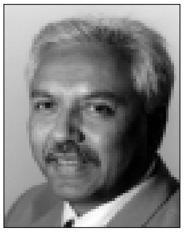
High salaries: Robert Half makes them happen

By Sunil Vidyarthi



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Recently I saw an article in the local newspaper about how the widening income gap in our society today could be a harbinger of much worse conditions in the future, marred by labor unrest, poor productivity and in dire circumstances the end of good times we have enjoyed since the dawn of the industrial revolution. It appears that all great economic bull runs in history have ended with a persistent problem of rich getting richer and poor continuing to lag.

We are, however, here to find ways of making money, not solving social ills of the planet. Let's just consider why there are such outrageous amounts of money ending up in fewer hands, while many of us have to do with low-paying jobs?

It all started back in the late '70s and early '80s when inflation was skyrocketing. It was not unusual to get 20 per cent raises in those days (I can vouch for that personally). This was also the beginning of stock-based compensation, which ultimately became the only way of rewarding and retaining scarce computer engineers and software developers.

The problem with anyone getting a higher-than-normal amount of cash is that everyone wants more, and definitely not less, than Mr. Jones. And just like the Toronto real estate of the late '80s, competitive bidding kept jacking up salaries, more so for those who could actually fix the bidding process.

The end result was Tyco's chairman buying a $7,000 umbrella and inviting Greek gods to his girlfriend's party, all at the company's expense. This was no longer about money; it was about getting paid what you thought you were worth, which was higher than the last guy who had your job.

Naturally, you would need a way to control the natives, i.e., pacify them, bribe them and control them so that the process could be rigged for obscene payoffs. The instrument of this social change turned out to be, and continues today, temporary employment.

Back then, temp recruiters like **Robert Half International Inc**. (RHI-NYSE, $35.01, 650-234-6000, *www.rhi.com*) were smallfries trying to earn their living by serving small companies that couldn't afford to advertise in big newspapers and serving niche applicants like computer programmers and engineering contractors.

I don't need to tell you how that changed. But what you may not realize is that companies like RHI are big business today as they become instrumental in accelerating this social phenomenon.

In just the last three years, the company's sales have grown from $2.67 billion in 2004 to $4 billion in 2006. You no longer need to feel small by contacting Robert Half. The salary ranges they cater to, are respectable and their clientele are some of the biggest. You may ask then how do they contribute to the desperation of the other half? The key word is temporary. They will get you a lot of money but no guarantee on how long you get to keep the job. That negotiation is only for the corner-office occupant.

Robert Half provides specialized-staffing and risk-consulting services. As accelerating greed and improprietary factors influence the complexity of our business world, RHI adds on new layers. In addition to "temporary and consultant staffing," it now also offers "permanent placement staffing," and "risk consulting" and "internal audit services." It operates in North America, South America, Europe, Asia, and Australia.

If history is any guide to the future of this company and industry, temp staffing and risk management are here to stay. While there is noise for change, once again that is coming from people who have little control over the process. Currently RHI trades at 19 times earnings and is expected to grow its EPS by about 10 per cent.

For the latest quarter ended March 31, net income was $70.7 million or $.42 per share, on revenue of $1.1 billion. Net income for the prior year's first quarter was $65.5 million or $.38 per share, on revenue of $943.9 million. Revenue and income per share increased 16 percent and 11 percent, respectively, from the first quarter of 2006.

Yet, the stock has fallen from a high of $42 in February, based on earnings that were lower than analysts expected and some recent downgrades on the stock.

Of course, there is also a wide belief the economy in the U.S. will slow down, including a fear of recession over the next few quarters. Don't forget, though, that two things do not slow even in a recession: temp employment and CEO salaries.

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