2017 Performance Survey Report

ALTERNATIVE STAFFING ALLIANCE
People-Based, Market-Driven

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Introduction

The Alternative Staffing Alliance regularly conducts a performance survey to collect data about business and employment outcomes of alternative staffing organizations (ASOs). The following analysis reflects results reported for fiscal years ending September 30, 2017 through June 2018.

Last August, an electronic survey link was mailed to 55 ASOs operating for at least one year. Of these, 22 ASOs (40%) supplied data, and the data collection and analysis was augmented with follow-up interviews to clarify responses.

Key performance metrics are presented in the dashboard summary. The narrative section that follows compares selected alternative staffing sector outcomes with conventional staffing industry results reported by Staffing Industry Analysts. As described in the narrative, Goodwill Industries International also shared aggregate revenue data for its affiliates that operate staffing businesses.

Sixteen of the ASOs that participated in the 2017 survey also completed the prior survey for 2015. With only 73% participating in both this and the previous survey, care must be taken when drawing conclusions about overall year-to-year changes, as these may be attributable to changes in the cohort of responders.

We extend our sincere **'thank you' to all ASOs who participated in the survey** and make it possible for us to benchmark operating results, identify trends and demonstrate the scale and impacts of the alternative staffing sector to policy makers and funders.

For questions, please contact Janet Van Liere or Jonathan Ward as follows:

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Key Findings

All figures are median values, except for "% of ASOs Offering Health Insurance to Temporary Workers."

Business Performance Dashboard

ASO Staffing Revenue	***ASO # Hours Billed***	***Average Bill Rate***
$1,924,566	104,207	$17.65
% Rev. from Top 5 Customers	***Markup:***	***Gross Margin***
66%	45%	22%
ASO # Active Accounts	***Average Fill Rate***	***Average Time-to-Fill (Days)***
53	88%	2.50

Social Impact Dashboard

ASO # Job Seekers Employed	***Average # of Workers on Assignment Each Week***	***Average Wage Rate***
676	75	$11.80
% Workers Converting to Permanent Jobs	***Operating Cost Coverage, Staffing Revenues Only***	***% ASOs Offering Health Insurance to Temporary Workers***
38%	100%	71%

ASO Industry Growth Tracker

US Commercial Staffing Growth *2017*	***ASO Median Growth Rate*** *2017*
3.00%	**4.60%**

Revenue Growth

Median staffing fee revenue for our sample of 22 survey respondents was $1,925,000 in 2017, down about 12% from our 2015 survey result of $2,196,000. The decline is largely attributable to differences in the mix of survey participants.

To better understand sales growth, we compared each respondent's staffing revenue data with their previous year's results reported for our 2016 census of the alternative staffing sector. Among 21 survey respondents for which both years of data were available, the median growth rate was 4.6%, compared to 3% revenue growth of the US industrial staffing market in 2017.

Individual year-over-year revenue changes varied widely by practitioner. One-third of survey respondents experienced sales growth in the 3% to 6% range, performing similarly to the overall market. Another third experienced sales declines ranging from 4% to 25%. The remaining third posted robust rates of sales growth, between 12% and 46%. One ASO increased its sales over seven-fold through the acquisition of a large new contract.

> 2017 median revenue growth in our survey sample was **4.6%** compared to 3% revenue growth of the US industrial staffing market.
>
> Total 2017 staffing business revenues for 31 Goodwill Industries operators grew by **15%** from 2016 to 2017.

Apart from our survey sample, Goodwill Industries also tracks annual revenues of some 31 affiliates that operate staffing businesses (including some that also participated in our survey). Total Goodwill Industries staffing revenues grew from $99.7 million in 2016 to $114.4 million in 2017, a 15% increase. Goodwill's staffing revenues represent a combination of commercial business, State Use contracting (excluding AbilityOne business), and in-house staffing services delivered to Goodwill's retail and other internal operations.

Customer Concentration

Generally, customer concentration risk exists when a single customer represents more than 8% of total revenues, or when the top five customers represent more than 40% of revenues. In 2017, ASOs reported a median of 66% of revenues from their top five customers, unchanged from the 2015 survey and again indicating significant customer concentration risk. In comparison, conventional staffing firms that service the industrial and office/clerical (i.e., commercial) market segment report a median 40% of revenue from their top five customers.

> ASOs reported a median **66%** of revenue from their top five customers, unchanged from our previous survey. Conventional commercial staffing firms report a median 40% of revenue from their top five clients.
> Conventional staffing firms of all types with $10 million or less in annual revenues report a median 55% of revenue from their top five clients.

Size of firm is a variable in customer concentration. Conventional staffing firms of *all* types with annual revenues of $10 million or less report a median of 55% revenues derived from their top five clients. For firms of $11 to $25 million, the median is 38%.

Gross Margin

ASOs' median gross margin in 2017 was 22%, up from 20% reported in 2015 and 21% in 2014. The alternative staffing sector continues to perform competitively with its conventional, publicly-traded counterparts as follows:

Gross Margin: Conventional Staffing Firms vs. ASOs	***2013***	***2014***	***2015***	***2016***	***2017***
Adecco	*18%*	*19%*	*19%*	*19%*	*18%*
Kelly Services	*16%*	*16%*	*17%*	*17%*	*18%*
Manpower	*17%*	*17%*	*17%*	*17%*	*17%*
Randstad	*18%*	*18%*	*19%*	*19%*	*20%*
True Blue	*27%*	*25%*	*24%*	*25%*	*25%*
Conventional Staffing Firms, *Median*	**18%**	**18%**	**19%**	**19%**	**18%**
ASOs, *Median*	**24%**	**21%**	**20%**		**22%**

Order Fill Rate

ASOs reported a median job order fill rate of 88%, compared with a 90% median fill rate for industrial staffing firms and 80% median fill rate for office/clerical staffing firms.

Time-to-Fill Period

ASOs' average time to fill job orders is 2.5 days, up from 2 days in the 2015 survey, but still faster than the 3-day period reported by commercial staffing firms. Conventional staffing firms do not use a single, universal definition of time-to-fill. Forty-nine percent define it as "date of request to the date on which the worker starts on job" and 40% use "date of request to the date on which the worker accepts offer." Among commercial staffing firms, median time-to-fill is 3 days under both definitions.

Wage Rate

ASOs reported a median "average wage" rate of $11.80 in 2017. To provide greater context for this number and better understand the quality of ASOs' pay rates, we used the [MIT living wage calculator] to compare average hourly wages reported by each 2017 survey respondent with their respective market areas' living wage for a single adult. "Living wage" refers to the wage rate required to meet minimum standards of living in a given community.

Half of ASO survey respondents paid average hourly wage rates at or above their local living wage for a single adult.

Within our sample of 22 ASOs supplying wage data, the median average wage rate paid to workers was 98.7% of the living wage for a single adult. Individual ASO wage rates ranged from 69% to 125% of their local living wage rates, with half of ASOs paying at or above the local living wage rate.

Operating Cost Coverage

Operating cost coverage is similar in concept to net profit margin, as a firm breaks even when coverage is 100%, indicating a 0% profit margin. ASOs report a median operating cost coverage of 100% from staffing revenues, reflecting the sustainable nature of this social enterprise model for workforce development. Differences in how ASOs charge overhead expense and allocate costs for support services, among other factors, significantly affect this metric.

Supportive Services

Provision of supportive services to candidates sets ASOs apart from other staffing firms and is a critical factor in helping workers succeed and advance in the labor market. We last asked ASOs about the types of supportive services they offer in our 2013 Survey. In this survey, *job coaching* and *case management* again ranked as the top two services, followed by *work clothing, tools or boots*. Nearly three-fourths of ASOs, 73%, assist candidates with work attire and tools compared with 44% in 2013.

Supportive Services Offered to Candidates	*2017 (N=18)*	*2013 (N=16)*
Job coaching	82%	89%
Case management	77%	67%
Work clothing, tools or boots	73%	44%
Job-related skills training	68%	30%
Transportation assistance	64%	38%
Financial literacy training	59%	
Emergency loans	18%	

Job-related skills training showed the most significant increase, more than doubling from 30% of ASOs in 2013 to 68% in 2017, and a reflection of ASOs' efforts to address skill gaps and position workers for access to higher-paid, career path jobs. *Transportation assistance*, another critical support for many candidates served by ASOs, increased a full 26 percentage points, from 38% of ASOs in 2013 to 64% in 2017.

Over half of ASO respondents offer *financial literacy training* to candidates and 18% make *emergency loans*. The 2013 Survey did not specifically ask about these forms of support, which were instead reported as part of an "Other" category of supportive services.

Data Tables

Table 1 - Number of Responding ASOs	2017	2015	2014	2013
Completed Survey	22	21	21	21

Table 2 - Revenue Data (Staffing Revenue Only)	Median	Mean	Max	Min
2017 (N=22)	$1,924,566	$6,452,526	$29,327,046	$418,343
2015 (N=21)	$2,196,000	$5,273,171	$22,550,400	$324,214
2014 (N=21)	$1,700,000	$4,627,778	$22,000,000	$101,000
2013 (N=21)	$1,614,607	$4,577,155	$18,682,509	$292,337
2012 (N=24)	$1,305,864	$4,156,106	$17,533,279	$187,898
2011 (N=18)	$1,099,475	$3,504,612	$19,831,270	$3,000

Table 3 - Percent of Revenue from Top Five Customers	Median	Mean	Max	Min
2017 (N=20)	66%	62%	91%	20%
2015 (N=19)	66%	59%	100%	4%
2014 (N=18)	79%	75%	100%	9%
2013 (N=11)	69%	66%	100%	19%
2011 (N=12)	69%	64%	100%	30%

Table 4a - Billing Data 2017	Median	Mean	Max	Min
Gross Margin (N=22)	22%	20%	40%	0%
Bill Rate (N=21)	$17.65	$18.51	$28.57	$13.00
Wage Rate (N=22)	$11.80	$12.17	$17.15	$8.00
Mark Up (N=21)	45%	53%	148%	12%
Operating Cost Coverage (N=18)	100%	97%	112%	25%

Table 4a - Billing Data 2015	Median	Mean	Max	Min
Gross Margin (N=17)	20%	20%	39%	9%
Bill Rate (N=20)	$15.91	$16.67	$25.00	$11.89
Wage Rate (N=19)	$11.25	$11.04	$13.43	$8.15
Mark Up (N=19)	47%	51%	122%	14%
Operating Cost Coverage (N=18)	99%	97%	150%	48%

Table 4b - Billing Data 2014	Median	Mean	Max	Min
Gross Margin (N=17)	21%	21%	31%	6%
Bill Rate (N=19)	$17.21	$17.33	$26.68	$10.54
Pay Rate (N=20)	$11.07	$11.67	$18.49	$7.97
Mark Up (N=19)	45%	49%	100%	31%

Table 4c - Billing Data 2013 (N=20)	Median	Mean	Max	Min
Gross Margin	24%	27%	58%	7%
Bill Rate	$13.95	$13.64	$15.50	$10.27
Pay Rate	$10.24	$10.99	$21.62	$7.49
Mark Up	52%	46%	90%	0%

Table 4d - Billing Data 2011	Median	Mean	Max	Min
Gross Margin (N=18)	22%	26%	100%	0%
Bill Rate (N=10)	$14.24	$14.70	$18.03	$12.46
Pay Rate (N=10)	$9.70	$9.95	$12.23	$7.65
Mark Up (N=10)	44%	50%	89%	29%

Table 5 - Number of Job Seekers Placed, as W2s Issued	Median	Mean	Max	Min
2017 (N=22)	676	1,357	5,202	126
2015 (N=20)	545	938	4,000	79
2014 (N=21)	340	651	3,237	15
2013 (N=17)	341	648	3,400	70
2011 (N=19)	250	528	2,800	42

Table 6 - Average Number of Workers on Assignment Each Week	Median	Mean	Max	Min
2017 (N=22)	75	300	1,700	20

Table 7 - Business Performance Data 2017	Median	Mean	Max	Min
Average Fill Rate (N=20)	88%	84%	100%	50%
Average Time to Fill New Job Openings (# Days, N=20)	2.50	3.75	15.00	-

Table 8a - Conversion Rate, as % Transitioned to Permanent Employment	Median	Mean	Max	Min
2017 (N=20)	38%	44%	100%	2%
2015 (N=17)	20%	28%	60%	8%
2014 (N=19)	20%	27%	75%	7%
2013 (N=18)	16%	24%	96%	3%
2011 (N=19)	7%	15%	71%	0%

Table 8b - % Conversions from Employer Customers (N=20)	Median	Mean	Max	Min
2017	25%	25%	65%	1%

Table 8c - % Conversions Secured On Own (N=18)	Median	Mean	Max	Min
2017	20%	22%	65%	0%

Table 9a - # Fee-for-Service Direct Placements (N=20)				
2017	2	29	500	0

Table 9b - # No-Fee Direct Placements (N=19)				
2017	0	37	217	0

Table 10a - Operational Data 2017	Median	Mean	Max	Min
Active Customers (N=22)	53	115	935	11
Hours Billed (N=21)	104,207	361,635	1,598,642	27,085

Table 10b - Operational Data 2015	Median	Mean	Max	Min
Active Customers (N=19)	48	82	377	5
Hours Billed (N=20)	109,599	288,771	1,435,522	18,908

Table 10c - Operational Data 2014	Median	Mean	Max	Min
Current Accounts (N=19)	47	88	491	5
Hours Billed (N=20)	105,367	269,920	1,276,384	3,786

Table 10d - Operational Data 2013	Median	Mean	Max	Min
Current Accounts (N=15)	27	82	520	4
Hours Billed (N=13)	106,452	215,957	850,000	7,000

Table 10e - Operational Data 2011	Median	Mean	Max	Min
Current Accounts (N=16)	28	112	530	-
Hours Billed (N=10)	124,344	283,433	1,100,000	11,657

Table 11a - ASOs Offering Health Insurance to Eligible Workers 2017 (N=21)	
Yes, health insurance is offered to eligible workers.	71%
No, health insurance is NOT offered to eligible workers.	29%

Table 11b - ASOs Offering Health Insurance to Eligible Workers 2015 (N=13)	
Yes, health insurance is offered to eligible workers.	72%
No, health insurance is NOT offered to eligible workers.	28%

Table 11c - ASOs Offering Health Insurance to Eligible Workers 2014 (N=16)	
Yes, health insurance is offered to eligible workers.	75%
No, health insurance is NOT offered to eligible workers.	25%

Table 12 - % of Temporary Workers Eligible for Health Insurance	Median	Mean	Max	Min
2017 (N=13)	10%	24%	95%	0%
2015 (N=9)	15%	28%	99%	1%
2014 (N=10)	25%	37%	100%	1%