

A RESEARCH REPORT ON THE STAFFING AND RECRUITING INDUSTRY



Non-traditional Compensation, Bonuses & Equity Compensation

Year-end 2007 Trends in Staffing and Recruiting Compensation

sponsored by **BULLHORN**[®]

Abstract

This report seeks to inform staffing and recruiting professionals about compensation trends in the industry. Historically, this is the information in highest demand by staffing and recruiting professionals. This research report, sponsored by Bullhorn, covers the latest trends in compensation for recruiters and management of staffing and recruiting firms. The data in this report is based on responses collected during Q3, 2007 from recruiters in the staffing and recruiting industry throughout the U.S. The key trends outlined in this report focus on recruiter compensation, increases in variable compensation and, for the first time, data about non-traditional compensation and benefits.

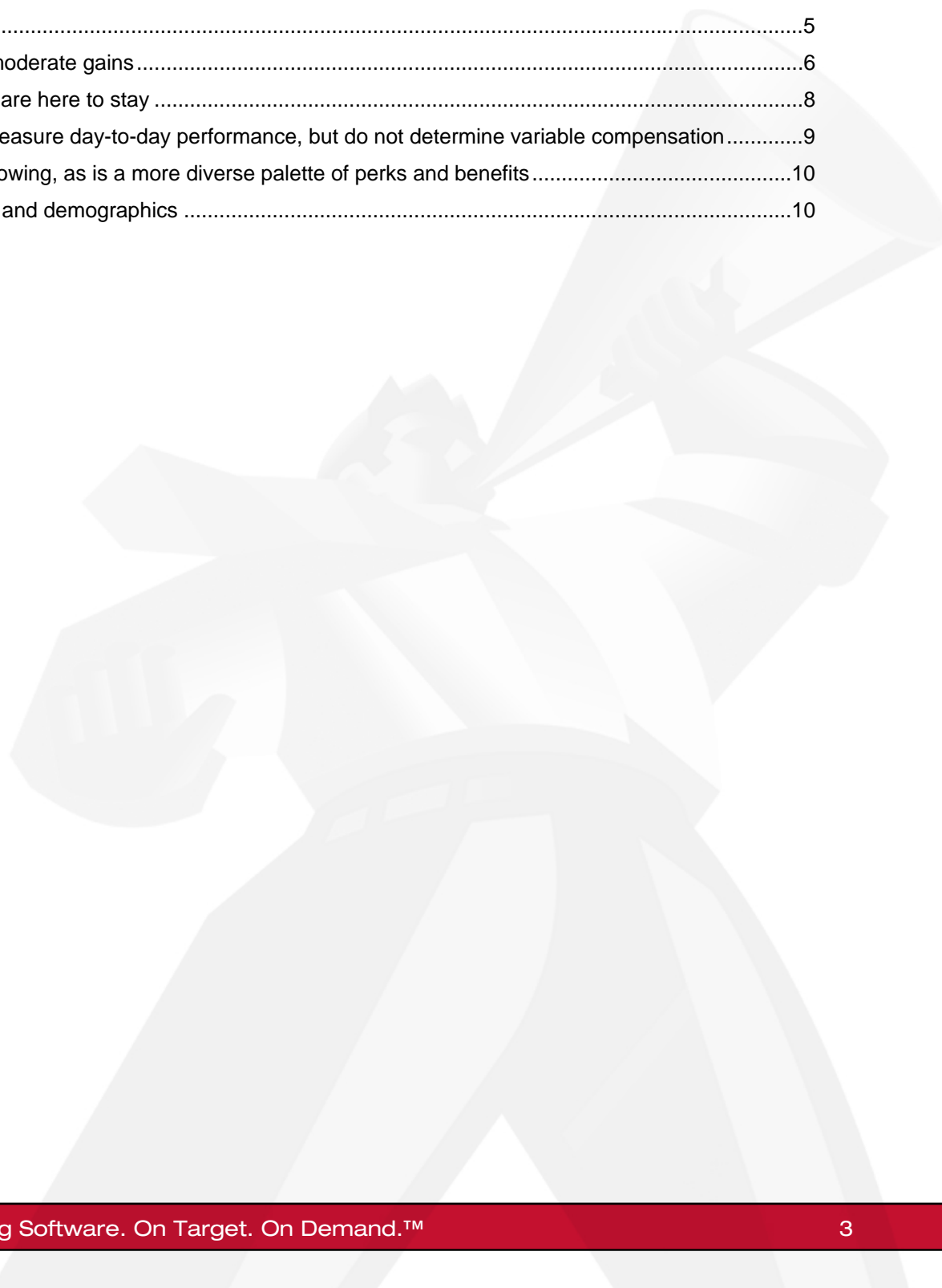
Variable compensation can be very healthy indeed, and it is most often linked to company performance, individual performance or both. Neither placement ratio nor time-to-fill is cited frequently as a determining factor for variable compensation even though many thought leaders in the industry evangelize these as fundamental productivity metrics in recruiting or tout them as a marketing message in the positioning of their own firms. We believe this key finding, combined with the conventional wisdom about the importance of process metrics like placement ratios and time-to-fill, reflect the following:

- Staffing and recruiting firms focus on measuring success by company billings.
- Staffing and recruiting firms utilize process metrics for day-to-day and month-to-month views of efficiency and effectiveness.
- Staffing and recruiting firms adhere to simpler metrics (measuring revenue and/or profit) to determine variable compensation.
- Stock options or company equity are a significant portion of compensation strategies.

For the first time in a report of this kind, we present specific non-traditional compensation perks and benefits used by portions of the industry and what percentage of the industry uses them.

Table of Contents

Introduction.....	4
Firmographics.....	5
Salaries experiencing moderate gains.....	6
Variable pay and perks are here to stay	8
Process metrics may measure day-to-day performance.....	9
Equity strategies are growing, as is a more diverse palette of perks and benefits	10
Research methodology and demographics	10



Introduction

Compensation remains one of the most interesting topics in the staffing and recruiting industry—and for good reason: For 23 percent of search firms, recruiter compensation accounts for more than 75 percent of total operating costs.¹ Despite a rising use of variable pay, traditional compensation plans are still the standard in the staffing and recruiting industry.² However, many incentive-based compensation plans (some of which include variable pay), can help companies retain first-class recruiters in the long term.³ The bottom line is that firms are willing to pay top-dollar to hire and retain experienced and successful staffing and recruiting professionals, whether that means higher salaries, more variable compensation options or extraordinary perks and benefits of which companies of comparable size in other industries can only dream.

Key compensation trends identified in this study include:

- Industry salaries have experienced moderate gains from 2006 to 2007.
- Bonus expectations for 2007 are slightly more optimistic than in 2006.
- Stock options and company equity are a significant portion of variable compensation strategies.
- Process metrics such as placement rates and time-to-fill are not critical factors in bonus calculations.
- A high percentage of respondents reported that the lead metrics tied to bonuses are company performance and individual revenue contribution.

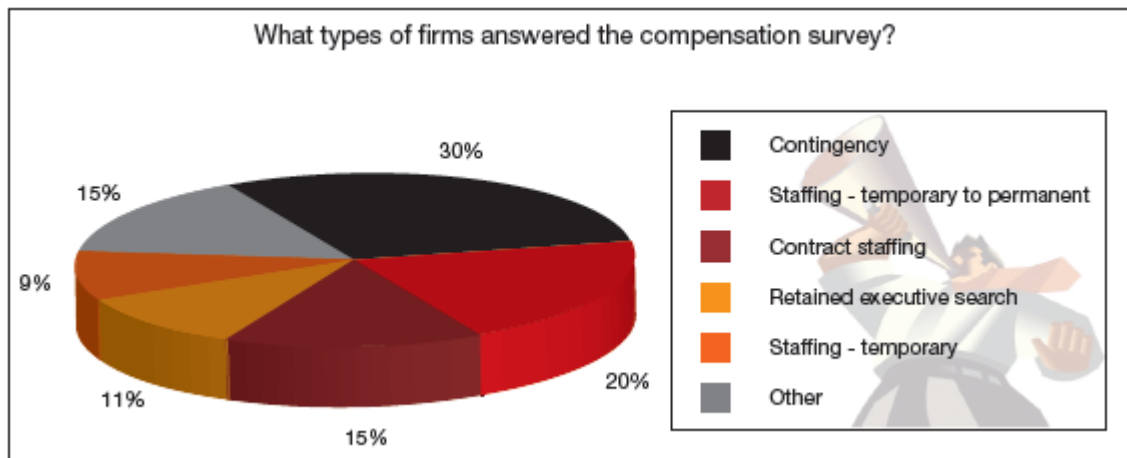
¹ Skinner, Brent. "Compensation in Executive Search." Kennedy Information, Inc.

² Dovey, Catherine. "Compensation Trends." SHRM.org, January 2006.

³ Hirschman, Carolyn. "Incentives for Recruiters?" HR Magazine, November 2003.

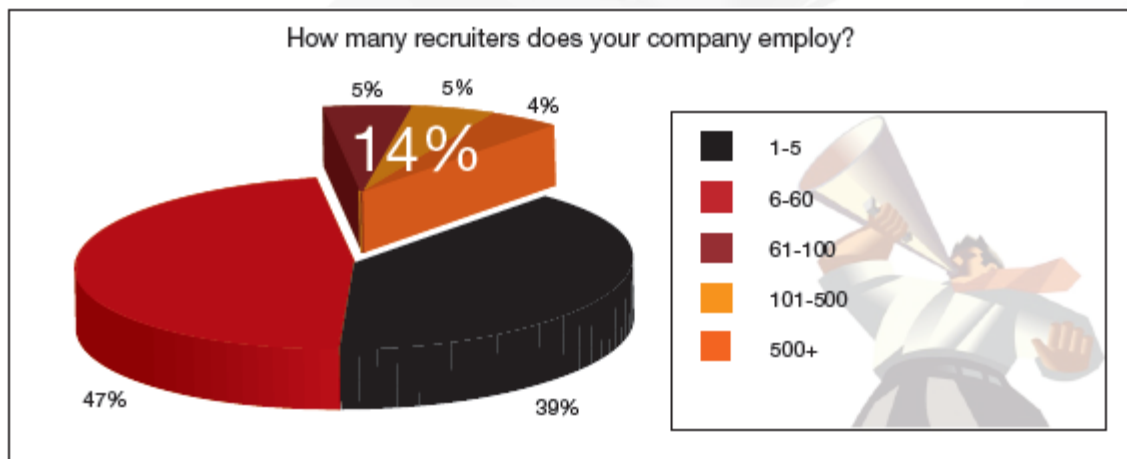
Firmographics

Figure 1:



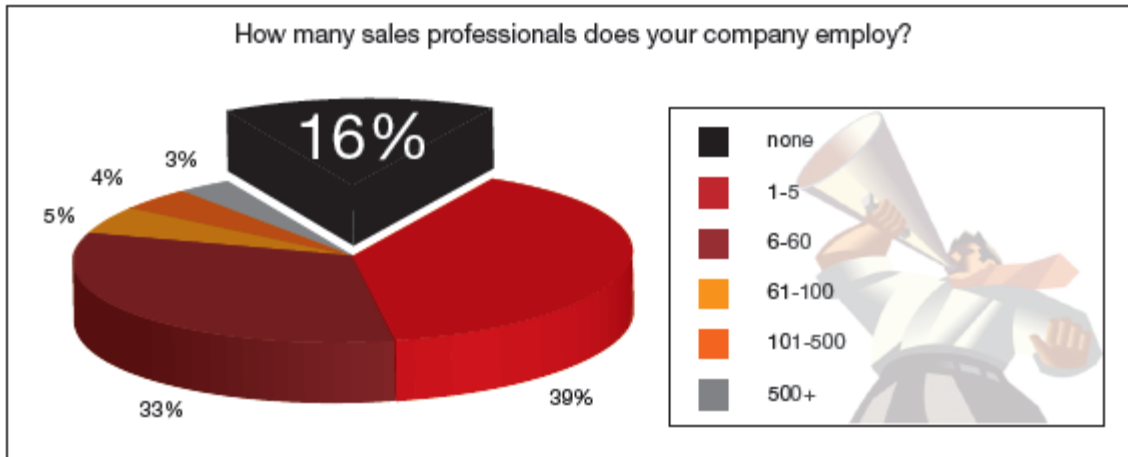
This is a highly representative sample of the industry as a whole. Most companies in the industry have contingency in their business model mix.

Figure 2:



A minority (14%) of respondents' companies are enterprise-sized meaning they have more than 60 recruiters on staff. This is representative of the industry as a whole, which predominantly consists of emerging or medium-sized companies.

Figure 3:

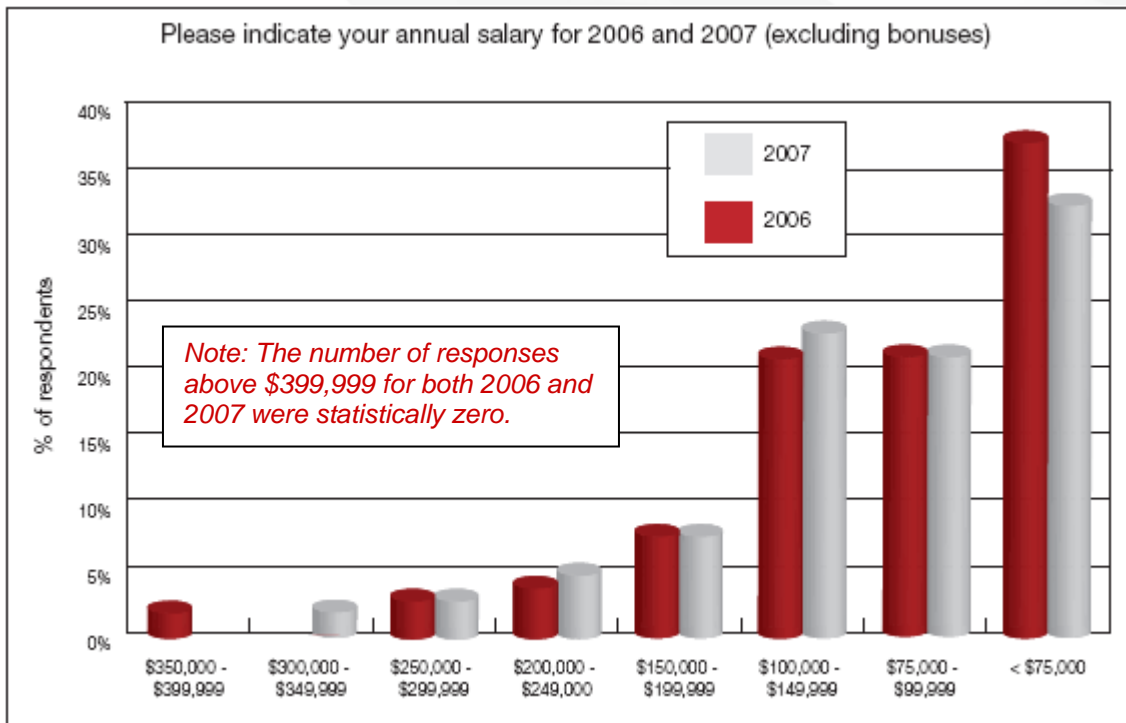


More than 84% of all firms employ salespeople.

Salaries experiencing moderate gains

The largest fraction of respondents report their annual salaries for 2007, without bonuses, are less than \$75,000 (34 percent). Just less than a quarter expect salaries between \$100,000 and \$149,000 (24 percent), and 22 percent expect to receive between \$75,000 and \$99,000 in annual salaries. There have been moderate gains in salaries from 2006 to 2007. Along with substantial salaries, adequate health, dental and prescription drug insurance is the norm in the industry.

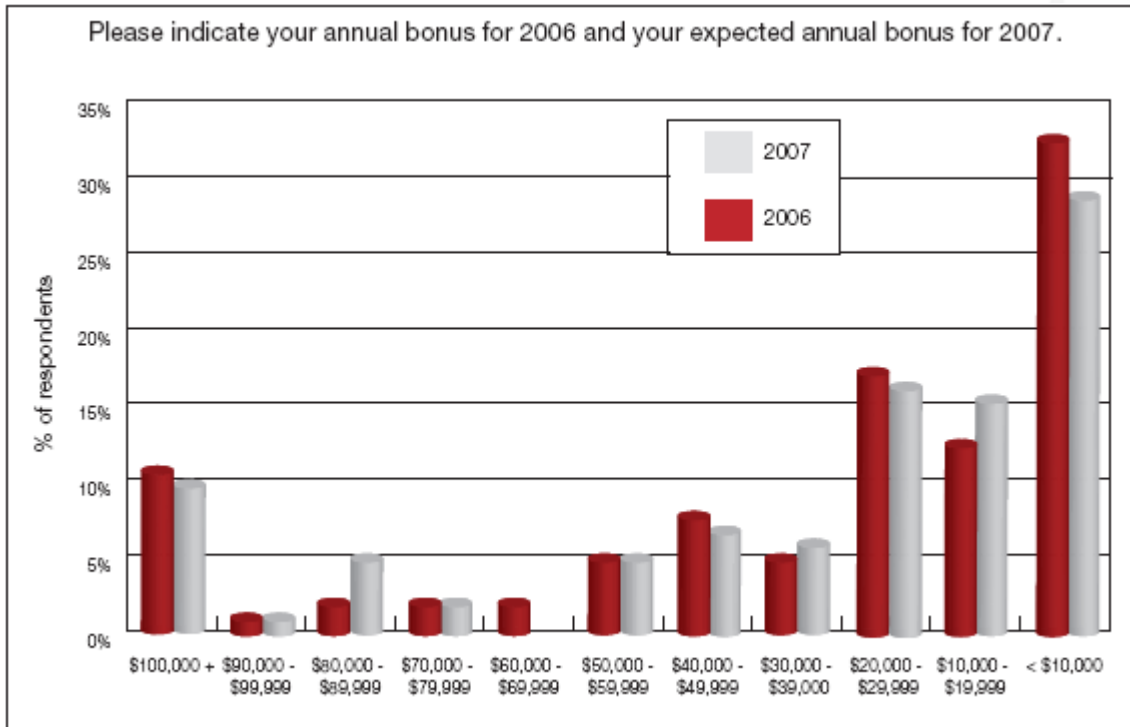
Figure 4:



Bonus expectations guardedly optimistic

More than half of staffing and recruiting professionals receive an annual bonus (56.5 percent). Of those, 30 percent expect annual bonuses of less than \$10,000. A third expects bonuses between \$10,000 and \$29,000, and just 10 percent expect more than \$100,000. In 2006, the largest fraction of respondents received annual bonuses of less than \$10,000 (34 percent) and 11 percent received more than \$100,000.

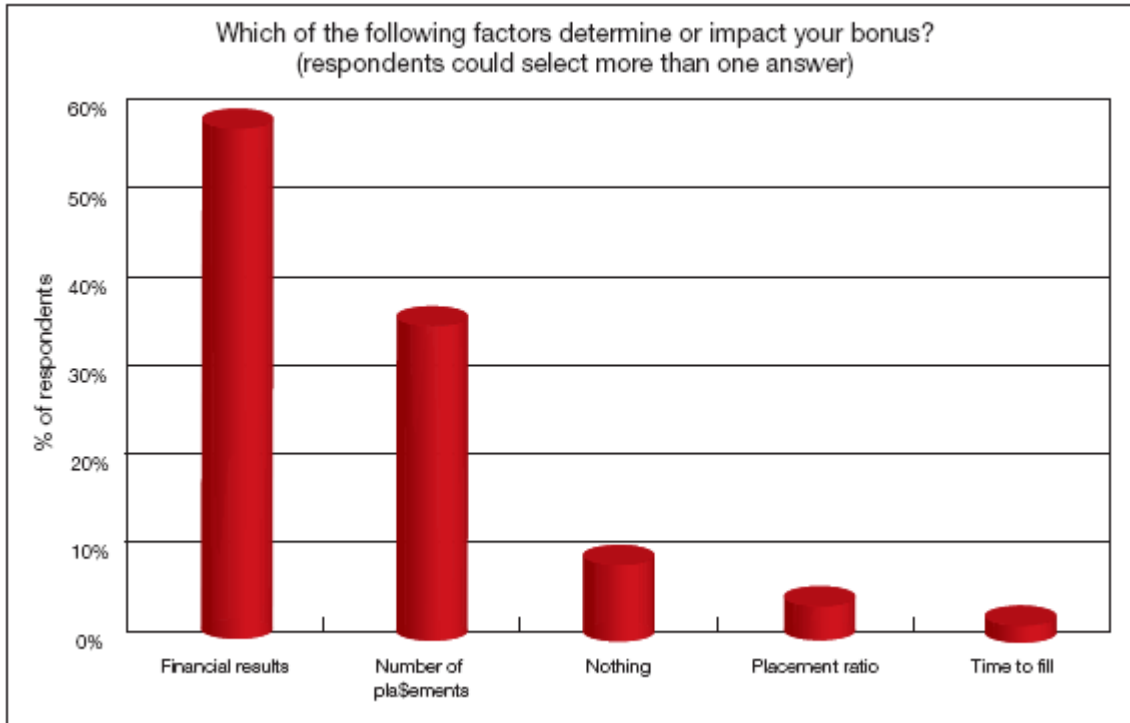
Figure 5:



Research revealed that profit and revenue influence bonuses the most. STL Recruiting blogger Jim Durbin writes, "Gross profit, gross profit margin, average gross profit margin, recruiter pools, position splits and fees ranging from referral to administrative to accounts receivable to performance bonuses affect all commission plans. I've been paid 40 percent of the average, 2.5 percent of the total and 30 percent of my total gross profit. I've been salaried and commissioned, worked off a draw and received bonuses for hitting quarterly targets."⁴

⁴ Durbin, Jim. STLRecruiting blog. February 2006. http://www.stlrecruiting.com/2006/02/recruiter_compe.html

Figure 6:



*Sales revenue and profits drive bonus compensation for a company.
Number of placements drives bonus compensation for the individual.*

Variable pay and perks are here to stay

Just more than a quarter of respondents are offered a stock option or another equity component (26 percent). When it comes to equity components in those that use them, 71 percent of respondents say equity is based on performance, compared to just 48 percent for stock options.

Variable compensation is defined as compensation that is not part of a base salary and that can vary during different periods of time.⁵ There has been a recent increase in the use of variable compensation because it allows companies to quickly adapt to changing market demands and to share the wealth of their successes without increasing salaries for the long term.⁶ For some employees, these plans can compensate for smaller salary increases, and they can enable employers to control fixed costs, concentrate on key objectives and encourage and reward employees.⁷ Examples of variable pay include flexible scheduling options, retirement plans and tuition reimbursement. Those companies that offer their employees variable compensation either offer these components to all employees or base it on individual performance—and how these options are

⁵ Greene, Robert J. "Variable Pay: How to Manage It Effectively." SHRM.org, April 2003.

⁶ Dovey, Catherine. "Compensation Trends." SHRM.org, January 2006.

⁷ Miller, Stephen. "Employers Focus More on Performance-based Rewards." SHRM.org, September 2006.

offered varies from one component to the next. The best-practice guideline for effective variable pay plans and strategies requires alignment with the organization's vision and mission in order to leverage competitive advantages and contribute to the company's overall success.⁸

When it comes to flexible scheduling, respondents reported receiving variable pay through flexible paid time off (PTO), flex time and telecommuting. More than a third of respondents' companies offer flexible PTO (39 percent), and of those, 88 percent offer it to all employees regardless of performance. Likewise, 36 percent report being offered flex time, and 72 percent of those companies offer it across the board. Fewer staffing and recruiting professionals have the option to telecommute (just 28 percent), and almost a third of companies that offer this option base it on performance (32 percent).

Retirement plans are generally offered to all employees across the board. More than half of staffing and recruiting professionals surveyed are offered 401(k) matching (51 percent), and only 3 percent of companies offer it based on performance. Just 13 percent are offered pension plans, and 6 percent of those companies with pension plans base them on employee performance. While 20 percent are offered profit sharing, just more than two-thirds of companies offer it to all employees (69 percent)—the rest base it strictly on performance. More than a quarter are offered a stock option or another equity component (26 percent). When it comes to company equity, 71 percent is based on performance. Stock options are performance based in 48 percent of companies.

A third of respondents are offered tuition reimbursement, and 93 percent of companies that offer it do so across the board.

Notable perks

Perks or non-traditional compensation is diverse, including:

- tuition reimbursement
- company trips
- vacation discounts
- birthday parties
- gifts
- days off
- car allowance
- parking
- sporting event tickets
- community service leave

Process metrics may measure day-to-day performance but do not determine variable compensation

Performance is the primary driver of rewards and compensation.⁹ However, neither placement ratios nor time-to-fill is cited frequently as a determining factor for variable compensation. In fact, just 4 percent of respondents reported that placement ratios impact their bonuses, and just 2 percent said the same about time-to-fill. At the same time, more than a third of staffing and recruiting professionals (37 percent) reported that the number of placements made influences their bonuses. It is important to remember that placement ratio is a significant measure, but not as important as the overall number of placements. As one recruiter in the study put it, "100 percent of zero is still zero."

⁸ Greene, Robert J. "Variable Pay: How to Manage It Effectively." SHRM.org, April 2003.

⁹ Ibid.

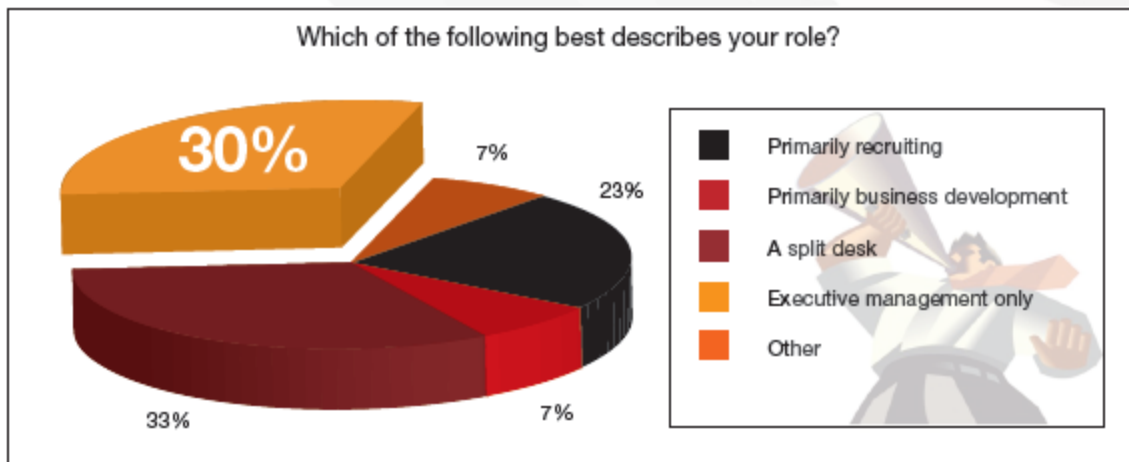
Equity strategies are growing, as is a more diverse palette of perks and benefits

The trend toward variable compensation which we reported in early 2007 is continuing, particularly as it pertains to stock options, company equity and a diverse array of perks and benefits; this is true for emerging companies as well as established, medium-sized firms in our industry. Equity and stock options play a role in more than one-fourth of staffing and recruiting firms' overall mix of compensation, but are not present in the majority of compensation structures in staffing and recruiting. While creative variable compensation increases, the key metrics are very simple—revenue performance and profit performance. The industry might value process metrics such as placement ratios and time-to-fill, but not enough to link them to variable compensation in any significant way. The bottom line is that recruiters and business development professionals must generate more money for the company in order to earn more money.

Research methodology and demographics

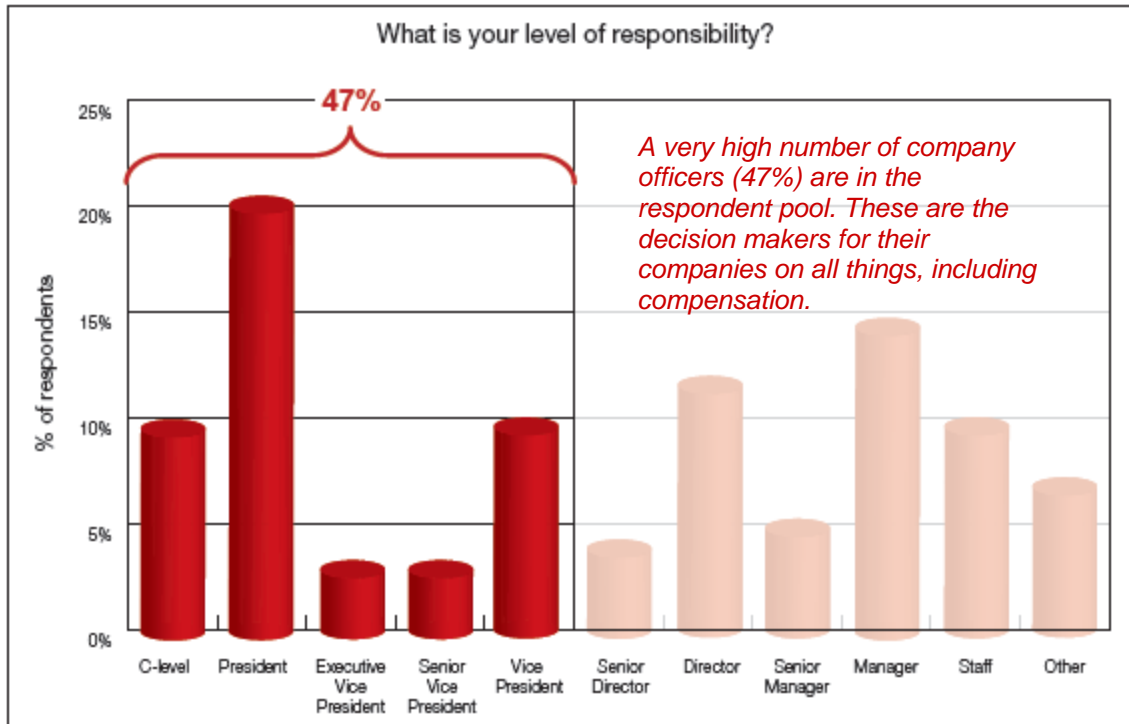
Bullhorn invited approximately 45,000 staffing and recruiting professionals to participate in the survey “Year-end Trends in Staffing and Recruiting Compensation” in Q3, 2007. The survey was live for 17 days. Individuals who are not full-time permanent employees in the staffing and recruiting industry were excluded from completing the survey, and 346 respondents were considered to drive the results and conclusions of this report. Each respondent answered the questionnaire via an online survey tool and was assured of his or her confidentiality. Their responses were used only in this aggregate analysis.

Figure 7:



Some are truly executives - 30%. All senior people are involved in their business's delivery of service and new business development to one degree or another.

Figure 8:



About Bullhorn

Bullhorn is the global leader in On Demand, front office staffing and recruiting software, providing the only completely integrated front office solution for staffing and recruiting firms. Bullhorn enables its customers to synchronize sales and recruiting to generate, source and fill job orders in real-time, at anytime and from anyplace, at the highest rates in the industry. Delivered through software as a service, Bullhorn continually meets the evolving business needs of its customers. More than 1,000 firms and 11,000 users worldwide, including some of the world's largest staffing firms in over twenty countries, partner with Bullhorn to meet the employment demands of the global economy. For more information, visit www.bullhorn.com or call +1(888)GoLive8.

Bullhorn is a registered trademark of Bullhorn, Inc. All other trademarks are the property of their respective owners.
Copyright 112707 © 2007 Bullhorn, Inc. All rights reserved.