

Making Things Happen?

by Michael Neidle

OVERVIEW

The world is not static and successful staffing companies need to stay abreast of events to remain competitive. Staffing leaders go one step further and create change and are at the forefront of events to gain an advantage.

CAPITALIZE ON CURRENT EVENTS

Healthcare Mandate Let's start with the healthcare mandate that will impact most of us. Perhaps we did not like the associated costs that go with this legislation, but the law is the law and we need to figure out how to make the best of it. The good news is that temp staffing companies have had a 13% cost advantage over direct hire employees and even with this legislation we will still be in an advantageous position. The typical company pays \$15K for each employee's healthcare cost and the penalty to temp companies will be \$2K if they do not provide coverage to their staff, so 87% of their cost advantage for this item is retained. There are of course many other benefits that go into the 13% advantage besides healthcare, including: 401K, pension and retirement plans; personal time off, vacation, sick leave and holiday pay; low productivity due to idle time and make work projects; meetings and corporate events; bonuses; discrimination, personal injury and other law suits, HR reviews and benefits administration, etc. When one runs the numbers we should still be left with the bulk of the cost savings advantage even if we did not pass on our cost. Since our competitors will be subject to the same costs it is likely that most of the healthcare mandate will be passed on anyway. We of course can use 1099 contractors to avoid the mandate, although the rules regarding independent contractors are rigorous. Regardless, it behooves staffing companies to tout the fact that they will be incurring the mandate which will make temp staffing even more attractive to employers.

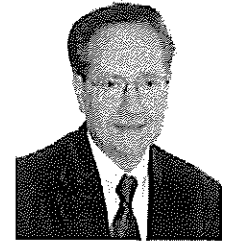
MSP/VMS We all know that MSP/VMS has penetrated the contingent staffing market. But only the large staffing companies have taken advantage of this from the MSP standpoint as the large software vendors prefer to work with large volume accounts. There is now the ability for small to mid sized firms to enter this arena and drive the MSP train to significantly leverage their volume. For example a \$10 million staffing company, doing \$2 million in contingent labor with one client who has \$12 million in contingent labor; and \$8 million of that in the staffing companies area of core competency. They can increase their business 4 fold and sub out the remaining \$4 million to VMS providers. Typically the software fees can be passed on to the VMS and enough savings from of the account can be garnered through a combination of better management, reporting, pricing and other controls, uniformity, quality control, centralization, reduced duration of assignment, etc. This allows the staffing company to win the account with significant savings to the clients and higher profits for themselves. We are in fact doing this now.

GETTING AHEAD OF THE CURVE

Return of Offshoring We can look at another item already in the pipeline that will favorably impact us. This is the transition of offshoring back to the US from China. Although their labor cost was ¼ of ours in 2011 and there labor costs are growing 17% per annum while ours is basically flat. On top of this our productivity is anywhere from 3 to 8 times theirs depending on the industry. With transportation cost and concerns about intellectual property are added in we should be on par around in another 2-3 years. Those staffing companies gearing up for this change can prosper. So how can staffing companies benefit from this knowledge? The answer is making ones clients aware of these facts and working with them to position themselves as part of their solution.

Value Added Cost Savings Most staffing companies look at themselves as a quality labor provider when they can become a value added partner to their client, documenting how much money they can save them as their preferred vendor. Some VA examples include: free outplacements and executive rescue programs, salary and comp surveys, HR consulting, alternative billing methods and volume discounts, team building and internal

employee assessment, performance guarantees, subsidized legal services and drug screens, strategic staffing assessment, employee certification and testing, profit improvement program, etc. In some instances core competencies will have to be augmented. Not all clients will be candidates, there is typically a minimum annual volume threshold required to receive these services and an investment in resources by the staffing company is required, but these programs have been instituted with excellent results.



Become a Leader In today's social media climate there are no shortages of opportunities to become visible on a wide range of issues. This gets their company recognized as a leader and can drive business through non traditional sales channels. With limited time, one needs to choose which venues where prospective clients meet and mingle so they can join, express their opinion, champion causes, contribute money and become a leading voice. With some effort one can find out where their personal time can be best spent.

Editor's note:

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