

## Service bulletin

# Employment Services

2009



### Highlights

- Operating revenues of businesses in the Employment Services Industry decreased 7.1% in 2009, dropping to \$8.7 billion from a year earlier.
- Similarly, operating expenses fell to \$8.5 billion in 2009, a decline of 4.6% over 2008. As a result of the greater decline in operating revenues than operating expenses, the operating profit margin decreased from 4.3% to 1.7%.
- Declining revenues were observed in most provinces and territories in 2009. Operating revenues for British Columbia fell by 10.4%. Ontario, which accounted for over half of the industry's total operating revenue, declined by 9.7%. Only Saskatchewan, Nova Scotia and Quebec saw revenue increases of 5.3%, 2.7% and 2.5%, respectively.
- The temporary staffing and permanent placements and contract staffing industries continued to generate the largest share of the industry's sales, accounting for almost 91.3% in 2009.
- The bulk of the industry's sales continued to be generated by the business sector, accounting for 85.9% of total sales in 2009.

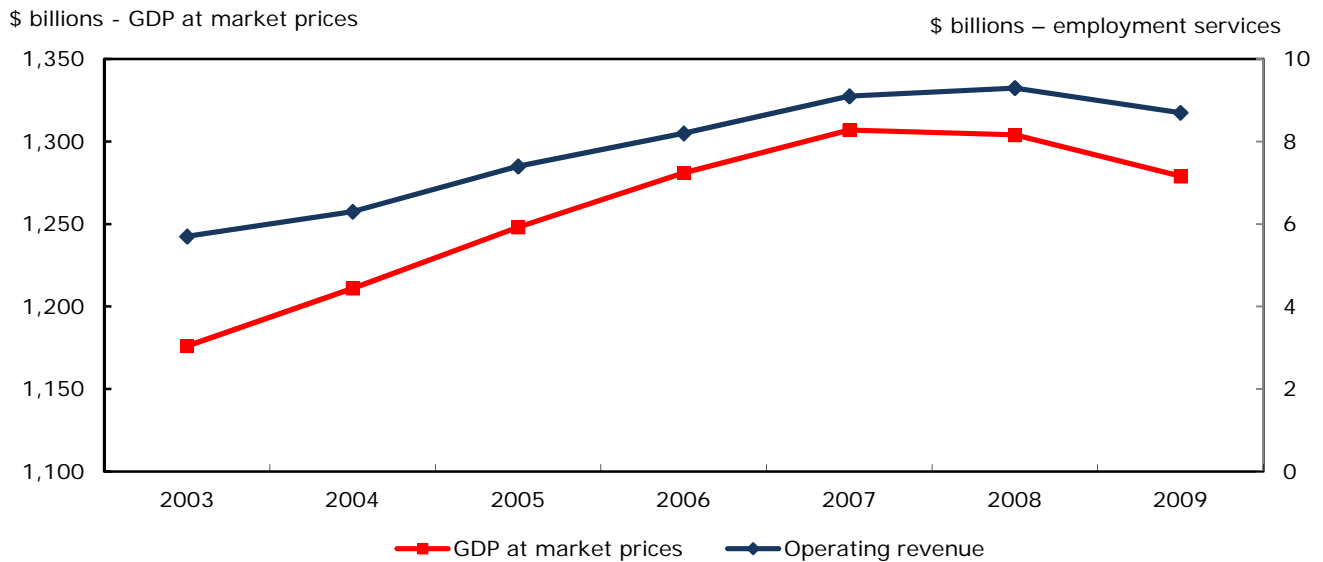
## Detailed Results of 2009 Survey

### Operating revenue

Operating revenues of businesses in the Employment Services Industry decreased 7.1% in 2009, dropping to \$8.7 billion from a year earlier. This was the first decline in operating revenues since 2002.

Chart 1

Canadian GDP at 2002 constant prices vs operating revenue of the employment services industry



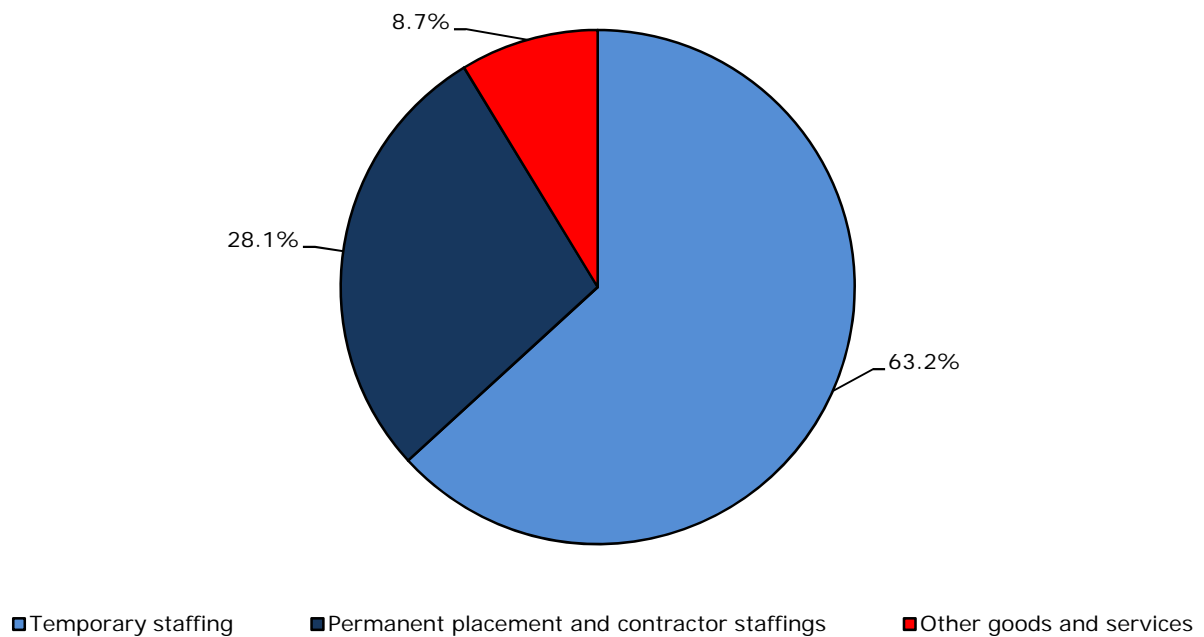
Source(s): GDP - CANSIM Table 380-0002

This graph shows that the employment services industry followed a similar trend as the Canadian gross domestic product (GDP), at market prices.

### Sales by type of service

While the industry as a whole experienced a decline in revenues, the sales of some types of services were particularly hard-hit by the economy. Although there were major declines in the revenues generated from temporary staffing and permanent placements and contract staffing, these two forms of activity continued to generate the largest percentage share of the industry's sales. In 2009, survey data showed that these two types of services accounted for almost 91.3% of the industry.

**Chart 2**  
**Sales by type of services of the employment services industry**



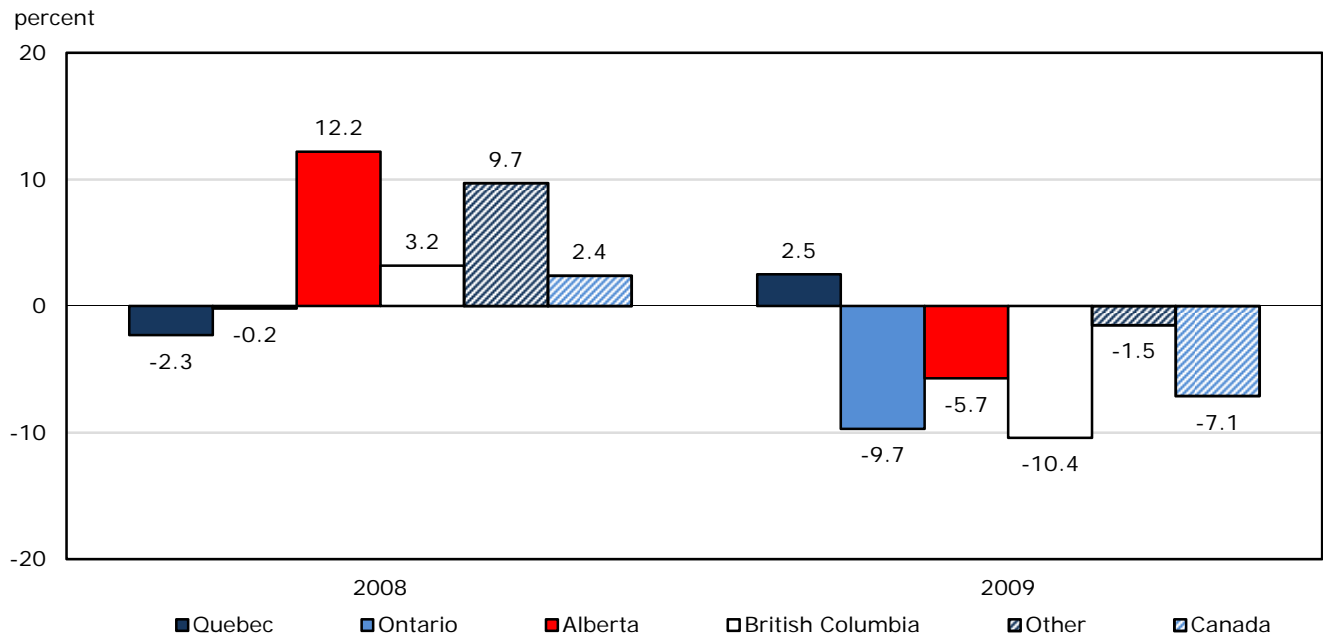
### Sales by type of client

In examining sales by type of client, it is possible to illustrate the impact of the economic downturn on the industry sales. In general, the economy can be divided into four broad sectors: business, government, household, and foreign (which is served through exports). Of these four broad sectors, only sales to the business sector fell from 2008 to 2009. For the other three sectors, while revenues from exports remained constant, sales to governments and public institutions and sales to the household sector both increased. The bulk of the industry's sales continued to be generated by the business sector, accounting for 85.9% of total sales, even if the sales generated from this sector declined in 2009.

### Provincial sales

Although the industry experienced a contraction at the Canada level, the picture is somewhat mixed at the provincial level, with some provinces experiencing growth and others decline in 2009. Operating revenues for British Columbia fell by 10.4%. Ontario, which accounted for over half of the industry's total operating revenue, declined by 9.7%. Only Saskatchewan, Nova Scotia and Quebec saw revenue increases of 5.3%, 2.7% and 2.5%, respectively.

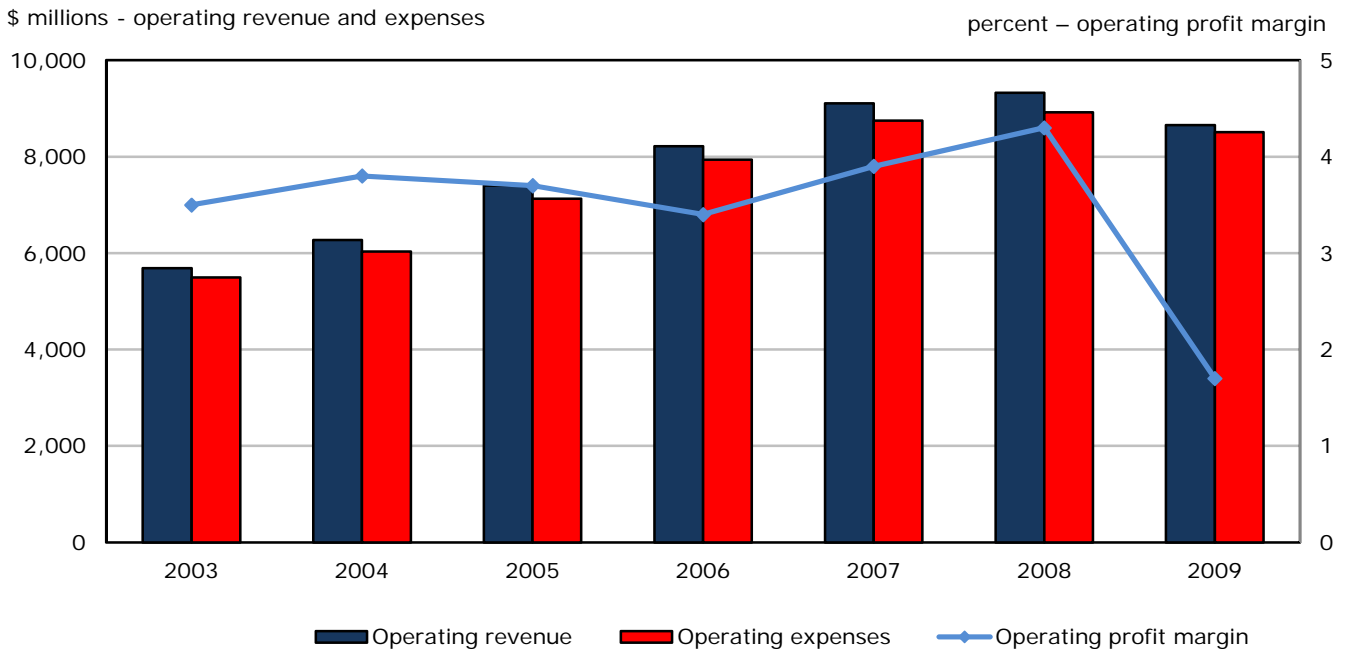
**Chart 3**  
**Growth rate of operating revenue of the employment services industry**



**Operating expenses**

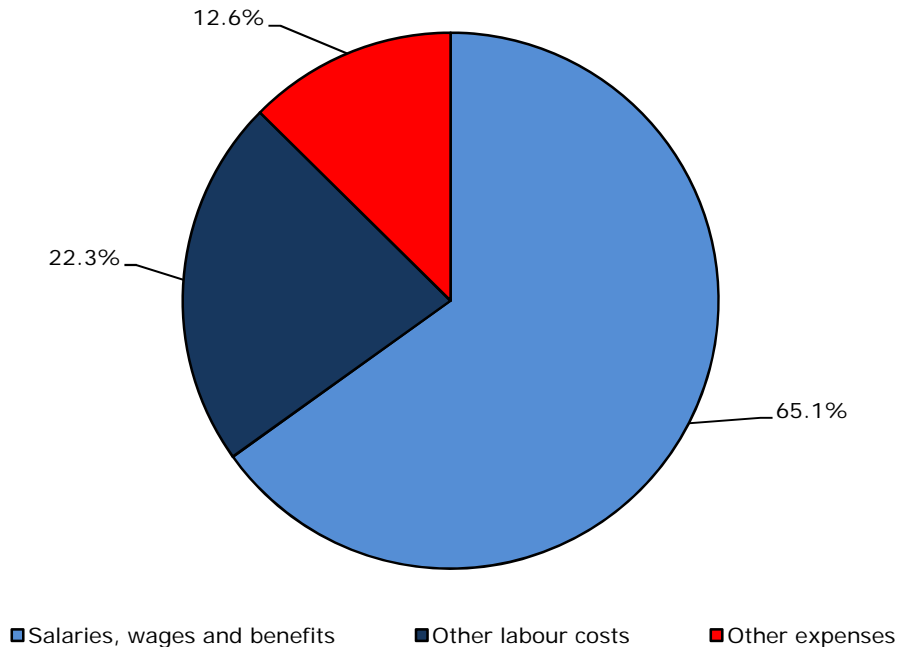
Similar to the decline in operating revenues, operating expenses fell from \$8.9 billion in 2008 to \$8.5 billion in 2009, a decline of 4.6%. One consequence of the larger decline in operating revenues when compared to operating expenses was that the operating profit margin contracted in this industry. From 2008 to 2009, the operating profit margin decreased from 4.3% to 1.7%. This was the steepest decline in profit margin since 2000.

**Chart 4**  
**Important variables of the employment services industry**



In 2009, like in previous years, payments to labour constitute the greatest component of this industry’s operating expenses. Salaries, wages and benefits accounted for 65.1% of the total costs for the industry, followed by other labour costs such as commissions paid to non-employees, professional and business services fees, and subcontract expenses (22.3%).

**Chart 5**  
**Expenses as a percentage of total operating expenses of the employment services industry**



## Statistical tables

Table 1

Summary statistics for the employment services industry, by province and territory, 2007 to 2009

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin
	millions of dollars			percent
<b>2009 p</b>				
Newfoundland and Labrador	87.5	85.4	54.1	2.4
Prince Edward Island	x	x	x	x
Nova Scotia	78.6	75.8	62.2	3.6
New Brunswick	70.1	68.2	62.3	2.7
Quebec	1,150.3	1,098.1	790.2	4.5
Ontario	4,823.1	4,783.3	2,911.6	0.8
Manitoba	78.2	76.0	55.5	2.8
Saskatchewan	51.6	49.0	41.4	5.1
Alberta	1,714.6	1,689.0	1,159.2	1.5
British Columbia	598.0	579.7	388.3	3.1
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>8,656.5</b>	<b>8,508.7</b>	<b>5,527.4</b>	<b>1.7</b>
<b>2008 r</b>				
Newfoundland and Labrador	90.8	82.8	55.6	8.8
Prince Edward Island	x	x	x	x
Nova Scotia	76.5	72.9	55.8	4.8
New Brunswick	72.5	70.2	63.7	3.1
Quebec	1,122.8	1,058.5	801.4	5.7
Ontario	5,339.2	5,144.7	3,143.3	3.6
Manitoba	78.9	74.5	58.5	5.5
Saskatchewan	49.0	47.2	41.9	3.8
Alberta	1,818.0	1,747.0	1,188.1	3.9
British Columbia	667.1	618.0	420.5	7.4
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>9,323.1</b>	<b>8,923.3</b>	<b>5,833.9</b>	<b>4.3</b>
<b>2007 r</b>				
Newfoundland and Labrador	74.6	68.9	58.3	7.7
Prince Edward Island	x	x	x	x
Nova Scotia	72.1	69.2	54.1	4.0
New Brunswick	71.2	68.9	59.3	3.2
Quebec	1,149.2	1,080.8	809.9	5.9
Ontario	5,349.3	5,195.3	3,201.2	2.9
Manitoba	73.7	68.9	55.2	6.5
Saskatchewan	45.1	43.7	38.3	3.1
Alberta	1,620.6	1,542.2	1,101.8	4.8
British Columbia	646.4	605.6	443.0	6.3
Territories <sup>1</sup>	x	x	x	x
<b>Canada</b>	<b>9,108.2</b>	<b>8,748.9</b>	<b>5,824.6</b>	<b>3.9</b>

1. Territories include: Yukon Territory, Northwest Territories and Nunavut.

**Note(s):** According to the North American Industry Classification System (NAICS 5613). See "Data sources, definitions and methodology" at the end of tables for definition of terms.

**Table 2**  
**Expenditures as a percentage of total operating expenses for the employment services industry, Canada, 2007 to 2009**

	percent
<b>Salaries, wages and benefits</b>	
2009 p	65.1
2008 r	65.7
2007 r	67.0
<b>Other labour costs</b>	
2009 p	22.3
2008 r	24.8
2007 r	23.5
<b>Rental, leasing, utilities and telecommunications</b>	
2009 p	1.8
2008 r	1.9
2007 r	1.6
<b>Repair and maintenance expenses</b>	
2009 p	F
2008 r	F
2007 r	F
<b>Depreciation charges of tangible and intangible assets</b>	
2009 p	F
2008 r	F
2007 r	F
<b>Advertising, marketing, promotions, travel, meals and entertainment</b>	
2009 p	1.3
2008 r	1.4
2007 r	1.3
<b>Other purchased goods and services</b>	
2009 p	4.1
2008 r	1.0
2007 r	2.0
<b>Other operating expenses</b>	
2009 p	4.1
2008 r	4.2
2007 r	3.7

**Note(s):** According to the North American Industry Classification System (NAICS 5613). See "Data sources, definitions and methodology" at the end of tables for definition of terms. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.



**Table 3**  
**Sales by type of client for the employment services industry, 2007 to 2009**

	percent
<b>Clients in Canada</b>	
2009 <sup>P</sup>	98.6
2008 <sup>r</sup>	98.6
2007 <sup>r</sup>	98.7
Individuals and households	
2009 <sup>P</sup>	F
2008 <sup>r</sup>	F
2007 <sup>r</sup>	F
Government and public institutions	
2009 <sup>P</sup>	12.0
2008 <sup>r</sup>	10.8
2007 <sup>r</sup>	11.6
Business sector	
2009 <sup>P</sup>	85.9
2008 <sup>r</sup>	87.3
2007 <sup>r</sup>	86.3
<b>Clients outside Canada</b>	
2009 <sup>P</sup>	1.4
2008 <sup>r</sup>	1.4
2007 <sup>r</sup>	1.3

**Note(s):** According to the North American Industry Classification System (NAICS 5613). See "Data sources, definitions and methodology" at the end of tables for definition of terms. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

**Table 4**  
**Sales by type of goods and services for the employment services industry, Canada, 2007 to 2009**

	2007 <sup>r</sup>	2008 <sup>r</sup>	2009 <sup>P</sup>
	percent		
Temporary staffing	59.6	60.2	63.2
Permanent placements and contract staffing	36.4	36.8	28.1
Other goods and services	4.1	3.0	8.7

**Note(s):** According to the North American Industry Classification System (NAICS 5613). See "Data sources, definitions and methodology" at the end of tables for definition of terms. The smallest firms, in terms of revenues earned, are not included in these estimates. These firms account for a relatively small portion of total industry revenues.

## Data sources, definitions and methodology

### Description

This annual sample survey collects data required to produce economic statistics for the Employment Services Industry in Canada.

Data collected from businesses are aggregated with information from other sources to produce official estimates of national and provincial economic production for this industry.

Survey estimates are made available to businesses, governments, investors, associations, and the public. The data are used to monitor industry growth, measure performance, and make comparisons to other data sources to better understand this industry.

## Industry Structure

Under the North American Industrial Classification System (NAICS), the Employment Services industry consists of Employment Placement Agencies and Executive Search Services (561310), Temporary Help Services (561320) and Professional Employer Organizations (561330).

### Employment Placement Agencies and Executive Search Services – NAICS 561310

This industry group comprises establishments primarily engaged in listing employment vacancies and selecting, referring and placing applicants in employment on a permanent basis (indeterminate period) or on the basis of written contracts (assignment of contractors). The individuals placed are not employees of the placement agencies.

This type of establishment provides **permanent placement**, **executive search** and **contract staffing** services.

**Permanent placement** services consist of recruiting, selecting and referring candidates to a client to fill positions on a permanent (indeterminate) basis. The services provided may include testing, interviewing, reference checking, evaluation and counselling of prospective employees. The service provider acts as an employment intermediary. The candidate is selected and hired by the client. The placement firm is paid on a contingency basis meaning only for successful placement of a candidate. This product includes permanent placement services for a complete range of occupations from low-level employees to management employees, including executives. It includes domestic and international job placements.

**Executive search** services are defined as a specialized search and recruitment service limited to filling highly paid executive, senior manager, and professional positions, according to client specifications. Services may include:

- conducting detailed interviews with the client organization's management team;
- developing job profiles;
- conducting original research and advertising to locate potential job candidates;
- screening possible candidates;
- preparing, presenting, and discussing a confidential list of highly qualified applicants with the client;
- making interview arrangements;
- negotiating compensation; or
- providing post-hire follow-up.

The search firm typically provides two assurances to the client firm: to repeat the search at no extra charge (out-of-pocket expenses only) should a placed candidate subsequently fail for reasons attributed to lack of due diligence by the search firm, and not to recruit from the client firm for a stated period of time.

The client makes the decision as to which candidate to hire. The search agency's fee is charged whether or not the candidate is hired. This product is also known as retained search.

With the adoption of the NAICS 2007 classification, Executive Search Consulting Services were removed from Human Resources Consulting Services (541612) and reclassified to Employment Placement Agencies and Executive Search Services (561310).

Contract staffing services consist of finding individual contractors to fill positions on the basis of written contracts that stipulate the deliverables for which the client has contracted, as well as specific terms and conditions of employment. Under the terms of this agreement, the service provider has legal rights and duties with respect to the individual contractors. Not being employees of the employment placement agencies, the individual contractors are normally responsible for their own payroll deductions and government filings.

### **Temporary Staffing Services – NAICS 561320**

This industry comprises establishments primarily engaged in supplying workers for limited periods of time to supplement the workforce of the client. The individuals provided are employees of the temporary staffing service establishment. These establishments do not provide direct supervision of their employees at the clients' work sites.

The main activity of these establishments is to supply personnel for temporary work assignments. The temporary staffing firm hires its own employees and assigns them to clients to support or supplement the client's workforce in work situations such as employee absences, temporary skill shortages, seasonal workloads, and special assignments and projects. When working, these employees are under the direct supervision of the client, but being on the payroll of the temporary staffing firm it is the temporary staffing firm that is legally responsible for their actions and that specifies their pay, benefits, etc.

### **Professional Employer Organizations – NAICS 561330**

Professional Employer Organizations (PEO) comprises establishments primarily engaged in providing human resources and human resource management services to their clients. These establishments operate in a co-employment relationship (i.e., the rights and responsibilities of the employer are shared or allocated between the client firm and the PEO) with client businesses or organizations and are specialized in performing a wide range of human resource and personnel management duties, such as payroll accounting, payroll tax return preparation, benefits administration (retirement, life, dental and supplementary health insurance, etc.), recruiting, and managing labour relations (counselling, employee assessment, regulatory compliance, risk management, etc.).

Professional employer organizations typically acquire and lease back some or all of the employees of their clients and serve as the employer of the leased employees for payroll, benefits and related purposes. Professional employer organizations exercise varying degrees of decision making relating to their human resource or personnel management role, but do not have management accountability for the work of their clients' operations with regard to strategic planning, output or profitability.

Co-employment Services are a major employment service activity in the United States but they are not prevalent and are not expected to grow rapidly in Canada. This can be explained by the differences in the Canadian and American medical systems as well as Canadian laws governing employment. In regards to providing employee benefits, PEO arrangements in Canada do not result in the same degree of savings compared to the United States since most medical plans are publicly funded. Furthermore, Canadian provincial labour laws, the Workmen's Compensation Act and other legislation severely inhibit co-employment activities in this country.

Data users who wish to learn more about NAICS, its underlying principles, and many of the other statistical concepts discussed in this brief summary, are referred to the Introduction section of the Statistics Canada publication "North American Industry Classification System: Canada 2007" (catalogue no. 12-501-XPE).

### **Sampling**

This is a sample survey with a cross-sectional design.

The frame is the list of establishments from which the portion eligible for sampling is determined and the sample is taken. The frame provides basic information about each firm including address, industry classification, and information from administrative data sources. The frame is maintained by Statistics Canada's Business Register Division and is updated using administrative data.

The basic objective of the survey is to produce estimates for the whole industry - incorporated and unincorporated businesses. The data come from two different sources: a sample of all businesses with revenue above or equal to a certain threshold (note: the threshold varies between surveys and sometimes between industries and provinces in the same survey) for which either survey or administrative data may be used; and administrative data only for businesses with revenue below the specified threshold. It should be noted that only financial information is available

from businesses below the threshold; e.g., revenue, and expenses such as depreciation and salaries, wages and benefits. Detailed characteristics are collected only for surveyed establishments.

Prior to the selection of a random sample, establishments are classified into homogeneous groups (i.e., groups with the same NAICS codes and same geography). Quality requirements are targeted, and then each group is divided into sub-groups called strata: take-all, must-take, and take-some.

The take-all stratum represents the largest firms in terms of performance (based on revenue) in an industry. The must-take stratum is comprised of units selected based on complex structural characteristics (multi-establishment, multi-legal, multi-NAICS, or multi-province enterprises). All take-all and must-take firms are selected to the sample. Units in the take-some strata are subject to simple random sampling.

The effective sample size for reference year 2009 was 703 collection entities.

### Definition

**Operating revenue** excludes investment income, capital gains, extraordinary gains and other non-recurring items.

**Operating expenses** exclude write-offs, capital losses, extraordinary losses, interest on borrowing, and other non-recurring items.

**Operating profit margin** is derived as follows: operating revenue minus operating expenses, expressed as a percentage of operating revenue. The derived figure excludes corporation income tax paid by incorporated businesses and individual income tax paid by unincorporated businesses. For unincorporated businesses, operating profit margin includes unpaid remuneration to partners and proprietors, which is not recorded as salaries, wages and benefits. Therefore the profit estimate will be higher in industries where unincorporated proprietorships and partnerships are significant contributors.

**Salaries, wages and benefits** include vacation pay and commissions for all employees for whom a T4 slip was completed. This category also includes the employer portion of employee benefits for items such as Canada/Quebec Pension Plan or Employment Insurance premiums. Salaries and wages do not include working owners' dividends nor do they include the remuneration of owners of unincorporated business. Therefore the relative level of salaries, wages and benefits will be lower in industries where unincorporated businesses are significant contributors.

An active **statistical establishment** is one production entity or the smallest grouping of production entities which produces as homogeneous a set of goods and/or services as possible; which does not cross provincial boundaries; and for which records provide data on the value of output together with the cost of principal intermediate inputs used and cost and quantity of labour resources used to produce the output.

### Quality evaluation

Prior to dissemination, combined survey results are analyzed for overall quality; in general, this includes a detailed review of individual responses (especially for the largest companies), an assessment of the general economic conditions portrayed by the data, historic trends, and comparisons with other data sources.

### Disclosure control

Statistics Canada is prohibited by law from releasing any data which would divulge information obtained under the Statistics Act that relates to any identifiable person, business or organization without the prior knowledge or the consent in writing of that person, business or organization. Various confidentiality rules are applied to all data that are released or published to prevent the publication or disclosure of any information deemed confidential. If necessary, data are suppressed to prevent direct or residual disclosure of identifiable data.

**Data accuracy**

Of the units contributing to the estimate, the weighted response rate was 80.9%. CVs were calculated for each estimate and are available upon request.

**Related products****Selected CANSIM tables from Statistics Canada**

361-0001	Employment services, summary statistics, by North American Industry Classification System (NAICS), annual (75 series)
361-0019	Employment services, sales by type of client based on the North American Industry Classification System (NAICS), annual (percent) (5 series)
361-0020	Employment services, operating expenses, by North American Industry Classification System (NAICS), annual (percent) (21 series)

**Survey(s)**

Definitions, data sources and methods: survey number 4718 - Annual Survey of Service Industries: Employment

**Publications**

Service Industries Newsletter, Catalogue no. 63-018-X.

Analytical paper series - Service Industries Division, Catalogue no. 63F0002X.

Release date: April 2011

### Symbols

The following standard symbols are used in Statistics Canada publications:

.	not available for any reference period
..	not available for a specific reference period
...	not applicable
0	true zero or a value rounded to zero
0 <sup>s</sup>	value rounded to 0 (zero) where there is a meaningful distinction between true zero and the value that was rounded
P	preliminary
r	revised
x	suppressed to meet the confidentiality requirements of the <i>Statistics Act</i>
E	use with caution
F	too unreliable to be published

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