

# Staffing Industry Bulletin

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## Second Quarter Growth Highest in Two Years

The latest report from the American Staffing Association (ASA) showed that staffing employment grew 4.9% in the second quarter of 2002 from the first. The gain was the greatest quarterly growth in two years. ASA credits these improvements to GDP growth, reduced national unemployment, and an increase in acquisition activity. The US Bureau of Labor Statistics also reports increases in temporary help supply (SIC 7363) employment. SIC 7363 gained 51,000 employees in August, a 1.8% seasonally adjusted increase. On a year-over-year basis, the hiring trend continued to improve, as the 4.2% decrease in temporary help supply employment in August 2002 compared to August 2001 was the best reading since February 2001. Compared with two Augusts ago, temporary help employment is down 16.4%. (Source: *Staffing Industry Report, V.XIII, No. 17, September 13, 2002*) ❖

## PEO Crisis in Florida

Echoing other recent PEO scandals, the Florida Department of Insurance has issued "stop work" orders to four PEOs, saying they violated state law by not having workers compensation coverage for workers from a state-licensed carrier. One PEO had not informed clients that it had lost coverage. Many insurance companies have stopped insuring PEOs since workers compensation costs for PEOs have been higher than insurers expected. The PEO industry is working with the Department of Insurance to try to expedite licensing of insurance carriers so that there will be more carriers available to sell insurance to PEOs. (Source: *Staffing Industry Report, V. XIII, No. 18, September 27, 2002*).

## Health Care Staffing Company Stocks Plummet

On August 7, the stock of health care staffing company Cross Country Inc. plummeted. As a result, stocks of several other health care staffing companies also plunged, resulting in the evaporation of nearly \$600 million on the same day. Some analysts believe that the plummeting stocks resulted from investors questioning the viability of health care staffing as a whole, but others attribute the losses to company-specific concerns regarding Cross Country, Inc. It is possible that the health care staffing industry may be too new to give investors a clear long-range perspective. On the same day that the stock values fell, (August 7), a report was released by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) stating that inadequate nurse staffing leads to nearly a quarter of unexpected hospital patient deaths or injuries. (Sources: *Nursing Shortage Poses Serious Health Risk, Press Release, Joint Commission on Accreditation of Healthcare Organizations, Staffing Industry Report, V.XIII, No. 17, September 13, 2002*) ❖

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## Fourth Quarter Hiring Prospects Dim

A recent survey conducted by Manpower showed that company hiring of new employees will stabilize in the fourth quarter, but at a very low level. Of 16,000 employers interviewed, 24% expect to hire more workers in the fourth quarter (a drop from 27% in the third quarter) and 9% (up from 1% in the previous quarter) are considering layoffs. The slowdown is exacerbated by the traditional fourth quarter slowdown in industries such as construction, public administration, and education. Though the year-end forecast for the Western part of the US is the worst in seven years, employment levels throughout the rest of the country should hold steady or show modest improvement. Southern employers are most optimistic about the fourth quarter because their construction industry does not suffer a winter slump. The Midwest is having an upswing in finance/insurance/real estate hiring. (Source: *Staffing Industry Report, V.XIII, No. 17, September 13, 2002*) ❖

## Staffing Franchise Denied Government Contract

The US Small Business Administration (SBA) told a Tampa, Florida staffing company that it is ineligible to receive a sizable government contract because it is a franchise. The SBA says that Garvin Enterprises, Inc., a franchise of Lloyd Staffing, does not meet its criteria for a small business. The franchise has appealed the SBA's decision, arguing that it exists as an independent business even though it outsources its payroll to Lloyd Staffing. The franchise plans to take the case to federal court if necessary. The International Franchise Association is supporting Lloyd Staffing's action to contest the SBA ruling. (Source: *Staffing Industry Report, V.XIII, No. 17, September 13, 2002*) ❖

## Staffing Used As Indicator for US Economic Rebound

The recent rebound of the staffing industry is being viewed as a promising sign that the US economy on the whole is improving. Temporary help supply businesses are often the first to show increased output and sales growth when the economy recovers. The rebound is a sign that private sector business is increasing; companies often hire temporary workers for short-term relief when they start increasing their projects and workloads. (Source: *Economists See Rebound in Temporary Staffing Industry as Promising Sign, by Marguerite Higgins, Washington Times, September 19, 2002*) ❖

## Light Industrial Staffing Shows Promise

Although temporary staffing in general is struggling to return to pre-recession hiring levels of two years ago, temporary help supply companies supplying temps to light industrial companies are doing well. Light industrial staffing accounts for about 10% of the \$148.6 million US staffing industry and includes laborers, manufacturing personnel, factory and warehouse workers, and shipping clerks. Many light industrial companies have experienced an increase in sales. The comeback is attributed to increased consumer spending. Temps are being hired to build up inventory and to assemble boxes for shipping and transportation. (Source: *Staffing Industry Report, V.XIII, No. 17, September 13, 2002*) ❖

