Playbook:

How to Start a Staffing Agency in 10 Steps

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With recent shifts in the economic landscape, the staffing industry is booming more than ever before. In today's job market, we're seeing rapid technological advancements, evolving industries, and fluctuating workforce demands. This scenario creates **a unique opportunity for staffing agencies** to serve as vital bridges between staffing agencies and their talent—and room for new staffing agencies to thrive.

The gig economy, remote work trends, and the growing demand for flexible work schedules have further amplified the need for staffing agencies. In 2022, the **U.S. staffing industry saw a record growth of 14%**, or $212 billion (Staffing Industry Analysts).

While running your own staffing agency has the potential to be lucrative, doing so will require strategic planning and access to the right resources. Whether you're just starting out or already have the wheels in motion, this guide serves as a comprehensive resource for entrepreneurs looking to establish and operate a successful staffing agency.

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Building a Foundational Understanding
of Staffing Agencies

If you're considering starting your own staffing firm, you may already have a strong understanding of the industry. If you're new to the world of staffing, though, or just want a brief refresher, this section is for you.

The staffing industry is unique, operating on specific dynamics that directly impact your agency's success. While staffing often attracts entrepreneurs, it's important to ensure you know the industry before diving in. **Expertise in staffing is essential** to creating an effective business plan, acquiring customers, and understanding the needs of your talent.

What is a staffing agency?

A staffing agency (also referred to as a temp agency or staffing firm) is a bridge between prospective employers and job candidates. Staffing agencies serve a wide range of fields (such IT, healthcare, or light industrial), and the needs of each industry can vary greatly.

In addition to becoming experts in hiring and recruiting, most owners in the staffing industry are knowledgeable of current trends and best practices in the industries they serve. Clients and **candidates are more likely to trust a staffing agency that demonstrates a deep understanding of their industry**. Your expertise can build credibility and foster confidence in your agency's ability to deliver exceptional results.

By utilizing the services of a staffing agency, customers can **fill job orders faster** and effectively **save both time and resources**. They pay a higher hourly rate, but they don't usually need to cover benefits. Plus, utilizing contingent workers allows employers the flexibility they often need as business needs shift.

Employees also reap benefits from working with staffing agencies. Whether a candidate is looking to take a step towards full-time, permanent work or prefers the flexibility that contingent employment brings, a staffing agency is a valuable resource for matching them with available jobs.

How does a staffing agency make money?

A temporary staffing agency specializes in providing organizations with employees to meet their staffing needs. These agencies generate revenue by charging a certain percentage of the hourly wage earned by the employee they place. The specific percentage charged can vary significantly and is influenced by factors such as the number of employees provided, the industry or field, demand for specific roles, location, and other relevant considerations.

For example: If a customer states that the hourly rate for an employee is $20/hour, the staffing agency may apply a mark-up of 50% to charge a bill rate of $30/hour to the customer. The staffing agency will therefore retain the difference of $10/hour as their placement fee.

How to Calculate Price Using Markup

$20	×	1 + .50	=	$30
Hourly Rate		**Target Markup**		**Bill Rate**

In certain cases, instead of charging a percentage of the employee's wage, some temporary staffing agencies opt for a flat fee structure for the services they render.

Pricing your services appropriately is essential for profitability. You'll want to offer a high enough wage to attract talent and stay competitive, but also ensure you're receiving the funds you need for running your business. Understanding industry rates, markup percentages, and pricing structures ensures that your agency remains competitive while also maintaining healthy profit margins.

What are the challenges in running a staffing agency?

The staffing industry is not without its difficulties. A dynamic industry, staffing evolves in response to economic shifts, technological advancements, and changes to workforce dynamics. High turnover rates, seasonality, and economic fluctuations require staffing owners to remain nimble and develop strategies for mitigating risk and maintaining stability during tough times.

Knowing these trends allows you to position your agency to adapt and innovate in order to remain competitive long term.

10 Steps to Starting Your Staffing Agency

Getting your staffing agency off the ground involves a strategic business plan as well as a smart approach to technology, funding, marketing, and relationship-building. Follow these steps to make sure you're taking a comprehensive approach.

Step 1: Create a Business Plan

Your business plan should provide a comprehensive overview of your agency's goals, strategies, operations, and financial projections. It's a roadmap that guides your agency's growth and helps secure funding, attract customers, and make informed decisions.

Below are some key starting points to consider in your business plan. Remember that a business plan is a living document that can evolve over time—a tool to guide your decision-making and demonstrate your agency's potential to stakeholders. Tailor each section to reflect your agency's unique strengths, goals, and market opportunities.

1. Executive Summary: A concise overview of your staffing agency, including its mission, vision, goals, and the services you'll offer.

2. Company Description: Detailed information about your staffing agency, its history, founders, geographic location, and the value it aims to bring to clients and candidates.

3. Market Analysis: Research on the staffing industry, including trends, growth prospects, target market segments, and potential competitors. Highlight the demand for staffing services and opportunities in your chosen niche.

• What type of staffing do you plan to offer? (Industrial, Professional, Healthcare, IT, etc.)

• What markets are you going to serve?

• Do you have customer contracts? If not, how do you plan to acquire them?

4. Marketing and Sales Strategies: How you plan to attract clients and candidates. This includes your branding, marketing channels (digital, networking, referrals, etc.), and your approach to building strong client relationships.

5. Management and Organization: Details about the key team members, their roles, expertise, and how their skills contribute to the agency's success.

• Do you need to hire internal employees? (E.g., Sales professionals, recruiters, payroll experts)

6. Operational Plan: A breakdown of your agency's day-to-day operations, including candidate sourcing, screening, client interactions, compliance management, and employee management if you hire internal staff.

7. Financial Projections: Detailed financial forecasts, including startup costs, projected revenue, expenses, and profit margins. This section should also cover your pricing strategy and how you plan to achieve profitability.

8. Competitive Analysis: Assessment of your competition, their strengths, weaknesses, and how your agency will differentiate itself.

9. Risk Assessment: Identification of potential risks and challenges your agency might face, along with strategies to mitigate them.

10. Legal and Regulatory Considerations: Explanation of the legal structure you've chosen for your agency, necessary licenses, permits, and compliance with employment laws.

11. Milestones and Timelines: Major milestones and goals for your agency's growth over time, along with estimated timelines for achieving them.

12. Funding Request (if applicable): If you're seeking funding, outline how much capital you need, how you plan to use it, and how you'll repay investors or lenders.

13. Exit Strategy (optional): If you plan to exit the business in the future, outline your strategy for selling the agency or passing it on to a successor.

The #1 Reason New Staffing Agencies Fail:

*There was no need in the selected market. **Do your market research** to find the right niche.*

Step 2: Establish Your Business as a Legal Entity

When starting a staffing agency, these are several important steps you must take to ensure that your business is compliant, protected, and recognized by the appropriate legal authorities.

1. Create a business name (This is how you will be recognized, so choose wisely)

2. File your EIN & Tax-ID Number (SS-4 form and W-9 forms)

3. Form an LLC or incorporate (S-corp, C-corp, etc.)

4. Ensure you have one of the following: Certificate of Formation, Articles of Organization, Articles of Incorporation, etc. (The document you need will depend on the type of legal entity you form.)

5. Ensure you acquire all licenses and permits required by your operating state.

**Have Questions?
Set up a 30 min. call.**

Step 3: Determine Start-Up & Operating Costs

As with any business venture, starting a staffing agency requires an initial investment to cover essential expenses. You will also need to factor in **ongoing operating costs**, which must be carefully managed to maintain profitability. Depending on the needs and size of your business, expenses to factor in could include office space, technology, marketing, legal fees, and initial staff salaries. It's essential to create a detailed budget that accounts for all these expenditures and ensures you have a clear understanding of your monthly financial commitments.

You'll need to **determine the amount of capital** required to set up and run your agency for the first few months until you start generating revenue. Having a comprehensive business plan that outlines your projected expenses and income will be instrumental in securing the necessary funding from investors, banks, or personal savings.

Startup costs can be divided into two categories: establishment and operational.

Establishment costs are the basics that your business needs. These are usually one-time expenses and must be paid/bought before you officially start.

Operational costs are ongoing expenses you'll need to account for in running your day-to-day business.

Examples of Establishment Costs

- Legal setup expenses (entity foundation, contracts, etc.)
- Hardware (computers, telephone, etc.)
- Office space (if needed)
- Insurance (general liability, workers' comp., etc.)

Examples of Operational Costs

- Payroll services (funding invoices, payroll processing, tax processing)
- Software (front and back-office staffing software)

Step 4: Understand Your Cash Flow Position

One of the most common gaps that newly established agencies face is that they don't yet have a comprehensive understanding of cash flow.

Employees of staffing firms are typically paid weekly or bi-weekly. Your customers, on the other hand, typically operate under net 30-60 payment terms—*if* they pay on time. **Any delay in this can cause serious issues for all parties involved.**

> **The 2nd Most Common Reason Staffing Agencies Fail:**
>
> *Mismanaging cash flow, payroll, and tax liabilities can cause an agency to quickly falter.* **29% of startups run out of cash***, leading them to close doors.*

Staffing agencies must have enough cash flow to front wages to employees while waiting for customers to pay their invoices. Too often, staffing agencies **hit a growth ceiling**; if you have customers wanting to do business with you, but you are limited in cash flow necessary to paying temporary workers, you might find yourself turning away business. To solve this, many staffing agencies partner with payroll funding / invoice factoring providers such as Lone Oak Payroll.

Don't fall into the 29%. Reach out to learn how you can prepare your staffing firm for success.

Step 5: Build and Market Your Brand

Once you've created your business, it's time to get the word out. How will potential customers and talent find you?

To accomplish this, many staffing professionals partner with staffing-specific firms such as Haley Marketing.

Define Your Niche and Brand Identity

Before diving into marketing, define your agency's niche. Are you focused on specific industries, roles, or locations? This clarity helps **tailor your messaging** and **target your efforts** more effectively.

Additionally, **craft a strong brand identity** that resonates with your target audience. From your agency's name and logo to your tone of voice and visual elements, consistency fosters recognition and trust.

Build a Professional Website

A user-friendly and informative website is your digital storefront. It's often the first point of contact for potential clients and candidates. Ensure your website **showcases your services**, **highlights success stories**, **provides resources** (such as blog posts or industry insights), and includes clear contact information. Be sure to optimize it for search engines (SEO) to increase visibility.

Leverage Social Media

Social media platforms are invaluable tools for engaging with your audience. Share **industry news**, **job openings**, and **helpful career tips**. Choose platforms that align with your target audience. LinkedIn is particularly effective for professional networking, while platforms like Facebook and Instagram can help you connect with a wider audience.

Create an Email Marketing Strategy

Craft compelling email campaigns that **nurture relationships** with clients and candidates. Send out newsletters with industry insights, job openings, and success stories. Personalized emails can make recipients feel valued and engaged.

Build Your Network and Strengthen Your Relationships

Attend staffing industry events, seminars, and networking sessions to establish relationships with both clients and potential candidates. **Building a strong professional network** can lead to referrals and collaborations. You can also learn from other experts in the industry (even your competitors!).

Online Advertising

Invest in online advertising to increase your agency's visibility. Google Ads, social media ads, and sponsored content can help you **reach your target audience** more effectively.

Client Testimonials and Case Studies

Once you have a foothold, share client testimonials and case studies on your website to **boost your agency's credibility**. Showcase how you've helped clients find the right talent and share success stories from placed candidates.

How can staffing agencies gain the competitive edge using social media?

1. Master the basics

- Post regularly and consistently.
- Ensure consistent branding across your social media platforms.
- Follow and learn from thought leaders in the staffing industry.
- Track and measure your social media metrics as you build your presence.

2. Share informative and engaging content related to staffing and recruitment

- Update your followers on job market trends and career advice.
- Provide valuable insights, tips, and industry news to position your firm as an industry leader.

3. Highlight your talent, customers, and your internal staff: their stories and successes

- Showcase the success stories of customers and the candidates you've placed.
- Share testimonials from satisfied customers and job seekers.
- Humanize your firm with "behind the scenes" snippets.

4. Take advantage of paid targeted advertising on platforms such as LinkedIn and Facebook. You can narrow in your audience based on location, demographics, job title, industry, and more

5. Encourage discussions and conversations around relevant topics in your industry

6. Respond promptly to comments, messages, and inquiries from your followers

7. Join relevant groups and participate in discussions to expand your network

Step 6: Technology (Staffing Software)

When starting a staffing agency, selecting the right staffing software provider is a pivotal decision that can significantly impact the success of your business. Having the right technology can help **streamline operations**, **optimize efficiency**, and **enhance the overall client and candidate experience**.

#3 Reason Staffing Agencies Fail:

Keeping data in-house, rather than leveraging a robust staffing software provider.

Managing the business with outdated methods is not only a risk but also extremely inefficient and time-consuming. Some of these methods include using spreadsheets, trying to track your customer records and employee records on paper, or storing information via unsecure computer files.

With a strong staffing software system (such as our trusted software, TempWorks), you'll spend less time on administrative tasks and **increase productivity** with sales and recruiting, which is the engine that will drive your business. Here are features you should consider when choosing a software provider:

- A **single platform**, with everything in one central location.

- An **ATS and CRM** that speak to your payroll and invoicing functionality.

- Access to **integrated tools**, such as candidate messaging and background checks, so you can build a strong tech stack that meets your unique business needs.

- A user-friendly interface to ensure best practices across your team.

- **Reporting** capabilities so you can make data-informed decisions.

- **Mobile tools**, whether it's a mobile-friendly website or a mobile app, to ensure your team and your talent can access information on-the-go.

- **Scalability**: The needs of your business will evolve over time, so ensure you have a software provider that can grow with you.

Take the time to research, compare, and make an informed decision that aligns with your agency's vision and growth plans.

Want to learn more about protecting your data and making your operations more efficient? Reach out to our staffing experts.

Step 7: Focus on Operations | Sourcing Talent

You have your software, and you have your clients. Now, how do you start sourcing talent?

A new staffing agency can source talent effectively by employing a combination of traditional and modern recruitment strategies. Focus on sourcing and recruiting methods that are going to give you access to connecting with job seekers and employers that may have a need for your services. Here are several ways you can build your talent pool:

Local Business Groups: Join local chambers of commerce and business associations to expand your network.

Educational Institutions: Partner with local colleges and universities to tap into new graduates and alumni networks.

Job Boards: Post your job listings on popular job boards such as Indeed, Monster, and LinkedIn.

Networking: Online job boards are a great place to start, but speaking with personal contacts and generating referrals is going to be a helpful way to build your list of contacts. Build relationships and be creative to get your name and business recognized in the marketplace.

Referral Programs: Encourage your current talent to refer potential candidates. Offer incentives for successful referrals.

Don't forget your own database!: As you continue to grow your business, your ATS will be the biggest resource for finding talent to match with job orders.

As your agency gains experience and credibility, your sourcing efforts will become more effective over time.

Step 8: Determine How You Will Handle Your Back Office

In staffing, your back office runs the day-to-day tasks associated with time entry and payroll. As you get closer to launching your staffing agency, you'll need to determine: Will you handle back-office tasks in-house, with your own staff, or will you outsource back-office tasks to an expert provider?

Partnering with payroll experts—such as those at Lone Oak Payroll and TempWorks—enables you to streamline the following processes for your organization, resulting in more efficiency and continuity.

Benefits of Outsourcing Your Back Office

- **Gathering of time** through web portals, time clocks, employee engagement app, and physical timecards (if needed).
    - Time entry is automatically entered into the back office through systems that speak to each other, **eliminating the need for manual entry**.
- Proofing and error-checking is completed, **ensuring accuracy** and preventing expensive payroll errors.
- Lone Oak Payroll and TempWorks take over for the remainder of payroll processing duties:
    - Timecards are paid via payroll to employees, whether by paper checks, direct deposit, or paycard options.

- Invoices are automatically generated based on timecards and the bill and pay rates in the system. Invoices are then sent out by email via the system to the intended recipients.

- Invoice collection is handled by your dedicated Lone Oak Payroll team, then documented in the system as *paid, partially paid,* or *unpaid*. You also have full access to view invoice reporting as well as other reports.

- Garnishment and tax processing services are available through a dedicated payroll and tax team at Lone Oak Payroll.

Deciding Whether to Outsource

Deciding whether to outsource back-office operations or keep them in-house is a significant choice that can impact the efficiency, cost-effectiveness, and overall success of your staffing agency.

To make an informed decision, consider the following factors:

1. **Agency Size and Scale**: Smaller agencies may find it more challenging to handle back office tasks in-house due to limited resources. Outsourcing can provide access to specialized services without the need to hire a dedicated team.

   Additionally, if you've outsourced your payroll, as you grow, you won't need to add additional payroll staff to continue your advancement.

   Leveraging a team like Lone Oak with dedicated payroll, tax and AR collections experts allows your back office needs to be taken care of so you can focus on growing your talent and reaching your business goals.

2. **Core Competencies**: Evaluate your agency's core competencies. If your expertise lies primarily in recruitment and client management, outsourcing back-office tasks can allow you to focus on what you do best while leaving administrative functions to the experts.

3. **Cost Considerations**: Compare the costs of outsourcing versus keeping operations in-house. Outsourcing can offer cost savings by reducing the need for additional staff, infrastructure, and technology investments. However, be sure to consider the long-term financial implications.

4. **Compliance, Regulation, and Risk Management**: Back-office tasks often involve compliance with complex employment laws and regulations. Outsourcing to a specialized provider can ensure that these tasks are handled accurately and in accordance with the law.

   Outsourcing can help mitigate risks associated with errors in payroll, taxes, and compliance. Specialized providers often have systems in place to minimize such risks. Plus, having a streamlined, error-free process will enhance your agency's reputation.

5. Technology and Tools: Evaluate the technology and tools required to manage back-office operations efficiently. Outsourcing providers often offer advanced software and systems that may be cost-prohibitive for smaller agencies to implement in-house.

There's no one-size-fits-all approach to deciding whether or not to outsource your back-office processes. It's important to align your decision with your agency's specific goals and circumstances. Remember that you can also explore hybrid approaches—outsourcing some tasks while handling others in-house—to find the best solution for your staffing agency.

Wondering how outsourcing can increase your staffing agency's growth potential? Let's connect.

Step 9: Create Comprehensive Contracts

Well-written contracts are important to establishing clear expectations and protecting the interests of your agency, your customers, and your contract employees.

When crafting contracts for prospective clients, begin by **outlining the scope of services**, including the type of staffing, duration, and any specific requirements. Clearly define the responsibilities and obligations of both parties, such as payment terms, termination conditions, and confidentiality clauses.

Similarly, when drafting employment agreements for contract employees, include key details such as job descriptions, compensation, benefits, and duration. Specify any requirements—such as confidentiality, non-compete, or non-disclosure clauses—and address termination procedures.

Be sure to consult legal professionals to ensure compliance with relevant labor and employment laws.

By diligently considering the needs and legal considerations of all parties involved, you can create comprehensive and enforceable contracts that foster transparent and mutually beneficial relationships with both clients and contract employees.

Step 10: Execution

Operating a newly formed staffing business requires careful planning and attention to various fundamental aspects.

Many of the key steps to starting your agency have been listed above. To achieve your goal of running a successful staffing agency, **stay focused on your business plan** and **build a consistent operating rhythm**.

Once you have the necessary partners, resources, and tools in place, it comes down to focusing on your sales and recruiting strategy.

- **Build a reliable network** of candidates by implementing a robust recruitment and screening process to ensure you have a pool of qualified talent to meet client demands.

- **Develop strong relationships** with clients by understanding their staffing needs, offering exceptional customer service, and delivering quality candidates.

Promote your agency and attract clients by creating and executing an effective marketing and branding strategy.

Make sure to also utilize technology and software solutions that streamline your operations, such as applicant tracking systems and payroll management tools.

Finally, continuously evaluate and improve your processes, learn from challenges, and adapt to the evolving needs of your clients and the job market. By focusing on these fundamental aspects, you can set your newly formed staffing business on a path towards success and growth.

Checklist for Staffing Start-Ups

To guide you throughout the process of creating your business, we've created a checklist for staffing agency start-ups. This checklist can be used to track your progress.

As with any important documents, you should **ensure these items are stored securely**. Be sure to always keep original copies of each document, too.

You should also **make copies** of the most important documents (marked with an * in your checklist) and **have them certified**. Store these separately, such as in a safe deposit box.

Finally, learn to share files and password-protect them, such as with OneDrive.

Checklist for Staffing Start-Ups

Document	Notes
☐ Create business plan	Make sure your strategy is informed by market research
☐ Create a business name	Check availability and choose wisely
☐ Form LLC or incorporate	Visit your states government website
☐ File your EIN (SS4 document)	File online via the IRS website or your state business registration
☐ File your TIN (W-9 form)	File online via the IRS website or your state business registration
☐ Acquire proper state licenses & permits	Visit your states government website
☐ Establish bank account for the business	Choose your bank
☐ Certificates of Insurance (Liability and Workers Comp)	Choose a broker, or check with your state
☐ Acquire capital (business funds)	Payroll funding/invoice factoring creates more opportunity (offered by Lone Oak Payroll)
☐ Create a website	Some options include wix.com, wordpress.com, and squarespace.com
☐ Create social media platforms	LinkedIn, Facebook, etc.
☐ Secure staffing software (front/back office)	Choose a provider that specializes in staffing (such as TempWorks)
☐ Payroll (Operate in-house or outsource)	Payroll providers are experts at managing this (such as Lone Oak Payroll)
☐ Create contracts (client and employee agreements)	Consult an attorney, or use legalzoom.com