



# State of the Industry

A Quarterly Executive Webinar Series

# Today's Presenters



**Mark Roberts**  
CEO, TechServe Alliance



**Jim Janesky**  
Sr. Advisor, Corporate  
Advisory Group, Peapack  
Private Investment Banking

# IT & Engineering Employment

# Quarterly Unemployment Rate

5.9%

Overall  
Unemployment

Source: BLS

# Quarterly Unemployment Rate

2.4%

## IT Unemployment

Source: BLS; TechServe Alliance

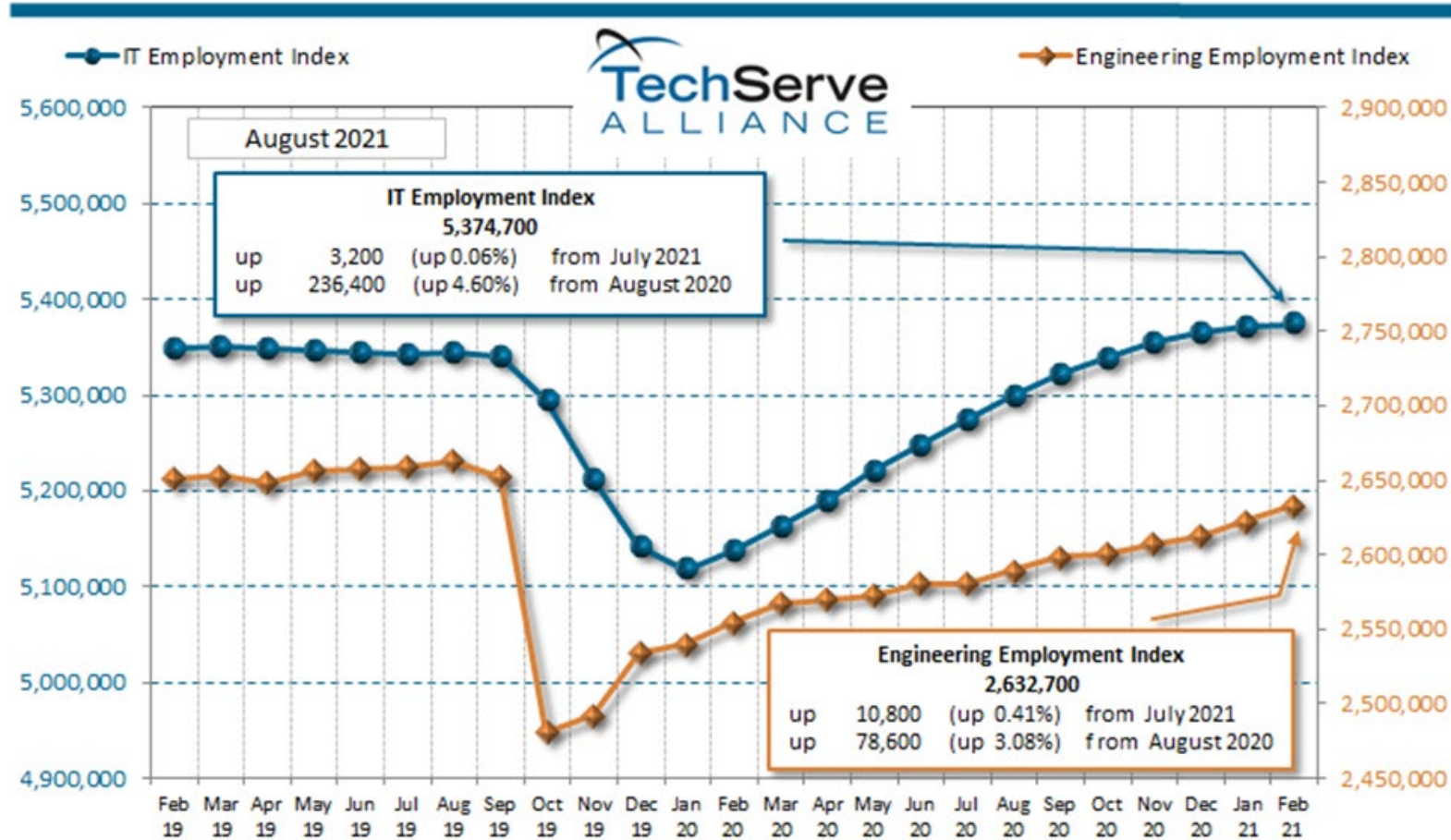
# Quarterly Unemployment Rate

3.1%

## Engineering Unemployment

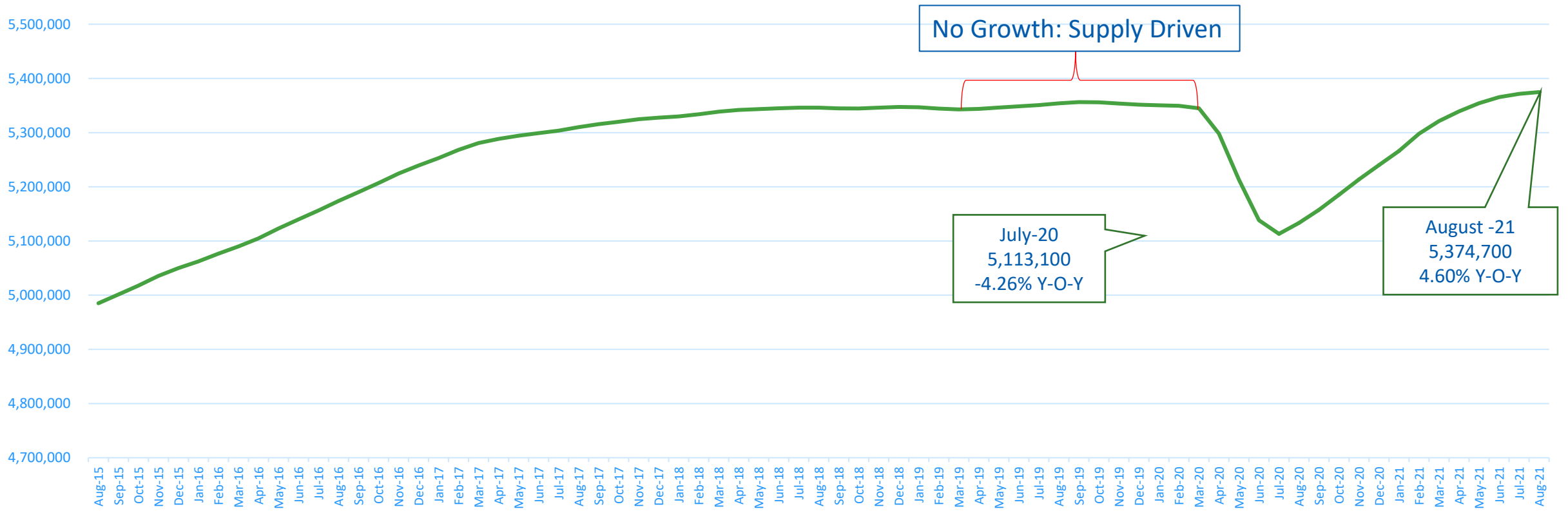
Source: BLS; TechServe Alliance

# IT & Engineering Employment Index



Source: TechServe Alliance, Alexandria, VA | [www.techservealliance.org](http://www.techservealliance.org)

# IT Employment Index Through August 2021



Source: BLS; TechServe Alliance





# Quarterly Unemployment Rate



## ENGINEERING UNEMPLOYMENT BY SKILL SETS

ARCHITECTURAL ENGINEERS: 3.2%

CIVIL ENGINEERS: 4.7%

INDUSTRIAL ENGINEERS: 0.8%

ELECTRICAL & ELECTRONIC ENGINEERS: 1.3%

MECHANICAL ENGINEERS: 5.6%

# Quarterly Unemployment Rate

## IT UNEMPLOYMENT BY SKILL SETS

COMPUTER PROGRAMMERS

4.7%

NETWORK & COMPUTER SYSTEMS ADMINISTRATORS

4.4%

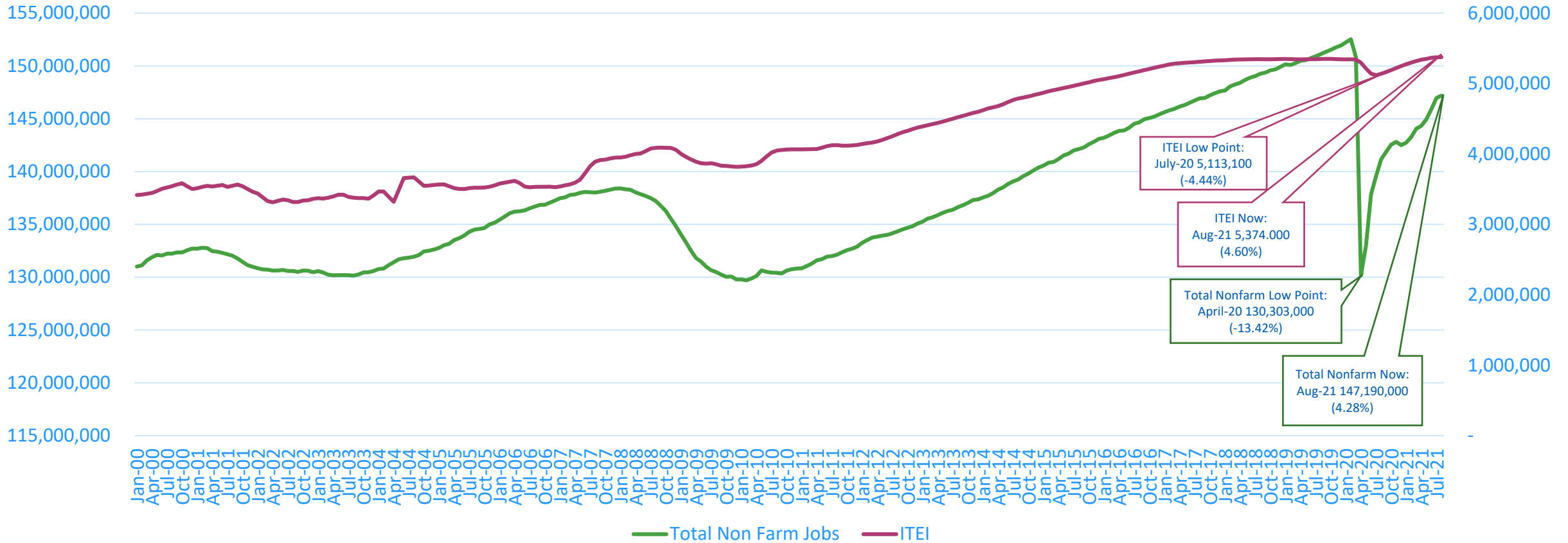
COMPUTER SUPPORT SPECIALISTS

3.9%

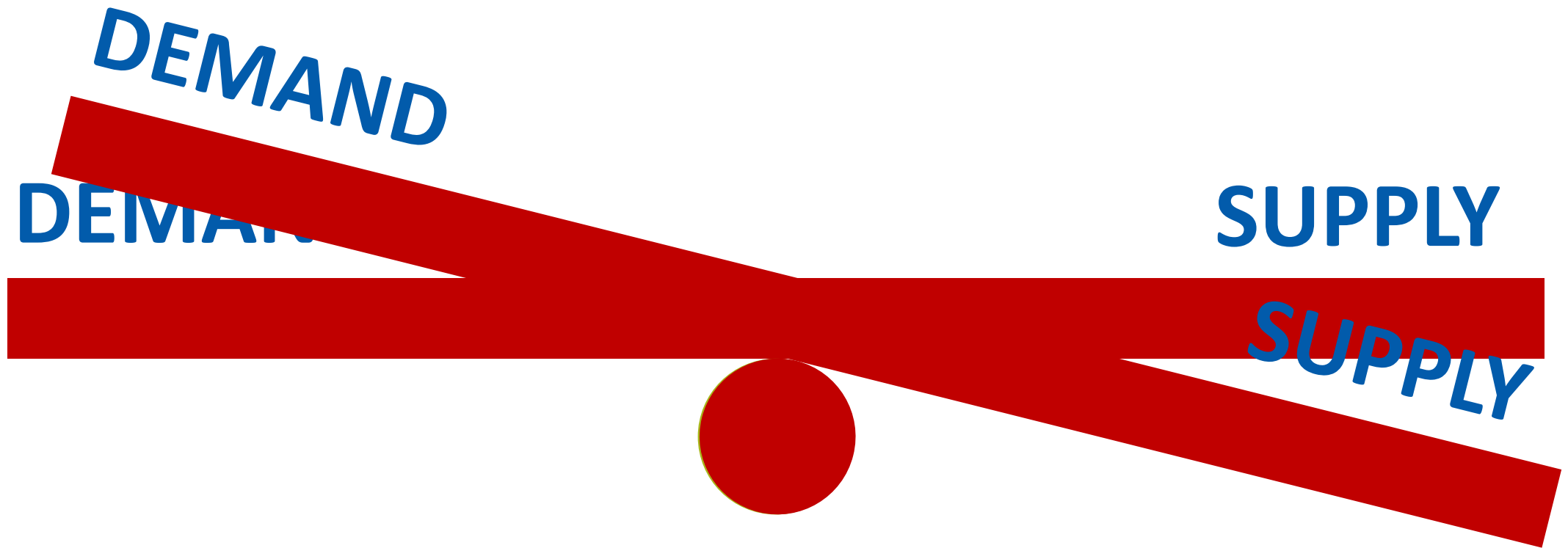
SOFTWARE QUALITY ASSURANCE ANALYSTS &  
TESTERS

2.9%

# IT Employment v. Total Nonfarm Jobs



# IT & Engineering Talent: The 'Good' Problem?



# Public Policy Impacting the Industry

# Public Policy



# Historic Federal Response to Pandemic

To-Date: 5 primary  
Emergency Funding/Rescue  
bills exceeding \$6 Trillion,  
plus stand-alone PPP  
changes

Phase 1: H.R. 6074, P.L. 116-123  
Coronavirus Preparedness and  
Response Supplemental  
Appropriations Act

- \$8.3 billion emergency supplemental for the health-care system and other urgent matters, including small business disaster loans

Phase 2: H.R. 6201, P.L. 116-127  
Families First Coronavirus  
Response Act

- \$100 billion rescue package expanded unemployment insurance and created emergency paid sick and family leave programs for impacted workers; established 100% payroll-tax refund/reimbursement program

Phase 3: H.R. 748, P.L. 116-136  
Coronavirus Aid, Relief, and  
Economic Security Act, “CARES”  
Act

- \$2 trillion economic rescue package for workers, small businesses, larger companies
- Established SBA Paycheck Protection Program (PPP); Mid-Level Funding, & Employee Retention Tax Credits

Phase 4: H.R. 133, P.L. 116-260  
Consolidated Appropriations Act,  
2021 (December 27, 2020)

- Included \$900 billion for COVID-19 relief, \$1.4 trillion in annual appropriations, and various tax measures

Phase 5: H.R. 1319, P.L. 117-2  
American Rescue Plan Act of 2021  
(March 18, 2021)

# Biden Administration's "American Jobs Plan" (Infrastructure)

## Proposed Phase 6: H.R. 3684, "Infrastructure Investment and Jobs Act"

- Original Administration \$2.25 trillion proposal (American Jobs Plan) faced opposition in the Senate
- White House/Senate Republican negotiations broke down in June
- Bipartisan Senate working group and White House crafted a compromise bill
- On 8/10/2021, Senate passed the bill on bipartisan vote, 60-39
  - 19 Republicans voting yes, including Senator McConnell
  - \$1.2 trillion bill, with \$550 billion in new spending for roads, bridges and other transportation projects, public transit, airports, Amtrak, electric school buses, and broadband internet
- Challenge: new funding, but severe shortage of skilled workers, building trades
- House is expected to vote on Infrastructure bill by September 27
- Certain American Jobs Plan provisions dropped from compromise Infrastructure bill may be included in the \$3.5 trillion Reconciliation package, including immigration reform



Photo: New York Times



# Budget Reconciliation: Social Spending & Limited Immigration Reform?



- Two-Track Process for Next Step Pandemic Response
  - Bipartisan, compromise \$1.2 trillion Infrastructure bill (passed Senate, pending House vote)
  - Democrat-proposed \$3.5 trillion social spending bill through Budget Reconciliation Process
- House and Senate are marking up Reconciliation bills now; votes expected in September
- Why Budget Reconciliation Process? In Senate, bill passes with majority vote, but budgetary effects must be substantial, direct and intended result and non-budgetary effects cannot be merely incidental
- Senate Parliamentarian plays key role in determining if provisions pass the “Byrd Bath” (minimum wage increase was forced out of American Rescue Plan), awaiting decision on how to proceed
- Republicans and business community generally oppose even though includes many provisions they support, e.g., limited immigration reform
- While only 51 votes are needed to pass the bill, Senator Joe Manchin (D-WV) is balking at the pricetag and Senator Kyrsten Sinema (D-AZ)’s support is not certain

# Budget Reconciliation: Senate Draft “Build Back Better Act”

- On 9/10/2021, Senate Democrats pitched the Senate Parliamentarian on why the immigration provisions comply with Reconciliation rules; Republicans presented counterarguments
- On 9/13/2021, Parliamentarian asked Democrats for more information. Their plan would generally
  - provide path to permanent legal status for 8 million immigrants, including Dreamers, temporary protected status holders, agricultural and other essential workers
  - restore the availability of immigrant visas lost due to COVID-19 or bureaucratic delay
  - enhance green card processing
- Majority Leader Chuck Schumer (D-NY) set Wednesday deadline to complete markups; Senate Judiciary Committee may need more time pending Parliamentarian decision



# Budget Reconciliation: House Draft “Build Back Better Act”

- On 9/13/2021, House Judiciary Committee marked up bill, provisions very favorable for employment-based immigration, in addition to Dreamers:
  - Certain employment-based immigrants can adjust to perm status without numerical limit by paying \$5,000 supplemental fee; employers can also pay fee on behalf of employee
  - Recaptures a minimum of 226,000 unused employment-based and family visas; appropriates \$2.8 billion to USCIS to reduce backlogs
  - Allows employment-based immigrants who qualify as “essential workers” to convert to permanent resident status; TechServe members should review DHS 8/16/2021 memo that identifies “essential workers”
  - DACA status, Temporary Preferred Status, and Deferred Enforced Departure individuals can receive permanent status if pay \$1,500 supplemental fee, qualifications vary by group
  - Children of backlogged H-1B visa holders may qualify for converted status

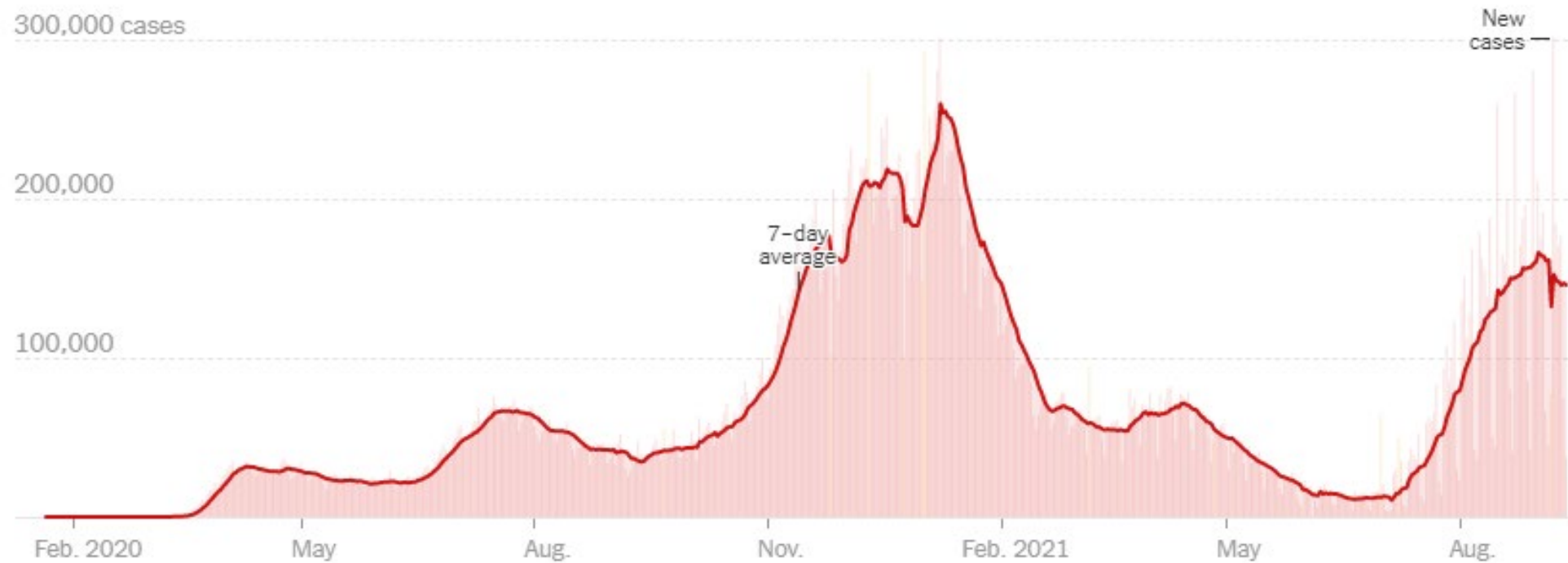


## Potential Impact:

- *H-1B lottery becomes less important*
- *helps U.S. employers retain talent*
- *potentially helps U.S. universities through OPT (Forbes)*

# COVID Infections in the US

## New reported cases



# Vaccination Mandates: Private Sector Action & Executive Orders

- Vaccines were in high demand from December 2020 through around May 2021; Americans stood in long virtual and in-person lines to get appointments and their shots.
- Around May, demand began to taper off, CDC told those vaccinated masks no longer required indoors, hoping to encourage hold-outs to vaccinate.
- By July, the Biden Administration, employers, non-profits, and others increased outreach campaigns using moral persuasion to increase vaccination rate.
- On July 29, OMB announced Federal Employees and onsite contractors would have to attest to vaccination, with regular testing for those who were not vaccinated.
- Business groups supported federal government efforts:
  - U.S. Chamber President advocated it's better for the economy to vaccinate.



Photo: APNews

# Vaccinations and the Workforce: Private Sector

- After the Delta variant hit the U.S. in July and cases started to rise in August, private employers began to mandate vaccinations for employees (and others) with deadlines generally timed after FDA provided full approval. Many colleges and universities also required vaccines.
- Mandates included exceptions for health conditions and religious beliefs along with regular testing.
- Employers leading the effort included:
  - U.S. Chamber of Commerce-all workers including virtual, plus visitors
  - National Association of Manufacturers
  - Business Roundtable
  - Microsoft
  - Citigroup
  - Google
  - United Airlines
  - Fox News
  - Many labor organizations (e.g., teachers) demanded that employers adopt mandatory vaccination requirements; others wanted this handled (quickly) through collective bargaining



# Vaccination Mandates: Path out of the Pandemic

On 9/9/2021, President Biden outlined a new “Path Out of the Pandemic” plan including two Executive Orders impacting federal employees and contractors and a DOL/OSHA Emergency Temporary Standard to cover large employers.

## Three Goals:

- Increase vaccination rate
- Decrease hospitalizations
- Keep schools and economy open

## Impact:

- 80 million private sector workers will be covered
- 17 million health care workers
- 300,000 head start workers
- Calls on governors to require teachers to be vaccinated
- Encourages employers not covered to follow it

# Vaccination Mandates: Federal Workers and Contractors



## **Executive Order on Requiring Coronavirus Vaccination for Federal Employees**

- Mandates vaccination for all federal employees, subject only to exemptions required by law
- Safer Federal Workplace Task Force will issue guidance within 7 days of 9/9/2021 EO
- Some agencies have already adopted mandatory vaccination, e.g., DoD, HHS, VA

## **Executive Order on Ensuring Adequate COVID Safety Protocols for Federal Contractors**

- Vaccine mandate extended to federal contractors, regardless of whether workers are on site
- Would apply to new contracts entered into generally after October 15, including contracts for services
- Applies to subcontractors and likely remote workers
- Safer Federal Workplace Task Force will issue guidance by September 24; must be approved by OMB



# Vaccination Mandates: Department of Labor/OSHA Emergency Temporary Standards

## DOL/OSHA Developing Emergency Temporary Standard to Mandate COVID-19 Vaccinations at Large Employers

- Basis: workplace safety
- Impacts employers with 100+ employees
- Workers must be vaccinated or produce negative test weekly
- Workers must receive paid time off to vaccinate and recover
- 80 million workers will be covered
- Noted gap: retirees who are among the most vulnerable

Encourages employers not covered by EO to adopt plan

# Vaccination Mandates: Department of Labor/OSHA Emergency Temporary Standards

- On 09/10/2021, DOL held a briefing for private sector employers on the Vaccine Executive Order and OSHA Emergency Temporary Standards (ETS)
- OSHA will issue Emergency Temporary Standard “in the coming weeks” (expected within weeks)
- Questions Answered/Questions to be Answered in ETS:
  - Testing: ETS will address who pays
  - Public Input:
    - ETS will ask for comments, employers should file comments in this fast-track proceedings
  - Remote Workers:
    - EO will not apply to strictly remote workers
    - EO applies to employees who come into the office or work outside the office with others
  - Employee refuses vaccination:
    - Whether an employee could be fired is outside the scope of the OSHA ETS
    - Employers need a plan/standards for mandatory vaccinations and/or regular testing and consequences for not complying

# Biden Administration Regulatory Policies



Courts enjoined many Trump Administration anti-immigrant proclamations and pending H-1B visa regulations

The Biden Administration immediately rescinded or delayed many recently finalized or pending Trump Administration regulations in the areas of non-immigrant employment visas, prevailing wage levels, and worker classification (independent contractor status).

The Biden Administration marks a return to more labor-friendly policies while being staff have been accessible and are listening to concerns.

# Impact of 2020 Q4 Policy Changes and Litigation



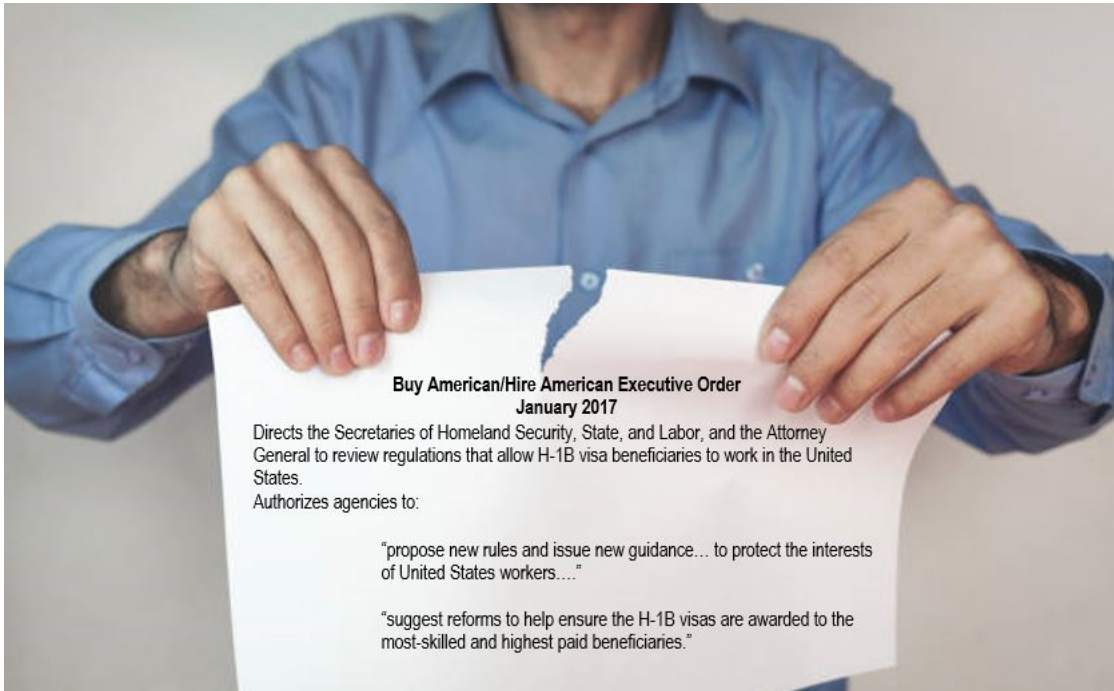
## Denial Rate for H-1B Petitions for Initial (New) Employment

FISCAL YEAR	DENIAL RATE
FY 2021	7%*
FY 2020	13%
FY 2019	21%
FY 2018	24%
FY 2017	13%
FY 2016	10%
FY 2015	6%

- Memos and interpretations resulted in much higher denial rates, for IT services companies in particular.
- Denial rates for 10 of top 25 employers of new H-1B visa holders dropped from around 23% to 58% during FY 2020 Q1-3 to between 1% to 4% in FY 2020 Q4.
- Dramatic Drop attributable to Settlement Agreement Rescinding USCIS “Contracts and Itineraries Requirements for H-1B Petitions Involving Third-Party Worksites” (Feb. 2018) and Neufeld Memo (2010)



# Biden Administration's Reversal of Trump Policies



- President Biden on January 25, 2021 rescinded the Trump Administration's "Buy American Hire/American" Executive Order that was used to restrict high-skilled immigration and as the basis for October 2020 Interim Final Rules
- Expressed support for high-skilled immigration, but appears to question impact on wages
- Bipartisan support for some provisions such as increasing prevailing wages

# Regulatory Status: Rules, Policies, Litigation Developments



## Expired (Trump) Presidential Action

Proclamation 10052, Blocked new nonimmigrant visas (including H-1B, H-4, L) during pandemic, expired 3/31/2021

## Policies

DHS: Computer Programmer Memo Rescinded 2/3/2021

## Regulations

### Delayed Implementation and/or Successful Litigation

DHS: H-1B Visa Fee Rule (8/3/2020) implementation blocked due to litigation (*new NPRM expected Fall 2021*)

DOL: H-1B Prevailing Wage Rule delayed to 11/14/22 **but on 6/23/2021 a federal judge vacated final rule** (*additional review underway, new NPRM expected Fall 2021*)

DHS: H-1B Selection Prioritization Rule delayed to 12/31/2021 (*lawsuit filed 5/2021; on 9/8/2021 Judge indicated he was inclined to rule for Plaintiff Chamber of Commerce on basis Acting Secretary Wolf not properly appointed and acted without authority; awaiting final order*)

NLRA: Definition of Joint Employer, new Biden Admin regulations under review

### Withdrawn

DOL: Definition of Independent Contractor, effective 5/6/2021

### Not Published/Never Implemented

DHS: Strengthening H-1B Nonimmigrant Visa Program (*new NPRM expected Fall/Winter 2021*)

# USCIS Replaces Three Trump-Era Legal Immigration Policies



USCIS on 6/6/2021 reversed or revised burdensome Trump Administration regulatory policies that severely impacted non-immigrant employment visas.

- **Requests for Evidence and Notices of Intent to Deny**

- USCIS revoked the July 2018 memo that allowed agency officers to deny immigration benefits without notice or reason. This memo and policy resulted in extraordinary high petition rejection rates. The June 9 Policy Memo in part reinstates the June 2013 policy that required agency officers to first issue a Request for Evidence (RFE) or Notice of Intent to Deny (NOID) if additional information could demonstrate eligibility for an immigration benefit.
- The agency noted that “[T]his updated policy will ensure that benefit requestors are given an opportunity to correct innocent mistakes and unintentional omissions.”

- **Employment Authorization Documents**

- Revised USCIS policy will increase the current one-year validity period on initial and renewal EADs to two years for certain adjustment of status applicants.

- **Expedited Processing**

- USCIS updated the policy for when expedited processing may be appropriate and provided additional criteria to the petitioner and the agency officer. Criteria includes, but is not limited to, “severe financial loss to a company or person” or urgent humanitarian need. Petitions are adjudicated on a case-by-case basis.

# Biden Administration Next Steps on H-1B Visa Rules

- DHS/USCIS is reviewing and replacing Trump Administration policies as directed by President Biden’s February 2, 2021 “Executive Order on Restoring our Faith in our Legal Immigration Systems and Strengthening Integration and Inclusion Efforts for New Americans”
- DHS/USCIS is working on new Rules to fill gaps in guidance resulting from
  - Litigation
  - policy rescissions
- OMB Office of Information & Regulatory Affairs, Spring 2021 Agency Rule List includes:
  - DHS/USCIS: U.S. Citizenship and Immigration Services Fee Schedule (new)
  - DHS/USCIS: Modernizing H-1B Requirements and Oversight and Providing Flexibility in the F-1 Program (new)
  - DOL: Strengthening Wage Protections for the Temporary and Permanent Employment of Certain Aliens in the United States (DOL)



# DHS: Modernizing H-1B Requirements and Oversight and Providing Flexibility in the F-1 Program

## Proposed Rule included in Spring 2021 Unified Agency Regulatory Agenda

- NPRM projected 12/2021
- Proposed rule would amend regulations governing H-1B specialty occupation workers and F-1 students who are the beneficiaries of timely filed H-1B cap-subject petitions, including
  - **define “employer-employee relationship”**
  - establish new requirements for site visits including regarding petitions filed by H-1B dependent employers and H-1B petitions where there is indicia of fraud
  - provide flexibility on the employment start date listed on the petition (in limited circumstances)
  - address "cap-gap" issues
  - streamline notification requirements relating to certain worksite changes



# Executive Order: Competition in the American Economy

July 2021 Executive Order calls on multiple federal agencies to address limits on competition in the marketplace. Provisions of interest:

- **Non-Competes:** directs Federal Trade Commission (FTC) to engage in rulemaking to curtail use of clauses that may unfairly limit worker mobility, including non-competes.
- **Wage Collusion:** directs the Attorney General and the FTC to consider revising the Antitrust Guidance for Human Resource Professionals of October 2016.



Administration | Priorities | COVID Plan

EXECUTIVE ORDER

## Executive Order on Promoting Competition in the American Economy

JULY 09, 2021 • PRESIDENTIAL ACTION



### ANTITRUST GUIDANCE FOR HUMAN RESOURCE PROFESSIONALS

DEPARTMENT OF JUSTICE  
ANTITRUST DIVISION

FEDERAL TRADE COMMISSION

OCTOBER 2016



# 117<sup>th</sup> Congress: The Senate

## Senate: 50/50 Split Control, Power-Sharing Agreement

### Senate Leadership Change

- Vice-President Kamala Harris, tie-breaking vote
  - Past sponsor, S.386, to eliminate per-country caps
- Majority Leader Chuck Schumer (D-NY)
  - Friend of Staffing Firms/Supportive of Industry

### Senate Judiciary Committee, Leadership Change

- Senator Dick Durbin (D-IL), new chair
- Senator Chuck Grassley (R-IA), new ranking member
  - Durbin/Grassley bill would restrict staffing firm access to H-1B workers (not yet introduced)
- Border Security & Immigration Subcommittee
  - Senators Durbin & John Cornyn (R-TX) chair/ranking

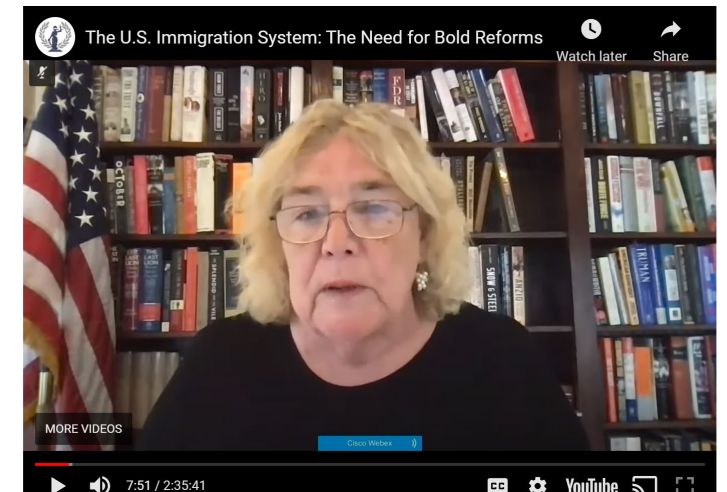


# 117<sup>th</sup> Congress: House of Representatives

## Razor-thin Democratic Majority

### House Judiciary Committee

- Immigration Subcommittee hearings:  
“The U.S. Immigration System: The Need for Bold Reforms” 2/11/2021  
“Oh, Canada! How Outdated U.S. Immigration Policies Push To Talent to Other Countries” 7/13/2021
- Rep. Zoe Lofgren (D-CA) chairs the Subcommittee  
Rep. Tom McClintock (R-CA) serves as ranking member
- Chair Lofgren is focused on revising Immigration and Nationality Act (INA) and introduce new visa program bills, passage of any immigration legislation is unlikely given divisive nature of immigration issues.



# Post COVID-19 Economics: Stimulus Funding, Monetary Policy, Inflation



## Fiscal Stimulus

- 5 federal government rescue and recovery packages since March 2020
- Packages to-date total approximately \$6 Trillion
- Biden Administration's pending infrastructure bill, the "American Jobs Plan," could add another \$900 billion to \$1.7 trillion. Numbers fluctuate. Negotiation Status Changes Daily

## Inflation Concerns

- August CPI increased by 5.3% year over year, signs of easing
- Inflationary pressure from economy reopening, supply chain constraints, worker shortages

# Impact of Stimulus Funding & Monetary Policy

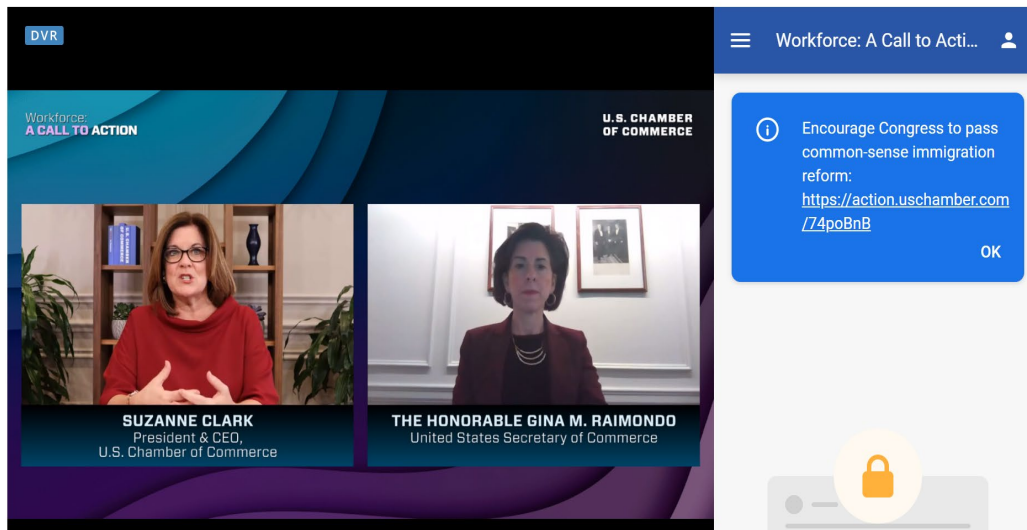


- Federal Reserve Chairman Jerome Powell reassured investors on 8/27/2021 that interest rate hikes are not imminent.
- Powell believes current inflationary increases are transitory, market needs time to level off
- However, several Fed regional vice presidents recently have expressed concern:
  - The Great Supply Chain Disruption continues. Shipping issues, labor shortages, production delays, and increased demand contributes to shortages of many products, including computer chips, food ingredients, construction materials. Positive news: used car prices have stabilized.
  - August Jobs report shows wages increasing as hiring remains weak. (CNBC, 09/07/2021)
- Powell stated, “Today [08/27/2021] we see little evidence of wage increases that might threaten excessive.” Powell sees “wages moving up at a pace that appears consistent with our longer-term inflation objective.”

# American Workforce Shortage, Talent Gap Crisis



## Workforce: A Call to Action



- A mismatch of workers to jobs now exists - too many workers without jobs, too many open positions.
- Bureau of Labor Statistics (BLS) 09/08/2021 report shows a widening gap with
  - 10.9 million available jobs
  - 8.7 million unemployed workers
  - Shortage of workers spans across all industries.
  - Professional and business services and education and health services have Worker Shortage Indexes below 0.5, meaning there are double the number of job openings as unemployed workers. Source: U.S. Chamber

*“The worker shortage is real-and it’s getting worse by the day . . . [it’s] a national economic emergency, and it poses an imminent threat to our fragile recovery and America’s great resurgence.”*

U.S. Chamber of Commerce President and CEO Suzanne Clark, June 1, 2021



# American Workforce Shortage, Talent Gap Crisis

- On June 1, the U.S. Chamber launched its “America Works” campaign to address the worker shortage. A suite of federal and/or state legislative proposals call for
  - training more Americans for in-demand jobs
  - removing barriers to work (e.g., childcare)
  - **Doubling employment-based immigration and visas (including H-1Bs and H-2Bs)**
- States can use funding from the Biden Administration’s recently enacted American Rescue Plan to address job training and childcare.
- Increased technical training, in the long run, and increased numbers of H-1B visas, in the short-term, would benefit the IT and Engineering staffing industry which has for many years experienced a technical talent shortage. These efforts should also help ensure that tech positions are not sent offshore.



U.S. CHAMBER OF COMMERCE

America must attract the world's best and brightest.

**CONGRESS: DOUBLE THE CAP  
ON EMPLOYMENT-BASED VISAS.  
DOUBLE THE QUOTA ON H-1B  
& H-2B VISAS.**

#AmericaWorks



# TechServe Regulatory & Legislative Advocacy: Member Involvement

TechServe members are important partners in our advocacy program

- Establishing constituent relationships (before a crisis occurs)
- Explaining business models
- Discussing economic impact of IT/Engineering staffing firms
- Providing technical information about a proposed regulation or bill

Successes include Pass-Through Deduction available to our Industry

Near and Long-Term Advocacy 2021-2022

- DHS/DOL comments on H-1B visa and prevailing wage issues
- Congressional action on immigration and independent contractors

Get Involved!

- Contact us at [staff@techservealliance.org](mailto:staff@techservealliance.org) for more information



*“The best groups find influential citizens to singularly focus on one issue. The heavy lifting is not done by paid lobbyists—it’s done by citizens.” - U.S. Senator*

# Industry Metrics

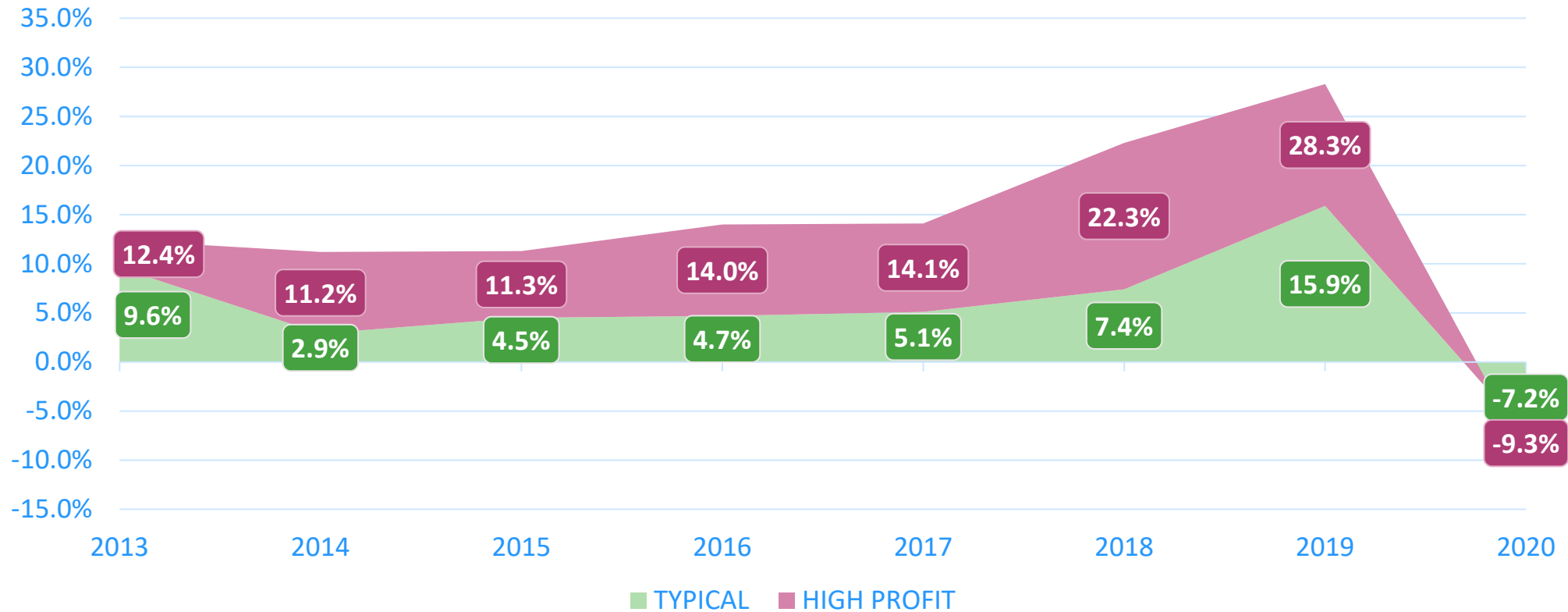
## 2021 TechServe Alliance Operating Practice Report

### IT & Engineering Staffing Dashboard™

Sponsored By:



# Top Line Revenue



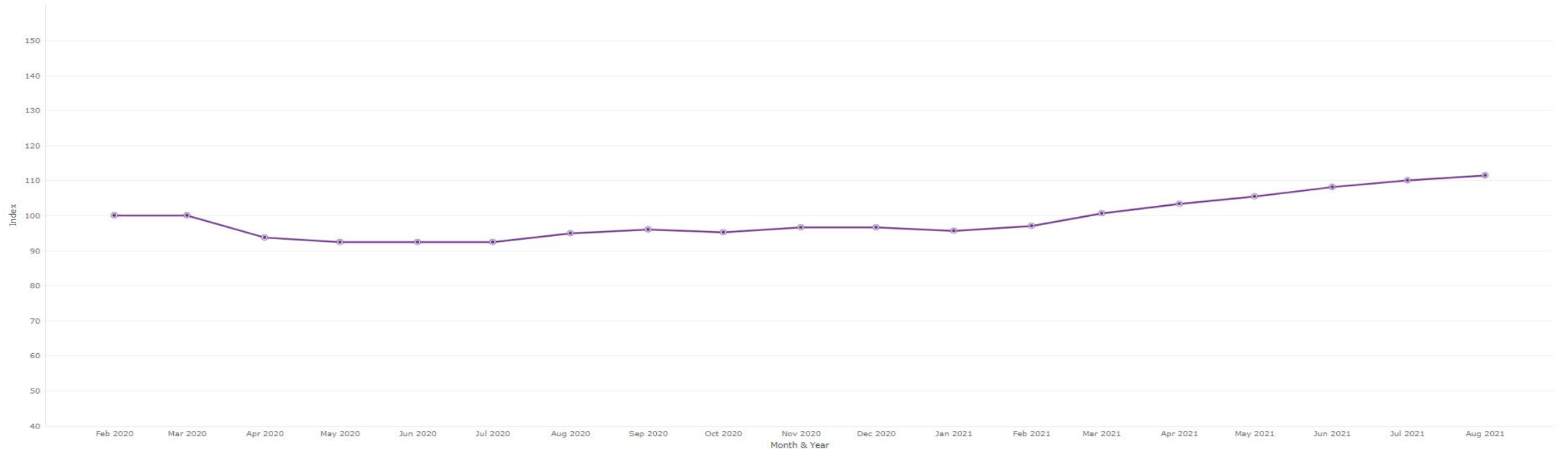
# Industry KPIs: Consultants on Billing

## Consultants on Billing

**Current**  
**11.4% ▲**  
Aug 2021

**Low Point (Post Covid)**  
**-7.6% ▼**  
(May 2020)

Index: Consultants on Billing



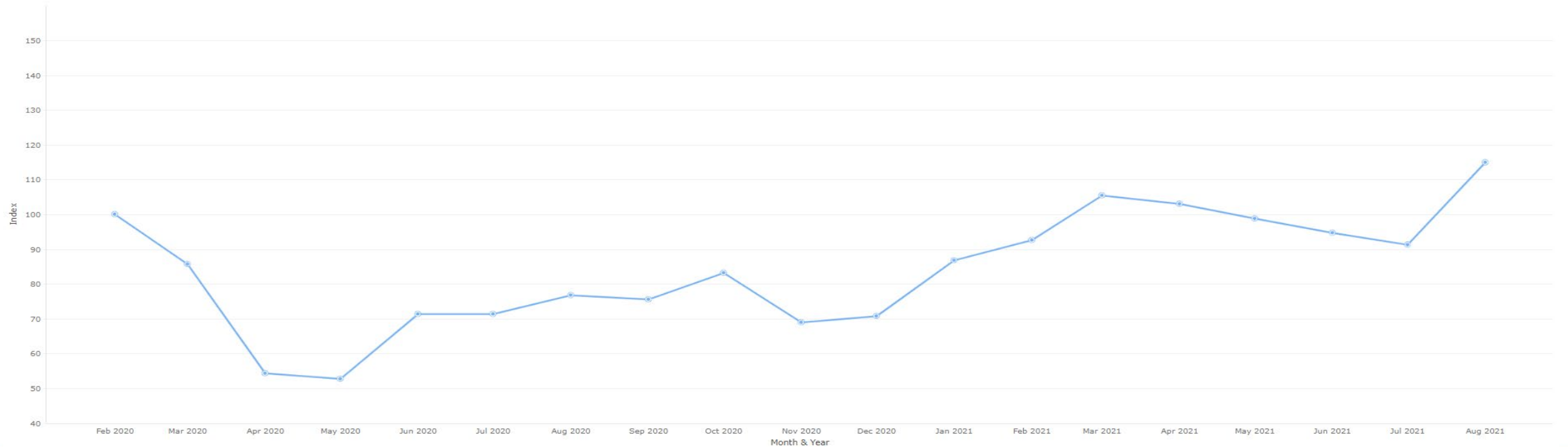
# Industry KPIs: New Job Orders

## New Job Orders

**Current**  
**14.9% ▲**  
Aug 2021

**Low Point (Post Covid)**  
**-47.2% ▼**  
May 2020

Index: New Job Orders



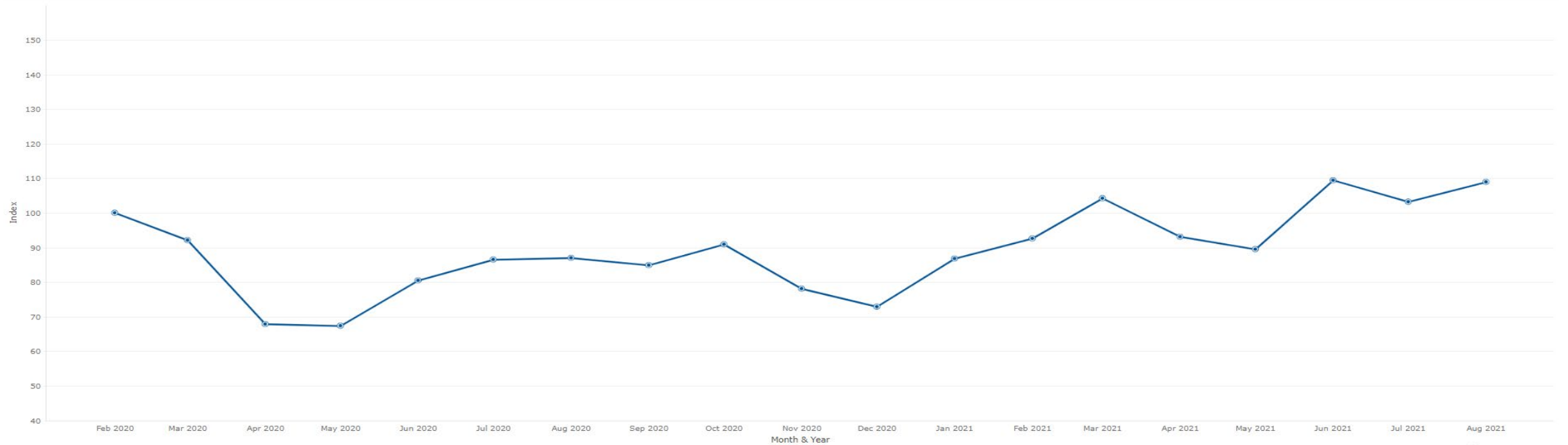
# Industry KPIs: Submissions

## Submissions

**Current**  
**8.9% ▲**  
Aug 2021

**Low Point (Post Covid)**  
**-32.6% ▼**  
May 2020

Index: Submissions



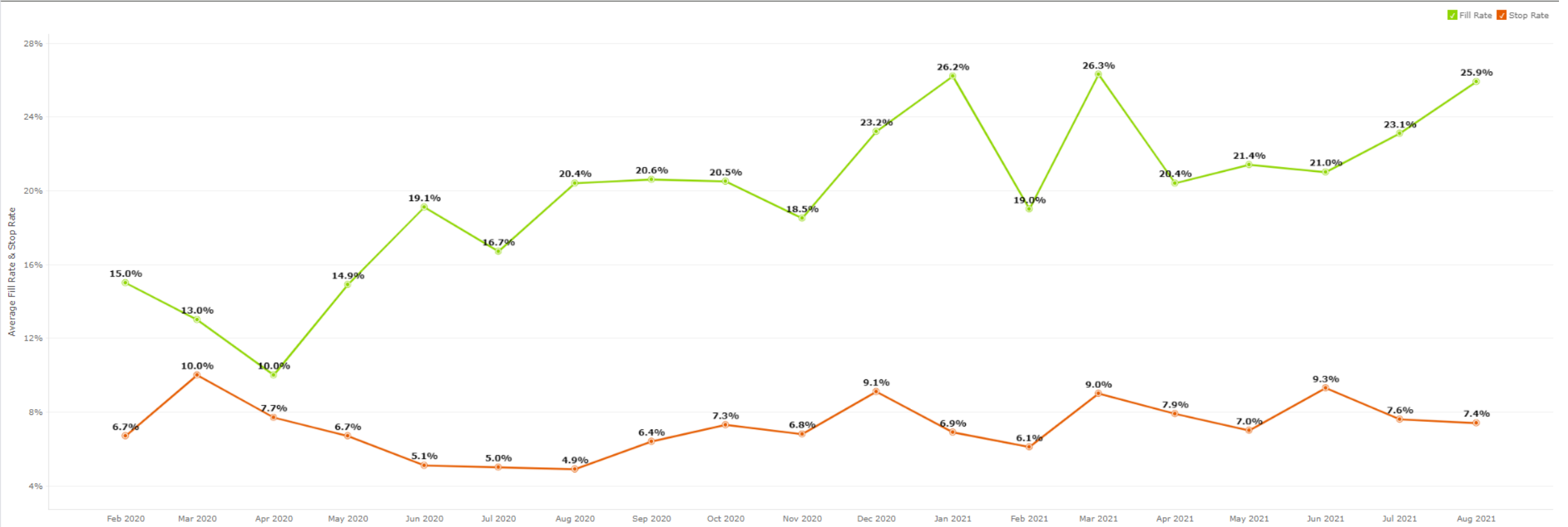
# Industry KPIs: Fill Rate & Stop Rate

**Fill Rate**  
Aug 2021  
**25.9% ▲**  
Jul 2021: 23.1%

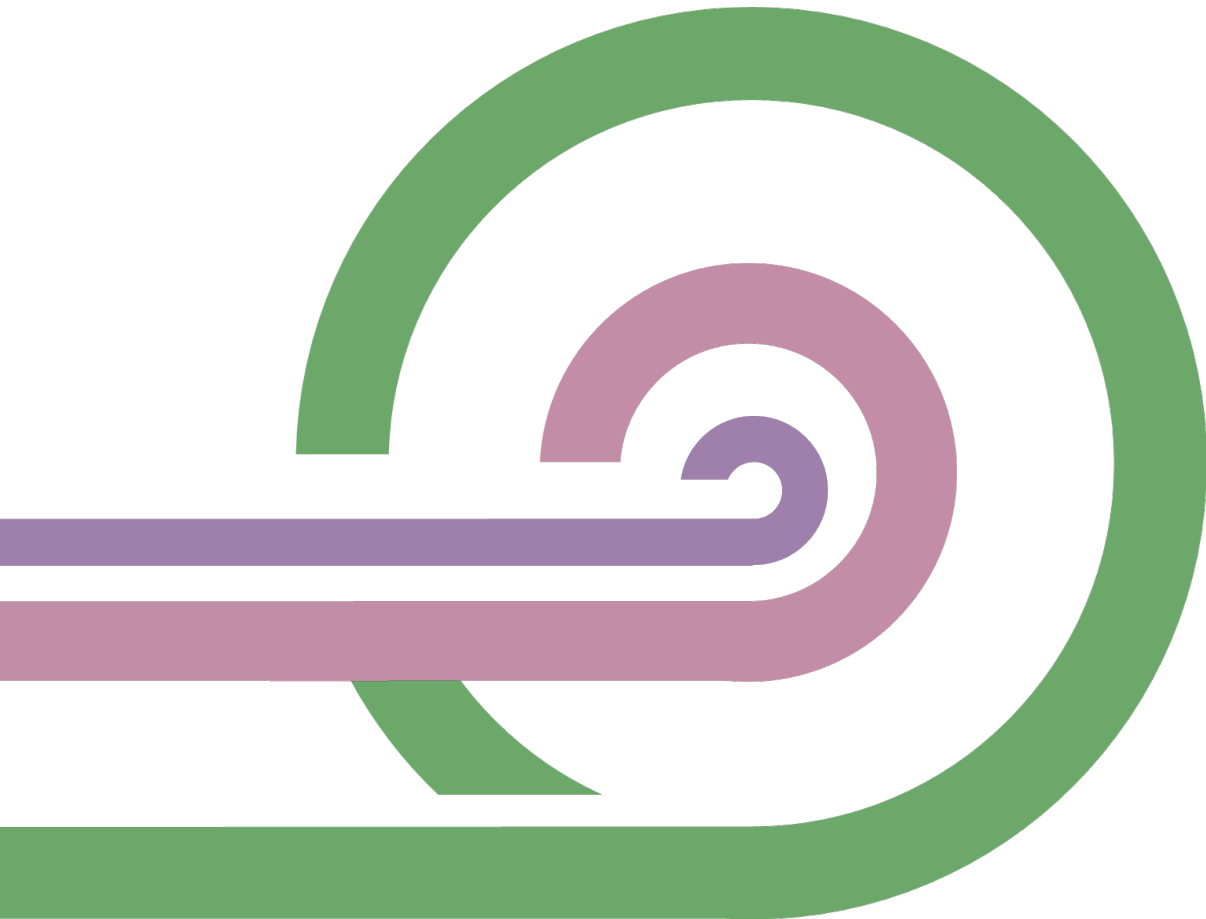
**Stop Rate**  
Aug 2021  
**7.4% ▼**  
Jul 2021: 7.6%

## Industry: Fill Rate & Stop Rate

Fill Rate=Current Month Starts/Prior Month New Job Orders. Stop Rate=Current Month Stops/Prior Month Consultants on Billing



# Submittals Closed by Business Type



**37.8%**

DIRECT CLIENT  
RELATIONSHIP

**12.0%**

VMS/MSP –  
CONTACT

**5.0%**

VMS/MSP –  
NO CONTACT

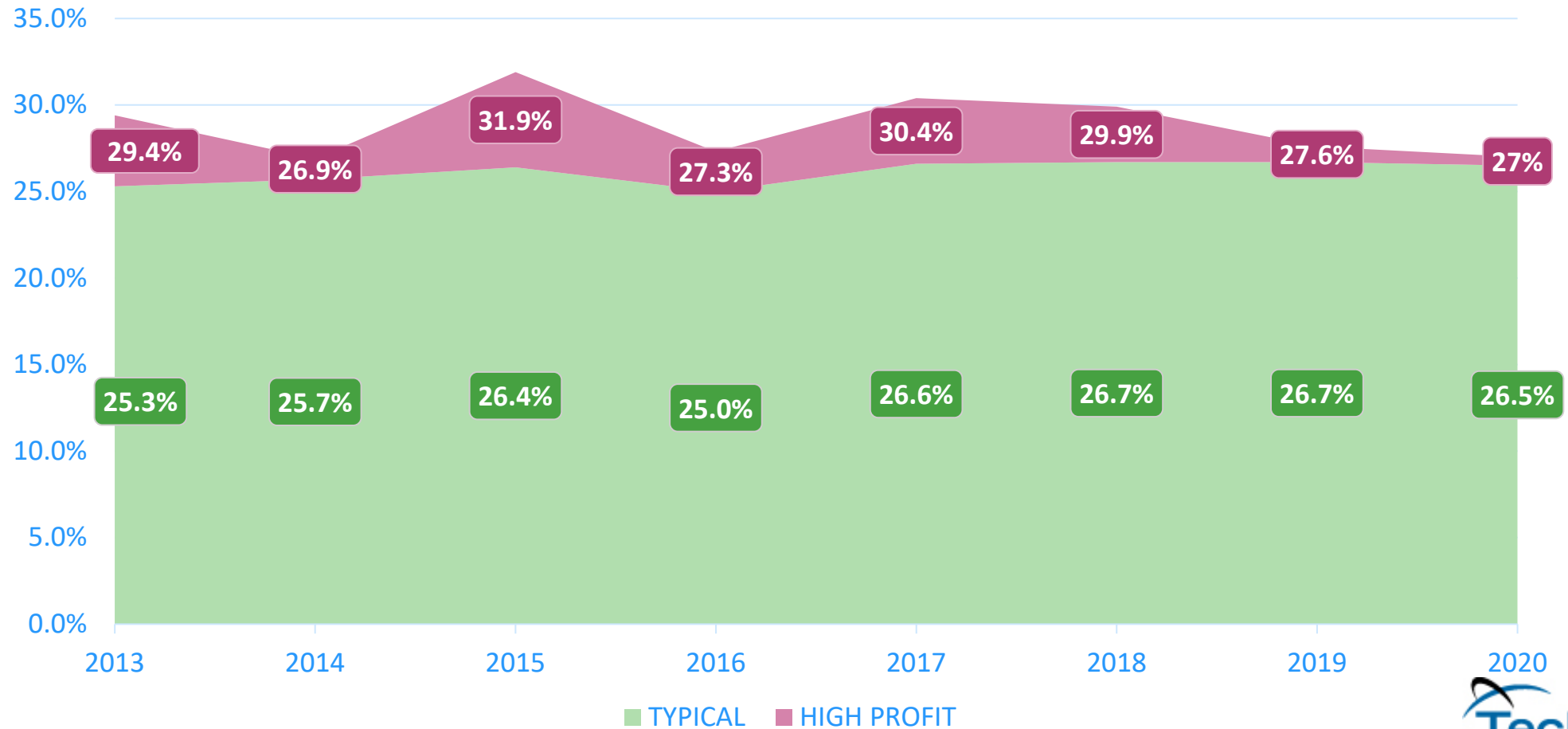


# Gross Margin by Business Type

DIRECT CLIENT RELATIONSHIP 27.5%

VMS/MSP 20%

# Gross Margin Trend



# Operating Expenses

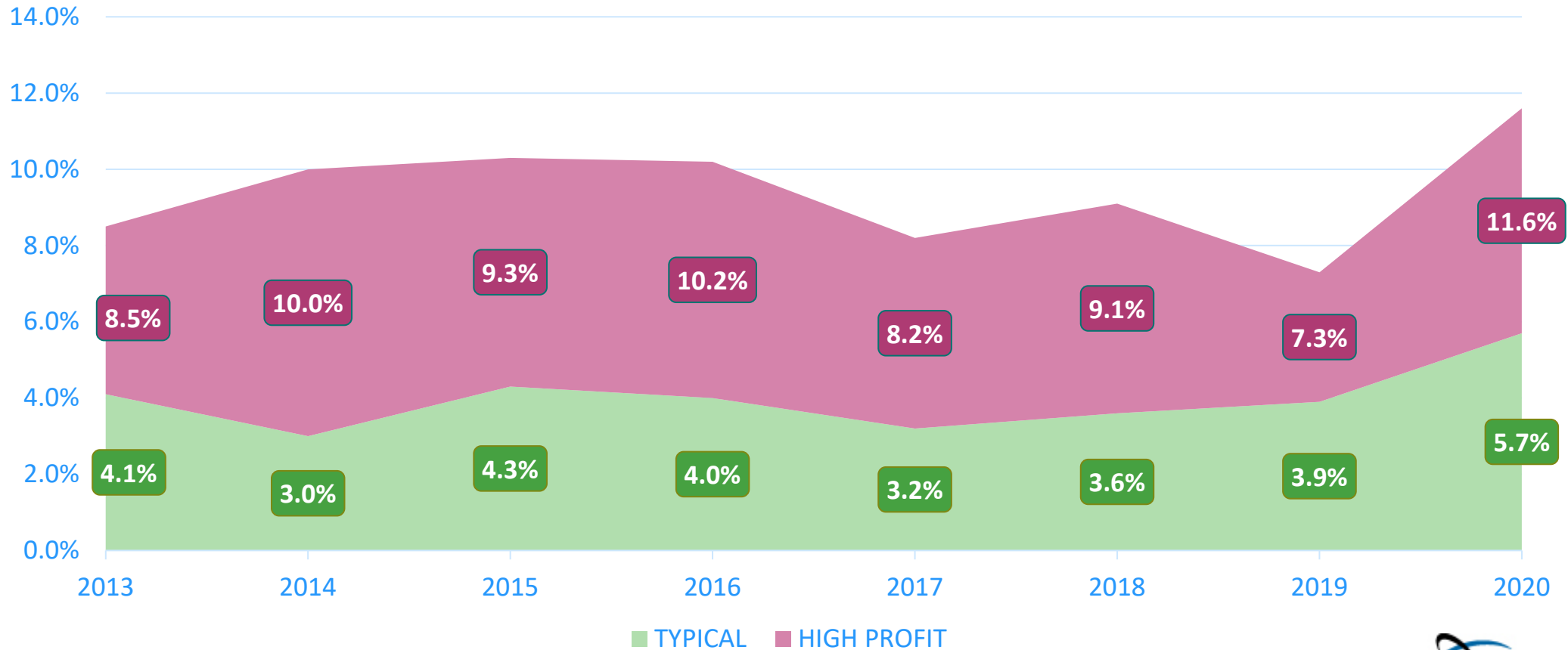
**TYPICAL**

**20.7**

**HIGH PROFIT**

**15.3**

# Profit Before Taxes Trend



# Real Estate Footprint Contracting



# Remote Work: Here to Stay



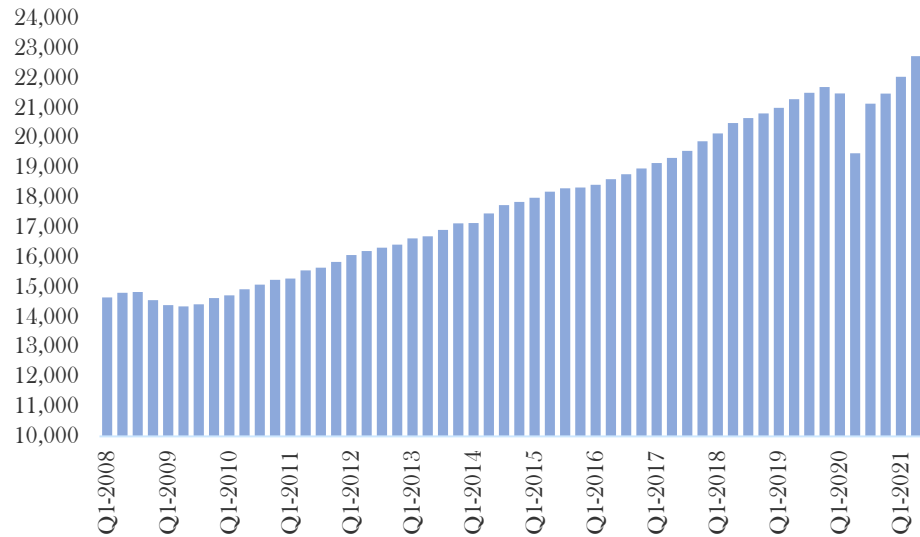
# IT Staffing Trends

## **ECONOMIC TRENDS CURRENT SITUATION / FORECAST**



# GDP/Industrial Production Analysis

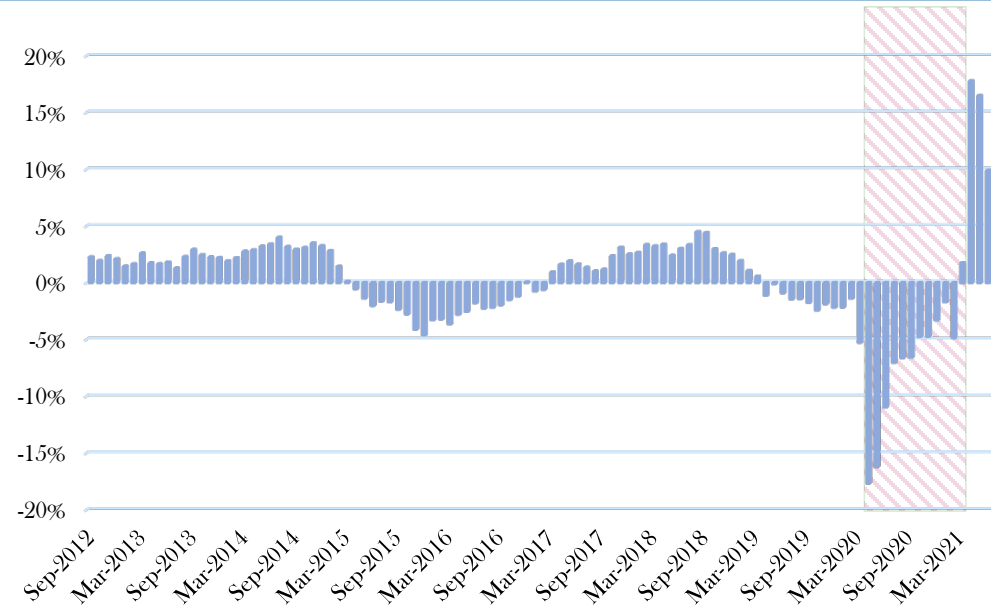
## US Real GDP



Source: U.S. Bureau of Labor Statistics

US Real GDP, a good proxy for the IT staffing market, increased by 6.4% in 2Q21 versus a decline of 31.2% in 2Q20. The Conference Board projects that GDP will increase by 6.0% during 2021. TCB started to lower their 2021 forecast this summer after consistently raising it since April 2020. The biggest risk to the IT staffing vertical is supply, not demand.

## US Industrial Production Growth (%YoY)



Note: Orange shading indicates recession periods. Source: CapIQ

US Industrial Production, a good proxy for the engineering staffing segment, was up in only 6.6% in July 2021. The manufacturing sector, which accounts for 78% of IP, has come under pressure due to supply chain disruptions. Due to new and expected regulations, energy staffing could continue to face headwinds even though oil prices have remained at about \$70 a barrel.

# GDP/Economic Outlook Analysis

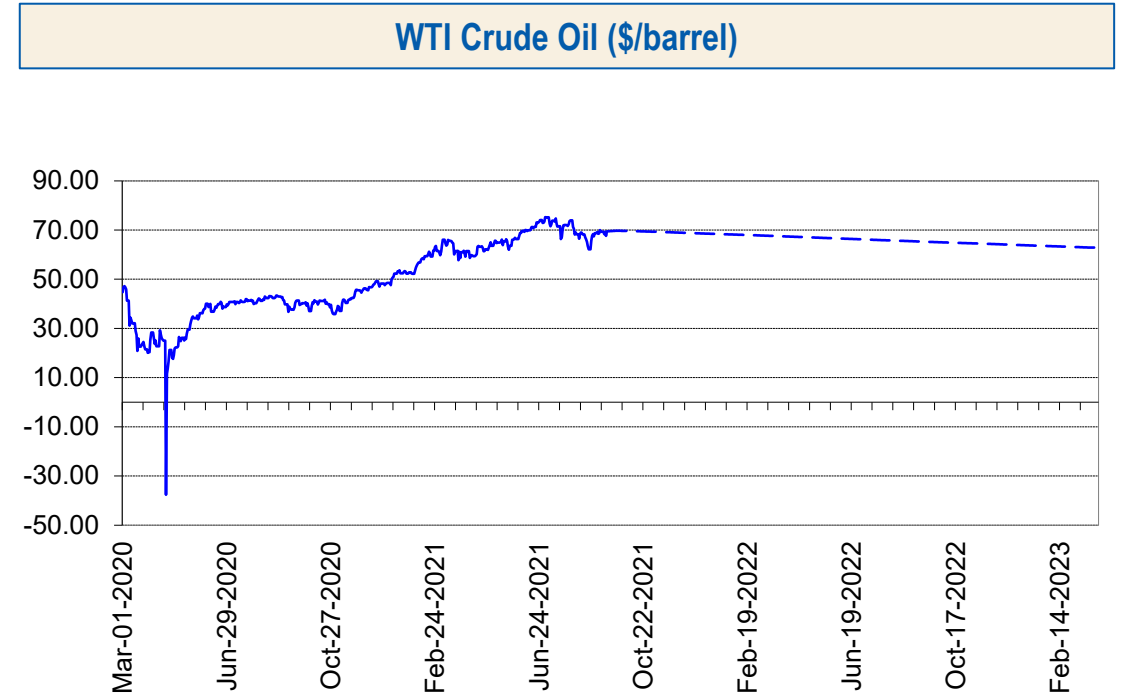
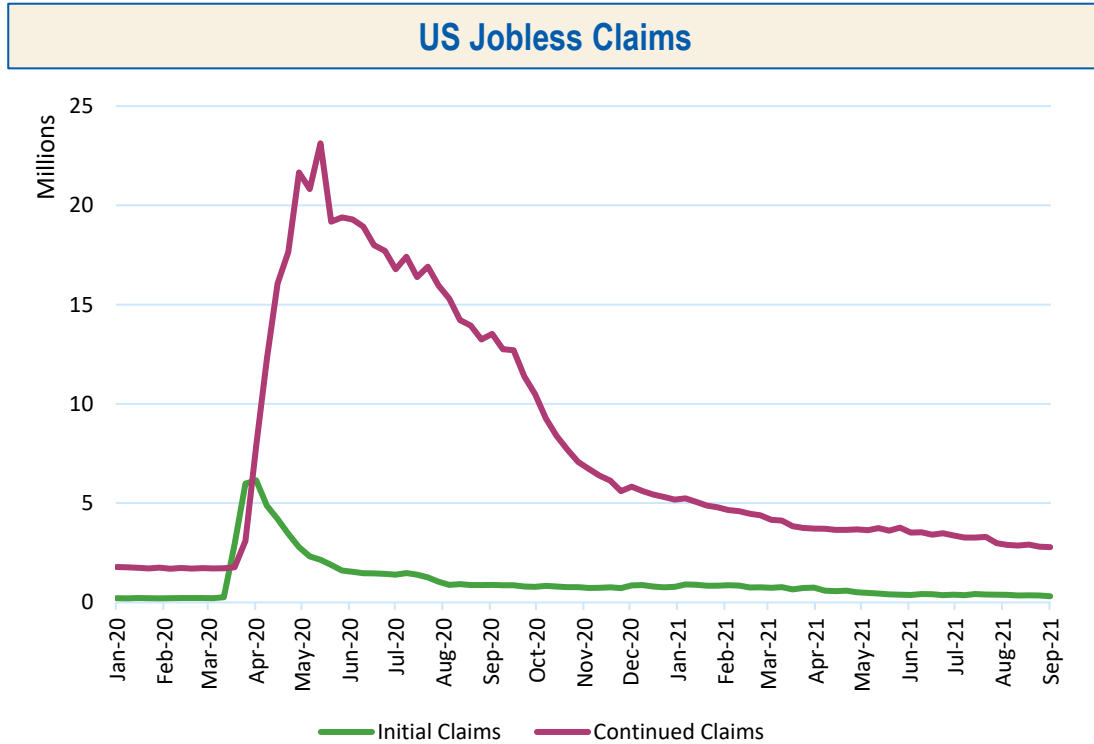
Economic Outlook 2020-2021-2022-2023 (% change, seasonally adj annual rates)

	2020				2021				2020	2021	2022	2023
	Q1*	Q2*	Q3*	Q4*	Q1*	Q2*	Q3	Q4	Annual			
<b>Real GDP</b>	-5.1	-31.2	33.8	4.5	6.3	6.5	7.0	2.9	-3.4	6.0	4.0	2.9
<b>Real Disposable Income</b>	3.1	48.5	-16.6	-8.3	57.6	-30.6	0.0	1.0	6.2	3.2		
<b>Real Consumer Spending</b>	-6.9	-33.4	41.4	3.4	11.4	11.8	4.0	3.9	-3.8	8.2		
<b>Residential Investment</b>	20.3	-30.8	60.0	34.4	13.3	-9.8	1.0	3.0	6.8	10.9		
<b>Nonresidential Investment</b>	-8.3	-30.3	18.7	12.5	12.9	8.0	5.4	6.9	-5.3	7.9		
<b>Inventory Change (Bn chn '12\$)</b>	-30.4	-252.8	25.3	88.8	5.0	-165.9	100.0	80.0	-42.3	-18.6		

	2020				2021				2020	2021	2022	2023
	Q1*	Q2*	Q3*	Q4*	Q1*	Q2*	Q3	Q4	Annual			
<b>Total Gov't Spending</b>	3.7	3.9	-2.1	-0.5	4.2	-1.5	0.3	1.0	2.5	0.7		
<b>Exports</b>	-16.3	-59.9	54.5	22.5	-2.9	6.0	4.1	6.6	-13.6	4.5		
<b>Imports</b>	-13.1	-53.1	89.2	31.3	9.3	7.8	16.2	8.1	-8.9	15.0		
<b>Unemployment Rate (%)</b>	3.8	13.1	8.8	6.8	6.2	5.9	5.2	4.9	8.1	5.6	4.1	
<b>PCE Inflation (%YoY)</b>	1.7	0.6	1.2	1.2	1.8	3.8	4.1	4.3	1.2	3.6	2.8	2.0
<b>Core PCE Inflation (%YoY)</b>	1.8	1.0	1.5	1.4	1.7	3.4	3.6	3.9	1.4	3.3	2.4	1.8

The Conference Board has ended its previous forecasts for three GDP Scenarios: Upside, Base Case and Downside. Real Disposable Income and Consumer Spending will be the key to GDP growth. The Conference Board has consistently increased its forward-looking forecasts since April 2020 but reversed itself in the summer of 2021 due to lower Real Disposable Income and Real Consumer Spending as a result of a surge in the Delta Variant. Supply chain disruptions have significantly hit Inventory Change in 2Q21 and are expected to continue for the back half of 2021, which prompted The Conference Board to lower its forecast for Inventory Change from a POSITIVE 24.0 to a NEGATIVE 18.6 in August 2021.

# Labor Market/Oil Price Analysis



While both initial and continued jobless claims have significantly declined in 2021, this trend could get even better after extended unemployment benefits, that often pay lower wage workers more than they would otherwise earn, ended in September 2021.

Oil prices have increased steadily 2020, but this increase might not necessarily lead to increased engineering staffing spend.

# ISM Non-Manufacturing & Manufacturing Indices

ISM® NON-MANUFACTURING SURVEY

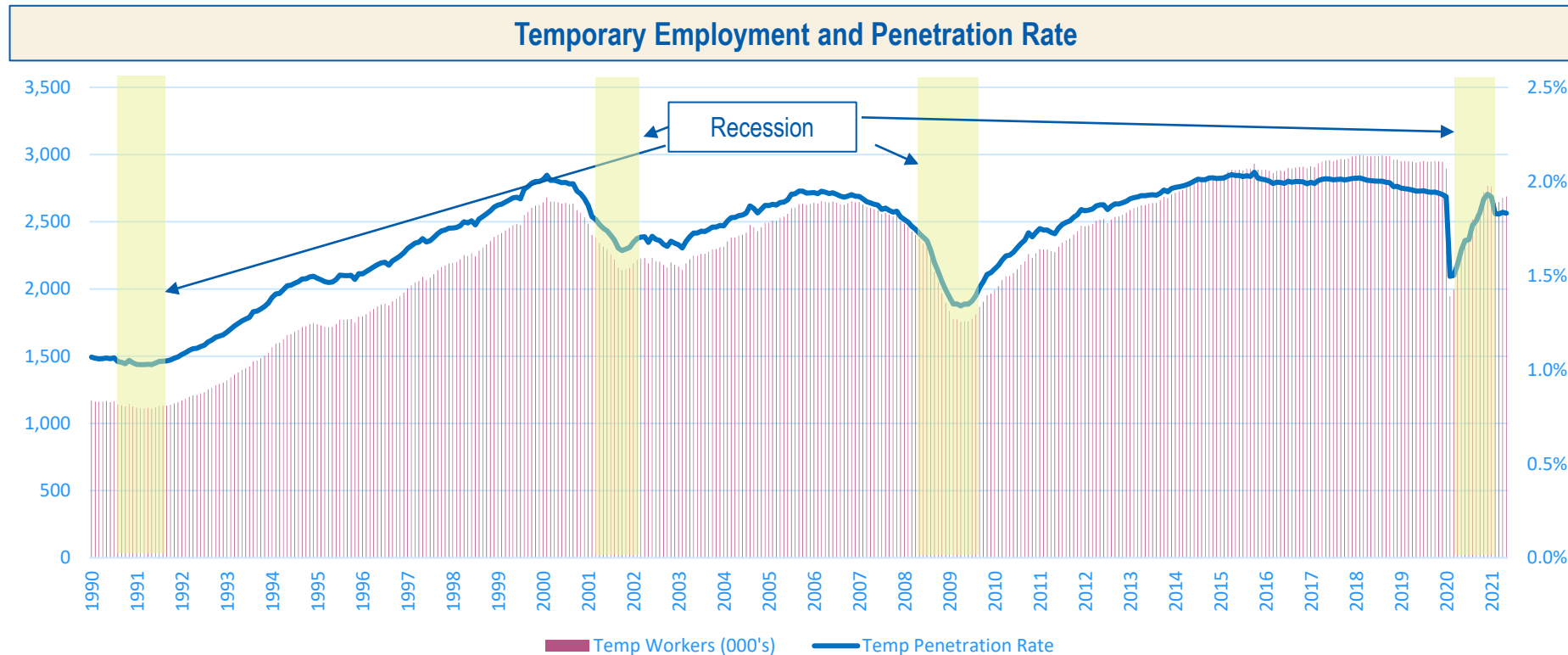
Index	Series Index Aug	Series Index Jul	% Point Change	Direction	Rate of Change	Trend (months)
Services PMI	61.7	64.1	-2.4%	Growing	Slower	15
Business Activity/Production	60.1	67.0	-6.9%	Growing	Slower	15
New Orders	63.2	63.7	-0.5%	Growing	Slower	15
Employment	53.7	53.8	-0.1%	Growing	Slower	2
Supplier Deliveries	69.6	72.0	-2.4%	Slowing	Slower	27
Inventories	46.9	49.2	-2.3%	Contracting	Faster	3
Prices	75.4	82.3	-6.9%	Increasing	Slower	51
Backlog of Orders	61.3	63.5	-2.2%	Growing	Slower	8
New Export Orders	60.6	65.8	-5.2%	Growing	Slower	7
Imports	48.7	51.6	-2.9%	Contracting	From Growing	1
Inventory Sentiment	41.4	40.3	1.1%	Too Low	Slower	5
Customers' Inventories	n/a	n/a	n/a	n/a	n/a	n/a
Overall Economy				Growing	Slower	15
Services Sector				Growing	Slower	15

ISM® MANUFACTURING REPORT

Index	Aug Index	Jul Index	% Point Change	Direction	Rate of Change	Trend (months)
PMI	59.9	59.5	0.4%	Growing	Faster	15
New Orders	66.7	64.9	1.8%	Growing	Faster	15
Production	60.0	58.4	1.6%	Growing	Faster	15
Employment	49.0	52.9	-3.9%	Contracting	From Growing	1
Supplier Deliveries	69.5	72.5	-3.0%	Slowing	Slower	66
Inventories	54.2	48.9	5.3%	Growing	From Contracting	1
Customers' Inventories	30.2	25.0	5.2%	Too Low	Slower	59
Prices	79.4	85.7	-6.3%	Increasing	Slower	15
Backlog of Orders	68.2	65.0	3.2%	Growing	Faster	14
New Export Orders	56.6	55.7	0.9%	Growing	Faster	14
Imports	54.3	53.7	0.6%	Growing	Faster	14
Overall Economy				Growing	Faster	15
Manufacturing Sector				Growing	Faster	15

# The Staffing Market and Recessions

The IT & Engineering markets are outperforming the overall staffing market



Source: Bureau of Labor Statistics

# Engineering Industry Trends

# Industry Trends/Statistics

## OIL AND GAS

OIL & GAS DOWNSTREAM REFINING

OIL & GAS UPSTREAM EXPLORATION

OIL & GAS MIDSTREAM PIPELINES/DISTRIBUTION – LAGS UPSTREAM GROWTH

*These 3 segments are arguably most affected by any new hydro-carbon regulations; natural gas companies are trying to create a “Capture CO2” industry; gas prices are expected to remain high for the foreseeable future due to economic growth and perceived green regulations, which has significantly reduced oil exploration*

# Industry Trends/Statistics

## INFRASTRUCTURE

**ROADS/ AIRPORTS/ GRID SYSTEM - VERY GOOD SECULAR GROWTH**

**BOTH PARTIES AGREE THAT U.S. NEEDS SUBSTANTIAL INFRASTRUCTURE INVESTMENT BUT IT TAKES TIME**

**COAL / GRID SYSTEM MARKET - FLAT BUT EXPECT PRESSURE**

**COAL IS ESSENTIALLY “DEAD” UNDER THE CURRENT ADMINISTRATION**

*The new infrastructure bill will have a significant positive affect on the roads/airports/grid system spend, but won't affect the market until 2022, at the earliest*



# Industry Trends/Statistics



**35%**

OF MARKET

**35%**

OF MARKET

# Industry Trends/Statistics

## MANUFACTURING

**AEROSPACE - BOEING / AIRBUS / GE / UT - DRIVE GROWTH**  
BOEINGS PROBLEMS WILL BE SOLVED OVER TIME; ONLY 2 PLAYERS

**AUTO / DEERE / CATERPILLAR / APPLIANCES - GOOD GROWTH**  
BIG INVESTMENT IN BATTERY INNOVATION

**HIGH TECH - CHIP MANUFACTURING/SOCIAL MEDIA - OK GROWTH**  
CYCLICAL GROWTH DUE TO SMARTPHONES, CARS AND COMPUTERS BUT WILL IT STAY OVERSEAS?

*Aerospace has rebounded but could get hit by slower growth, supply chain disruptions and the Delta variant; the economy will continue to drive the Auto/Deer, etc. markets but it is also getting hit by supply chain disruptions; high tech expected to move back from overseas*

# Industry Trends/Statistics

## CHEMICALS

**COMMODITY CHEMICALS - LARGEST INPUT COST IS NATURAL GAS  
SOLID DEMAND**

**CARS/HOUSING MARKETS GOOD, TIED TO GDP**

**SPECIALTY CHEMICALS - IMMUNE TO COST FEEDS (NATURAL GAS) – STEADY  
DEMAND**

**END MARKETS GROW AT 2-3 TIMES GDP; MORE PREDICTABLE**

*Commodity market facing increased feed prices; Specialty market in a secular growth trend*

# Industry Trends/Statistics

10%

OF MARKET

10%

OF MARKET



## GOVERNMENT

**GOVERNMENT - FEDERAL / STATE - GROWTH VERY POSITIVE**

**TONS OF SPENDING HERE, JACOBS**

*Biden administration will substantially increase spend in this area; defense contractor spend will depend where the spend occurs; the US is trying to create a “High Tech” military*

# Industry Trends/Statistics

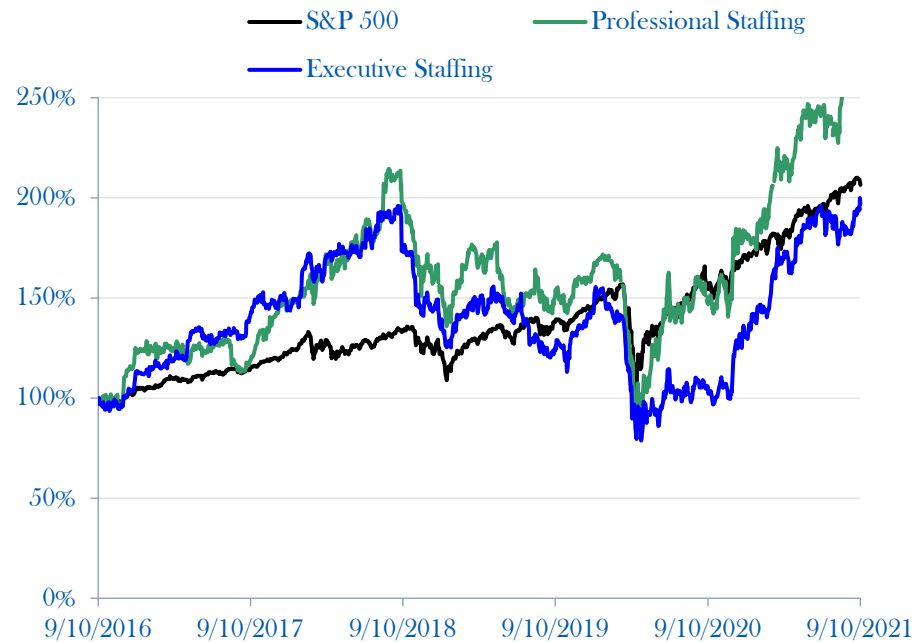
10%

OF MARKET

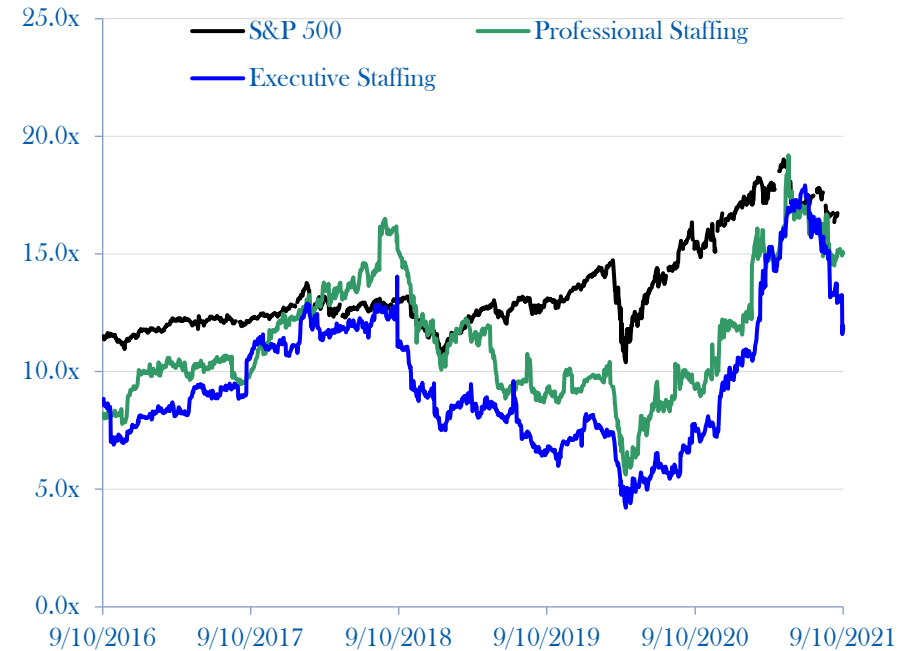
# Public Company Analysis

# Public Market Valuation Trends

## 5 Year Relative Stock Price Performance



## 5 Year EV/LTM EBITDA Relative Performance



Sub-Sector	Number of Companies	Median Enterprise Value (In \$000's)	Median Change in Stock Price			Median Gross Profit Conversion	Median TEV / LTM Multiples Revenue	Median TEV / LTM Multiples EBITDA
			1 Year	3 Years	5 Years			
Professional Staffing	8	195.9	68.4%	31.5%	89.2%	25.9%	0.7x	10.8x
Executive & Retained Search	4	3,136.7	84.6%	12.6%	107.0%	58.5%	1.1x	12.6x
<b>S&amp;P 500*</b>			<b>81.9%</b>	<b>57.4%</b>	<b>106.7%</b>			

*\*S&P data on a mean basis  
Information as of 9/10/2021*



# Public Market Valuation Trends (cont'd)

## Professional Staffing

Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
ASGN Incorporated	NYSE:ASGN	6/30/2021	\$6,652.3	\$4,135.2	\$1,139.2	27.5%	\$490.5	11.9%	1.6 x	13.6 x
BGSF, Inc.	NYSE:BGSF	6/27/2021	\$178.6	\$283.3	\$79.6	28.1%	\$17.9	6.3%	0.6 x	10.0 x
GEE Group, Inc.	NYSEAM:JOB	6/30/2021	\$72.9	\$138.4	\$47.8	34.6%	\$11.6	8.4%	0.5 x	6.3 x
Kforce Inc.	NasdaqGS:KFRC	6/30/2021	\$1,230.4	\$1,486.3	\$422.0	28.4%	\$116.3	7.8%	0.8 x	10.6 x
Mastech Digital, Inc.	NYSEAM:MHH	6/30/2021	\$213.2	\$199.5	\$53.3	26.7%	\$18.7	9.4%	1.1 x	11.4 x
RCM Technologies, Inc.	NasdaqGM:RCMT	7/3/2021	\$78.9	\$166.2	\$42.6	25.6%	\$7.2	4.3%	0.5 x	11.0 x
Robert Half International Inc.	NYSE:RHI	6/30/2021	\$11,051.7	\$5,472.9	\$2,208.3	40.3%	\$624.4	11.4%	2.0 x	17.7 x
Volt Information Sciences, Inc.	NYSEAM:VOLT	5/2/2021	\$139.7	\$837.1	\$133.3	15.9%	\$21.4	2.6%	0.2 x	6.5 x
<b>Average</b>			<b>\$2,452.2</b>	<b>\$1,589.9</b>	<b>\$515.8</b>	<b>28.4%</b>	<b>\$163.5</b>	<b>7.8%</b>	<b>0.9 x</b>	<b>10.9 x</b>
<b>Median</b>			<b>\$195.9</b>	<b>\$560.2</b>	<b>\$106.5</b>	<b>27.8%</b>	<b>\$20.1</b>	<b>8.1%</b>	<b>0.7 x</b>	<b>10.8 x</b>

## Executive & Retained Search

Company Name	Ticker	Date	Enterprise Value	Revenues	Gross Profit	Gross Profit Margin	EBITDA	EBITDA Margin	Enterprise Value / Revenues	Enterprise Value / EBITDA
Hays plc	LSE:HAS	6/30/2021	\$3,589.3	\$7,801.1	\$403.7	5.2%	\$223.5	2.9%	0.5 x	16.1 x
Heidrick & Struggles International, Inc.	NasdaqGS:HSII	6/30/2021	\$678.3	\$758.2	\$191.9	25.3%	\$118.4	15.6%	0.9 x	5.7 x
Korn Ferry	NYSE:KFY	7/31/2021	\$3,842.4	\$2,051.3	\$555.5	27.1%	\$401.8	19.6%	1.9 x	9.6 x
PageGroup plc	LSE:PAGE	6/30/2021	\$2,684.2	\$1,956.0	\$985.7	50.4%	\$171.8	8.8%	1.4 x	15.6 x
<b>Average</b>			<b>\$2,698.5</b>	<b>\$3,141.6</b>	<b>\$534.2</b>	<b>27.0%</b>	<b>\$228.9</b>	<b>11.7%</b>	<b>1.2 x</b>	<b>11.7 x</b>
<b>Median</b>			<b>\$3,186.7</b>	<b>\$2,003.7</b>	<b>\$479.6</b>	<b>26.2%</b>	<b>\$197.6</b>	<b>12.2%</b>	<b>1.1 x</b>	<b>12.6 x</b>

Source: CapIQ  
Information as of 9/10/2021

# Current Situation Analysis

- The US economy has performed MUCH better than “Economists” expected but the economy is slowing down
  - Economists have consistently raised their GDP forecasts since April 2020 but reversed that trend in the summer of 2021
  - Real Consumer Spending, which represents 60-65% of GDP, will be critical to an overall economic rebound and is dependent upon, among other trends, consumer confidence, the amount of job growth and inflation
  - Real Consumer Spending was a key reason GDP came in better than expected for 2020
  - IT staffing fared better than every industry vertical except healthcare and life sciences
- Industrial Production has come under pressure
  - Engineering staffing spend in the manufacturing sector expected to decline due to supply chain disruptions
  - While oil price increases have historically been very positive for the engineering staffing vertical, fear of increased regulations could dampen staffing spend
- What about inflation?
  - TCB has increased its PCE Inflation and Core PCE inflation to 3.6% and 3.3%, respectively, in its latest forecast
  - Wage inflation has come back but most IT & Engineering staffing companies have been able to pass on those increases

# Forecast

# Forecast

- On the margin, the economy is slowing
- Consumer spending has slowed
- Supply chain disruptions have hit the engineering staffing market
- IT staffing is facing a dearth of workers; supply/demand imbalance
- Oil & Gas market spending expected to be under pressure
- Wage inflation could continue to creep up and hit some companies on the top & bottom lines
- Overall use of remote workers could substantially increase; creates opportunities for both verticals

# IT/Engineering Industry Forecast - September 2021

**2021 IT STAFFING INDUSTRY FORECAST - UP 9%**

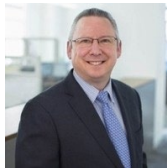
**2021 ENGINEERING STAFFING FORECAST - UP 6%**

# Final Thoughts

- Forecast is based on slower growth/supply/demand imbalance of workers
- 2021 could still be close to a record year for IT staffing
- IT/Engineering staffing generally fare better than GDP/IP
- Energy sector spend under pressure even though oil prices are substantially up
- The M&A market in both sectors is very active
- Mark and I will provide further updates
- Contact me with any questions



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## INNOVATION AND THE FUTURE OF THE INDUSTRY

## ENHANCING ENTERPRISE VALUE

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- The IT Talent Challenge: IT Leaders and Staffing Executives Speak
- Being a Next Level Leader
- Assembling a Winning Team—Build It, Recruit It, or Buy It?
- Starting with the End in Mind: Maximizing Enterprise Value
- Innovation & The Future of the Industry: What you Need to Do Now

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- Roundtable Lunches
- Receptions looking out on the gorgeous beaches of Amelia Island

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# IT & ENGINEERING TALENT FORUM

*A Joint Initiative of SIM & TechServe Alliance*



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This year's Excellence Awards will be based on data submitted through TechServe's Dashboard Survey platform.

Recipients will be chosen based on relative growth on three KPIs:

- **Consultants on Billing**
- **New Job Orders**
- **Fill Rate**

If your firm has been trending positively in these areas, we encourage you to apply!

**Step 1:** Submit your KPI data for January-September 2021 using TechServe's Dashboard Survey.

**Step 2:** Submit your payment to complete your Excellence Awards application.

**Applications and Dashboard data must be submitted by October 8th.**



Q&A



# Thank You!

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