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Employment Agencies See Further Growth, Some Signs of Change

EMPLOYMENT: Revenue up 5%, some consolidation

■ By PAT MAIO

A tight job market drove another year of higher revenue at employment agencies, though the sector is starting to see some consolidation and cautiousness on the part of employers.

The 20 largest employment agencies operating in Orange County posted a 6% gain to \$981 million in sales for

the 12 months ended June 30, according to this week's Business Journal list. The list ranks agencies by revenue from OC operations.

This past year's gain continues a trend. The agencies saw 4% revenue growth a year ago and 12% the prior year.

Most agency executives see the county's tight job market holding. But the sector is seeing some shifts, they say.

More employers are trying out temporary workers instead of turning to agencies for permanent hires, according to some agencies.

A handful of companies said they would have had bigger growth rates in the past year if they hadn't cut some employers that were unwilling to update safety compliance meas-

Employment

ures. That drives up workers' compensation insurance costs for the agencies.

Twelve staffing agencies reported a gain in revenue this year. That included No. 1 Adecco Staffing, a unit of Switzerland's Adecco Group SA, which was up 2% to \$125 million.

Higher salaries drove the increase, said Jennifer Bolin, regional vice president of Adecco Staffing.

"The market had to align itself to reflect the war on pay rates," Bolin said. "Companies are paying more to get people who are talented and experienced."

Numbers for eight companies on this year's list are Business Journal estimates. Excluding estimates, the growth rate at the 12 remaining agencies was 10%.

Employment agency growth is seen as an indicator of strength in the local job market. Companies that are expanding often turn to employment agencies to fill gaps.

OC's employment picture is bright with the county posting slightly better unemployment rates this year versus last year. OC's unemployment rate fell to 3.8% in July from 4.1%

a year ago, according to the state Employment Development Department. Nationally and statewide, the unemployment rate is 5%.

Employment agencies saw a big deal earlier this year.

Aliso Viejo-based RemyTemp Inc., No. 6 on last year's list, appears this time around as No. 4 SelectRemy. Select Personnel Services of Santa Barbara bought RemyTemp earlier this summer for \$169 million.

The Business Journal estimates SelectRemy's OC revenue at \$80 million.

SelectRemy had some layoffs and departures since the deal but plans to keep a major presence at its old RemyTemp headquarters, said Janet Hawkins, senior vice president in charge of marketing and president of the combined company's franchise division.

"The company has a very aggressive growth plan," she said.

SelectRemy's franchise division, which oversees 110 franchises nationwide, generates about \$200 million in annual revenue and makes up just about half of the company's \$515 million in sales.

The county saw another deal recently that wasn't large enough to register on this year's list. Irvine-based Spinnaker Financial Resources was bought by Tatum LLC of

Atlanta as part of its Western expansion.

Terms weren't disclosed. Spinnaker reported 2005 sales of \$3.5 million, said Karl Hardesty, managing partner in charge of the office in Irvine for Tatum.

OC is an attractive spot to find potential acquisitions, according to Kim Megonigal, president of No. 7 Kimco Staffing Services Inc. of Irvine.

"The margins have been slim," Megonigal said. "If you can consolidate and take two backrooms down to one, then you can make money."

The county also is a good place to tap workers, many of whom are educated and command



Porrello: bought Aliso Viejo building for HQ

high salaries. "Everybody is crying for quality people," Megonigal said.

Kimco's OC revenue rose 21% to \$65 million this year.

"This is the best environment we've been in for a very long time because demand is so high," Megonigal said. "We also feel there are fewer competitors because of consolidation taking place in the industry."

Some larger companies on the list—No. 2 Spherion Corp. of Irvine and No. 3 Volt Services Group of Orange—came in largely flat from a year ago. Spherion reported \$108 million in revenue through June 30. Volt had \$89 million.

No. 4 Milwaukee-based Manpower Inc. is changing its business mix, according to Shane Lamb, Manpower's regional director who oversees Southern California and Hawaii.

About 65% of Manpower's business now serves manufacturers, a number it wants to reduce in favor of professional services.

"The first thing to fall in a recession is manufacturing," said Lamb, who added he's upbeat about the local economy.

Plans are under way to open more Manpower branches in OC, particularly in South County, Lamb said.

Manpower also plans to expand its main OC office in Irvine, he said.

Among the bigger gainers on the list: No. 12 Priority Staffing Services of Irvine.

Priority's revenue rose 68% to \$26 million. The company bought a 10,000-square-foot building in Aliso Viejo from online retailer Buy.com Inc., Chief Executive John Porrello said.

Priority plans to move its headquarters there in the next several months, he said. ■