



# STAFFING INSIGHT

Valuable Insights into Current Staffing Issues

February 2008

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- Want to Join My "R" Party?
- Cost Cutting Worksheet
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A bimonthly newsletter from **International Staffing University – Seminars By The Sea**

## Want to Join My "Recession" Party?

On January 2nd, as I combed through my first large stack of 2008 business bills, I glanced at a business commentator on CNN. He was reporting that most economists are now saying that the U.S. will have a recession this year (and some of them are saying that we are already in one).

Of course, there is a *possibility* that we are not heading for (nor are we in) a recession. Zig Ziglar once said: "Economists have predicted 36 of the last two recessions."

So there is that...

But according to Citrin Cooperman & Co. and published on [workforce.com](http://workforce.com), more than 70% of staffing company executives polled say that they do expect growth to be at a lower rate than last year and 21% expect their business to be stagnant or to decline.

Only 14% of staffing industry executives reported that "their firms are currently in good financial shape".

As a 32 year entrepreneur/business manager veteran, I have weathered at least five recessions that I can recall and ended up landing on my feet just fine. **One of the beauties of an economic slow-down is that it forces a business owner/executive into a "survival mode" mentality – and to get smart and be creative.** Most of us don't think about cutting expenses until economic forecasts turn downward or times get tough.

Right now, business is pretty good for our firm (and possibly fine for your staffing company, too), but I like to plan ahead for the worst case market scenario and approach the situation conservatively.

The first bill that I opened was my

Pitney Bowes and I'm thought: "What am I spending this much on postage meter equipment for? Isn't there a more cost-efficient way to send mail?" "Sure there is" I told myself "and I'm going to figure out a cheaper way to go."

"As a matter of fact, I'm going to look everywhere for ways to cut expenses this year and become miserly in holding on to my cash."

Gosh, this thought made me feel downright giddy. To see the smile on my face, you'd think I was drinking some 'bubbly'.

I sense that sales and growth realities for this year are full of uncertainty and possibly out of my control entirely. So rather than project lofty sales/growth goals, on my list of Business "Things To Do" for 2008, I put cutting expenses at the very top.

Want to join my "possible recession party"?

Here is a little bit of inspiration for you on cutting expenses.

First, look at your last quarter's income statement. Scrutinize all categories of your operating expense. Consider everything that you spend money on – big (example: salaries, insurances) and small (example: bank fees, postage) - and see what you can do without, purchase differently or spend less money on this year.

Here are just a few ideas that come to my mind:

### 1) Staff/ Salaries/ Payroll Process/ Insurances/ Benefits:

These are the some of the biggies.

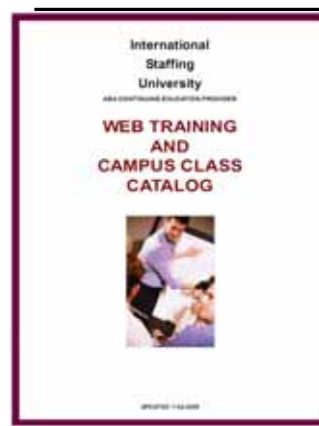
You cannot afford "dead wood" performing employees ever - especially not in softening markets.

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## Cost Cutting Ideas For My Company:

Make yourself a Worksheet including these business areas to find cost cutters!

- Internal Staff**
- Recruiting and Advertising Costs**
- Unemployment**
- Insurance**
- Office Supplies**
- Phone**
- Subscriptions/Organizations**
- Lunch expenses**
- Workers Comp**
- Other**



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## Recession Party (cont)

Calculate how much revenue you project for the year – and how much revenue and gross profit you need to generate in order to support each current and projected new staff member. On average, a temporary operation needs \$250,000 in gross profit to comfortably support \$40,000 in salary/compensation. Either motivate/train each person to “carry their weight” / pay their way or eliminate. Rather than hiring additional full-time staff, consider using part-time temporary help where possible.

Consider the cost-efficiency of paying employees (especially temporaries) via “plastic cards” and/or direct deposit (debit pay cards) versus paper checks. For some staffing companies, insurance expenses have become second or third to salary expenses and costs keep growing. And clients & candidates are demanding medical insurance coverage. In the Citrin study mentioned earlier, nearly half of staffing industry executives say that insurance “is a major concern”. This is a good year to have a heart-to-heart with your insurance representative about reducing the costs of your coverage – for both the business and medical insurance.

While not many owners or executives like the idea of cutting health insurance benefits for their employees, there are ways to do so without too much pain.

For one, Health Savings Accounts (H.S.A.) can lower your premiums and offer substantial advantages for your employees. You can also save money by joining a health purchasing alliance; increasing deductibles and medical visit and/or prescription co-pays; or by increasing your employees’ contributions to medical benefit coverage.

### 2) Watch Workers Comp:

Workers compensation insurance is a lofty expense for the majority of our staffing company clients. But don’t let it be any more expensive than it needs to be.

For some of you, self-funded or cooperative/captured funds can be the cost savings ‘ticket’, but neither approach is right for every staffing company. Many of our clients are in assigned risk pool / ‘State Fund’.

It has been my experience that workers comp carrier underwriters (especially

those working for State assigned pools) can make some huge mistakes (most often in their favor, of course) in assigning temp rates. Check their work and don’t be intimidated by them. Speak up if a mistake has been made. Dispute any unfair codes/classifications assigned on your clients/job orders/temp assigned – even if it means going above the underwriter’s head to their supervisor and all the way to the insurance commissioner. In the past, I have done that quite successfully and saved big money. (Check their audit results, too. Tens of thousands of dollars in errors I have caught in both my own staffing companies and for our clients.)

### 3) Trim Telephones/Internet Expense:

Have you reviewed your phone plan lately? There is so much competition with long distance suppliers that you might save serious dollars by changing vendors or plans.

Do you really need those “800” numbers? Does everybody in the company need a cell phone? Do you have tight controls on employee outbound phone calls? What about your internet ISP? Google “affordable ISP” and you might find one that can save you money.

### 4) “De-fluff” dues, subscriptions and other “stuff”:

What magazine / newspaper subscriptions can you do without? Is there a club, organization or assoc. you can delete? You can always re-up in 2009. And cut back on “small stuff” like employee lunches, free coffee / bottle water and the like. Even little expenses add up. **Ask your staff for help in finding ways to cut costs; have a contest for best ideas and give out (small) bonuses.**

### 5) Negotiate everything:

2008 is a great year to “cry poverty” with your suppliers – even your landlord! When negotiating a contract, procurement or office lease, the first statement out of your mouth should be: “It looks like it’s going to be a tough year. What can you do for us?”

*Can you lower that price/rate/rent?”*

### 6) Invest in Effective Training – but do so cost-efficiently:

Did you know that companies that invest \$500/year more per employee than average companies achieve (on average) a 24% greater gross profit and 218% higher income than average firms? And corporations that spend \$680 more in training per employee achieve a 6% higher TSR (total stockholder return) the following year? These statistics were found in a four year ASTD.ORG study.

You cannot afford NOT to invest in effective staff training – especially during softer times. Train your staff – that’s an essential - but spend your money wisely.

Consider saving the travel/hotel/meal expense of sending your managers and staff to classes when you can provide exceptional training for your managers, sales associates and staffing consultants/recruiters via **International Staffing University’s live instructor lead web class training**. The experience is like being in a dynamic classroom setting – minus the lofty cost! For information about our live web classes at International Staffing University and to view some great testimonials from our students, visit [www.istaffingu.com](http://www.istaffingu.com)

Why do some staffing companies fail during tough times and others survive and thrive?

The people at the helm of the thriving companies have “an attitude of prosperity” and find the “silver lining” in every type of economic market.

Bring out the champagne – pop the cork – and let’s get this “party” started!

Whether a recession shows up to our “party” or not, who cares? Let’s just have some fun managing our businesses for optimal success and learn a few things along the way.

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