

# Temporary Help Agency

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## **Temporary Help Agency**

Minimum Start-Up: \$10,000

Average Start-Up: \$100,000

Revenue; \$100,000 - \$2.5Mil

Profits; \$25,000 - \$250,000

One Person Business: Yes

The high cost of maintaining a full-time employee contributes to the growth of the temp-help business.

Advancement in computer hardware and software enables companies to staff mean and lean, preferring to hire temps during peak seasons rather than lay off workers during slower times. On any given day, over 1 million people work on temporary assignments. By 1995, trade statistics estimate that 1.25 million jobs will go by way of "temps", creating an aggregate annual payroll of about \$10 billion.

These figures suggest that the temporary help business is here to stay. It is one to watch through the turn of the century. Unlike the temp boom of the late 70s, today's temp-help has gone beyond clerical help, with 37% of placements involving professionals.

### **JOB MATCHMAKER**

A temporary-help service acts as a matchmaker between businesses seeking temporary help and individuals who want a job. The temporary agency pays the employee on a weekly basis a set rate, and in turn bills the business/client a predetermined rate, usually 10% to 15% more than was paid the employee.

### **START-UP HURDLE**

If there is a single hurdle that makes starting a temporary-help agency "difficult", it has to do with your ability to cover the payroll up front.

As a temp agency, the demand for cash flow presents a two-sided problem. While you are expected to pay your workers on a weekly basis, you are also expected to extend your clients 30 to 60 days credit. So while you're waiting to get paid, you need to have enough cash to cover your payroll. For example, if you place 10 workers at 40 hours each for the week, at a rate of \$8 an hour, it would require \$3,200 cash for the week. That's \$12,800 in 4 weeks!

To avoid this problem, it is advisable to hire your workers as independent

contractors. You can act as their agent, and collect your commission when they are paid.