

# Finding Good Staff in a Tight Labor Market



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Welcome to THRIVE, a Paychex Business Podcast, where you'll hear timely insights to help you navigate marketplace dynamics and propel your business forward. Here's your host, Gene Marks.

**Gene Marks:**

Hey, everybody, it's Gene Marks, and thanks for joining. I am here with Jeremy Bilsky. Jeremy is a financial services leader. He's the Senior Director and General Manager at Advance Partners, which is a Paychex company. And Jeremy is speaking to me from Cleveland. Jeremy, hey, first of all, thank you so much for joining.

**Jeremy Bilsky:**

Yeah. Pleasure to be here, Gene.

**Gene Marks:**

Okay. So let's, first of all, talk about you and Advance Partners, just so our audience can get to know this. Tell me a little bit about what the company does.

**Jeremy Bilsky:**

Sure. For nearly 25 years, it'll actually be 25 years next spring, we have been providing services primarily to the temporary staffing industry, or some iteration thereof, primarily providing capital. So a funding line, back office services if needed inclusive of invoice preparation, payroll processing, a full suite of credit and risk related services. So, collection management, running credit checks on perspective or current clients that the staffing firm might be operating with, and then a bevy of strategic services with us being in the industry for such a long time, we've learned a thing or two along the way about staffing and we've become not just a thought leader, but a trusted partner and advisor to our clients.

**Jeremy Bilsky:**

I'll get calls frequently folks calling me up and saying, hey, thinking about an exit strategy, or I'm thinking about opening a new office or expanding in a certain market, what do you think? First of all, I'm flattered

that they even think enough to even want to talk to me about that. But it's exciting because having dealt with so many different situations and firms over the course of nearly 25 years, we're qualified to have those conversations and offer our support and guidance and hopefully help them make the right decision so they can keep the trains running on time and continue to grow their business.

**Gene Marks:**

That's great. So your customers, your end customers, the people that you're serving are staffing companies, is that correct?

**Jeremy Bilsky:**

That's correct. Correct.

**Gene Marks:**

So the advice that you give, when you talk about the industry, do you find yourself talking in your job more so to the staffing company industry or to business owners that are interested in using staffing companies?

**Jeremy Bilsky:**

The former. So, we're definitely interested and would love to have conversations with companies that want to use staffing, but that's one step removed from us because our clients that we're signing up are the staffing firms themselves. So the providers of the labor to that next layer that you refer to as the user or beneficiary of the labor of the staffing firm or whatever services they're providing.

Gene Marks:

Good. And the staffing companies themselves, you mentioned about temporary, I just want to also just confirm. So, are most of your clients, do they provide temporary only? Do they provide full-time services, like recruiting or combination of the two?

**Jeremy Bilsky:**

There's a nice sprinkling of everything. I would say the vast majority of them do mostly temporary, but it's built around a temp-to-hire model to try it before you buy it, in terms of getting comfortable, perhaps with the individual or individuals that they've recruited for you, get them settled into the work site, and if they stick, maybe you hire that person on full time. So, it's one of the challenges that staffing firms have. Obviously, I'm sure we're going to talk about the current labor environment and how tight it is, but their inventory is people. And when they send an individual to a work site and they get hired, they're losing that inventory. I don't mean to be callous and refer to people in that manner, but to a staffing firm, that's what drives their revenue, the human capital that they can place in these places.

**Jeremy Bilsky:**

So the model is built towards the temp-to-hire. If Gene Marks shows up and after 90 days, he's doing a great job, love to hire him full time. And generally after that 90 day period, the user of the labor, the beneficiary is not required to pay a fee because they've already exhausted their minimum hours requirement. But then just to fully answer the question, many, many firms do some direct hire, so permanent placement, or a little bit of both. And it's nice to have a little bit of both, because the temporary staffing, it's also known as contract, that's a little steadier. You know that you can anticipate, I'll have 10 people working 40 hours a week, that's 400 hours for a 13 week assignment. Good. We can put that on the board as projected revenue. I just got to find the people and place them. And then maybe you pick up an order for a direct hire, a permanent placement opportunity, maybe paying a 20% commission for the first year salary. And that's a nice way to pick up some additional revenue as well.

**Jeremy Bilsky:**

And some firms do only that. And it's great, but they're both prone to cycles and ebbs and flows. And I would say that the significant portion of the market does a little bit of both. Just it's a nice hedge.

**Gene Marks:**

And before we get into the actual industry itself, you mentioned there's your permanent placements, there's temporary workers as well. Many staffing companies also staff independent contractors or freelancers, or is that usually... Tell me about that.

**Jeremy Bilsky:**

They do. They do. And it's actually, it's advantageous for a staffing agency to do that for a number of reasons, not the least of which is there's actually less liability for that staffing firm, because they're not W2 full-time employees, they don't carry the insurance risk, and they don't hit your unemployment experience either. So, it's an interesting way to go about it. And we actually see it quite a bit in the IT space because these are seasoned professionals on assignments, their own boss, doing jobs at the behest of, or maybe following work order or a SOW type scenario. It's less liability for the staffing firm because that person leaves, you don't have to go through unemployment claims. You also don't have the insurance risk. So, maybe not the best example for an IT professional., they're not driving forklifts and running heavy machinery, but regardless whatever risk that is brought to bear by that independent contractor working for you, it's born by them because they're effectively self-employed. So, we do see that a lot and it's a solid niche, no doubt.

**Gene Marks:**

And I'm assuming it's growing as well. The reason why I asked, in mid-August I wrote a piece for The Hill and it got a lot of response because I was contending that the Department of Labor and the Bureau of Labor Statistics need to readdress how they're defining employment now, because we've had 10 million new startup applications filed in 2020 and 2021, we're on track for another five million in 2022. A lot of them are freelancers, independent contractors, and the side gig people. It just seems like a tremendous opportunity for the staffing industry, because these people are always they're looking for work as well. You know what I mean?

**Jeremy Bilsky:**

Absolutely. And actually there was a article maybe you saw it. I think it may have been from the Bureau of Labor Statistics, if not, it was another governmental outfit talking about the number of folks that are working multiple jobs. So, particularly in the gig space, and technically staffing probably does qualify as being in the gig space. And I believe specific to staffing, I want to say it was 46% of temporary staffing workers had more than one job, which is something that we look closely at. I'm constantly looking at that monthly jobs report, obviously the country as a whole, but then the staffing market, because I refer to inventory a few minutes ago, that's the inventory for our clients.

**Jeremy Bilsky:**

So we want that number to be as high as possible. And I'm wondering if at times that number can be inflated because maybe Gene Marks is working two gigs and you show up as two different employees making up the 3.2 million in total temporary labor workers. I haven't cracked that code yet. I don't know the answer to that question, but it's definitely something to look at because that's an important number for us and our clients, because that defines this is the available talent that's out there to go fill those jobs and put wins on the board.

**Gene Marks:**

It's funny. And I was zeroing in on that, you're right is an important number. And I was zeroing on the JOLTS formula that the Bureau of Labor Statistics put out, which is basically saying job openings. And those job openings, I truly believe that a lot of them right now are being filled by freelancers and independent contractors. I think people left their jobs and left the job opening. You've got employers that are still active, they're looking for a replacement, but I don't know many of my clients, they might have a job opening for a quality assurance person or whatever, but at the same time they've hired a freelancer or a contractor to fill in the gap. Sometimes it was a former employee who's now just a 1099 person. All of that stuff is opportunities, I think, for a staffing firm, you know what I mean?

**Jeremy Bilsky:**

Most definitely, most definitely. And the highly successful firms, especially in the IT space where you're trying to find that purple unicorn in terms of maybe a skill set that can be amenable to a particular type of job, getting those contractors multiple times is a huge win for them, because you already know their qualifications because they're already in your database and they've had success. And now you know that you can place them quicker and speed is everything. It's not just filling the orders, it's how quickly can you fill them? Obviously quality is a given, but can you answer the bill quick enough that the order's going to be, it's still going to be there?

**Jeremy Bilsky:**

The orders are still there generally speaking now because it's so hard to find people, but that's what builds good will with clients of staffing firms. You came through in the clutch for me when I needed that special person for that job. That's how you get repeat a business. And the best operators are the ones that are hitting all cylinders there.

**Gene Marks:**

Yeah, I'm trying to figure out if this has been a good year for staffing firms or a terrible year for staffing firms. On the one hand, you've got this historical labor shortage and every one of my clients, you ask anybody, they're always looking for good people. I imagine staffing firms have the same issue, but then again, if you're a staffing firm and that's what you specialize in, hopefully if you're good at your job, you find those people. And it's a super opportunity to serve all those businesses that I know that need human capital. So what is the answer to that? Has this been a good year for the staffing industry, or has it been a terrible year?

**Jeremy Bilsky:**

So, so far it's been a very good year. It's not been as great of a year as last year, but last year, many industries can say the same thing from last year to this year, just because the rate of growth in 2021 was probably something that I don't know if we'll ever see it again. I hope we don't because it was brought to bear by something terrible that happened the year before, but it's still been a very good year. The total U.S. staffing industries is expected to grow from 160 billion last year to 185 this year, which is obviously, it's tremendous growth. I talk to our clients all the time and I ask them, how are you feeling about things? Because I know within our own business, how hard it is to find talent and that's what they do for a living. And how do you deal with that?

**Jeremy Bilsky:**

And I've had several longstanding successful clients say, you know what? We've never been more relevant than we are now because you have 10 million open positions and a labor force that's smaller than it was two years ago. So, there's a scarcity of people. And when we can come through for them, they keep

calling and they keep calling and they keep calling. And we, the staffing firm, we're better at finding talent, generally speaking than the recruiting departments in companies, that's what they do. That's their business. And they find people. So, from a relevance perspective, it's been great. Staffing firms have also benefited from, I'm going to say long overdue wage inflation, or maybe I'm not going to use inflation, because that's a dirty word right now. I'm going to say rightsizing, because there was an adjustment. And I guess, I suppose some of it refers to normalization of wages akin to minimum wage, but temp staffing has always lagged behind the market in terms of wages.

**Jeremy Bilsky:**

So, there's been a nice catch up there and staffing firms now that bill on a markup basis, it's a markup of wages, they're benefiting from that, because they have slightly larger margins than they otherwise would've had. They have plenty of expenses and dealing with lots of overhang from the pandemic, but that's certainly helping things. Is that going to drive growth into the future? Is there going to be another massive upward movement in wages? No, I don't think so, but I think they're going to hold. And we're seeing them hold in most industries except for a couple where medical got a little crazy just because of everything that was happening at the height of the pandemic. So, that was bound to come back down to normal, probably a good thing. But generally speaking across the industries that our clients serve, which are many, we're seeing them hang in pretty strong, which is good.

**Gene Marks:**

How has remote working and working from home impacted the staffing industry?

**Jeremy Bilsky:**

That is a great question. You might be surprised by my answer. Not a whole lot. So, what happened was most of... Well, let me back up for a second, most staffing firms that we deal with are small- to mid-size, mom-and-pop and larger. They have a storefront and a shopping center with the need for walk in traffic, filling out applications, paperwork, drug screenings, et cetera, et cetera, pretty hands on environment. So, when the music stopped in the spring of '20 and then at the earliest possible data, it's varied from state to state. But generally speaking companies were able to return to their space by May. They were all moving quickly. Actually many of them never left, because they were deemed essential and they were, especially in certain industries that they were serving.

**Jeremy Bilsky:**

So, that's a long winded way of saying that generally speaking, the pandemic did not affect their day-to-day. What it did help them with, and I think that this is why I've said this amongst our team many times, there's been so many enlightening moments that we've all got to experience, maybe not under the best of circumstances, the last two and a half years, but the use of technology by firms that were not doing it before, it's a different game right now. And the necessity to leverage technology has never been greater, particularly in connecting with the available workforce. There's a ton of apps out there that can communicate with the potential base of people, the candidate base that can respond to jobs.

**Jeremy Bilsky:**

That's certainly going stronger, certainly stronger than it was pre pandemic and it was already going in that direction. But just the general mindset has shifted, I think that the industry has become much more sophisticated. That's not to say it was unsophisticated before, but the less paper, more electronic that's been more of the mindset. And I think that's been one of the great byproducts of the pandemic, but not to be contradictory, but still having that physical presence, still having people pounding the pavement out in these storefronts, welcoming people in and the like. So, lots of what was happening before, but I would say better because there's a lot of tools out there that they can leverage that maybe they weren't thinking about before, but had to out of necessity.

**Gene Marks:**

So Jeremy, I want to move on to funding and financing questions that I have. But before I even do that, I didn't ask you at the very beginning of the conversation, how long have you been in this industry yourself personally?

**Jeremy Bilsky:**

So I'm in my 19th year with Advance Partners. So just a little while. And I've seen couple recessions and quite a bit. That's why I get excited when people want to ask me what I think about a situation, because I've lived through quite a bit, but the bulk of what I've learned have been from our clients. They're the ones who've taught me everything I know.

**Gene Marks:**

You're taking away my question, because that's exactly where I was leading, is you've been in the business for 19 years. You've dealt with a zillion different clients. And just for the people that are listening or watching that are running staffing companies or senior management of staffing companies. I'd love to hear from you what clients have you run across? You don't have to name names, that have just really impressed you, that you're like, man, these guys really got their act together. They are really running a good staff. They're running it like I would run a staffing company after being 19 years in this business. And I'm curious, what are they doing to impress you?

**Jeremy Bilsky:**

That's a great question. They're doing a couple things. First of all, they're personally resilient. They have the right fortitude to handle the highs and lows, which you probably need in every industry, but the moniker with staffing is in an economic downturn staffing's the first to go, and it's usually one of the first things to come back with a few exceptions. So you have to go head first in the deep end, knowing that's going to be the case. You got to have that. That's the bedrock. You need to find a niche that you can support. And particularly on the higher end of the spectrum, it's frequently relationship driven, which I know speaks to a lot of different service industries. Our business is the same way, you build relationships and then they expand and cross pollinate into other opportunities. And that's a key thing. But within all of that, really finding that niche that makes sense-

**Gene Marks:**

Niche meaning an industry, or region, or a size of a company?

**Jeremy Bilsky:**

It can be both, it can be both. A special need in a given area. For example, maybe there's a group of factories that need a special type of technician that you're adept at finding and bringing them to the forefront. And I'm not suggesting putting, you never want to put all your eggs in one basket, but use that as the appetizer to then expand in other types of skilled areas. And it doesn't have to be skilled. We have plenty of clients that are on the lesser skilled. I don't want to say unskilled, because I don't believe in unskilled. There's no such thing, in my opinion, as unskilled, everyone has skills. It's just maybe not some of the professional qualifications, but I think finding that right niche and being open to diversify, but don't diversify just for the sake of diversification, because we've seen that happen a few times too.

**Jeremy Bilsky:**

Everyone thinks, oh, medical staffing it's recession proof. Maybe, probably it's an essential, we all need it, but you got to know what you're doing. If you don't know the space, you won't even get to the point where your competitors can eat your lunch, because you won't even be deemed a competitor. So, making sure that you have the right people on your team that know the space. If you know it yourself, great, go with

it. But if not, you need to get the horses in there that know the space. They understand what the buying needs are of the users of the labor, and then they also understand the audience of staff who you're going to find to fill these positions. You got to be able to connect those dots. And if you can't do that, you're not in the right space.

**Jeremy Bilsky:**

So the successful ones have mastered all of those things and typically gone on and done, gotten into other staffing verticals or related subsets, because you're already in the door. You're already providing electricians. Well, can you find welders? Yeah, I can find welders. I can find pipe fitters. I can find all kinds of things that are on the spectrum. And before you know it you're an expert in an area that maybe you didn't know that much about two years ago, but you've learned it. So, that's a common course of success that we've seen.

**Gene Marks:**

I am talking with Jeremy Bilsky. Jeremy is the senior director and general manager at Advance Partners, a Paychex company. And let's move this conversation Jeremy, a little bit to just your overall financing and funding options for people that are in the staffing business. So, I'll start with this question. Negative cash flow. Give me your thoughts.

**Jeremy Bilsky:**

Well, you beat me to it. Staffing is a negative cash flow business because typically speaking the staffing firm that is responsible for paying the temps, pays them on a weekly basis or biweekly, but in some frequency ahead of when their cash receipts come in. So you send out 10 people to work, you pay them, you invoice for them. You send out the invoice to the client 30 day terms. Great. Well, in the intervening period, you have three more payrolls to do before you get paid on that first invoice. And sometimes you could be a victim of your own success and they say, you know what? These people are great. I want to take it from five people to 10 people, and I need them next week. Well, I'm not getting paid until day 30 and that's for the first invoice, which is small. So it can form this compounding spiral that's caused only because of your success in growing and you got to keep up.

**Jeremy Bilsky:**

Rule number one, the most important thing for a staffing firm is you have to make payroll. If you don't make payroll, then you're not going to be doing it for very long. Your temps will walk out and lots of other not so great things will happen. So in order to manage that growth cycle, you have to be capitalized properly. The traditional route is through bank financing. And if you're able to get it and get a line of credit, or a term loan, or what have you, that gives you the capacity that you can handle those ebbs and flows or maybe some delayed collections, or quick growth. Great. But it's hard, it's hard. Banks like to start small. I'm not knocking banks, banks are great, but they will typically start a little more conservatively and you need to earn your stripes.

**Jeremy Bilsky:**

And they're a little more particular about who they're going to do business with from a experience and personal standpoint, and which opens the door for firms like ours, that are focused on all of those things that I just mentioned, but then a variety of other things, including the credit strength of the clientele that you're serving. Ultimately that's where the risk ultimately lies, because if they pay those bills at day 30 or 45, or whenever it is, then everything should fall into place because then you start that cash flow cycle where money is coming in and you can catch your breath and say, okay, let's move on to the next one. And this one's steady, but the cash flow need never arises because it's a little Groundhog Day ask, payroll's every week you got to meet those demands. You got to make sure the temps are getting paid. So it can be difficult, not impossible, but difficult to operate in the banking world, which is why we have a business.

**Gene Marks:**

Your business itself provides that kind of financing. And just a couple comments on what you said. The staffing industry is investing in people in advance before they get paid, which is not unlike other companies that make products where they're paying for materials and labor to build those products before they sell them, or even other service firms that do like my company, we do services and we have projects that are ongoing. Depends on how you bill. We get paid in advance before we start even working. And that's not that common in the staffing industry. So, it's a particular challenge for the staffing industry. And then here you also an industry as well that there's no bricks and mortar around you. It's not like you've got inventory to collateralized or property and equipment or whatever, it's human capital is like you said, when we were speaking earlier about that's your inventory. So let me ask you about how you guys do deals. What typically collateral, if you do, ask from a potential borrower of yours? Tell me a little bit about that, because that's always a concern among somebody that's going to borrow money.

**Jeremy Bilsky:**

Sure. So we are set up to be a purchaser of accounts receivables. So we're not a lender and our clients are not a borrower. Obviously there's some similarities, but we are set up, again, to buy their accounts receivable that they present to us each week. We look at the credit quality of the obligor, the party that's responsible for paying those accounts receivable, because we want to get paid obviously. That's probably the number one data point that we're most concerned with on an ongoing basis, because you can filter out some of the other noise such as the staffing firm is lacking experience. Maybe they're a startup and they've only been around for six months.

**Jeremy Bilsky:**

It's not something that we overlook, it's important, but they're coming to us because they don't have that established history. And they just landed a big deal where they're going to be billing General Motors a hundred thousand dollars a week, and because their General Motors they're going to have extended payment terms because they can, I'm not knocking GM. It's welcome to the world of dealing with Fortune 1000 companies. It just is, they can do it. And that's how it is. So we look at the credit quality of the General Motors of the world say that's a comfortable place for us. And we set a credit limit that is akin to where obviously GM would not be a problem, but that falls in line with what the client's needs are going to be. And they can continue to grow with that client.

**Gene Marks:**

So let me interrupt if I can. So you're right that you would be looking at the credit worthiness of the end use or the customer like the GM. So GM, you're right, most likely wouldn't be a problem, but it would be a problem if the actual staffing company was not doing a good job providing those services. And then GM is like, we've got the money to pay you, but we're not, because we're not happy or satisfied. In your relationship with your clients, who's on the hook then? And what advice do you have for your clients to make sure that doesn't happen?

**Jeremy Bilsky:**

Yeah. So it's a great question, and it doesn't happen that often, but it does happen where there's a dispute, maybe about the quality of service and it's an inherent risk to our business, and it's one that if it's a quality issue of that nature, the client has to bear that risk and they're ultimately responsible for cleaning it up and making sure that we're left okay, but it fortunately doesn't happen too often. And it relates to another pillar that we look at. We are fixated on the client of ours. So the staffing firm that we're bringing on, what type of staffing experience do they have? We talked earlier about having that team of people that can drive success. Some of that is just inherent knowledge of how it works. Have they been there before?



**Gene Marks:**

What is their process for bringing on workers as well? Temp? You know what I mean?

**Jeremy Bilsky:**

Oh sure.

**Gene Marks:**

... huge, especially.

**Jeremy Bilsky:**

Yes. And the operational side, they need to understand the ebbs and flows, you got to collect the time each week and get that submitted and make sure that it's approved by the end customer. And because if it's not approved, then it's not going to get paid. There's just a [inaudible 00:32:43] of things that need to happen. And we don't intend for this to be boot camp where they learn on the fly. We're all learning every day, but we are looking for people that have been there before, or at least have worked at a firm where it's very frequent someone will come to us and say, I've been making someone else a lot of money for the last decade, running their staffing business. And I have no equity. Now it's my turn. Great. Those are the best calls we get, because they're going to hit the ground running. They know exactly what they're doing and we can help them get there.

**Gene Marks:**

Okay. Tell us a little bit about average days to pay. Why do you feel that, that is such an important metric? Would you say that's the most important metric that when you look at your clients and their own customers?

**Jeremy Bilsky:**

It's definitely important. I get fixated more on changes to that. Why did the number change? So if it's hovering around 40, say why did it go to 45? What's the problem there? Is it because there's an issue with getting the invoices to the client? Is there a credit quality issue that we need to be concerned about? Is the responsible party, the end customer, are they having financial problems? Has there been something goofy going on with their payment habits? Are they maybe short paying or skipping payments or what have you? It's the changes that are most concerning? Obviously you have to set that baseline of expectation. And if a client has 30 day terms, it might not be till day 40 that you see payment because checks in the mail, how the cliché goes, but there's approval process. I'm not belittling people that are making the payments. It's just, if they're paying by check, it takes a couple days longer, or maybe they send the check on a Thursday and you get the weekend in the middle, it could delay things.

**Jeremy Bilsky:**

So really understanding why it went from 40 to 45. That's really the key element. And that's what our people are really adept at diving in and figuring out. And it may not be a concern at all. It might be A okay, there's nothing wrong here. It's just ebbs and flows, or maybe there's something seasonal, just drilling into the data and asking as many questions as you possibly can. Those are the keys of figuring out and not losing sight of managing that risk.

**Gene Marks:**

Got it. So when it comes to average days to pay really, you're looking at the Delta, you're looking at when things change, because that's what raises the red flag in your mind. And again, if you're running a staffing company, that should be the red flag that they'd be looking at as well. Whether or not you're involved or not, that's how you manage receivables. Jeremy, let me talk about the whole food chain of financing

options. If I was running a staffing company, my best and most affordable and cheapest option is just if I've got the cash sitting in the bank and I don't need you or any other financing, that's obviously the best scenario around, but it's not necessarily the most practical scenario that's around.

**Gene Marks:**

You've got traditional banks, which probably offer the lowest interest rates if you can get those loans, and there's challenges to doing that. And then you've got all the way to financing on a credit card, or using some online lenders, which really charts some very steep interest rate. Where do you guys fall? Where does Advance Partners fall in that chain of it from a cost perspective? And then how do you justify that cost? What value do you bring to your clients?

**Jeremy Bilsky:**

Sure. That's a great question. So in terms of the numbers, we're somewhere between bank financing and the credit card space/ merchant cash advance. We're somewhere in the middle. And it varies, it varies, again, based on the credit quality of the clientele being served, the size of the staffing firm, et cetera, but there's some variability to that based on just the different data points that we take a look at. And one of the ways that we justify a higher price than a bank for example, is there's several capacity. Obviously you're not going to be as hampered from a growth perspective, because it's not to say that you're never going to run into a cap, but it's going to be rare. And it's going to be based on things that you know well ahead of time. And it's not something that can't be modified based on further diligence and conversation.

**Jeremy Bilsky:**

So, you're unlikely to get a call from us saying we can't support this project anymore. And the only alternative you're going to have, we don't tell you this, but the firm will have to come to the conclusion. I have to pull my temps because I'm not going to be able to make payroll if they're not going to fund this anymore. It doesn't happen very often, and if it does usually there's a reason for it. But it's the other elements that can be outsourced to a firm like ours, cash application and research. It's become a huge problem in this space, especially in the last 10 to 12 years where so many of the billings that staffing firms have to submit go through vendor management systems, VMS platforms, where it's a challenge, it's a challenge, it's very well tied into serving the needs of the buyer, the user of the labor, and not really as concerned about how the supplier deals with it. The pendulum's definitely that direction.

**Jeremy Bilsky:**

So we have literally an army of people that spend their days researching payments and trying to apply and maintain accurate records, because if you're not running a clean AR aging report the music stops, you could be left holding the bag and not knowing, you might think you're owed \$50,000 and you actually owe them 20 because they've taken credit. So, that's a perverse example. But again, this is an outsource function that we assist with that and the overall credit support and collection support as needed if a client so chooses. And then there's the additional bolt on if they're interested in the payroll processing and invoicing too. So, that's another piece of the puzzle. All of the things I just mentioned here could potentially limit or eliminate overhead that the staffing firm has to bear because they've outsourced some of these functions to us.

**Jeremy Bilsky:**

So it's a trade-off and it's really a matter of where your focus wants to be. I say a lot of times our clients, not because I'm trying to sell them a service they don't need, but just encapsulating what we do as compared to what they do. The more you get from us allows you to focus on sales and marketing, which is probably your passion anyway. Some of the less sexy parts of the business, the operational pieces and the like is a little less exciting. You're not going to get as excited about that as you are landing a \$5 million opportunity that you've been working for three years, this frees you up to do that.

**Gene Marks:**

Yeah. I learned by listening to that very early in the days. I used to be involved in collecting from clients on projects and then it was giving me angina and I handed that over to my bookkeeper. I never hear about it unless it's a problem, which it rarely is. And that way I just don't because then that way I can focus on what I do best and that's what she does best, and she has the right temperament for it. And I think that makes complete sense. All right. Just a couple more questions and I'll leave you go. We're in an era right now of rising interest rates. Tell me how that's impacting your business and your clients and what a staffing firm that wants to do business with you should know.

**Jeremy Bilsky:**

Yeah, it's definitely an interesting time for everyone given the rising rate environment. And we actually have a number of clients that their pricing with us is tied to that, which is pretty common. It's common in our space. And then we have others that have called fixed pricing where it's not tied to ebbs and flows in the market, and I'm getting asked more people want to lock in so to speak at those fixed rates because the writing's on the wall that we can see that rates are going up. There's no question that we're not done yet. I think we all know that. So it's definitely made negotiating a little bit more interesting, but I'm confident that when the dust settles, I don't know when, I don't have a crystal ball, that the borrowing rates, the fed is going to probably come back to where it was.

**Jeremy Bilsky:**

Maybe I don't know if it's going to settle in with the prime rate, for example, being at three and a quarter, like it was for over a decade coming out of the Great Recession, but I think it's going to be bumpy for the next couple years and there's just no avoiding it, but maybe it's not as long as people are anticipating, but I would say it's definitely making it a different conversation that we're having now with prospects in particular that are talking to banks, because banks are not going to give you a fixed rate. They will on a mortgage, but not on a line of credit. So it could present some opportunity, but I think it's going to yo-yo. So I think there might be some upside today and downside tomorrow. It should all even itself out. But at the end of the day, the most pressing need is that these firms are well capitalized and they have what they need. I'm not saying that obviously cost is extremely important, very important, but winning is more important, having the capital to do it.

**Gene Marks:**

I agree. And my take on that as well, just as an accountant's point of view is that if you know your math, you can build in any rate increases in the fees that you're charging to your clients across the board. So even if an interest rate has gone up a basis point, if you spread that among your entire client base and maybe you're in, instead of charging \$26 an hour for somebody, it's \$26 and 30 cents an hour, it's unlikely that your customers are going to really balk at that. And yet when you do it across the board, it makes up for the increase in those rates.

**Jeremy Bilsky:**

Absolutely. And quick point on that, there's been a major push the last, I'd say 12 to 18 months from our clients to increase their markups because of inflation, because of rising wages, additional costs. And I'm hopeful that some of those increases will brace them for maybe paying a little bit more for their financing, wherever they are. And there's probably opportunities for additional increases. We're not done with this rising inflation environment too. And where customers were not receptive to having the staffing firm raise their rates a couple years ago. They're way more flexible now. They need the people so badly right now, they're less likely to say no. And they know that the struggle is real given the economic situation tightening margins because of inflation. So hopefully some of that can offset some of the increased financing costs.

**Gene Marks:**

Yeah, I agree. And it's been 10 to 15 years since you really had the opportunity to really raise rates anyway. So there is a little bit of catch up involved. And a lot of corporations are doing that right now. Just recently there was reported that corporate margins, Fortune 500 companies are at the highest level that they've seen in the past 60 years. And I think that's because a lot of larger corporations are increasing costs, increasing their prices even more than what their cost increases have been, because they know they can get away with it and they are making up for lost time. So their margin are that much. And even your smaller firms, and if you're running a smaller staffing agency, you should be keeping that in mind, it's math and I think it'd be passed down.

**Gene Marks:**

So Jeremy, so we're pretty much on time. Before I let you go just, again, you're speaking to people running staffing businesses, they are in this industry, you've been doing this for 19 years. Little crystal ball looking forward, what advice do you have for those of us that are in that service industry to keep your head in the game and continue to manage your business profitably over the next year or so?

**Jeremy Bilsky:**

My advice is, as talked about earlier, there're 10 million open jobs in this country, as of right now, maybe 10 and a half. I know it's fluctuating, was as high as 11.3, as long as the Delta between that and the available labor force is anything near that, and I don't what the meaningful number is to hit bottom. It was 1,000,005 before the pandemic. So we were already in a tight labor market. I know there's plenty of recession talk. I think this recession might redefine what a recession is, because I don't think that you're going to have a big unemployment number with all these open positions.

**Jeremy Bilsky:**

My advice is it's a great time to be in the business because of that relevance we talked about earlier, because it's so hard to find people. And there's so many other factors that key into the fact that this is not going to change, it may never change it. Never is a long time, but declining birth rates, immigration challenges, retiring workforce, fewer people working in general. There's a lot of things that go to why companies need staffing firms. So if you can find the people, which is always the hardest part, you're going to be successful. I'm confident of that. And that's why I think the industry is in really good shape. And I think it's going to be some bumps, but I think it's a good time to be there. The growth is there and there's a ton of opportunity.

**Gene Marks:**

Jeremy Bilsky is Senior Director and General Manager at Advance Partners, a Paychex company. Jeremy, hey, this is a great conversation. Thank you so much for joining me. I had a lot of fun

**Jeremy Bilsky:**

As did I, Gene. Thank you very much.

**Gene Marks:**

Thank you. Hey everybody, you've been listening to Paychex THRIVE Podcast. My name is Gene Marks. Thank you so much for joining us. If you have any advice or you would like to suggest guests or comments for us, please visit us at [payx.me/thrivetopics](https://payx.me/thrivetopics). That's P-A-Y-X.me/thrivetopics. Thanks again for listening. Hope you got some good information here. We will see you again soon. Take care.

**Gene Marks:**

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**Announcer:**

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