

Contracting Corner

The Perm Recruiter's Contracting Resource

A Blueprint for Adding New Streams of Recruiting Income

If you're like 75% of recruiters, your highest business priority for 2016 is one of the following:

- ✓ Finding and acquiring new clients
- ✓ Sourcing more quality candidates
- ✓ Adding new income streams

Where did we get this insight? From a survey of our customer base of executive recruiters, the results of which you can see in our [2016 State of the Recruiting Industry Report](#). We found it intriguing that **adding new income streams** was among the top three business priorities for these recruiters. For this issue of the *Contracting Corner*, we decided to put the spotlight on a few ways that recruiters can diversify and generate new income streams.

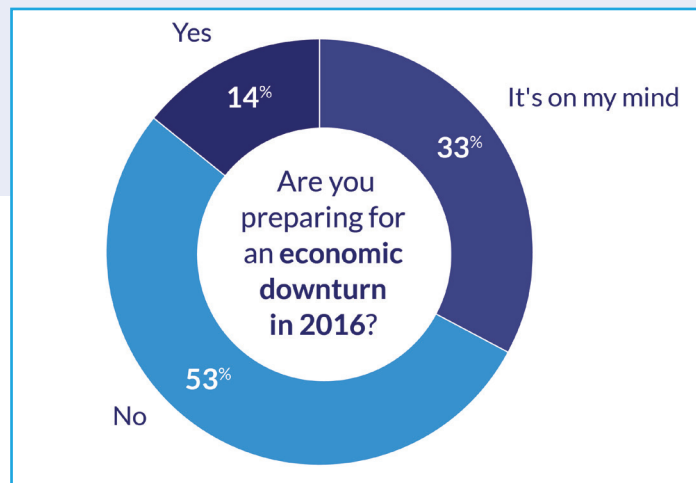
Before we get into how recruiters can diversify their income streams, let's discuss why doing so is important. Recruiting is a vulnerable profession because of two main factors:

- ✓ Recruiters are subject to the whims of both clients and candidates.
- ✓ Recruiting ebbs and flows with both the employment market and the economy itself.

Dependence on Clients and Candidates

Recruiters are essentially brokers in a B2B sales scenario. However, unlike businesses that sell a service or a product to another business, recruiters don't have the final say at either end of the transaction. This means that recruiters must cater to two very different kinds of "customers." Only one of these customers pays the bill, but both of them can easily derail the entire deal.

However, executive recruiters can't place their sole focus on brokering placements. They're also entrepreneurs, tasked with



running and growing their businesses. Many of them are employers, responsible for ensuring the livelihood of one or more employees. In addition, they must continually focus on building relationships, with the goal of becoming a career coach for their candidates and a trusted adviser for their clients.

These factors can combine to put recruiters in a difficult position: accountable to many parties, yet unable to fully control business outcomes.

Tied to the Economy

Recruiters, like many brokers, cannot truly control supply and demand in their market. Their livelihood is subject to the economy, the hiring environment, and the number of high-quality candidates available at any given time.

This year, volatile world markets and the U.S. presidential election race are combining to produce an uncertain economy and worries of a 2016 slowdown, a possibility that divides recruiters. About half of our survey respondents do not think there will be an economic downturn this year—the "glass half full" cohort. The other half are worried about it or are actively preparing for the possibility—the "glass half empty" crowd.

This uncertainty may well be the catalyst behind recruiters making new revenue streams a business priority. Yet, as any executive recruiter knows, it is difficult to work “in your business” at the same time you work “on your business.” Recruiters must deliberately carve out time from daily operations to work on the business, and that’s easier said than done.

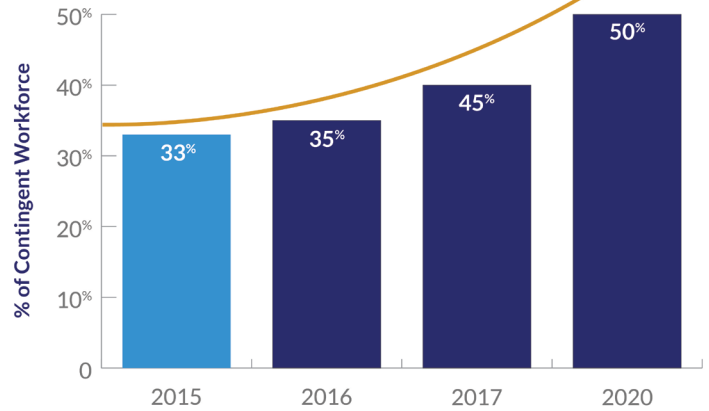
But it’s well worth the effort. By gaining a “big picture” perspective, you can more easily consider the long-term impact of day-to-day choices and you’re also better positioned to make adjustments to large-scale economic factors. As a result, you can improve your financial security by diversifying existing income streams and adding new sources of income. Let’s look at a few ways to do just that.

Adding Contract Staffing

The first thing recruiters can do to gain security in the face of an uncertain economy is **add contract staffing** to their business model. Historically, contract staffing tends to go up when the economy goes down, and this trend held true during the last recession. Many recruiters told us that contracting helped their business make it through the tough times.

Adding contract staffing can be an easy and effective way to mitigate the possible effects of an economic downturn. In fact, you could start offering contract staffing to your clients

Percentage of Contingent Workforce per Year



tomorrow if you outsource the financial, legal, and administrative duties to a back-office employer of record service like Top Echelon Contracting.

Getting Contract Job Orders and Candidates

The next step is getting contract job orders from your clients and finding the candidates to fill those job orders. That part is rather similar to what you’re already used to as a direct-hire recruiter. In fact, many of your contract job orders will likely come from your existing direct-hire clients once you tell them about your new service.

However, there are a few nuances. It pays to get a handle on the various scenarios in which contract solutions can benefit your clients. Our [Contract Staffing Scripts](#), available on our website, can be your guide in explaining and selling contract staffing solutions to your clients.

On the candidate side, the key selling point is “flexibility.” Candidates who enjoy contract staffing are typically seeking flexibility in their work and life. However, there are many different types of contract positions and even more types of candidates that fit them. There is no special contractor “mold.” According to Top Echelon Contracting’s data, contractors are distributed across all major working age groups.



Top Echelon Contracting, Inc., the recruiter’s back-office solution, helps recruiters offer contract staffing to clients and candidates. As a contract staffing service provider since 1992, Top Echelon Contracting becomes the W-2 employer of record and handles all of the employee paperwork, legal contracts, timesheet collection, payroll processing and funding, tax withholding, ACA compliant benefits, Workers’ Compensation, invoicing, collections, background checks, etc. Top Echelon Contracting does business in 49 states and specializes in technical, professional, and healthcare contract placements.

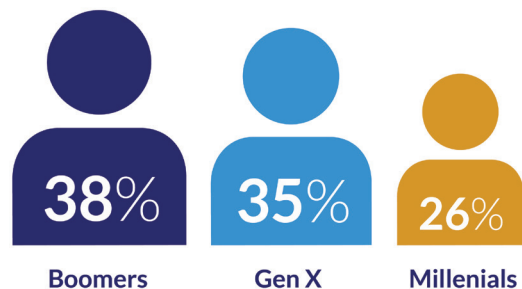
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Debbie Fledderjohann, President of Top Echelon Contracting

Contractor Demographics
 (3 Year Average)



For help “selling” contract roles to candidates, check out our blog article, “[How Recruiters Look for Contract Candidates.](#)”

Joining a Split Placement Network

Another step recruiters can take to diversify their income streams and gain economic security is to **join a split placement network** like Top Echelon Network.

As we mentioned at the beginning of this article, “Finding and acquiring new clients” and “Sourcing more quality candidates” are two of the top business priorities for recruiters in 2016. In other words, recruiters want more job orders and they want more candidates, which makes perfect sense.

Adding split placements to your business model can help with both of these priorities. That’s because membership in a split network can allow you to share job orders and candidates. If you need job orders, then you can work the job orders of other recruiters. If you need more quality candidates, then you can use the candidates of other recruiters to fill your client’s openings. Yes, you have to split the placement fee, but splitting half of something is better than not making the placement at all.

Making split placements works for recruiters who find themselves in both situations. Not only that, but if you also add contract staffing to your business model, then you’re running a more balanced recruiting desk and diversifying your income streams to a greater extent. That’s because you’re maximizing your earning potential by making direct-hire full-fee placements, direct-hire split placements, and contract placements.

One of the major benefits of diversifying your income in such a manner is that it acts as a hedge against down economic times. When you’re making money in a number of different ways, it affords you a greater degree of flexibility and more options in the face of possible economic adversity. Your business becomes more nimble and better able to adjust to changing conditions outside of its control.

Final Thoughts

Contract staffing and split placement networks are both great tools to help recruiters generate additional revenue and diversify income streams. Whether the economy is up or down, incorporating these tools can help recruiters accomplish their business growth objectives.

This general summary of law should not be used to solve individual problems since changes in fact situation may require a material variance as to the applicable law. This newsletter is for information purposes only and should not be construed as legal advice.

How Can I Protect My Existing Recruiting Business While I Grow It?

Industry trainer Barb Bruno, President of Good As Gold Training, recently hosted a Top Echelon webinar on this very topic. Barb hammered home the importance of implementing an exit plan and preparing in advance for future downturns. Her key suggestions are outlined below.

1. Start by evaluating your firm for danger signs.

- ✓ One client represents over 15% of your revenue.
- ✓ You only have one contact at most of your client companies.
- ✓ You are a vendor to your clients, not an adviser.
- ✓ Many clients only have one point of contact at your firm.
- ✓ Your “big billers” basically run their own shows.

2. Take steps to mitigate these risks.

- ✓ Get highly organized.
- ✓ Replace yourself as the top producer of your business.
- ✓ Develop relationships with multiple contacts at each client.
- ✓ Add recurring sources of income, such as contract staffing.
- ✓ Create an exit plan and make business growth decisions that align with it.
- ✓ Track your statistics, and pay attention when the ratios start to shift.
- ✓ Don’t get complacent with a few key clients; always upgrade your client base.
- ✓ Never allow one client to represent more than 15% of your revenue.
- ✓ Never allow one “big biller” to control a large portion of your business on their own.

3. Stop wasting time and money on the wrong searches.

- ✓ Work highly specific niches and become an expert.
- ✓ Conduct business revenue modeling to determine your best business.
- ✓ Target 85% of your marketing and recruiting efforts at your best business.

What plans for business growth do you have for 2016? How many different ways does your firm generate revenue? Your answers to these questions could help determine your business growth this year—regardless of what happens with the economy.

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Second Quarter
2016

RECRUITERS' ROUNDTABLE:

In this issue of the Contracting Corner, as a result of our **2016 State of the Recruiting Industry Report** (see inside), we focus on how recruiters can grow and diversify their income streams. As a recruiting firm owner, one of the best ways to accomplish that this year is by becoming a **sole-source provider** (aka, "one-stop shop") for your clients.

Why is that? Recruiters who can satisfy ALL of their clients' staffing needs as sole-source providers are finding themselves in demand. That's because companies are always looking to streamline their hiring processes by running leaner and cheaper, cutting costs, and improving efficiencies. Their desire to do this has given rise to what is known as the **"blended workforce" model**. With this model, a company has a core of direct hire employees surrounded by a group of contractors who are hired to tackle special projects.

How You Can Grow Your Income This Year (and Beyond)

As a sole-source provider, you can provide the following hiring solutions to your clients:

- ✓ Direct-hire
- ✓ Contract staffing
- ✓ Contract-to-direct

All it takes is letting your clients know that you offer these solutions and then outsourcing the back-office duties to a service provider like Top Echelon Contracting. Then you'll be positioned to make more placements and generate new streams of income for your firm.

WHAT'S INSIDE:

- ✓ **Article: A Blueprint for Adding New Streams of Recruiting Income**
- ✓ **Q&A: How Can I Protect My Existing Recruiting Business While I Grow It?**