

THE EMPLOYMENT SERVICES INDUSTRY - AUSTRALIA

Introduction

This report is based on the Australian Bureau of Statistics (ABS) publication Employment Services Australia 1998-99 (Catalogue No. 8558.0). It presents results, in respect of the 1998/99 financial year, from an ABS survey of Australian businesses involved in the provision of employment services (eg personnel recruitment, search, selection, referral and job placement on a permanent, temporary and contract employment basis). The scope of the survey was all businesses whose main activity was the provision of employment services. For completeness, the survey included any other businesses which were Job Network¹ providers in the reference period.

Employment Services Activity

As at the end of June 1999 there were 2,127 businesses involved in the provision of employment services. These businesses comprised 736 businesses in the employment placement industry², 1,357 businesses in the contract staff services industry³ and 34 businesses involved in Job Network activities, where the provision of employment services was not their primary activity.

The majority (82%) of these businesses were 'for profit' organisations with 18 per cent being 'not for profit' organisations. At the end of June 1999, there were 269 businesses involved in Job Network placement activities.

Table 1: Number of Employment Services Businesses, at end June 1999

	Job Network placement activity	Other permanent placement activity	On-hired placement activity	Total(a)
Businesses at end June 1999				
Employment placement industry				
For profit	59	504	128	530
Not for profit	131	160	40	207
Total	190	665	168	736
Contract staff industry				
For profit	10	733	1 187	1 190
Not for profit	35	32	167	167
Total	45	765	1 354	1 357
Total employment placement and contract staff industries				
For profit	69	1 237	1 315	1 719
Not for profit	166	193	207	347
Total	235	1 430	1 522	2 093
Other businesses providing employment services				
	34	17	-	34
Total	269	1 447	1 522	2 127

- nil or rounded to zero (including null cells)

(a) Some businesses may be involved in more than one employment placement activity. Hence the counts of businesses may not sum to the total.

During 1998/99, there were 2,746,057 job placements made by these businesses. These placements comprised 443,603 permanent placements and 2,302,454 temporary and contract placements. Job Network placements accounted for 64 per cent of permanent placements and 10 per cent of all placements.

Table 2: Number of Placements

	Job Network placement activity	Other permanent placement activity	On-hired placement activity	Total(a)
Businesses at end June 1999				
Employment placement industry				
For profit	161 338	55 154	5 946	222 439
Not for profit	90 862	17 378	1 793	110 034
Total	252 201	72 533	7 739	332 472
Contract staff industry				
For profit	6 988	82 399	2249 850	2339 237
Not for profit	16 996	2 762	44 866	64 624
Total	23 984	85 161	2 294 715	2 403 861
Total employment placement and contract staff industries				
For profit	168 327	137 553	2255 795	2561 676
Not for profit	107 859	20 140	46 658	174 657
Total	276 185	157 694	2 302 454	2 736 333
Other businesses providing employment services				
	8 969	755	-	9 724
Total	285 154	158 449	2 302 454	2 746 057

- nil or rounded to zero (including null cells)

Industry Overview

In total, the employment services industry generated \$7,818 million in income during 1998/99. The main components were income derived from employers for persons on-hired (\$5,784 million), income derived from Job Network contracts for either Job Network placement activity and other services (\$636 million) and employer payments for permanent placement and personnel recruitment services (\$548 million).

Job Network contracts represented 8 per cent of the income of the employment services industries. The Job Network income comprised \$87 million from Job matching (F1) placements, \$26 million from Job search training (F2) placements, \$478 million from Intensive assistance (F3) placements and \$4 million from Project contracting placements. A further \$10 million was generated from Job Network contracts by businesses whose primary role was outside the employment services industries (eg group training companies).

The income profiles of the employment placement services industry and the contract staff services industry were different. Businesses in the employment placement services industry generated 58 per cent of their income from job network contracts and 22 per cent of their income from employers for other permanent placement and personnel recruitment services. In comparison, businesses in the contract staff services industry generated 84 per cent of their income from employers for persons on-hired and 7 per cent of their income from employers for placement of apprentices and trainees.

Table 3: Sources of Income

	EMPLOYMENT PLACEMENT SERVICES INDUSTRY		CONTRACT STAFF SERVICES INDUSTRY		ALL BUSINESSES		
	Businesses at end June (a)	Value	Businesses at end June (a)	Value	Businesses at end June (a)	Value	Contribution to total income
	no.	\$m	no.	\$m	no.	\$m	%
Sale of goods & services							
Income derived from employers for							
Permanent placement/personnel recruitment service	532	223.6	747	323.9	1 279	547.5	7.0
Persons on-hired	166	29.2	1 228	5 755	1 394	5 784	74
Apprentice or trainees placements with host companies	8	0.1	137	465.5	145	465.6	6.0
Other employment services	61	24.1	137	11.2	198	35.4	0.4
Total	566	277.0	1 341	6 555	1 907	6 832	87
Income from job network placement activity							
Job matching (F1)	181	80.7	43	6.1	225	86.8	1.1
Job search training (F2)	110	23.3	22	2.9	1 132	26.2	0.3
Intensive assistance (F3)	120	456.8	20	21.2	139	478.0	6.1
Project contracting	5	3.6	-	-	5	3.6	-
Total	190	564.4	45	30.1	235	594.6	7.6
Income from job network contracts for other services	66	19.8	59	21.9	125	41.7	0.5
Total(b)	192	584.2	81	52.0	273	636.2	8.1
Income from the provision of training services	137	16.9	133	51.0	270	67.9	0.9
Other operating income	267	35.6	426	53.4	692	88.9	1.1
Total	713	913.7	1 353	6 712	2 066	7 625	98
Other sources of income							
Other Government funding							
For employment placement programs	162	64.8	144	66.3	306	131.1	1.7
Other	125	13.7	109	19.9	234	33.6	0.4
Total	208	78.5	196	86.2	404	164.7	2.1
Interest income	351	8.7	691	13.5	1 042	22.2	0.3
Other non-operating income	219	1.2	387	4.4	606	5.6	0.1
Total	433	88.3	801	104.1	1 233	192.4	2.5
Total	736	1 002	1 357	6 816	2 093	7 818	100

- nil or rounded to zero (including null cells)

- (a) Businesses may have more than one source of income. Hence, the counts of businesses for each client type do not sum to the total.
- (b) A further \$9.6m was received from job network activity by businesses outside the employment services industry.

At the end of June 1999, the total employment of businesses in the employment services industries was 307,849 persons comprising 28,912 persons directly employed and 278,937 on-hired employees. Over three quarters (77.2%) of those employed were on a permanent full-time basis, 12 per cent were permanent part-time employees and 8 per cent were casuals. The labour cost per direct employee in the employment placement services industry was \$36,700.

Table 4: Characteristics of Employment, at end June 1999

	Males		Females		Total	
	no.	%	no.	%	no.	%
EMPLOYMENT PLACEMENT SERVICES INDUSTRY						
Working proprietors and working partners of unincorporated businesses	*20	0.5	*23	0.3	*43	0.4
Direct employees						
Permanent full-time employees	3 555	85.2	5 474	76.4	9 029	79.6
Permanent part-time employees	319	7.6	1 047	14.6	1 366	12.1
Casual employees	277	6.6	620	8.7	897	7.9
Total	4 151	99.5	7 142	99.7	11 292	99.6
Total direct employment	4 171	100	7 165	100	11 336	100
On-hired temporary employees	na	..	na	..	2 866	..
Total employment	na	..	na	..	14 202	..
CONTRACT STAFF SERVICES INDUSTRY						
Working proprietors and working partners of unincorporated businesses	103	1.5	134	1.3	237	1.3
Direct employees						
Permanent full-time employees	5 325	77.7	7 958	74.2	13 283	75.6
Permanent part-time employees	387	5.6	987	9.2	1 375	7.8
Casual employees	1 040	15.2	1 641	15.3	2 682	15.3
Total	6 752	98.5	10 587	98.8	17 339	98.7
Total direct employment	6 856	100	10 720	100	17 576	100
On-hired temporary employees	na	..	na	..	276 010	..
Total employment	na	..	na	..	293 647	..
TOTAL						
Working proprietors and working partners of unincorporated businesses	124	1.1	157	0.9	280	1.0
Direct employees						
Permanent full-time employees	8 880	80.5	13 432	75.1	22 312	77.2
Permanent part-time employees	706	6.4	2 034	11.4	2 741	9.5
Casual employees	1 317	11.9	2 262	12.6	3 579	12.4
Total	10 903	98.9	17 728	99.1	28 631	99.0
Total direct employment	11 027	100	17 885	100	28 912	100
On-hired temporary employees	na	..	na	..	278 937	..
Total employment	na	..	na	..	307 849	..

* estimate has a relative standard error of between 25% and 50% and should be used with caution

.. not applicable

In terms of occupations of persons directly employed, the employment placement services industry comprised 7,019 employment consultants (62% of direct industry employment), 2,836 administrative support staff (25%) and 1,480 other staff, such as trainers, account managers and information technology staff (13%).

Table 5: Main Activities of Persons Employed

	Employment placement services industry		Contract staff services industry		Total	
	no.	%	no.	%	no.	%
Direct employment						
Employment consultants	7 019	49.4	7 419	2.5	14 439	4.7
Administrative support	2 836	20.0	6 176	2.1	9 012	2.9
Other	1 480	10.4	3 981	1.4	5 460	1.8
Total	11 336	79.8	17 576	6.0	28 912	9.4
Persons on-hired to other businesses						
Apprentices and trainees	19	0.1	28 678	9.8	28 697	9.3
Other temporary employees	2 847	20.0	247 393	84.2	250 240	81.3
Total	2 866	20.2	276 071	94.0	278 937	90.6
Total	14 202	100	293 647	100	307 849	100

Business Size and Performance Ratios

In terms of the number of businesses, the employment services industries were dominated by small businesses during 1998/99, with 87 per cent of businesses having direct employment fewer than 20 persons. These small businesses account for 31 per cent of direct employment and 35 per cent of income for the employment services industries. Businesses with direct employment of four or less persons represented 53 per cent of all employment services businesses and accounted for 8 per cent of direct employment and 10 per cent of income. The 38 businesses with direct employment of 100 persons or more accounted for 41 per cent of direct employment, 42 per cent of income and 40 per cent of the operating profit before tax of the employment services industries.

The operating profit margin for the employment services industries was 5.6 per cent which varied from 19.7 per cent for the employment placement services industry to 3.7 per cent for the contract staff services industry.

Businesses in the employment services industries averaged \$2,800 income per permanent placement. This permanent placement income varied from \$2,000 for businesses with employment between 50-99 persons to \$3,300 for businesses with employment between 10-19 persons.

Table 6: Business Size

		0-4 persons	5-9 persons	10-19 persons	20-49 persons	50-99 persons	100 or more persons	Total
EMPLOYMENT PLACEMENT SERVICES INDUSTRY								
Businesses at end of June	no.	387	143	105	75	14	12	736
	%	52.6	19.4	14.3	10.2	1.9	1.6	100
Total direct employment at end June	no.	831	897	1 415	2 286	947	4 960	11 336
	%	7.3	7.9	12.5	20.2	8.4	43.8	100
Wages and salaries of direct employees	\$m	26.0	28.2	44.2	63.9	33.4	159.7	355.3
	%	7.3	7.9	12.4	18.0	9.4	44.9	100
Total income	\$m	73.7	82.1	124.7	145.6	79	496.9	1002
	%	7.4	8.2	12.4	14.5	7.9	49.6	100
Operating profits/surplus before tax	\$m	*4.9	*9.4	16.6	21.6	13.4	113.6	179.6
	%	2.7	5.2	9.2	12.0	7.5	63.3	100
CONTRACT STAFF SERVICES INDUSTRY								
Businesses at end of June	no.	724	296	175	110	26	26	1357
	%	53.4	21.8	12.9	8.1	1.9	1.9	100
Total direct employment at end June	no.	1 510	1 988	2 319	3 122	1 726	6 911	17 576
	%	8.6	11.3	13.2	17.8	9.8	39.3	100
Wages and salaries of direct employees	\$m	35	71.9	109.8	103.4	50.5	248.3	618.9
	%	5.7	11.6	17.7	16.7	8.2	40.1	100
Total income	\$m	730.5	915.4	842.4	1 158.9	356.2	2812.1	6815.6
	%	10.7	13.4	12.4	17.0	5.2	41.3	100
Operating profits/surplus before tax	\$m	38.7	31.3	28.5	59.6	33.8	54.6	246.5
	%	15.7	12.7	11.6	24.2	13.7	22.2	100
TOTAL								
Businesses at end of June	no.	1 111	438	280	185	41	38	2093
	%	53.1	20.9	13.4	8.8	2.0	1.8	100
Total direct employment at end June	no.	2 341	2 885	3 734	5 408	2 673	11 870	28 912
	%	8.1	10.0	12.9	18.7	9.2	41.1	100
Wages and salaries of direct employees	\$m	61	100	154	167.3	83.8	408.1	974.3
	%	6.3	10.3	15.8	17.2	8.6	41.9	100
Total income	\$m	804.2	997.5	967.2	1 304.5	435.3	3 309.1	7 817.7
	%	10.3	12.8	12.4	16.7	5.6	42.3	100
Operating profits/surplus before tax	\$m	43.6	40.7	45.1	81.3	47.2	168.2	426.1
	%	10.2	9.6	10.6	19.1	11.1	39.5	100

* estimate has a relative standard error of between 25% and 50% and should be used with caution

(a) Business size is based on the number of persons working directly for the business, and excludes any on-hired staff

State and Territory Dimension

The distribution across the States and Territories of income generated by the employment services industries was generally in line with the respective proportions of the Australian population of each of the States and Territories. The two exceptions to this were Victoria which accounted for 29 per cent of the income and Queensland with 15 per cent of income, which compares with their respective 25 per cent and 19 per cent share of the Australian population.

Western Australia comprised 9.8 per cent of the national population in 1999 and had an average of 9.0 per cent of the ABS job vacancies over the four quarters of 1998/99. Thus WA's share of 8.1 per cent of the total permanent placements would suggest a slight under-representation in employment services industries placement activity. However, with 9.9 per cent of the total national income share, this would suggest that the fee per placement is higher in WA.

Table 7: States and Territories

	Businesses at end June(a)		Permanent placements(b)		Employment at end June		Wages and salaries		Total income	
	no.	no.	%	no.	%	\$m	%	\$m	%	
EMPLOYMENT PLACEMENT SERVICES INDUSTRY										
New South Wales	354	93 241	28.7	5 101	35.9	150.6	40.0	378.7	37.8	
Victoria	214	77 554	23.9	3 237	22.8	76.7	20.4	229.2	22.9	
Queensland	132	83 183	25.6	2 883	20.3	76.3	20.2	190.4	19.0	
Western Australia	55	28 283	7.8	1 345	9.5	30.0	8.0	80.7	8.1	
South Australia	33	25 050	7.7	1 079	7.6	29.3	7.8	83.0	8.3	
Tasmania	16	8 923	2.7	273	1.9	5.4	1.4	19.5	1.9	
Northern Territory	8	4 602	1.4	103	0.7	3.5	0.9	8.1	0.8	
Australian Capital Territory	16	6 897	2.1	181	1.3	5.0	1.3	12.5	1.2	
Australia	736	324 733	100	14 202	100	376.8	100	1 002.0	100	
CONTRACT STAFF SERVICES INDUSTRY										
New South Wales	533	38 954	35.4	107 491	36.6	1 451.3	31.0	228.5	32.7	
Victoria	435	32 606	29.9	78 249	26.6	1 399.3	29.9	2 042.5	30.0	
Queensland	266	15 269	14.0	55 636	18.9	670.2	14.3	941.7	13.8	
Western Australia	208	10 075	9.2	22 842	7.8	509.8	10.9	691.3	10.1	
South Australia	130	7 441	6.8	19 456	6.6	434	9.3	580.4	8.5	
Tasmania	30	2 051	1.9	3 719	1.3	80.5	1.7	110.1	1.6	
Northern Territory	20	395	0.4	1 986	0.7	25.0	0.5	35.3	0.5	
Australian Capital Territory	37	2 713	2.5	4 269	1.5	107.3	2.3	185.8	2.7	
Australia	1 357	109 146	100	293 647	100	4677.4	100	6 815.6	100	
TOTAL										
New South Wales	887	131 836	30.4	112 592	36.6	1 601.9	31.7	2 607.2	33.3	
Victoria	649	110 161	25.4	81 486	26.5	1 476.1	29.2	2 271.7	29.1	
Queensland	398	98 452	22.7	58 519	19.0	746.5	14.8	1 132.0	14.5	
Western Australia	263	35 359	8.1	24 187	7.9	539.8	10.7	772.0	9.9	
South Australia	163	32 491	7.5	20 536	6.7	463.3	9.2	663.5	8.5	
Tasmania	46	10 974	2.5	3 991	1.3	85.9	1.7	129.6	1.7	
Northern Territory	29	4 997	1.2	2 088	0.7	28.5	0.6	43.4	0.6	
Australian Capital Territory	53	9 610	2.2	4 450	1.4	112.3	2.2	198.3	2.5	
Australia	2093	433 879	100	307 849	100	5 054.2	100	7 817.7	100	

(a) Some businesses may be involved in more than one State and Territory. Hence, the counts of businesses may not sum to the total.

(b) Includes job network and other permanent placements

The average income per business in the employment placement services industry was \$1,316,400 compared to \$5,022,500 for businesses in the contract staff services industry. In each of these industries, the average income per business varied by State and Territory. Businesses operating in South Australia (\$2,515,200 per business) had the highest average income per business and businesses operating in the Australian Capital Territory (\$781,300 per business) and Northern Territory (\$1,012,500) had the lowest average for businesses in the employment placement services industry. The highest average income per business for the contract staff services industry was recorded by businesses operating in the Australian Capital Territory (\$5,021,600 per business), Victoria (\$4,695,400 per business) and South Australia (\$4,464,600 per business) with the lowest average being for businesses operating in Northern Territory (\$1,765,000 per business).

¹ For more information on the Job Network see <http://www.jobnetwork.gov.au/>

² Employment placement services consists of units mainly engaged in personnel search, selection, referral and placement in connection with employment in any field. The service may be supplied to the potential employer or the prospective employee and may involve the formulation of job descriptions, the screening and testing of applicants and the investigation of referees.

³ Contract staff services are units mainly engaged in supplying their own employees to other businesses on a fee or contract basis. Assignments are mainly short-term and performed under the supervision of staff of the client unit.