bit (and made things more impersonal). There is still that need for a human face. Human interaction is paramount.”

Another trend in this new millennium is the use of the Internet as a tool. Staffing companies are using job boards to post positions and professional networking sites such as LinkedIn to find people. And job seekers need to be aware that anything that shows up about them on the Internet — including social networking sites such as MySpace — is fair game. “People put way too much information on the Internet,” says Mary Voss, president of Foxhunt Staffing in Los Altos CA. “If you’re proud of all your quirks — and it’s worth it to you not to get the job — then keep it up there.”

Other trends include a growing acceptance of contingent work, especially since the 2008 recession, the rise of healthcare staffing, the overall growth of professional staffing, globalization and recruitment process outsourcing. Staffing companies are getting into recruitment process outsourcing and the direct hire business as opposed to temporary staffing.

Also, now more than ever, staffing companies are being asked to think more creatively and strategically on behalf of their clients, comments Joan Davison, COO of Staff Management. “Clients today need a strategic partner. They don’t need a provider. They really need a strategic partner.”

Robert Caban of Caban Resources says another trend is a rise in the number of niche staffing companies. Larger companies want to acquire niche companies to get clients that they couldn’t get on their own, he points out. Also, human resource departments are part-
nering with staffing companies, and software providers are creating applications unique to staffing companies, notes Caban.

**Challenges**

One of the biggest challenges facing the staffing industry in the new millennium is the worker shortage. Baby boomers are retiring, and there aren’t enough workers to replace them. According to the 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.

Immigration issues also present a challenge. As the number of illegal immigrants in the United States continues to grow, staffing companies face the challenge of making sure the people they send out are legally able to work in the United States. Staff Management, selected by U.S. Immigration and Customs Enforcement (ICE), has become a charter member of the IMAGE program that was established to help make sure companies comply with immigration law, explains COO Joan Davison. Staff Management is the only staffing company among the nine charter members.

Another challenge is that Millennials are starting to enter the workforce, and staffing companies, like other businesses, have to learn how to best work with the young people of this generation, points out Rama Kavaliauskas, president of Sterling Engineering Inc.

“The way we managed people five years back — or how I was managed 10 years ago — we can’t manage GenY like that,” she says.

**Oh, the Changes They’ve Seen**

Those who have been in the staffing industry a long time shared some of the many changes they’ve seen over the years.

Today staffing companies are using and rely on technology that didn’t exist years ago, points out Melanie Holmes, vice president at ManpowerGroup.

The Internet, email and smartphones have enabled staffing companies and their executives to communicate and share information much more quickly than they could in the past. “Technology has made things easier, but also more complicated,” says Holmes. “It’s given us access to information 24/7 but also made it harder to walk away from it. ... We know now what is going on all over the world because of technology.”

Computers seem basic today, but some in the industry remember what it was like without them. Everything had to be done manually. Patti Penny, founder of Penmac Personnel Services, who opened her company in 1988, remembers keeping information about her customers — such as what their needs were, what they liked and didn’t like, and the last time she called them — on Rolodex cards in a recipe box that she still has. “I keep it in the closet for old time’s sake,” she says. When Penny got her first computer in the first part of 1989 she “thought it was the best thing that ever happened.”

Some even recall using word processing machines, which came on the scene in the late 1970s and early 1980s. Jane Blocker, who has been in the industry since 1972, still remembers getting her first, a Wang OIS. “It was a $16,000 machine,” she says. “The prices came down, just as they have with PCs. They started off way high. It wasn’t until the 1990s that the PC came in.” Blocker also remembers getting her first fax machine in the mid-1980s. It came in handy for sending invoices as well as receiving resumes from candidates, she points out.

Before the fax machine, resumes had to be put in the regular mail or candidates would simply bring their resumes with them to an interview.

Some even recall a time when telephones were hard to find. When Bob Stover launched Western Employers Service (now Westaff) in San Francisco in 1948, his company was only able to get a telephone right away because it was in the right section of the city, he says. Had it been in another section of the city, there would have been a year-long wait for one. “Everything was backed up,” explains Stover.

“People waited at least a year to buy an automobile — any kind of car. Even to get a typewriter, you’d have to wait for that.” He remembers renting a manual typewriter for $3 a month when he first started his company.

When Western Employers Service first started, it was helping American soldiers and their Australian war brides find work, Stover points out. Australian war brides had a hard time getting jobs because companies thought the women would get homesick and would want to go back home, he explains. But when companies had a need for a week or two, they would hire the women and “end up being surprised and impressed,” Stover says.

Stover recalls how workers’ compensation didn’t exist when he started his company 60 years ago. Steve McMahan, executive vice president of Randstad US, Professionals, who has been in the industry since 1979, says many of the employment laws that we have today didn’t exist back then. “You could ask someone if they were married,” he explains.

But despite all of the changes that have taken place in the staffing industry, some things have remained the same. “It’s still a people business,” points out Jerry Shaw, Volt founder.
“They’re looking for fun at work. The work ethic is very different. … We need to adapt to them or otherwise they’re going to fight the system. Hiring the GenY group — it’s different. They have different backgrounds. They have multiple jobs. Companies that are not aware of GenY are going to miss out on good candidates.”

The Future

What does the future hold for the staffing industry? Veritude’s McCoy predicts that more and more staffing companies will begin offshoring. He also thinks that staffing companies are going to increase their use of the Web and video interviewing.

Also, in wake of the Chimes shutdown in 2008, staffing companies will make more of an effort in the future to audit their vendor management providers, McCoy believes. “They didn’t have enough working capital to keep the doors open,” he says of Chimes. “The ramifications are going to be felt in the industry.”

And the rest, as they say, will be history.