

ON ASSIGNMENT INC
Form 10-K
March 14, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-20540

ON ASSIGNMENT, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4023433
(I.R.S. Employer
Identification No.)

26745 Malibu Hills Road
Calabasas, California 91301

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (818) 878-7900

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$0.01 par value	The NASDAQ Stock Market, LLC

Securities registered pursuant to Section 12(g) of the Act:

None

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements of the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during

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the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2011, the aggregate market value of our common stock held by non-affiliates of the registrant was approximately \$308,131,042.

As of March 9, 2012, the registrant had outstanding 37,400,313 shares of Common Stock, \$0.01 par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement for the 2012 Annual Meeting of Stockholders, to be filed within 120 days of the close of the registrant's fiscal year 2011, are incorporated by reference into Part III of this Annual Report on Form 10-K.

ON ASSIGNMENT, INC.
ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011
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SPECIAL NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based upon current expectations, as well as management's beliefs and assumptions, and involve a high degree of risk and uncertainty. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Statements that include the words "believes," "anticipates," "plans," "expects," "intends," and similar expressions that convey uncertainty of future events or outcomes are forward-looking statements. Forward-looking statements include statements regarding our anticipated financial and operating performance for future periods. Our actual results could differ materially from those discussed or suggested in the forward-looking statements herein. Factors that could cause or contribute to these differences or prove our forward-looking statements, by hindsight, to be overly optimistic or unachievable include, but are not limited to actual demand for our services, our ability to attract, train, and retain qualified staffing consultants (which includes our sales and recruiting staff), our ability to remain competitive in obtaining and retaining temporary staffing clients, the availability of qualified temporary nurses and other qualified contract professionals, our ability to manage our growth efficiently and effectively, continued performance of our information systems and the factors described in Item 1A of this Annual Report on Form 10-K under the Section titled "Risk Factors." Other factors also may contribute to the differences between our forward-looking statements and our actual results. In addition, as a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. All forward-looking statements in this document are based on information available to us as of the date we file this Annual Report on Form 10-K, and we assume no obligation to update any forward-looking statement or the reasons why our actual results may differ.

PART I

Item 1. Business

Overview and History

On Assignment, Inc. (NASDAQ: ASGN), is a leading global provider of highly skilled, hard-to-find professionals in the growing life sciences, healthcare, and technology sectors, where quality people are the key to success. The Company goes beyond matching résumés with job descriptions to match people they know into positions they understand, for contract, contract-to-hire, and direct hire assignments. Our business currently consists of four operating segments: Life Sciences, Healthcare, Physician, and IT and Engineering.

We were incorporated on December 30, 1985, and thereafter commenced operation of our Lab Support line of business (now included in our Life Sciences operating segment), our first contract staffing line of business. Expansion within the Life Sciences segment and into other industries has primarily been achieved through acquisitions, and utilizing our experience and unique approach in servicing our clients and contract professionals. Since 1985, we have acquired 13 companies.

On April 16, 2010, we acquired The Cambridge Group Ltd., a Connecticut-based privately-held firm specializing in clinical research, IT, and physician staffing services and accordingly, is included in each of our Life Sciences, IT & Engineering and Physician operating segments. On July 19, 2010, the Company acquired Sharpstream Holdings Limited, a London-based privately-owned provider of executive search services in the life sciences sector and is included in our Life Sciences segment. Sharpstream provides search services across Europe, Asia, and the United States.

On February 28, 2011, we acquired Valesta, a privately-owned provider of specialized clinical research staffing headquartered in Belgium. Valesta is included in the Life Sciences operating segment. On July 31, 2011, we acquired HealthCare Partners (HCP), a privately-owned provider of physician staffing headquartered in Atlanta, Georgia. HCP is included in our Physician segment.

Financial information regarding our operating segments and our domestic and international revenues is included under “Financial Statements and Supplementary Data” in Part II, Item 8 of this Annual Report on Form 10-K.

Our principal executive office is located at 26745 Malibu Hills Road, Calabasas, California 91301 and our telephone number is (818) 878-7900. We have approximately 76 branch offices in 24 states within the United States and in six foreign countries.

Industry and Market Dynamics

The U.S. employment projections published by the U.S. Bureau of Labor Statistics as of February 2012 estimates that total employment for the next decade will grow by 20.5 million jobs, or 14 percent, between 2010 and 2020. By comparison, under the previous estimate for the 2008 to 2018 period, total employment was projected to grow by 10 percent. The increase in projected growth from the prior period is largely due to the relatively lower starting base in 2010, compared to employment levels in 2008. Within the employment industries, the U.S. Bureau of Labor Statistics, according to such projections, estimates that employment growth in the healthcare and social assistance sector will add the most jobs, followed by the professional and business services sector.

The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), an independent staffing industry publication, estimates that total staffing industry revenues were \$114 billion in 2011 and are forecasted to be \$122 billion in 2012, in each case, up from \$103 billion in 2010. The biggest industry segment, contract labor, is forecasted to grow at an annual rate of 7 percent in 2012 with revenues of \$94 billion, while permanent placement is forecasted to grow by 12 percent in 2012 with revenues of \$6 billion. Within the contract help segment, professional staffing is expected to grow at an annual rate of 10 percent in 2012 to revenues of \$51 billion. The temporary staffing (or contract labor) industry is historically cyclical and typically has a strong correlation to employment and GDP growth. We anticipate that our healthcare, life sciences and IT clients will increase their use of outsourced labor through professional staffing firms to meet the need for increases in capacity of their workforce. By using outsourced labor, these end users will benefit from cost structure advantages, improved flexibility to fluctuating demand in business and access to greater expertise.

Sales and Fulfillment

Our strategy is to serve the needs of our targeted industries by effectively understanding and matching client staffing needs with qualified contract professionals. In contrast to the mass market approach generally used for contract office/clerical and light industrial personnel, we believe effective assignments of contract healthcare, life science, physician and IT and engineering professionals require the people involved in making assignments to have significant knowledge of the client's industry and the ability to assess the specific needs of the client as well as the contract professionals' qualifications. We believe that face-to-face selling in many circumstances is significantly more effective than the telephonic solicitation of clients, a tactic favored by many of our competitors. We believe our strategy of using industry professionals to develop professional relationships provides us with a competitive advantage in our industry which is recognized by our clients.

Our corporate offices are organized to perform many functions that allow staffing consultants and recruiters to focus more effectively on business development and the assignment of contract professionals. These functions include the recruiting and hiring of staffing consultants, recruiters and support staff, as well as ongoing training, coaching and administrative support. Our corporate offices also select, open and maintain branch offices.

Clients

During the year ended December 31, 2011, we provided contract professionals to approximately 5,347 clients. In 2011, we had no single customer that represented two percent or more of our revenues.

All contract assignments, regardless of their planned length, may be terminated with limited notice by the client or the contract professional.

The Contract Professional

Contract professionals often work with a number of staffing companies and develop relationships or loyalty based on a variety of factors, including competitive salaries and benefits, availability and diversity of assignments, quality and duration of assignments and responsiveness to requests for placement. Contract professionals seeking traveling positions are also interested in the quality of travel and housing accommodations as well as the quality of the clinical experience while on assignment.

Hourly wage or contract rates for our contract professionals are established based on their specific skills and whether or not the assignment involves travel away from the professional's primary residence. Our staffing consultants are our employees or are subcontracted from other affiliated corporate entities. For our consultant employees, we pay the related costs of employment including social security taxes, federal and state unemployment taxes, workers' compensation insurance and other similar costs. After achieving minimum service periods and hours worked, we also provide our contract professional employees with paid holidays and allow participation in our 401(k) Retirement Savings Plan.

Strategy

We remain committed to growing our operations in the life science, healthcare, physician and IT and engineering markets that we currently serve, primarily through supporting our core service offerings and growing our newer service lines of business. We will also continue to look at acquisition opportunities which supplement our internal growth. In 2011 we acquired Valesta, a clinical staffing company headquartered in Belgium, and HealthCare Partners, a physician staffing company headquartered in Georgia.

In 2011, we continued to focus on increasing market share in each of our segments, maintaining or increasing our gross margins, expanding our service offerings and controlling our operating costs. We have increased interaction between our segments so that each can learn best practices from the others.

As part of our initiative to improve our sales capabilities, field operations, and back office processing efficiency, we continue to make strategic investments enhancing our primary business systems. Our front office system (RecruitMax) supports all domestic and European Lab Support locations along with our Allied Healthcare and Nurse Travel operations. Deployment for these platforms began in 2004 and was principally completed in 2008. Currently underway is our next major front-office development initiative supporting the IT and Engineering segment. The RecruitMax application interfaces with the existing enterprise-wide information system, PeopleSoft, used in our Life Sciences, Nurse Travel and Allied Healthcare, Physician and IT and Engineering lines of business and provides additional functionality, including applicant tracking and search tools, customer and candidate contact management and sales management tools.

We continue to extend the use and capabilities of PeopleSoft in domestic and European operations. The Physician staffing segment was migrated to the PeopleSoft platform in 2011. Our ongoing plan is to deploy a common front-office system integrated with the PeopleSoft platform wherever efficiencies can be realized.

We improved our pay-bill processing efficiencies and services by deploying an on-line time collection and customer approval system. This particular extension of PeopleSoft is fully operational in the IT and Engineering unit and the roll-out will continue by business segment. Life Sciences and Allied Healthcare are nearing completion of the on-line time collection and customer approval system deployment as well.

Moderate investments are planned to keep our wide area network and computing platform running with high availability hardware. All primary business operates from a secure data center.

We will continue to invest in leasehold improvements as we expand, relocate, and rationalize our branch facilities and leverage favorable commercial real estate terms for cost savings.

We believe these improvements should continue to increase the productivity of our staffing consultants and streamline corporate operations.

During 2011, we substantially added to the number of recruiters and sales personnel employed by the company. Over the course of the year, the average number of recruiters and sales personnel employed by the company increased 23.0 percent. In 2012, we anticipate that the markets we serve will improve with the economy. We have made small investments in enhancing our permanent placement capabilities and we will continue to invest in our existing businesses to support growth. In addition, we will continue to review acquisition opportunities that may enable us to leverage our current infrastructure and capabilities, increase our service offerings and expand our geographic reach.

We will also continue to manage our capitalization over the next four years through the Company's authorized stock repurchase plan.

Competition

Many of our competitors are larger than us and have substantially greater financial and marketing resources than we do. We also compete with privately-owned temporary staffing companies on a regional and local basis. Frequently, the strongest competition in a particular market is a privately-held local company with established relationships. These companies oftentimes are extremely competitive on pricing. While their pricing strategies are not necessarily sustainable, they can be problematic for us in the short-term.

The principal competitive factors in attracting qualified candidates for temporary employment or engagements are salaries, contract rates and benefits, availability and variety of assignments, quality and duration of assignments and responsiveness to requests for placement. We believe that many people seeking temporary employment or engagements through us are also pursuing employment through other means, including other temporary staffing. Therefore, the speed at which we place prospective contract professionals and the availability of appropriate assignments are important factors in our ability to complete assignments of qualified candidates. In addition to having high quality contract professionals to assign in a timely manner, the principal competitive factors in obtaining and retaining clients in the temporary staffing industry are properly assessing the clients' specific job requirements, the appropriateness of the contract professional assigned to the client, the price of services and the monitoring of client satisfaction. Although we believe we compete favorably with respect to these factors, we expect competition to continue to increase.

Operating Segments

Life Sciences

Our Life Sciences segment includes our domestic and international life science staffing businesses, which operate from local branch offices in the United States, United Kingdom, Netherlands, Belgium, Canada, Spain and China. At December 31, 2011, we had 45 Life Sciences segment branch offices, of which 13 share office space with our Healthcare segment. Life Sciences segment revenues for 2011 were \$155.3 million and represented 26.0 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), states that the life sciences professional staffing market will grow by 10 percent in 2012. Demand for staffing in our Life Sciences segment is driven primarily by clients with research and development projects across a wide array of industries.

We provide locally-based, contract and permanent life science professionals to clients in the biotechnology, pharmaceutical, food and beverage, personal care, chemical, medical device, automotive, municipal, education and environmental industries.

We have developed a tailored approach to the assignment-making process that utilizes staffing consultants. Unlike traditional approaches that tend to be focused on telephonic solicitation, our Life Sciences staffing consultants are experienced professionals who work in our branch office network to enable face-to-face meetings with clients and contract professionals. Most of our staffing consultants are either focused on sales and business development or on fulfillment. Sales and business development staffing consultants meet with clients' managers to understand client needs, formulate position descriptions and assess workplace environments. Fulfillment staffing consultants meet with candidates to assess their qualifications and interests and place these contract professionals on quality assignments with clients.

Our Life Sciences segment's professionals include chemists, clinical research associates, clinical lab assistants, engineers, biologists, biochemists, microbiologists, molecular biologists, biostatisticians, drug safety specialists, SAS programmers, medical writers, food scientists, regulatory affairs specialists, lab assistants and other skilled scientific professionals. These contract professionals range from individuals with bachelor's and/or master's degrees and considerable experience to technicians with limited chemistry or biology backgrounds and lab experience. Contract professionals assigned to clients are generally our employees, although clients provide on-the-job supervisors for these professionals. Therefore, clients control and direct the work of contract professionals and approve hours worked, while we are responsible for many of the activities typically handled by the client's human resources department.

Our primary contacts with our clients are a mix of end users and process facilitators. End users consist of lab directors, managers and department heads. Facilitators consist of human resource managers, procurement departments and administrators. Facilitators are more price sensitive than end users who typically are more focused on technical capabilities. Assignments in our Life Sciences segment vary from three to 12 months.

We believe our Life Sciences segment is one of the few nationwide temporary staffing providers specializing exclusively in the placement of life science professionals. Although other nationwide temporary staffing companies compete with us with respect to scientific, clinical laboratory, medical billing and collection personnel, many of these companies focus on office/clerical and light and heavy industrial personnel, which account for a significant portion of the overall contract staffing market. These competitors include Manpower, Inc., Kelly Services, Inc., Adecco SA, Yoh Company and the Allegis Group.

Healthcare

Our Healthcare segment includes our Nurse Travel and Allied Healthcare lines of business. Nurse Travel operates from our locations in Cincinnati, Ohio, Tupelo, Mississippi and San Diego, California. Allied Healthcare operates from various locations in the United States. At December 31, 2011, we had 24 Allied Healthcare branch offices in the United States, of which 13 share office space with the Life Sciences segment. Healthcare segment revenues for 2011 were \$94.6 million and represented 15.8 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), estimates that the healthcare staffing market will grow by 9 percent in 2012. Within the healthcare staffing industry, Nurse Travel and Allied Healthcare are anticipated to grow the fastest with estimated 2012 revenue growth of 15 percent and 10 percent, respectively.

In prior years, nursing employment levels were affected by cutbacks in the use of agency workers by hospitals and medical groups and their reluctance to pay market rates. Today, as a result of the economy, hospitals are seeing fewer admissions and procedures and are attempting to minimize expenses, which in turn have impacted the demand for our services. Looking forward, contract nursing employment growth could potentially be driven by various factors including a supply shortage of nurses, impacts of healthcare reform, more favorable nurse-patient ratios and aging demographics.

The combination of healthcare clients facing shortages of operations-critical staff that limit their ability to generate revenues and increased demand for health services and advances in life science and medical technology is expected to create significant demand for workers with specialized science and medical skills. Also influencing the demand for these workers is the departure of mature professionals from the ranks of full-time employment as they retire, reduced hours worked and the pursuit of other career opportunities. This is evidenced by the continued increase in the average age of nurses in the workforce.

Our Healthcare segment provides locally-based and traveling contract professionals to healthcare clients, including hospitals, integrated delivery systems, imaging centers, clinics, physician offices, reference laboratories, universities, managed care organizations, rehabilitation facilities, long-term care facilities and third-party administrators. In doing so, we address occupations that require “high demand and highly-skilled” staff, such as operating room nurses and health information professionals who are essential to the hospital’s ability to care for patients and maintain business and revenues.

Our Nurse Travel sales, account management, and recruiting functions are aligned with traditional nurse travel companies with an added emphasis on rapid response fulfillment. We employ regional sales directors and account managers to identify and sell a variety of nurse staffing solutions to healthcare clients nationally. Our recruiters seek the most experienced, highly skilled nurses and place them on assignments as contract professionals with healthcare providers. The critical nature of these occupations to drive revenue motivates clients to respond to our ability to rapidly fill open positions with experienced nurses.

Our Allied Healthcare line of business has developed a tailored approach to the assignment-making process that utilizes staffing consultants. Staffing consultants are experienced professionals who work in our branch offices and personally meet with clients and contract professionals. Our staffing consultants are typically either focused primarily on sales and business development or on fulfillment. Sales and business development staffing consultants meet with clients to understand their staffing needs, formulate position descriptions and assess workplace environments. Fulfillment staffing consultants meet with candidates to assess their qualifications and interests and place these contract professionals on quality assignments with clients.

Our Healthcare segment's contract professionals include nurses, specialty nurses, health information management professionals, dialysis technicians, surgical technicians, imaging technicians, x-ray technicians, medical technologists, medical assistants, pharmacists, pharmacy technicians, respiratory therapists, phlebotomists, coders, billers, claims processors and collections staff, and dental professionals - including dental assistants, hygienists and dentists and rehabilitation therapists. The nurses and contract professionals we assign to our clients are usually our employees, although clients provide on-the-job supervisors for these nurses and professionals. Therefore, clients control and direct the work of nurses and approve hours worked, while we are responsible for many of the activities typically handled by the client's human resources department.

In our Healthcare segment, we serve a diverse collection of healthcare clients, as mentioned above. Assignments in our Healthcare segment typically have a term of two to 13 weeks.

In the Nurse Travel line of business, our competitors include AMN Healthcare Services, Inc., Cross Country, Inc. and several privately-held companies. In the Allied Healthcare line of business, our competitors include Cross Country, Inc., AMN Healthcare Services, Inc., Kforce Inc. and the Allegis Group.

Physician

Our Physician segment consists of VISTA Staffing Solutions, Inc. (VISTA) and HealthCare Partners, Inc. (HCP), the leading providers of physician staffing, known as locum tenens coverage, and permanent physician search services. The majority of our recruiters for Vista are located in Salt Lake City, Utah and for HCP are located in Atlanta, Georgia. The Physician segment revenues for 2011 were \$80.6 million and represented 13.5 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), states that the physician staffing market will increase 9 percent in 2012. An ongoing shortage of physicians and potential impacts of healthcare reform could fuel future growth.

Our Physician staffing business places physicians in a wide range of specialties throughout the United States, as well as Australia and New Zealand, under the brand VISTA, placing them in hospitals, community-based practices and federal, state and local facilities. We provide short and long-term locum tenens services and full-service physician search and consulting services. The physician staffing market requires a high degree of specialized knowledge about credentialing and qualifications, as well as unique insurance requirements that make it more difficult to replicate than certain other types of staffing markets. Our Physician segment operates out of two primary recruitment centers with several branch offices.

The sales and fulfillment functions at our Physician segment are similar to those of our competitors. Our client sales specialists are organized by geographic territories so that a single individual can handle a client's physician staffing needs for all disciplines. Our recruiters and schedulers are organized by physician specialty and identify physician candidates with the skills, experience and availability to meet our clients' needs. In addition, we have four branch locations that also carry out recruiting functions.

The physicians in our Physician segment come from 33 different specialties including emergency medicine, psychiatry, anesthesiology, radiology, family practice, surgical specialties, internal medicine, pediatrics, obstetrics and

gynecology. The physicians we place at clients are independent contractors. Clients assign shifts and approve hours worked, while we are responsible for issuing payments to the physicians for services rendered to our clients.

Clients in our Physician segment include hospitals, doctors' practice groups, large healthcare systems and government agencies. We are called on to supply temporary and permanent doctors because of the difficulty that healthcare providers have finding qualified practitioners. Assignments in our Physician segment typically have a term of six weeks.

Like our Healthcare segment, our Physician segment competes in the healthcare market, serving hospitals, doctors' practice groups and private healthcare systems and government administrated healthcare agencies. Our competitors include CHG Healthcare Services, TeamHealth, Inc., Cross Country, Inc. and AMN Healthcare Services, Inc., along with several other privately-held companies providing locum tenens services.

IT and Engineering

Our IT and Engineering segment consists of Oxford Global Resources, Inc. (Oxford), based in Beverly, Massachusetts where all of the segment's back-office activities are located. Oxford combines international reach with local depth, serving clients through a network of recruiting centers in North America and Europe, and branch offices in major metropolitan markets across the United States. IT and Engineering segment revenues for 2011 were \$266.7 million and represented 44.7 percent of our total revenues. The Staffing Industry Analysts: Staffing Industry Insight (dated September 2011), estimates that the IT staffing market will increase 12 percent in 2012. Demand in our IT and Engineering business segment is driven by a shortage of IT professionals with specialized skills. Additionally, the demand for project-based work has created an ideal climate to boost the segment.

Our IT and Engineering segment places highly qualified professionals in select IT and engineering technical disciplines. Our IT specialties include enterprise resource planning, business intelligence, customer relationship management, supply chain management, database administration, and healthcare applications. Our engineering specialties include hardware, software, mechanical, electrical, validation, network, and telecommunications. Assignments are highly diversified in that we average less than two contract placements per client.

The segment serves the market in two separate operating formats. The first operating format, Oxford International, consists of eight sales and recruiting centers in the U.S. and one in Cork, Ireland that proactively recruit skilled IT and engineering professionals and fulfill client needs for temporary consultants and permanent employees across North America and Europe. The right candidates for these assignments often reside in locations that are remote from the client worksite and will travel away from their homes to perform the assignments. The second operating format, Oxford and Associates, consists of 14 branch offices across the United States that typically receive orders from clients in their local metropolitan market and fulfill those orders with professionals from that local market. In each of these formats, we employ both client-oriented sales people and recruiters. Because our IT and Engineering segment concentrates in select disciplines within the IT and engineering markets, our sales people and recruiters specialize in a given discipline. Our competitive advantage in this segment comes from our ability to respond very quickly with high quality candidates to a client's request.

Our IT and Engineering segment's professionals are experts in specific information technology and engineering disciplines. Typically, they have a great deal of knowledge and experience in a fairly narrow field which makes them uniquely qualified to fill a given assignment. Contract professionals assigned to clients are generally our employees. Clients provide on-the-job supervisors for these professionals, control and direct their work, and approve all hours worked. We are responsible for many of the activities typically handled by the client's human resources department.

In our IT and Engineering segment, we supply services to clients in a wide range of industries. Our clients range from large companies that may, for example, be installing new enterprise-wide computer systems and have a need for a subject matter expert with a specific technical and industry-specific experience, to a mid-sized medical device manufacturer who needs specialized mechanical engineers. The IT disciplines in which we specialize include enterprise resource planning, business intelligence, application development, IT infrastructure, IT security, and healthcare IT. Our engineering specialties include software, hardware, mechanical, electrical, quality, validation, network, and telecommunication engineering. Assignments in our IT and Engineering segment typically have a term of approximately five months.

Oxford's competition ranges from local and regional specialty staffing companies to large IT consulting firms like Accenture, Inc. and International Business Machines Corporation (IBM), and international staffing firms such as Aerotek and Robert Half International, Inc.

Seasonality

Demand for our staffing services historically has been lower during the first and fourth quarters due to fewer business days resulting from client shutdowns, adverse weather conditions and a decline in the number of contract professionals willing to work during the holidays. As is common in the staffing industry, we run special incentive programs to keep our contract professionals, particularly nurses, working through the holidays. Demand for our staffing services usually increases in the second and third quarters of the year. In addition, our cost of services typically increases in the first quarter primarily due to the reset of payroll taxes.

Employees