GUIDE TO STARTING A STAFFING BUSINESS

This document is intended to provide a framework for further discussions/exploration only.
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Introduction

Staffing (Recruitment) is a wonderful, many-faceted and complex profession; there is a lot more to it than newcomers first imagine. Being aware of this fact is the first step towards enabling our industry’s entrepreneurs to implement compliant operations and best practice standards from the outset – to the benefit of candidates, clients, assignees and, ultimately, the recruitment industry itself.

This free document has been compiled by the Federation of African Professional Staffing Organisations (APSO) in order to provide some basic information about establishing a staffing business in South Africa. It provides some useful background and contacts and aims to give you a brief overview of the some of the key factors you’ll need to consider when starting a staffing business.

APSO Support

The Federation of African Professional Staffing Organisations (APSO), was previously known as the Association of Personnel Services Organisations, and has been in existence since 1977. APSO is the largest and most well-established organisation within the private employment agency (PrEA) sector, and has always held, as its primary goal, the professionalisation of the PrEA industry in South Africa. For the past nearly four decades, APSO has set and managed compliance and best practice standards for its members, for the benefit of clients, candidates and employees alike.

APSO’s primary service offerings include:

- Lobbying and Advocacy
- Ethics and Best Practice
- Education and Training
- Information and Networking
Affiliations & Memberships

APSO is a founding member of the Confederation of Associations in the Private Employment Sector (CAPES) and has thus been actively involved in lobbying and advocacy initiatives to regulate the industry. [www.capes.org.za](http://www.capes.org.za)

APSO representatives participate in a range of forums including Business Unity South Africa (BUSA), NEDLAC, Services SETA, National Skills Authority (NSA) and others.

APSO is a proud member of the South African Chamber of Commerce & Industry (SACCI) and regularly participates on various committees and initiatives. [www.sacci.org.za](http://www.sacci.org.za)

In addition, since 2008 APSO has been a member of the Ethics Institute of South Africa, who have vetted our Code and ethics procedures. We maintain regular contact with them to ensure that our internal procedures for managing best practice and ethics amongst members is on par with local and international best practice standards. [www.ethicsa.org](http://www.ethicsa.org)

Internationally, APSO is well respected and holds the seat for Africa and the Near East on the Board of the International Confederation of Private Employment Agencies (CIETT). We have been members of this body for more than twenty years and are actively involved in global initiatives to drive compliance, professionalisation and effective regulation for the sector. [www.ciett.org](http://www.ciett.org)

Global PrEA pledge “The Way to Work”

In 2012 CIETT launched its global campaign “The Way to Work: A job for every person, a person for every job”. This campaign is underpinned by some ambitious goals relating to job creation, skills development and empowerment that the industry as a whole, including APSO, is committed to achieving over the next five years. This global pledge seeks to:

- Support 280 million people in their job lives;
- Help 75 million young people enter the labour market;
- Up-skill 65 million people, giving them more job choices;
- Create 18 million more jobs;
- Serve 13 million companies with the right talent to succeed

The Way to Work vision is underpinned by the values:

- Quality
- Inclusiveness (social dialogue)
- Serving
- Freedom

APSO has bought into this inspirational and aspirational vision and will set national targets that the South African PrEA sector can work towards.
Quick Facts:

APSO represents:

→ More than 800 individual PrEA businesses with over 1200 offices across South Africa;
→ In excess of 6000 individual PrEA practitioners;
→ All forms of PrEA businesses: members offer a variety of staffing services from permanent recruitment, to advertising response and temporary employment services (TES);
→ Different sectors of PrEA: members operate in all sectors of the economy;
→ SME businesses: nearly 80% of our membership is made up of SME businesses, many of whom are black-owned;

The South African Private Employment Agency Sector in a nutshell

The Private Employment Agency Sector, including Temporary Employment Services (TES), is a significant contributor to the South African economy. In addition to facilitating smooth transitions for workers between jobs, and assisting employer companies to remain competitive in tough economic times, it is also one of the largest contributors to skills development in the country.

A snapshot of the South African PrEA sector:

• Introduced 5.4 million people to the world of work since 2000;
• Agency workers spend less time looking for work, 90 days, compared to a staggering 806 days (2 years 3 months) for the average South African job-seeker;
• Gateway to the world of work: Profile of work seekers/candidates:
  o Never previously employed: 50%
  o Youth aged 18-35: 75%
  o Previously disadvantaged: 82%
• Average of 994 000 people deployed (via TES) on a daily basis
• Of those initially employed as a temp, each year significant numbers are permanently deployed:
  o 30% within 1 year
  o 42% within 3 years
• One of the largest contributors to skills development – R450 million paid over in skills levies
**Benefits of Membership**

- Industry representation on relevant, identified and influential bodies
- Promotion of the interests of the industry through legislative advocacy
- Access to established, implemented and enforced industry Code of Ethics and Codes of Professional Practice and a body that provides conflict resolution between agencies, their clients, candidates, assignees and other stakeholders
- Access to industrial relations advice and services (including FREE access to LabourNet)
- Access to information that keeps members abreast of relevant national and international trends
- Access to education, both professional qualifications, designations and Continuous Professional Development (CPD)
- Access to conferences and other events
- Opportunity to take part in consultative forums and to access members input and opinions
- Access to industry related information that has been interpreted on behalf of the members
- Access to advice, support and services to promote legislative compliance
- Opportunity to attend relevant networking opportunities
- Access to legal and contractual guidance
- Adherence to minimum entry and operating standards including an entry exam
- Differentiation of APSO members amongst clients and candidates
- Access to business opportunities to members through participation on committees that influence the industry
Staffing – do you have what it takes?

Running any business can be demanding in the extreme and you will have to have a high number of specific personal qualities, skills and knowledge within your business to ensure it works to its potential.

The following checklist (which is not exhaustive) includes some of these:

- Sales ability
- Finance skill
- Relationship building skills
- Humility
- Realistic outlook
- Perseverance
- Stamina
- Staff management skills
- Self-motivation
- Confidence
- Flexibility
- Resilience
- Process-driven
- Patience
- Risk awareness
- Reliability
- Effective communication skills
- Effective time management

The staffing industry is notorious for being an “emotional rollercoaster” and because the majority of the industry works on commission-only, you can often spend a lot of money without making much in return.

There is no “right” industry to have come from when deciding to set up a staffing business. Obviously those entrepreneurs who have had some experience working in the private employment services industry are likely to be at an advantage. Other areas of experience that would assist in running a successful staffing business are sales, customer service, finance and human resources.

There are many different kinds of recruitment consultancy services that can be offered to clients and each has its pros & cons.

Permanent Recruitment

This is probably the least expensive recruitment consultancy to establish because there is not much capital required to set it up. Permanent recruitment most often works on a fee on placement only basis so you need to ensure that you maintain your costs in relation to the number of successful placements you make.

<table>
<thead>
<tr>
<th>PROS</th>
<th>CONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lesser set-up costs</td>
<td>Many clients like to have a “one-stop shop” recruitment supplier and would like to have the option of permanent and temporary staffing services</td>
</tr>
<tr>
<td>Operations can be managed by a small team</td>
<td>Income can be erratic – some months are very good and some are terrible.</td>
</tr>
<tr>
<td>Fewer statutory compliance issues to meet and manage</td>
<td></td>
</tr>
<tr>
<td>You can focus on a niche market or offer a ‘generalist’ service</td>
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</table>
Temporary Employment Services (TES)

This is most admin intensive staffing service offering and requires that the entrepreneur be well-established, have sufficient start-up capital and excellent cash flow management policies. TES is also the service that requires the highest levels of statutory compliance. Currently there are several changes pending in the legislative environment that have a direct impact on the TES industry and this is perhaps not the best time to venture into this business, especially if you have no prior knowledge and experience in it.

<table>
<thead>
<tr>
<th>PROS</th>
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<tbody>
<tr>
<td>• Can offer a steady monthly income</td>
<td></td>
</tr>
<tr>
<td>• Is often seen by clients as a beneficial service and can therefore be easier to sell than permanent recruitment services</td>
<td></td>
</tr>
<tr>
<td>• Requires large start-up capital and excellent cash flow management</td>
<td></td>
</tr>
<tr>
<td>• Lots of statutory registrations in order to remain compliant</td>
<td></td>
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<tr>
<td>• Requires a large operational set up to maintain workforce &amp; admin issues.</td>
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Executive Search

Some people refer to this kind of recruitment as “head hunting”. Executive search usually happens within a niche market and fees are generally higher.

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</tr>
<tr>
<td>• Fees are usually higher.</td>
<td></td>
</tr>
<tr>
<td>• You will need an in-depth knowledge of the sector you’re recruiting for and a solid network of clients &amp; candidates within this sector.</td>
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<tr>
<td>• You are likely to work fewer job specs and your income can be erratic.</td>
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Factors to consider

The following are a series of checklists of aspects you should consider before setting up your staffing business. Please note that this is not an exhaustive list and merely serves as a guideline.

Business Set-Up

- Business plan
- Market research
- Sales strategy
- Marketing strategy
- Capital and start-up funding strategy
- Staff management / leadership processes
- Recruitment (internal staff)
- Financial planning and management
- Insurance
- Operational processes and procedures
- Legislation and compliance
- IT and systems
- Quality systems management

Legislative Compliance

- Registration as a Private Employment Agency (PEA) with Department of Labour
- Basic Conditions of Employment Act (BCEA)
- Labour Relations Act (LRA)
- Employment Equity Act (EEA)
- Skills Development Act (SDA)
- National Credit Act
• Consumer Protection Act
• Personal Access to Information Act (PAIA)
• Protection of Personal Information (POPI)
• Registration with South African Revenue Services (SARS)
• Income Tax Act
• Unemployment Insurance Act (UIF)
• Skills Development Levies Act (SDL)
• Value Added Tax Act (VAT)
• Registration with the Compensation Commissioner
• Compensation for Occupational Injuries and Diseases Act (COIDA)
• Occupational Health & Safety Act (OHS)
• Registration with appropriate Bargaining Councils (if in Temporary Employment Services)

Finance / Accounts

• Company formation – registration with Company & Intellectual Property Commission (CIPC)
• Business structure – Pty Limited, Partnership, Sole Proprietor?
• Bank account – FICA requirements
• Registration with South African Revenue Services (SARS) for Income Tax, PAYE, UIF, SDL
• Registration for Value Added Tax (VAT)
• Payroll systems – payroll software
• Accounting systems – management info, reports, measurement of business performance
• Accounting package/software
• Appointment of an accounting/auditing firm
• VAT returns
• Monthly management accounts
• Tax compliance
• Share and profit share schemes
• Funding – start-up capital
• Payroll – weekly, monthly, outsourcing, monthly statutory returns
• Financial administration – especially if in Temporary Employment Services
• Payment terms
• Invoicing
• Debtors control
• Purchasing and expenses

Standards

• Mission Statement
• Company Value Statement
• Code of Conduct
• Code of Ethics
• Customer complaints policy

Systems / IT / Technology

• Email addresses
• Website
• Social Media
• Operational software – recruitment software package
• Hardware – computers, laptops, printers, copiers etc
• Telephone systems
• Cell phones
• Candidate skills assessment software
Facilities

- Office space
- Interviewing rooms
- Candidate skills assessment stations
- Furniture
- Cleaning and maintenance
- Cars

Staff Management

- Staff recruitment policy
- Contracts of employment and Restraints of Trade
- Bonus & Commission structures
- Benefits
- Appraisals & performance management systems
- Training and development

Internal Policies & Procedures

- Data protection policy
- Communication policy – email/website usage etc.
- Recruitment policy
- Discipline policy
- Equal Opportunities policy
- Family Responsibility policy – maternity/ paternity leave, flexible working hours, family responsibility leave
- Grievance policy
- Harassment policy
**Health & Safety**

- Health & Safety policy
- Registration with Compensation Commissioner
- Health and safety standards within the office environment

**Associations & Affiliations**

- Joining Federation of African Professional Staffing Organisations (APSO)
- Chamber of Commerce
- Networking with other staffing businesses

**Marketing & PR**

- Marketing literature – brochures etc
- Branding
- Website / Social Media
- Press campaigns
- Marketing material – promotional goodies

**Business Development & Customer Management**

- Style of sales and sales methods
- Advertising
- Cold calling strategy
- Client meetings
- Tendering
- Sales team recruitment & training
- After-sales process and policy
Operations

• Sales procedure
• Negotiation of rates policy
• Advertising strategy
• Client-related processes
• Candidate-related processes
• Assignee (temp)-related processes
• Internal staff management – working hours, dress code, service offering

Candidate Management

• Candidate attraction strategy
• Advertising strategy
• Registration forms
• Record keeping systems
• Interview techniques
• Skills assessment and testing
• Qualification verification
• Criminal check verification – biometrics only
• Credit rating verification
• Verification permission forms
• Reference checking
• Reference check permission forms
• CV templates
• Candidate communication policy
• Candidate education literature
**Temporary Workforce Management**

- Temp assignee attraction strategy
- Advertising strategy
- Registration forms
- Record keeping systems
- Interview techniques
- Skills assessment and testing
- Training and development
- Qualification verification
- Criminal and credit check verification
- Reference checking
- Contract of employment
- Timesheets
- Starter/welcome packs
- Statutory compliance administration – UIF, SDL, OHS, COIDA, PAYE
- Payroll administration
- Employee file management
- Disciplinary codes
- Grievance policy
- Staff files
- Performance management processes
- Order books
- Assignment management records
- Termination management
**Client Management**

- Client attraction strategy
- Advertising policy
- Terms and Conditions of Business
- Fee structure
- Service Level Agreement (SLA)
- Exclusivity agreements
- Guarantee periods & replacement policy
- Client meetings
- Taking job specs
- Networking agreements – working via third parties
- Referral process and policy
- Client feedback
**Choosing a name**

You will need to choose a name for your business and you should ensure that the name you choose is not the same, or similar, to that of another company that is already registered, especially if they’re also in the private employment services industry.

If your name is too close to someone else’s you may be required to change it and if this happens after you’ve launched, invested in marketing material and begun to develop your brand it will be very costly and damaging to your business.

To check whether the name you have in mind is available, visit [www.cipro.co.za](http://www.cipro.co.za)

It is still permissible to trade under a different name to your registered company name but there are legislative requirements in terms of where/how you should disclose your registered names on business stationery, contracts etc. This is in the process of being altered according to the Companies Act of 2008.

Remember to check the availability of domain names (website & email addresses) of the name you intend using. It is always confusing to potential clients and candidates if your website and email address is different to your company name.

To check whether the domain name is available, visit [www.africaregistry.com](http://www.africaregistry.com)

It is always advisable to choose a name that clearly indicates what your business does, e.g. ABC Employment Solutions or XYZ Executive Search. But be careful of choosing a name that is too close to another staffing business’ as this could lead to allegations that you’re attempting to pass your business off as being connected to the other staffing company; such activity is actionable as a claim of damages.

Remember that the only way to protect your name against competition is to register it as a trademark. This process does take up to 18 months to complete. For more information, visit [www.services.gov.za](http://www.services.gov.za)
Setting up a specialist staffing business

Many entrepreneurs who start up a staffing business think that it would be best to be a “generalist” and to service all clients’ needs. However, there is merit in specialising within a certain niche sector, particularly if you have personal experience within that sector.

Today clients look for staffing & recruitment partners who have specialist knowledge about the areas in which they recruit and many are shying away from using someone who claims to be able to “find anyone & anything”. The current skills shortage also means that it takes time and resources to build a good database of candidates and by focusing your attention and advertising/sourcing spend, you can get a better return on investment.

Areas of specialisation include, but are not limited to:

- Advertising
- Call Centre & Business Process Outsourcing
- Drivers
- Engineering
- Executive / Management
- Finance & Accounting
- Financial Services / Banking / Insurance
- Freight & Shipping
- Healthcare
- Hospitality
- Human Resources
- Information Technology
- Legal
- Motor
- Office Administration
- Retail / FMCG
- Sales & Marketing
- Technical
- Healthcare
- Financial Services / Banking / Insurance
- Freight & Shipping
- Healthcare

It is important to investigate your chosen area of specialisation to ensure that you have all of the requirements, e.g. additional legislation regulates the healthcare staffing sector.

Joining APSO

There are many tangible benefits to joining APSO. When it comes to your business, APSO membership makes sense:

- Promoting professionalism
- Striving for regulation
- Speaking out in a powerful, unified voice
- Protecting the industry
- Delivering an edge in information
- Ensuring education and Continuous Professional Development (CPD)

For more information on the benefits of joining APSO please refer to our membership information pack or contact us on 011 615 9417 or sinosume@apso.co.za