



Spherion Corporation Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question is from Jeff Silver - BMO Capital.

Jeff Silver - BMO Capital

I was wondering if we could get a little bit more color on the pricing environment out there. If I remember correctly that the bill pay spreads will be either flat to down. Forgive me if I got that incorrectly, but if you can just quantify that a bit by your two major segments and then I've got some follow ups on that.

Roy Krause

I'll start and let Mark chime in here. On the commercial staffing side, actually we've been reasonably pleased with the new account activity in the mid sized area meeting our price points. Where we've seen the contraction actually is in the renewal of our existing business and I think that's probably pretty consistent with what others have reported. Maintaining your base business is becoming increasingly difficult, so that's commercial staffing.

We did see a pull back in margins on the professional side, probably a little more extensive in technology in other places, based on some run off of some legacy Spherion accounts, project business. Mark, you want to comment a little more on that?

Mark Smith

Yes Jeff, just from a pay bill spread, you talked about the two segments. Year-over-year there was a pull back in paid bill spread on the staffing side, which you can see in both the temporary staffing numbers and the managed services numbers. In total between those two, there's probably a 60 basis point impact on overall margin in that segment, from that activity. On the professional side, SUP bill spreads year-over-year are hanging in there pretty decently and we haven't seen much contraction on that side.

Jeff Silver - BMO Capital

As a follow up, I'm wondering what the competitive environment is like? Are you seeing any of your competitors are being a little bit more aggressive in terms of cutting prices?

Roy Krause

Well, it's certainly a very competitive environment. Obviously the overall temp market is, I don't know, 20 months into shrinkage of the overall temp number of jobs and half the jobs that have been lost in the economy were temporary jobs, so clearly it's much more competitive.

I think it's a very competitive market out there and what I feel good about is the fact that our balance sheet is strong and cash flow is there and I think we can weather this cycle very well and our mix with the Technisource and today's acquisitions has changed and I think we're better positioned.

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