THE ALTERNATIVE STAFFING REPORT

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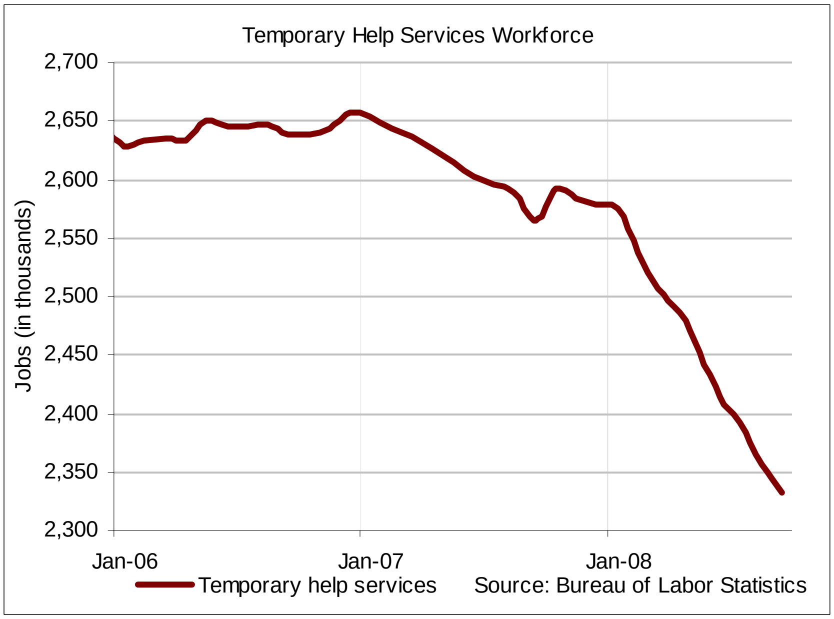
JOBS REPORT: Temporary jobs continue to decline



Since January 2007, the Temporary Help Services sector (NAICS code 56132) has lost 322,300 jobs (seasonally adjusted). In 20 of the last 21 months, temporary jobs have declined compared with the previous month, losing an average of 15,500 jobs each month. If past behavior is any indication, these losses will likely continue if the overall economy continues to slow.

The rate of decline since the beginning of 2008 is even more striking. Since January 2008, while overall non farm employment has declined 0.5%, Temporary Help Services jobs have declined 9.4%. September saw the loss of 24,100 temporary jobs and an additional 36,900 jobs were lost in August. Compared to September of last year, temporary help jobs decline 9.1%.

Historically, the Temporary Help Services sector reacts strongly to changes in the overall economic climate as temporary workers are most likely to be the first people laid off during an economic contraction and the first people hired during an expansion.

OUTLOOK: If we are in a recession, how bad will it get?

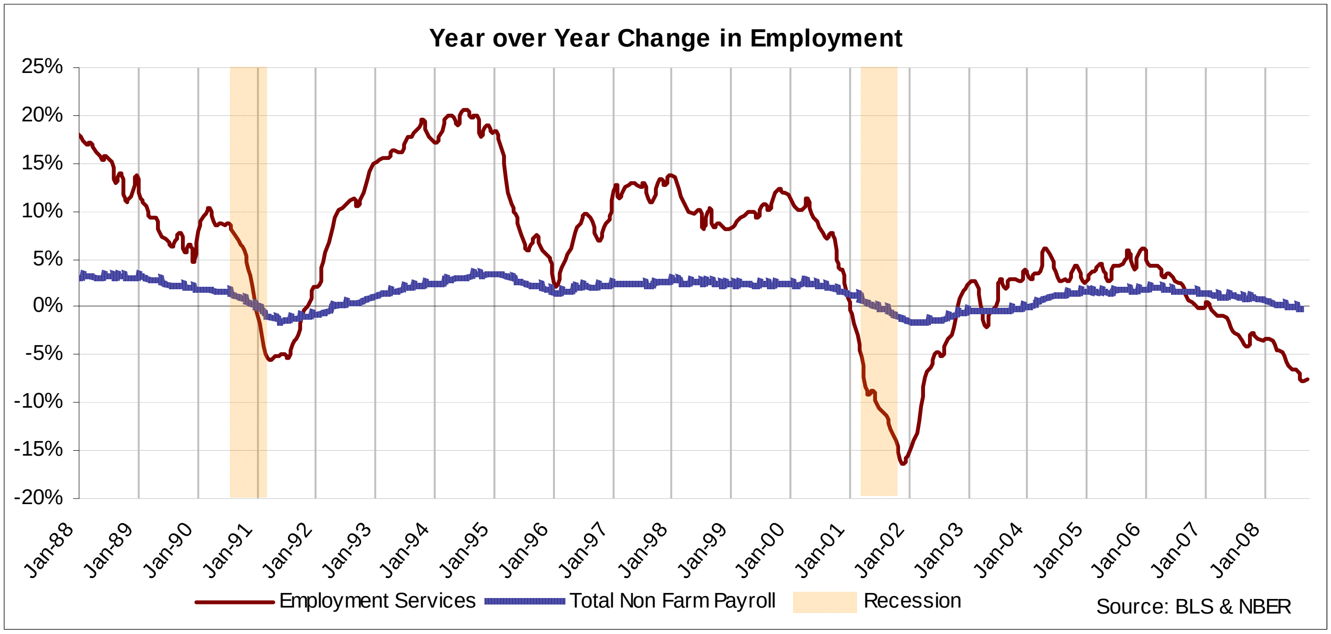
Even as the unemployment rate continues to rise and the country goes through a major economic crisis, politicians and economists are still debating whether the country is in a recession. Ultimately, this issue will be settled in retrospect when economists determine whether the U.S. economy contracted in the final two quarters of 2008. If the country is headed towards, or already in, recession we know from past experience that it is likely to be very disruptive to the staffing industry. Since 1945, the average recession has lasted 10 months. While two of the five recessions since 1973 lasted 16 months, the last two recessions have been shorter, lasting only 8 months.

By looking at the impact of past economic contractions on the staffing industry we can try to anticipate what may lie ahead. Since 1985, when the BLS began collecting data on the Employment Services sector, there have been two recessions, both of which accompanied periods where the year over year change in Employment Services employment (the percent change in the number of temporary jobs from the previous year) was negative.

1991 Recession: In the last two months of the July 1990 – March 1991 recession, and for eight months following, there was negative year over year growth, with an average -3.9% for the ten month period.
2001 Recession: In the two months prior to the beginning of the March 2001 – November 2001 recession, the eight months of the recession and for twelve months following its end, there was negative year over year growth with an average 8.5% decline for the twenty two month period.
The Current Economic Contraction: In 21 of the last 22 months, there has been negative year over year growth, with an average monthly decline of 3.2%.

Recession, Cont'd

There are plenty of things that are different today compared to 1991. Among other things, the sheer number of people employed in the Employment Services sector has increased by over 240% and the types of jobs that are filled by staffing firms has expanded dramatically. What has held true until now is that the drop and rise in Employment Services employment surrounding recessions has looked like a sharp V. The V appears to be wider in the current downturn, leaving the question of how deep will it drop?



Previously, small increases in overall employment following recessions have resulted in large increases in temporary positions. However, while Employment Services recovered after the 2001 recession, it never reached its pre recession levels, which in large part reflects the "jobless recovery" following the 2001 recession.

For staffing firms looking to forecast potential sales growth, year over year change is a helpful predictor to determine what next year's sales could be – how much sales will increase if overall temporary employment is still below last year's levels. The year over year change for the current downturn has been more gradual compared to the last recession, where the average decline was 9.1% compared to a current average decline of 4.1%.

We can't predict when positive year over year growth will resume, but if the patterns of past recessions are any guide, given there have been 20 months of negative year over year change, there could still be 20 more months before positive growth resumes.

Looking at total Employment Services jobs number can also be illustrative. Between November 2000 and January 2002, the sector lost 665,100 jobs (17%). Since December 2006, the sector has lost 434,200 jobs (12%) (see chart on right). Assuming this downturn is worse than the 2001 recession, if the sector were to lose 20% of jobs from the peak in December 2006, it could expect to lose an additional 218,000 jobs before growth resumes.

What does this mean for the alternative staffing sector?

The short answer is "it depends." The market determines how many temporary jobs are required and Alternative Staffing Organizations (ASOs) must compete with conventional companies for these jobs. If there are indeed months left before demand for temporary jobs reverses its downward trend, ASOs should be prepared for potential loss of customers as more and more jobs are eliminated.

August Employment Figures (numbers in 000's)

Sector	Sep-08	Aug-08	Monthly Change
Construction	7,125	7,160	(35)
Manufacturing	13,380	13,431	(51)
Natural resources and mining	798	789	9
Professional and business services	17,834	17,861	(27)
Retail trade	15,237	15,277	(40)
Wholesale trade	6,004	6,008	(4)
Trade, transportation, and utilities	26,298	26,356	(58)
Information	2,980	2,983	(3)
Financial activities	8,184	8,201	(17)
Education and health services	19,019	18,994	25
Leisure and hospitality	13,628	13,645	(17)
Government	22,542	22,533	9
Other services	5,530	5,524	6
Total nonfarm	137,318	137,477	(159)

Source: Bureau of Labor Statistics

While there is no reason to believe that ASOs should be immune to the overall effects of the economy, preliminary results from our 2007 Annual Performance Survey indicate that revenues and hours billed are up overall, in some cases dramatically so, indicating that ASOs are growing while much of the conventional industry is seeing declining revenues. (Stay tuned for our next report for more details!)

Looking at the overall jobs numbers shows that the economy is shedding jobs, with 9 of the 12 industry sectors showing negative job growth since January 2008 and an overall loss of 159,000 jobs between August and September. These "super sector" numbers can be misleading, however. Take Manufacturing as an example. It is comprised of over 300 sub sectors, some of which such as "Surgical and Medical Instruments" or "Snack Food" manufacturers have seen periods of slow steady growth since January 2008, while others such as "Mobile Home" Manufacturers have seen a steady decline.

The Devil is in the Details

So does this macro level national data tell us anything? First of all it's a place to start looking. ASO customers are heavily concentrated in Government, Manufacturing, Construction and Professional & Business Services, all of which, save Government, saw a decrease in the number of jobs.

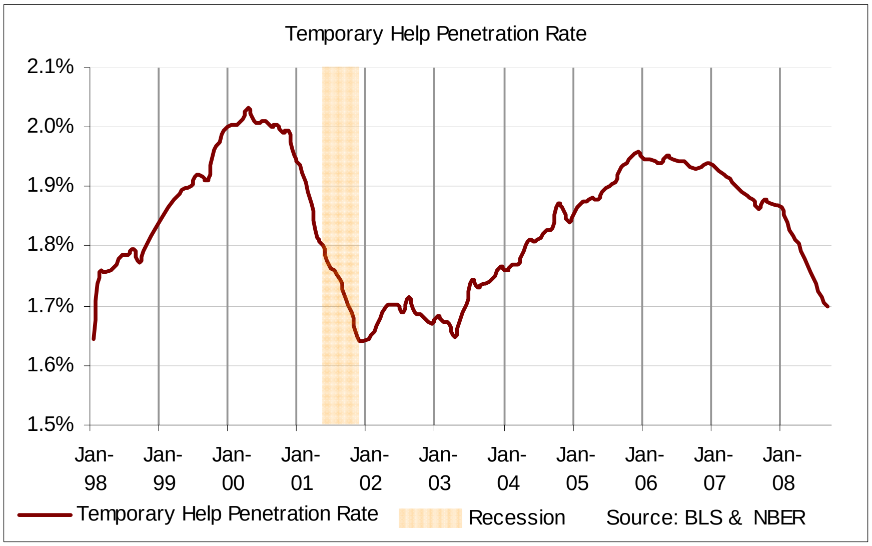
While this might indicate that the sky is about to fall, to really predict what might happen with your customers you need to drill down to the industry sub sectors that are performing well and look at the numbers for your geographic region.

Only two of the states Alliance members operate in saw a decline in the number of jobs in Employment Services, although six states saw negative year over year change. In July, four states had unemployment rates higher than the national average, while in August, five states did.

	Employment Services Jobs (000s)		Percent Change		Unemployment Rate	
State	Aug '08	July '08	Prev. Month	Year over Year	Aug	July
CA	434.3	430.4	0.9%	-0.7%	7.7%	7.4%
FL	371.9	376.8	-1.3%	-7.5%	6.5%	6.2%
TX	289.9	288.4	0.5%	2.0%	5.0%	4.7%
IL	203.5	198.0	2.8%	0.3%	7.3%	7.2%
NY	150.1	145.3	3.3%	0.7%	5.8%	5.2%
AZ	111.7	112.5	-0.7%	-7.4%	5.6%	5.1%
NJ	99.8	97.2	2.7%	1.2%	5.5%	5.5%
IN	87.2	85.3	2.2%	-3.1%	6.4%	6.3%
WI	65.5	63.8	2.7%	3.3%	5.1%	4.9%
WA	61.2	59.2	3.4%	3.6%	6.0%	5.6%
OK	49.7	48.8	1.8%	-0.8%	4.0%	4.1%
OR	41.6	41.0	1.5%	-3.9%	6.5%	5.9%
ID	16.3	15.4	5.8%	0.0%	4.6%	4.1%
ME	No Data Collected				5.9%	5.4%

Source: Bureau of Labor Statistics

What Jobs Dominate Alternative Staffing?



While the temporary staffing penetration rate (the percent of the total employees in an industry or occupation who are temporary workers) has continued to hover between 1.6% and 2.1% of total non farm payroll jobs over the last ten years, there are certain jobs that temps dominate.

22% of "Production Worker Helpers" are temps, while 9.7% of "File Clerks" are. All told, 53 of the 651 occupations that use temps have a penetration rate greater than 5%, while 119 have a penetration rate that is greater or equal than the average penetration rate of 2.4%. (The penetration rate for occupational data, which includes farm payroll, is significantly higher because of the high use of temporary workers in farming).

In a biannual survey, the BLS counts the number of people working in specific occupations and groups them according to industry sector. For staffing firms this data is far more valuable than the monthly data collected by industry, because placements tend to be done by job, not by the industry a person is working in. This data also includes the number of people employed in each occupation, the expected growth over the next 10 years and the median wage for the position. This allows us to estimate the value of a position for staffing firms.

While much is made of the trend towards professional positions and health care related fields, the temporary position with the largest potential market is "Laborers and freight, Stock and Material Movers, Hand" with an estimated temporary payroll of $9.4 billion. Other positions with high potential are "Team Assemblers" with $4.6 billion in temporary payroll, "Construction Laborers," $2.4 billion and "Packaging and Filling Machine Operators and Tenders" with $1.4 billion. The good news is that the three occupation categories that make up over 70% of ASO placements: Warehouse/Manufacturing; Office Clerical; and Construction are well represented among the top jobs. There are, however, numerous occupations that have real potential where ASOs appear to not have any significant presence. (See the table on the next page for a breakdown of the occupations with the highest temporary penetration rates.)

Occupations with high penetration rates tend to account for the largest overall temporary payrolls. However, staffing firms should not simply ignore occupations with low penetration rates. "Maids and Housecleaners," for example, only has a penetration rate of 1.4%, but represents roughly $356 million in temporary payroll.

When talking to customers, firms with occupations that have high penetration rates probably don't need to be convinced to use staffing firms, they need staffing firms that can supply them with staff. When focusing on clients in industries with lower penetration rates, a key part of the sales call may be explaining the value of using temporary staff.

Want More Information?

All of the data used for this report is available from the Bureau of Labor Statistics (www.bls.gov/data/) and the National Bureau of Economic Research (www.nber.org) web sites.

Using the web based query system you can track down the specific data you need for the industries, occupations and geographic regions you focus on.

Staff at the Alternative Staffing Alliance are always available to help you sift through this data as well, contact David Hammer at (617) 232-5380 x 113 or at dhammer@altstaffing.org if you need assistance.

Occupations with the Highest Temporary Penetration Rate

Occupation	Penetration Rate	% Growth '06 - '16	Temporary Payroll ($ millions)
Production workers, all other	31.9%	16.6%	2,420
Helpers--Production workers	22.2%	18.8%	2,492
Laborers and freight, stock, and material movers, hand	19.4%	13.9%	9,944
Data entry keyers	17.1%	1.2%	1,325
Construction and related workers, all other	17.1%	1.2%	325
Packers and packagers, hand	16.6%	1.2%	2,445
Packaging and filling machine operators and tenders	15.9%	13.9%	1,412
Team assemblers	15.7%	26.5%	4,834
Assemblers and fabricators, all other	13.9%	13.9%	1,083
Grounds maintenance workers, all other	13.3%	18.9%	76
Riggers	12.7%	13.9%	61
Information and record clerks, all other	12.3%	1.2%	938
Material moving workers, all other	12.2%	13.9%	197
Helpers, construction trades, all other	11.6%	26.5%	100
Cutting, punching, and press machine setters	10.9%	22.4%	783
Food preparation and serving related workers, all other	9.9%	26.5%	99
File clerks	9.7%	-36.7%	501
Pressers, textile, garment, and related materials	9.6%	22.1%	132
Credit authorizers, checkers, and clerks	9.5%	1.2%	195
Demonstrators and product promoters	9.4%	26.5%	219
Office and administrative support workers, all other	9.3%	1.2%	810
Word processors and typists	7.9%	1.2%	416
Telemarketers	7.7%	1.2%	637
Farmworkers, farm and ranch animals	7.7%	42.4%	156
Inspectors, testers, sorters, samplers, and weighers	7.5%	19.3%	1,085
Construction laborers	7.4%	26.5%	2,403
Graders and sorters, agricultural products	7.4%	26.5%	53
Licensed practical and licensed vocational nurses	7.2%	26.5%	58
Ushers, lobby attendants, and ticket takers	7.1%	26.5%	1,966
Electrical and electronic engineering technicians	6.6%	26.5%	116
Mail clerks and mail machine operators, except postal service	6.5%	-6.9%	569
Machinists	6.0%	32.8%	234
Industrial truck and tractor operators	6.0%	13.9%	833
Office clerks, general	5.7%	12.2%	1,044
Shipping, receiving, and traffic clerks	5.7%	21.7%	555
Electrical and electronic equipment assemblers	5.5%	1.2%	4,347
Computer operators	5.5%	-17.7%	1,135
Receptionists and information clerks	5.2%	6.9%	302

Source: Bureau of Labor Statistics