Catalogue no. 63-252-X

Service bulletin

Employment Services

2008

Highlights

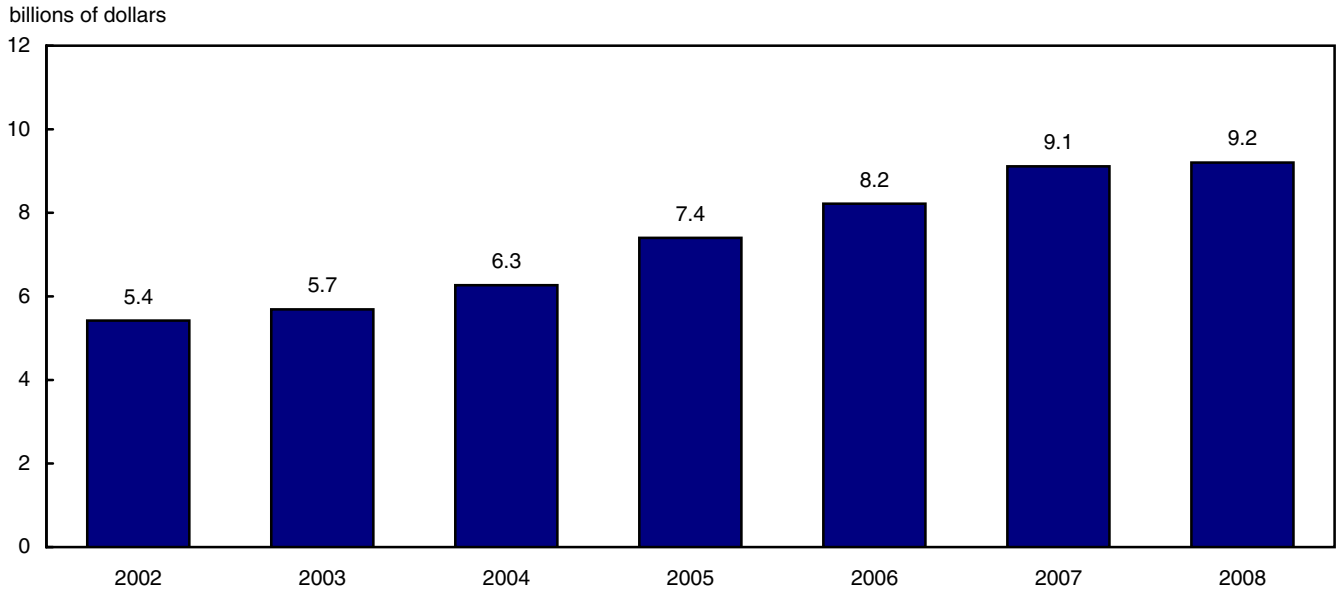
- In 2008, the Employment Services industry experienced a small growth in its operating revenues after seeing several strong years of growth. After increases of 10.9% in 2007, 11.0% in 2006, and 18.1% in 2005, the industry saw its operating revenues grow by 1.0% to $9.2 billion.
- Operating revenues had strong growth in Alberta (+12.3%), Newfoundland and Labrador (+21.7%), New Brunswick (+6.1%), Manitoba (+6.8%), Saskatchewan (+8.8%), and Nova Scotia (+6.1%). Declines in operating revenues were seen in Quebec (-1.9%), Ontario (-1.5%) and British Columbia (-5.9%).
- Ontario consistently has the largest share of operating revenue among all provinces with 56.7% of the national industry in 2008. This share has declined fairly consistently since 2002 when Ontario held a 61.6% share. During the same period of 2002 to 2008, Quebec also saw a decrease in its share from 16.6% to 13.1%; Alberta's share has grown from 13.1% to 19.6%; British Columbia's share has increased from 5.0% to 6.5%.
- The Employment Services industry saw an increase in its operating profit margin, from 3.9% in 2007 to 4.3% in 2008. This is the result of the industry's operating revenues growing by 1.0% and its operating expenses growing by 0.6% in 2008. Salaries, wages and benefits of employees decreased by 0.7% to $5.3 billion, and accounted for 66.1% of the total operating expenses.
- While they continue to dominate the industry, temporary staffing services have decreased from 68.9% in 2006 to 60.8% in 2008. Over the same period, permanent placement and contract staffing have experienced growth from 29.7% in 2006 to 36.5% in 2008.
- The business sector continued to account for the majority (87.2%) of industry sales. The government and public institutions sector was 11.0%, and the remaining 1.8% was accounted for by individuals and households, and clients outside Canada.
- The Employment Services industry continues to be dominated by a small number of large firms. In 2008, the 20 largest firms were responsible for 37.3% of total industry operating revenues. This is a slight increase from the 36.7% share they occupied in 2007. They had an operating profit margin of 4.4% in 2008.

Detailed Results of 2008 Survey

Total operating revenues

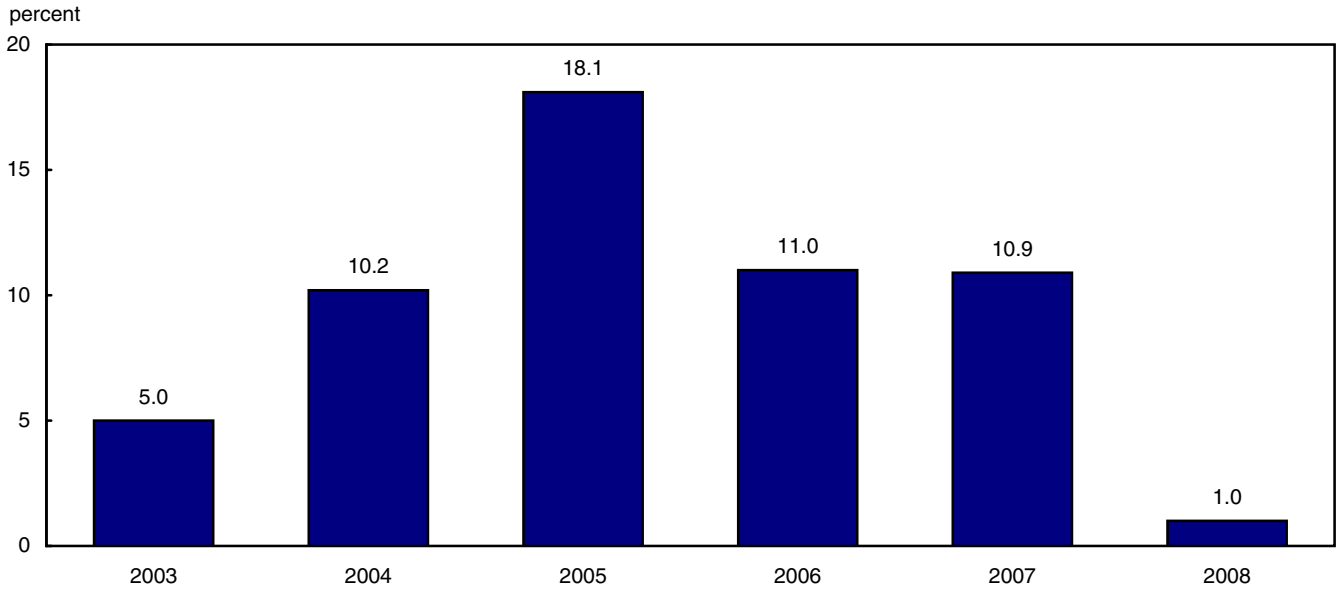
The Employment Services industry experienced a slowdown in growth in 2008, with operating revenues increasing only slightly by 1.0% from $9.1 billion in 2007 to $9.2 billion in 2008. This small growth reflected the start of the economic downturn experienced in Canada. According to Statistics Canada's Labour Force Survey, the national unemployment rate rose to 6.1% in 2008. This was the first increase in the national unemployment rate since 2001.

Chart 1
Operating revenue of the employment services industry



The 1.0% national operating revenue growth in 2008 in the Employment Services industry broke the trend of substantial increases of 10.9% in 2007, 11.0% in 2006, and 18.1% in 2005.

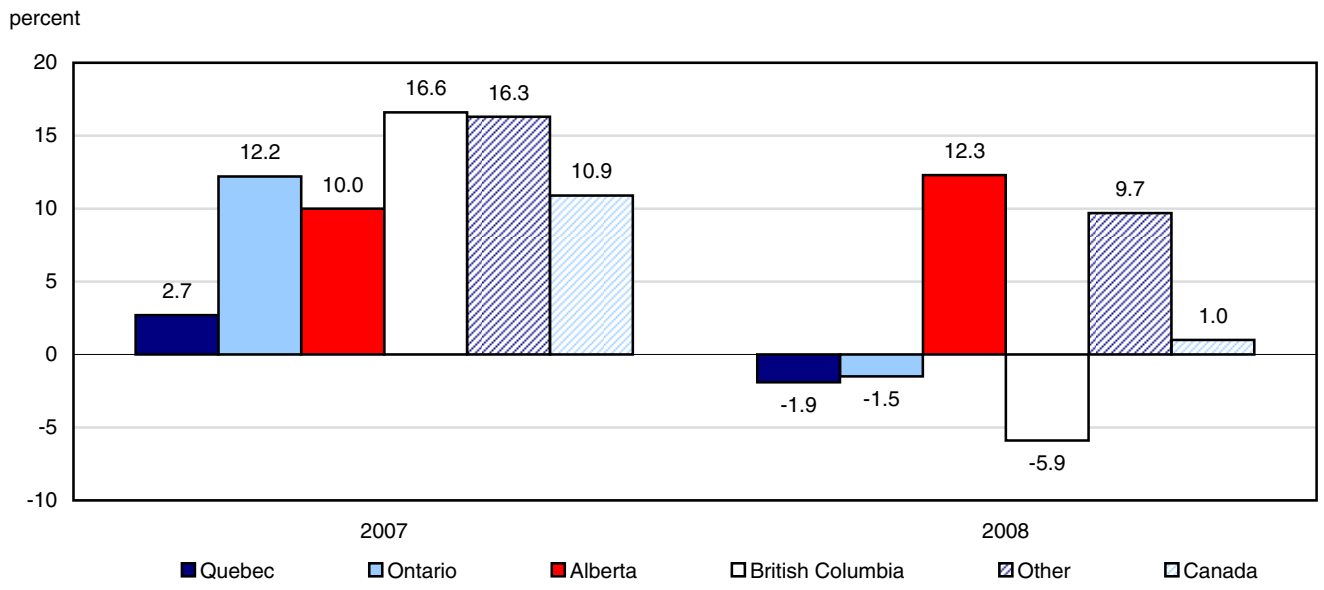
Chart 2
Percentage growth of operating revenue of the employment services industry



Total operating revenues by province

In 2008, operating revenues had strong growth in Alberta (+12.3%), Newfoundland and Labrador (+21.7%), New Brunswick (+6.1%), Manitoba (+6.8%), Saskatchewan (+8.8%), and Nova Scotia (+6.1%). Declines in operating revenues were seen in Quebec (-1.9%), Ontario (-1.5%) and British Columbia (-5.9%).

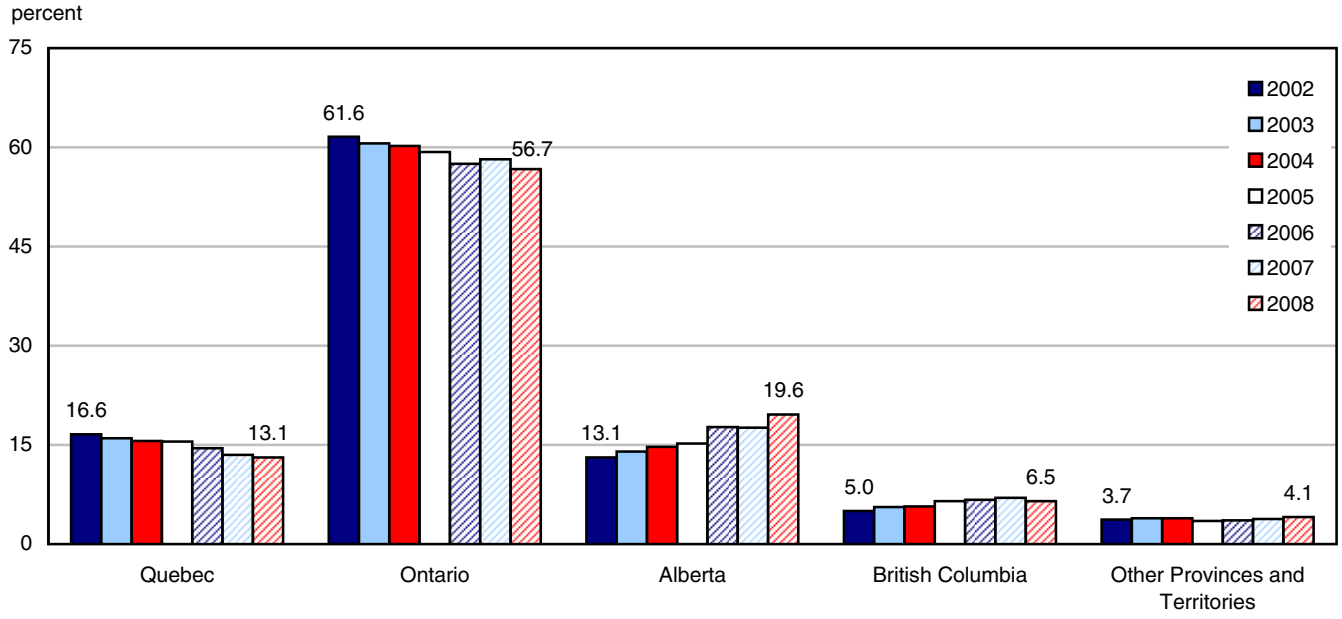
Chart 3
Percentage growth of operating revenues of the employment services industry



Ontario consistently has the largest share of operating revenue among all provinces with 56.7% of the national industry in 2008. This comes despite a small 1.5% decrease in share from the 58.2% it held in 2007. The decline has been fairly consistent since 2002 when Ontario held a 61.6% share. During the same period of 2002 to 2008, Quebec also saw a decrease in its share from 16.6% to 13.1%; Alberta's share has grown from 13.1% to 19.6%; British Columbia's share has increased from 5.0% to 6.5%.

The total operating revenues of the remaining provinces and territories accounted for only 4.1% of the national total in 2008. This represents $376 million.

Chart 4
Provincial distribution of operating revenue of the employment services industry



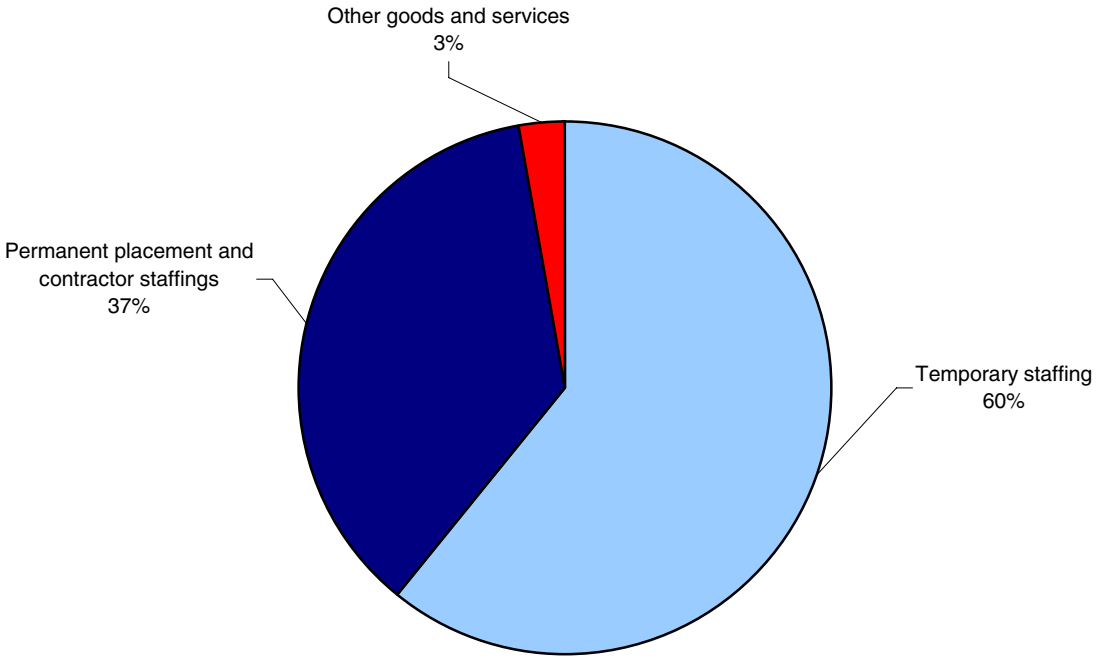
Note(s): Due to rounding, components may not add to total.

Sales by type of goods and services

In 2008, the Employment Services industry continued to be dominated by sales from temporary staffing services which accounted for 60% of the industry's operating revenues. Permanent placement and contract staffing services represented 37% of the industry while the remaining 3% is represented by other goods and services.

As reflected in Table 4, a trend can be seen showing the gradual shift from temporary staffing to permanent placements and contract staffing. While they continue to dominate the industry, temporary staffing services have decreased from 68.9% in 2006 to 60.8% in 2008. Over the same period, permanent placement and contract staffing have experienced growth from 29.7% in 2006 to 36.5% in 2008.

Chart 5
Sales by type of goods and services of the employment services industry



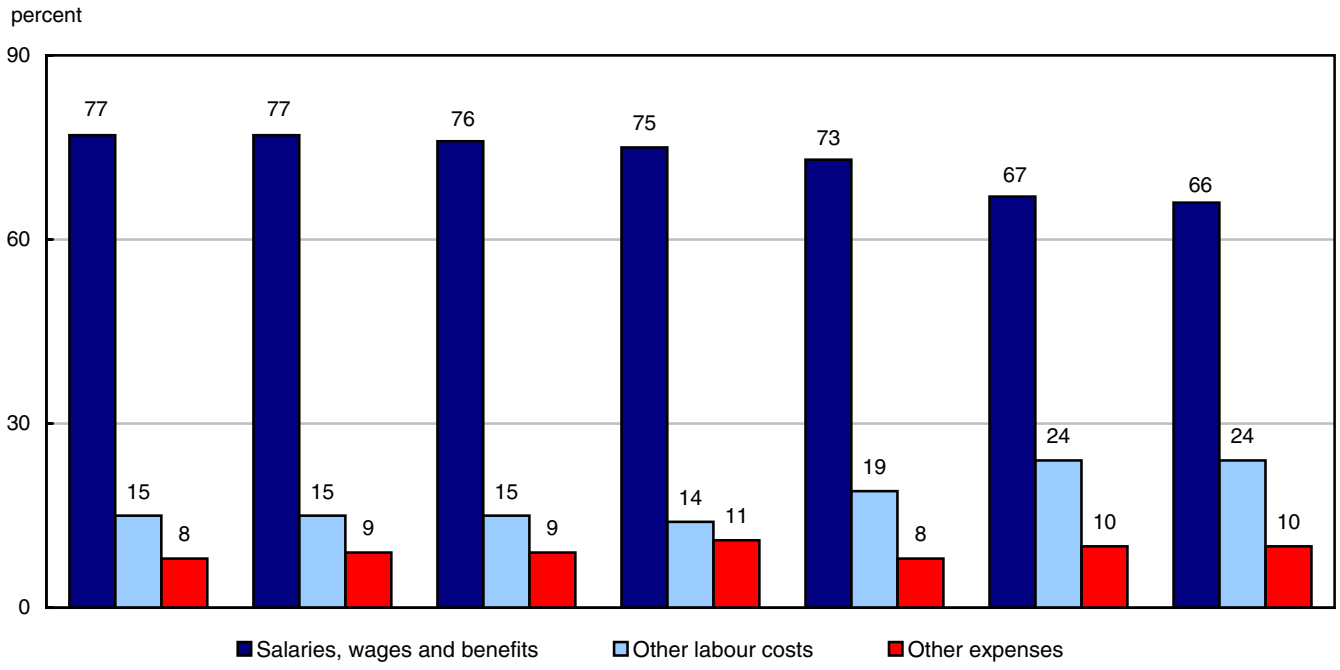
Note(s): Due to rounding, components may not add to total.

Industry operating expenditures

Salaries, wages and benefits of employees decreased by 0.7% to $5.3 billion, and accounted for 66.1% of the total operating expenses.

The portion of salaries, wages and benefits have slowly been decreasing over time. The total amount has decreased from a 77% portion of the industry in 2002 to a 66% portion of the industry in 2008. During the same period, other labour costs (commissions paid to non-employees, professional and business fees, and subcontract expenses) have increased substantially from 15% in 2002, to 24% in 2008.

Chart 6
Expenses as a percentage of total operating expenses of the employment services industry

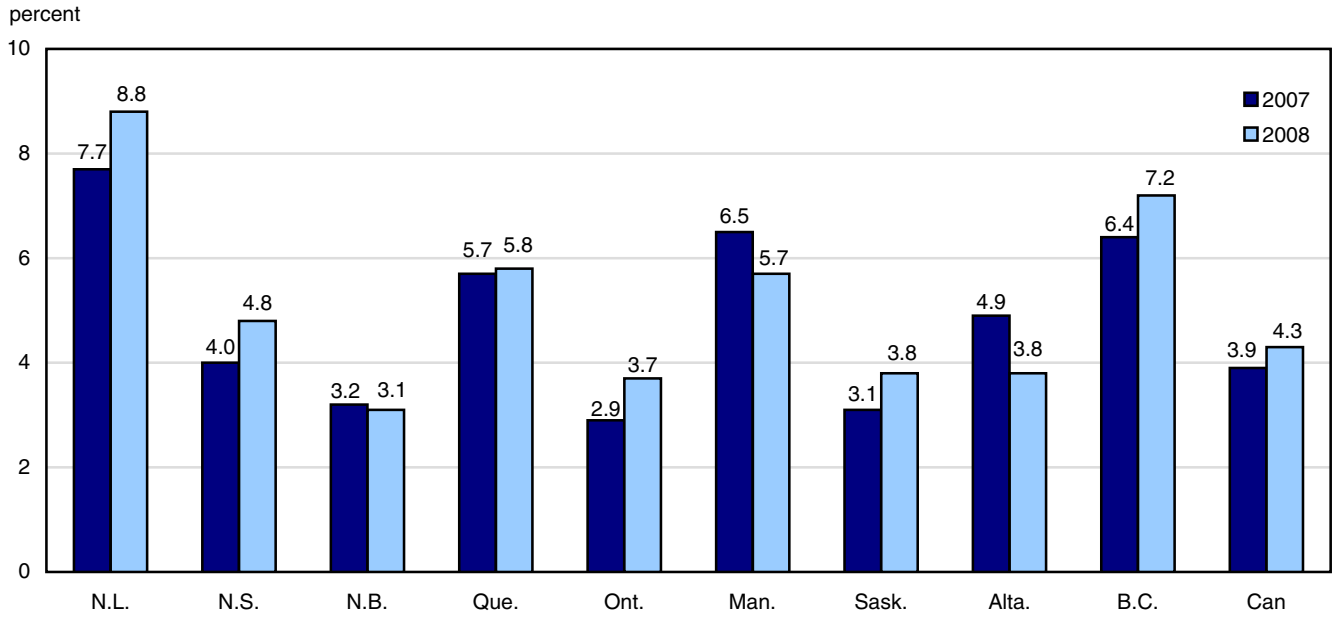


Note(s): Due to rounding, components may not add to total.

Operating profits

The operating profit margin of the Employment Services industry increased to 4.3% in 2008 from 3.9% in 2007. Only three provinces – New Brunswick (3.2% to 3.1%), Manitoba (6.5% to 5.7%), and Alberta (4.9% to 3.8%) – showed decreases in operating profit margin from 2007 to 2008. The rest of the provinces all saw increases in profit margin.

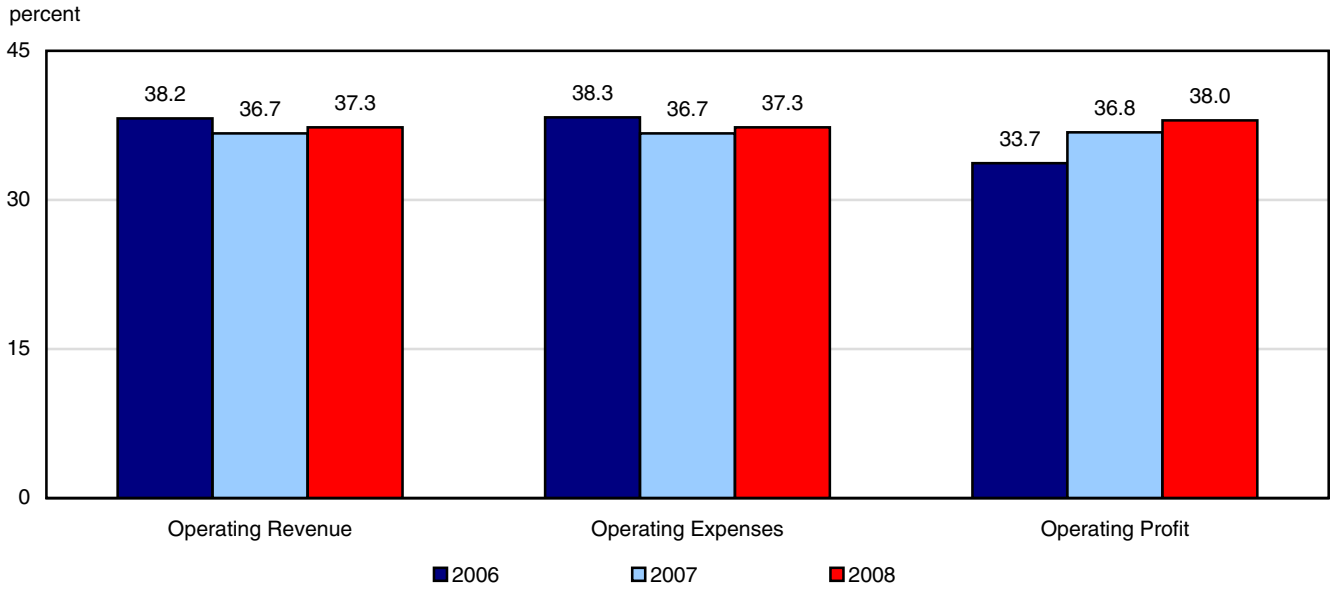
Chart 7
Operating profit margin of the employment services industry



The industry's 20 largest firms

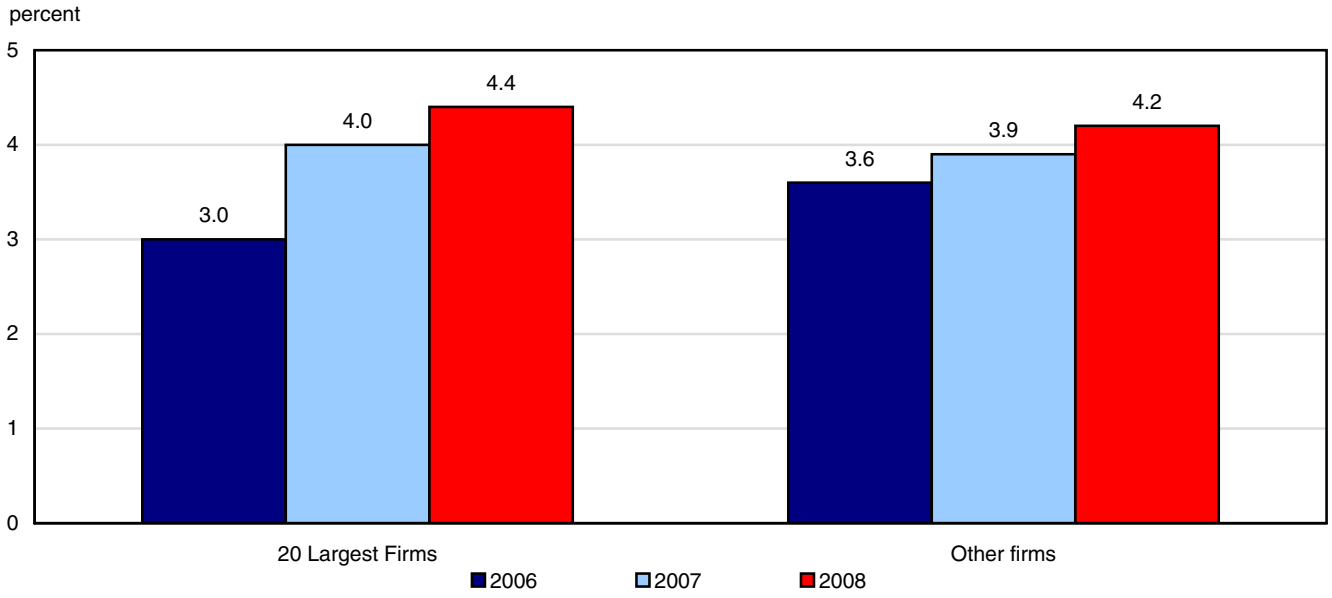
The Employment Services industry's large firms continue to dominate. The 20 largest firms generated 37.3% of the total industry operating revenue, up from 36.7% in 2007. These firms also saw the same increase to 37.3% in operating expenses, up also from 36.7% in 2007. The operating profit of these firms represents 38.0% of total operating profit, up from 36.8% in 2007.

Chart 8
Share of the employment services industry's 20 largest firms



In 2008, the operating profit margin of the industry's top 20 firms was 4.4%. This was an increase from the 4.0% attained in 2007. The remaining firms in the industry had a 4.2% operating profit margin, up from the 3.9% attained in 2007.

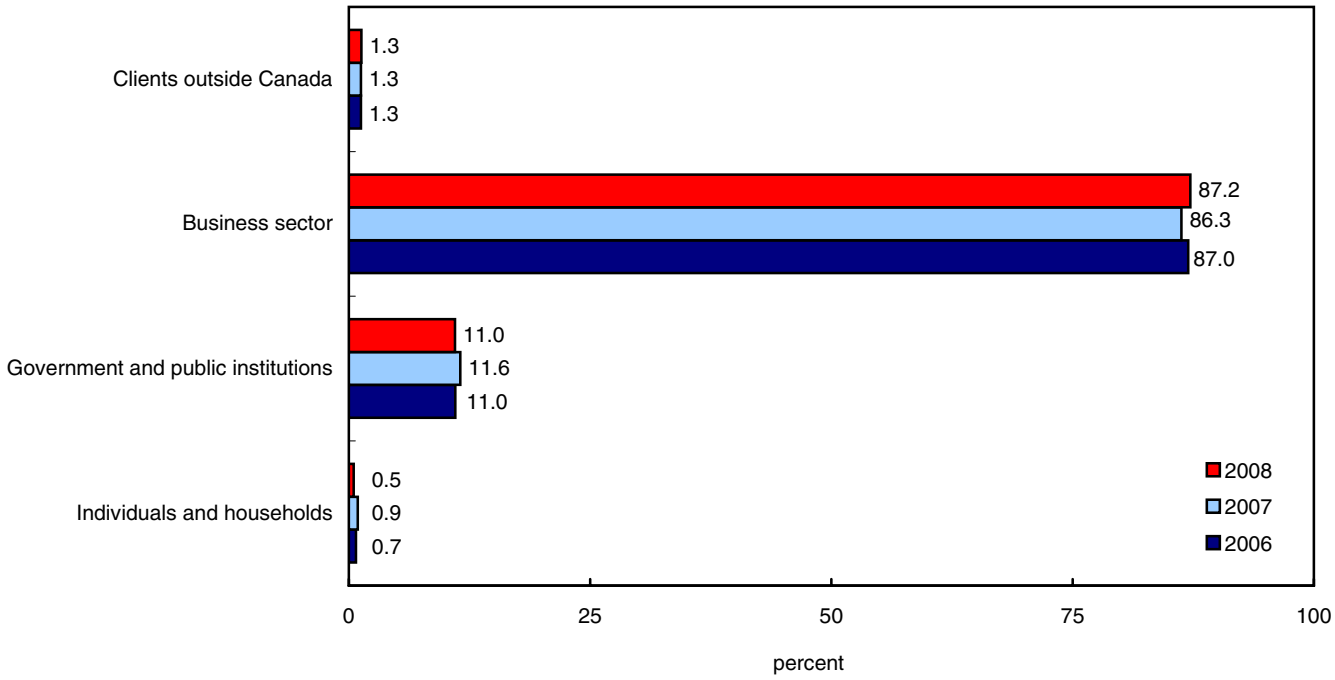
Chart 9
Operating profit margin of the employment services industry



Client base

In 2008, as in past years, the majority of sales by type of client belonged to the business sector with 87%. The percentage increased from 86% in 2007.

Chart 10
Sales by type of client of the employment services industry



Note(s): Due to rounding, components may not add to total.

Government and public institutions account for the next largest share of sales (11%). Clients located outside of Canada account for roughly 1% of the distribution of sales with individuals and household accounting for less than 1%. Overall, the breakdown of sales has remained consistent year after year.

Statistical tables

Table 1

Summary statistics for the employment services industry, by province and territory, 2006 to 2008

	Operating revenue	Operating expenses	Salaries, wages and benefits	Operating profit margin	Statistical establishments
	millions of dollars			percent	number
2008 [p]					
Newfoundland and Labrador	90.8	82.8	55.6	8.8	33
Prince Edward Island	x	x	x	x	x
Nova Scotia	76.5	72.9	55.8	4.8	71
New Brunswick	72.5	70.2	63.7	3.1	42
Quebec	1,202.5	1,133.1	869.6	5.8	1,262
Ontario	5,220.3	5,029.3	3,066.5	3.7	2,521
Manitoba	78.7	74.2	58.3	5.7	82
Saskatchewan	49.0	47.2	41.9	3.8	40
Alberta	1,800.7	1,731.7	1,176.6	3.8	490
British Columbia	601.9	558.3	395.7	7.2	522
Territories [1]	x	x	x	x	x
Canada	**9,201.2**	**8,807.1**	**5,788.6**	**4.3**	**5,077**
2007 [r]					
Newfoundland and Labrador	74.6	68.9	58.3	7.7	34
Prince Edward Island	x	x	x	x	x
Nova Scotia	72.1	69.2	54.1	4.0	63
New Brunswick	71.2	68.9	59.3	3.2	41
Quebec	1,226.0	1,156.4	872.2	5.7	1,137
Ontario	5,299.5	5,146.4	3,160.9	2.9	2,342
Manitoba	73.7	68.9	55.2	6.5	74
Saskatchewan	45.1	43.7	38.3	3.1	37
Alberta	1,602.8	1,524.7	1,087.4	4.9	464
British Columbia	639.9	599.2	437.7	6.4	489
Territories [1]	x	x	x	x	x
Canada	**9,110.9**	**8,751.5**	**5,826.7**	**3.9**	**4,691**
2006 [r]					
Newfoundland and Labrador	55.6	53.4	46.3	3.9	33
Prince Edward Island	x	x	x	x	x
Nova Scotia	67.2	65.3	55.1	2.7	60
New Brunswick	64.8	62.0	57.7	4.3	45
Quebec	1,193.5	1,137.5	840.5	4.7	1,164
Ontario	4,722.7	4,604.8	3,198.3	2.5	2,085
Manitoba	68.0	64.9	57.6	4.6	84
Saskatchewan	37.2	36.1	32.1	3.0	36
Alberta	1,457.7	1,388.0	998.1	4.8	395
British Columbia	548.8	524.2	417.1	4.5	477
Territories [1]	x	x	x	x	x
Canada	**8,217.5**	**7,938.1**	**5,704.4**	**3.4**	**4,383**

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, 2006 to 2008

	percent
Salaries, wages and benefits	
2008 p	66.1
2007 r	67.0
2006 r	72.6
Other labour costs	
2008 p	24.4
2007 r	23.5
2006 r	19.4
Rental, leasing, utilities and telecommunications	
2008 p	1.9
2007 r	1.6
2006 r	1.6
Repair and maintenance expenses	
2008 p	0.6
2007 r	0.4
2006 r	0.3
Depreciation charges of tangible and intangible assets	
2008 p	0.5
2007 r	0.5
2006 r	0.4
Advertising, marketing, promotions, travel, meals and entertainment	
2008 p	1.4
2007 r	1.3
2006 r	1.3
Other purchased goods and services	
2008 p	1.1
2007 r	2.0
2006 r	1.6
Other operating expenses	
2008 p	4.2
2007 r	3.7
2006 r	2.8

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, 2006 to 2008

	percent
Clients in Canada	
2008 p	98.7
2007 r	98.7
2006 r	98.7
Individuals and households	
2008 p	0.5
2007 r	0.9
2006 r	0.7
Government and public institutions	
2008 p	11.0
2007 r	11.6
2006 r	11.0
Business sector	
2008 p	87.2
2007 r	86.3
2006 r	87.0
Clients outside Canada	
2008 p	1.3
2007 r	1.3
2006 r	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, 2006 to 2008

	2006 r	2007 r	2008 p
	percent		
Temporary staffing	68.9	59.6	60.8
Permanent placements and contract staffing	29.7	36.4	36.5
Other goods and services	1.4	4.1	2.7

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 2008 was 547 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 74.9%. CVs were calculated for each estimate and are available upon request.

Related products

CANSIM

Table 361-0001 - Employment services, summary statistics, by North American Industry Classification System (NAICS), annual (75 series)

Table 361-0019 - Employment services, sales by type of client based on the North American Industry Classification System (NAICS), annual (5 series)

Table 361-0020 - Employment services, operating expenses, by North American Industry Classification System (NAICS), annual (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: March 2010

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
0s	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 *Statistics Act*
E	use with caution
F	too unreliable to be published

To access this product

This product, Catalogue no. 63-252-X, is available free in electronic format. To obtain a single issue, visit our website at *www.statcan.gc.ca* and select "Publications."

Frequency: Annual / ISSN 1916-8934

For information on the wide range of data available from Statistics Canada, please call our national inquiries line at 1-800-263-1136.

Cette publication est également disponible en français.

Published by authority of the Minister responsible for Statistics Canada. © Minister of Industry, 2010. All rights reserved. The content of this electronic publication may be reproduced, in whole or in part, and by any means, without further permission from Statistics Canada, subject to the following conditions: that it be done solely for the purposes of private study, research, criticism, review or newspaper summary, and/or for non-commercial purposes; and that Statistics Canada be fully acknowledged as follows: Source (or "Adapted from", if appropriate): Statistics Canada, year of publication, name of product, catalogue number, volume and issue numbers, reference period and page(s). Otherwise, no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, by any means—electronic, mechanical or photocopy—or for any purposes without prior written permission of Licensing Services, Client Services Division, Statistics Canada, Ottawa, Ontario, Canada K1A 0T6.

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner. To this end, Statistics Canada has developed *standards of service* that its employees observe.

To obtain a copy of these service standards, please contact Statistics Canada toll-free at 1-800-263-1136. The service standards are also published on *www.statcan.gc.ca* under "About us" > "Providing services to Canadians."

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.