Strategies for Success: Overcoming Challenges in the Staffing and Recruiting Industry

December 9, 2024

The Staffing and Recruiting industry is dynamic and fast-paced and is often presented with unique challenges and opportunities. Amid heightened competition and the importance of retaining top-tier talent while maintaining a robust pipeline, staffing firms encounter myriad obstacles that can influence their growth and financial success.

The following summarizes some of the key issues staffing and recruiting firms may face as well as highlights potential solutions that can help them achieve their strategic objectives:

1. **Inadequate Business and Financial Planning:** The Staffing and Recruiting industry often grapples with maintaining a steady flow of revenues among fluctuations in the labor market, presenting revenue projection and business planning ramifications. By ensuring that their financial statements are completed effectively, working to capitalize on tax saving opportunities, minimizing tax liability, and maximizing profits, firms will be better equipped to meet their financial objectives.
2. **State and Local Tax (SALT) Compliance:** With more firms hiring remote

employees or placing individuals in numerous states, it is important to understand the tax implications of having personnel and/or revenues in various states and local jurisdictions. It is crucial for firms with personnel in multiple jurisdictions to consider nexus not only for income and sales taxes, but also for state payroll withholding taxes and unemployment insurance. Both physical and economic nexus must be thoroughly analyzed for all potential state taxes when undergoing a SALT analysis to understand and better manage risk. State apportionment rules require further navigation as even non-revenue producing and telecommuting employees can create state tax exposure. Finally, some states impose sales tax on staffing companies based on where the staff is located, not where the entity is headquartered, thus making proper SALT planning imperative for staffing and recruiting firms seeking to manage their overall tax compliance.

3. **Cost Savings and Optimization:** Intensified competition, particularly from larger companies with lower cost structures, poses a significant hurdle in the staffing and recruiting space, impacting profitability and market positioning. To address this challenge, companies need to optimize cashflow and minimize costs to improve profitability and overall market share. This can be achieved through strategic tax planning and leveraging planning tools such as cost segregation studies, which allow accelerated depreciation deductions, resulting in immediate tax savings and improved cash flow. Additionally, conducting comprehensive cost savings analyses can help identify inefficiencies and opportunities for cost reduction, ensuring that companies remain competitive by streamlining expenses and improving overall financial health.
4. **Employee Retention:** Rising salary requirements to retain and hire new talent can strain budgetary allocations for staffing and recruiting firms. Implementing innovative compensation and retention plans—including compensation, profit interests, stock compensation, phantom equity, and deferred bonus plans—and taking advantage of applicable employment tax credits and incentives can help companies mitigate overhead costs, enhance cash flow, and support long-term employee retention.
5. **Limited or Inefficient Internal Accounting Function:** Inefficient and limited internal accounting functions often distract management from

focusing on growth, operations, and other strategic initiatives that require their attention. Staffing and recruiting firms should ensure that their accounting functions are well equipped to handle core business activities such as payroll, revenue, and commission expense recognition, as well as key performance indicator (KPI) tracking. Firms should consider whether their current accounting processes and systems are sufficient to support these needs and identify areas for improvement that could optimize operational efficiency and profitability. In some cases, it can make sense to partner with specialized industry professionals to enhance or supplement internal capabilities. **Client Accounting Advisory Services (CAS)** teams can provide the expertise needed to streamline processes and provide effective and timely financial reports for management to implement effective strategies.

At Anchin, we understand these challenges and leverage our knowledge of the nuances within the Staffing and Recruiting industry to deliver customized solutions that assist firms in addressing these issues and provide them with the tools to enhance their business, in any environment.

Our extensive market experience and deep awareness of industry fluctuations and trends enable us to offer tailored accounting, tax and advisory services that align with our clients' evolving needs. What truly distinguishes us is our dedication to partner-level involvement, personalized service, and fostering strong client relationships. As the go-to accounting firm for staffing and recruiting firms, we take the time to know our clients and understand their distinct needs and objectives, while always remaining accessible.

For more information on our accounting, tax, and advisory services for staffing and recruiting firms, please click here **here**.

*If you have questions about the topics covered in this article or would like to discuss how Anchin's Staffing and Recruiting team can assist in achieving your firm's financial and strategic objectives, please contact **Chris Noble**, Partner and Leader of the Professional Services Group, **Matthew Rosenblatt**, Partner, **Anthony Carrella**, Partner and Leader of Anchin's CAS group, or your Anchin Relationship Partner.*