

HALF ROBERT INTERNATIONAL INC /DE/
Form DEF 14A
March 25, 2008

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒

Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☒ Definitive Proxy Statement
- ☐ Definitive Additional Materials
- ☐ Soliciting Material Pursuant to Section 240.14a-12

ROBERT HALF INTERNATIONAL INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- ☒ No fee required.

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1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11:

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

ROBERT HALF INTERNATIONAL INC.

2884 Sand Hill Road

Menlo Park, California 94025

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held

Tuesday, May 6, 2008

9:00 A.M.

To the Stockholders:

The annual meeting of stockholders of ROBERT HALF INTERNATIONAL INC. (the Company) will be held at 9:00 a.m. on Tuesday, May 6, 2008 at The Westin Hotel San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, 94030. The meeting will be held for the following purposes:

1. To elect seven directors.
2. To ratify the appointment of PricewaterhouseCoopers LLP as auditors for 2008.
3. To approve the continuation of the Stock Incentive Plan.
4. To transact such other business as may properly come before the meeting or any adjournment of the meeting.

Only stockholders of record at the close of business on March 11, 2008 are entitled to notice of, and to vote at, the meeting and any adjournment of the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on May 6, 2008

Pursuant to new rules promulgated by the Securities and Exchange Commission, we have elected to provide access to our proxy materials both by sending you this full set of proxy materials, including a proxy card, and by notifying you of the availability of our proxy materials on the Internet. This proxy statement and our 2007 Annual Report to Shareholders are available at <http://www.rhi.com/14aFilings> and <http://www.rhi.com/AnnualReport>, respectively.

BY ORDER OF THE BOARD OF DIRECTORS

STEVEN KAREL
Secretary

Menlo Park, California

March 26, 2008

IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE SIGN AND RETURN THE ENCLOSED FORM AS PROMPTLY AS POSSIBLE IN THE ENCLOSED POST-PAID ENVELOPE. ALTERNATIVELY, YOU MAY, IF YOU WISH, VOTE VIA THE INTERNET OR VIA TOLL-FREE TELEPHONE CALL FROM A TOUCH-TONE TELEPHONE IN THE U.S. BY FOLLOWING THE DIRECTIONS ON THE ENCLOSED FORM. IF YOU ATTEND THE MEETING AND SO DESIRE, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.

THANK YOU FOR ACTING PROMPTLY.

ROBERT HALF INTERNATIONAL INC.

PROXY STATEMENT

INTRODUCTION

The enclosed proxy is solicited on behalf of the present Board of Directors (sometimes referred to as the Board) of Robert Half International Inc., a Delaware corporation (the Company), the principal executive offices of which are located at 2884 Sand Hill Road, Menlo Park, California 94025. The approximate date on which this proxy statement and the enclosed proxy are being mailed to the Company's stockholders is March 26, 2008. The proxy is solicited for use at the annual meeting of stockholders (the Meeting) to be held at 9:00 a.m. on Tuesday, May 6, 2008, at The Westin Hotel San Francisco Airport, 1 Old Bayshore Highway, Millbrae, California, 94030. Only stockholders of record on March 11, 2008 will be entitled to notice of, and to vote at, the Meeting and any adjournment of the Meeting. Each share is entitled to one vote. At the close of business on March 11, 2008 the Company had outstanding and entitled to vote 159,843,513 shares of its common stock, \$.001 par value (Common Stock).

A stockholder giving a proxy in the form accompanying this proxy statement has the power to revoke the proxy prior to its exercise. A proxy can be revoked by an instrument of revocation delivered prior to the Meeting to the Secretary of the Company, by a duly executed proxy bearing a date later than the date of the proxy being revoked, or at the Meeting if the stockholder is present and elects to vote in person. Solicitation of proxies may be made by directors, officers or employees of the Company by telephone or personal interview as well as by mail. Costs of solicitation will be borne by the Company.

An automated system administered by the Company's transfer agent will tabulate votes cast at the Meeting. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting, and each is tabulated separately. Abstentions are counted in tabulations of the votes cast on proposals presented to stockholders or with respect to election of directors, whereas broker non-votes are not counted for purposes of determining whether a proposal has been approved or a nominee has been elected.

NOMINATION AND ELECTION OF DIRECTORS

The By-Laws of the Company provide for a Board of Directors consisting of not fewer than six nor more than eleven directors. The size of the Board of Directors is presently set at seven and there are no vacancies. All of the nominees are presently directors of the Company. The present term of office of all directors will expire upon election of directors at the Meeting. The full Board of Directors will be elected at the Meeting to hold office until the next annual meeting and until their successors are elected.

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Proxies cannot be voted for more than seven persons. Directors are elected by a majority of the votes of the shares present in person or represented by proxy and entitled to vote at the Meeting. Proxies solicited by the Board will be voted FOR the election of the nominees named below unless stockholders specify in their proxies to the contrary. Although the Board does not expect any nominee to become unavailable to serve as a director for any reason, should that occur before the Meeting, proxies will be voted for the balance of those named and such substitute nominee as may be selected by the Board.

Directors

The following table lists the name of each nominee for election as director (each of whom is a current member of the Board of Directors), his age on the mailing date of this proxy statement and the period during which he has served as a director.

Name	Age	Director Since
Andrew S. Berwick, Jr.	74	1981
Frederick P. Furth	73	1983
Edward W. Gibbons	72	1988
Harold M. Messmer, Jr.	62	1982
Thomas J. Ryan	83	1987
J. Stephen Schaub	67	1989
M. Keith Waddell	50	1999

Mr. Berwick has been President of Berwick-Pacific Corporation, a real estate development company, for more than the past five years. He is Chairman Emeritus of California Healthcare System.

Mr. Furth has been senior partner of The Furth Firm LLP, a law firm, for more than the past five years. He is the Proprietor of Chalk Hill Estate Winery, LLC and Chalk Hill Estate Vineyards, LLC and Chairman of the Board of the Furth Foundation.

Mr. Gibbons is owner and president of Gibbons & Co., Inc., a private merchant banking firm.

Mr. Messmer has been Chairman of the Board since 1988 and Chief Executive Officer since 1987. From 1985 through 2004 he served as President. Mr. Messmer is a director of Health Care Property Investors, Inc.

Mr. Ryan has been Chairman of the Board of Directors and Chief Executive Officer of ISU International, a franchisor of independent insurance agents, since 1979.

Mr. Schaub has been President and owner of J.S. Schaub & Co., Inc., a firm engaged in investments and financial consulting, for more than the past five years.

Mr. Waddell has been Vice Chairman of the Board since 1999, President since 2004 and Chief Financial Officer since 1988. He served as Treasurer from 1987 until 2004.

Executive Officers

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The following table lists the name of each current executive officer of the Company, his age on the mailing date of this proxy statement, and his current positions and offices with the Company:

Name	Age	Office
Harold M. Messmer, Jr.	62	Chairman of the Board and Chief Executive Officer
M. Keith Waddell	50	Vice Chairman of the Board, President and Chief Financial Officer
Paul F. Gentzkow	52	President and Chief Operating Officer-Staffing Services
Robert W. Glass	49	Executive Vice President, Corporate Development
Michael C. Buckley	41	Executive Vice President, Chief Administrative Officer and Treasurer
Steven Karel	58	Senior Vice President, Secretary and General Counsel

Mr. Gentzkow has been President and Chief Operating Officer-Staffing Services since 2004. From 2000 until 2004, he served as Executive Vice President, Operations. For more than five years prior to his election as an executive officer, he served as Director of Field Operations.

Mr. Glass has been Executive Vice President, Corporate Development since 2004. From 1993 until 2004, he served as Senior Vice President, Corporate Development. From 1987 until 1993 he served as Vice President.

Mr. Buckley has been Treasurer since 2004 and Executive Vice President and Chief Administrative Officer since February 2007. He was Vice President from 2001 through February 2007 and served as Controller, Corporate Accounting from 1999 until 2004. From 1995 through 1999, he held various other positions with the Company.

Mr. Karel has been General Counsel of the Company since 1989 and Secretary since 1993. He has been Senior Vice President since February 2007 and from 1989 through then was Vice President.

The executive officers of the Company are also officers of the Company's wholly owned subsidiaries.

All of the executive officers serve at the pleasure of the Board of Directors. Mr. Messmer has an employment agreement with the Company to serve as Chairman and Chief Executive Officer. In addition, severance agreements have been entered into with certain executive officers. See the discussion under Employment Agreement and Potential Payments upon Termination or Change in Control below.

There are no family relationships between any of the directors or executive officers.

BENEFICIAL STOCK OWNERSHIP

The following table sets forth information as of February 29, 2008, concerning beneficial ownership of Common Stock by (i) the only persons known to the Company to be beneficial owners of 5% or more of the outstanding Common Stock, (ii) each director, (iii) each executive officer, and (iv) all executive officers and directors as a group. Included in share ownership are shares that may be acquired upon the exercise of options that are currently exercisable or become exercisable on or before April 30, 2008 (Exercisable Options). All persons have sole voting and investment power except as otherwise indicated.

Name of Beneficial Owner	Shares of Common Stock Beneficially Owned	Percent of Common Stock
Barclays Global Investors, N.A.	20,207,860(a)	12.6%
45 Fremont Street		
San Francisco, CA 94105		
FMR Corp.	16,432,029(b)	10.3%
82 Devonshire Street		
Boston, MA 02109		
Capital World Investors	9,900,000(c)	6.2%
333 South Hope Street		
Los Angeles, CA 90071		
Capital Research Global Investors	9,110,000(d)	5.7%
333 South Hope Street		
Los Angeles, CA 90071		
Andrew S. Berwick, Jr.	724,338(e)	0.5%
Frederick P. Furth	1,652,509(f)	1.0%
Edward W. Gibbons	767,545(g)	0.5%
Harold M. Messmer, Jr.	4,584,372(h)	2.8%
Thomas J. Ryan	283,236(i)	0.2%
J. Stephen Schaub	2,827,069(j)	1.8%
M. Keith Waddell	2,334,661(k)	1.5%
Paul F. Gentzkow	1,569,783(l)	1.0%
Robert W. Glass	673,874(m)	0.4%
Michael C. Buckley	225,899(n)	0.1%
Steven Karel	356,826(o)	0.2%
All executive officers and directors as a group (11 persons)	16,000,112	9.7%

- (a) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by Barclays Global Investors, N.A., the shares are held by Barclays Global Investors, N.A. and the following affiliated entities: Barclays Global Fund Advisors, Barclays Global Investors, Ltd., Barclays Global Investors Japan Trust and Banking Company Limited, Barclays Global Investors Japan Limited, Barclays Global Investors Canada Limited, Barclays Global Investors Australia Limited and Barclays Global Investors (Deutschland) AG, all of which hold such shares either in their capacities as banks or investment advisors. According to the Schedule 13G sole voting power is held with respect to 17,640,695 of such shares and sole dispositive power is held with respect to all of such shares.

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- (b) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by FMR LLC, which identified itself as a parent holding company, Edward C. Johnson 3d, Chairman of FMR LLC, and members of his family, collectively own 49% of the voting power of FMR LLC and may constitute a controlling group with respect to FMR LLC. The shares are held directly by the following entities controlled by FMR LLC: Fidelity Management & Research Company, Strategic Advisers, Inc. and Pyramis Global Advisors Trust Company, all of which own such shares in their capacities as investment advisers, investment companies or investment managers. According to the Schedule 13G, Edward C. Johnson 3d and FMR LLC each has sole dispositive power with respect to the 16,432,029 shares and sole voting power with respect to 112,909 of such shares. Neither Edward C. Johnson nor FMR LLC has the sole power to vote or direct the voting of shares held by the Fidelity Funds, which power resides with the board of trustees of the Fidelity Funds.
- (c) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by Capital World Investors, which identified itself as an investment advisor and as one of the two investment divisions of Capital

Research and Management Company in the Schedule 13G, sole dispositive power is held with respect to all of such shares and sole voting power is held with respect to 2,400,000 of such shares. Such shares include a portion of the 8,310,000 shares beneficially owned by The Growth Fund of America, Inc. as indicated in its Schedule 13G filing, with the remaining balance of the 8,310,000 shares being reflected in the beneficial ownership of Capital Research Global Investors. The Growth Fund of America, Inc., which identified itself as an investment company that is advised by Capital Research and Management Company, retains sole voting power, but no dispositive power, with respect to its shares.

- (d) Information is as of December 31, 2007, the latest date for which information is available to the Company. According to a Schedule 13G filed by Capital Research Global Investors, which identified itself as an investment advisor and as one of the two investment divisions of Capital Research and Management Company in the Schedule 13G, sole dispositive power is held with respect to all of such shares and sole voting power is held with respect to 7,500,000 of such shares. Such shares include a portion of the 8,310,000 shares beneficially owned by The Growth Fund of America, Inc. as indicated in its Schedule 13G filing, with the remaining balance of the 8,310,000 shares being reflected in the beneficial ownership of Capital World Investors. The Growth Fund of America, Inc., which identified itself as an investment company that is advised by Capital Research and Management Company, retains sole voting power, but no dispositive power, with respect to its shares.
- (e) Includes 159,000 shares that may be acquired upon the exercise of Exercisable Options, 66,000 shares which are pledged and as to which Mr. Berwick has voting power but not dispositive power and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Berwick has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (f) Includes 1,484,734 shares which are pledged and as to which Mr. Furth has voting power but not dispositive power, 1,600 shares owned by the Furth Family Foundation, a charitable foundation of which Mr. Furth is a director, as to which shares Mr. Furth has shared voting and dispositive powers, 159,000 shares that may be acquired upon the exercise of Exercisable Options and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Furth has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (g) Includes 600,445 shares which are pledged and as to which Mr. Gibbons has voting power but not dispositive power and 159,000 shares that may be acquired upon the exercise of Exercisable Options and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Gibbons has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (h) Includes 2,405,011 shares that may be acquired upon the exercise of Exercisable Options, 615,146 shares acquired pursuant to Company benefit plans, as to which shares Mr. Messmer has sole voting power but as to which disposition is restricted pursuant to the terms of such plans, an aggregate of 900,000 shares held in twenty trusts as to which Mr. Messmer has voting and dispositive power and 656,607 shares as to which Mr. Messmer shares voting and dispositive power with his wife.
- (i) Includes 159,000 shares that may be acquired upon the exercise of Exercisable Options and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Ryan has sole voting power but as to which disposition is restricted pursuant to the terms of such plans. Also includes 15,500 shares held by the Ryan Family Foundation, as to which shares Mr. Ryan shares voting and dispositive power but in which he has no pecuniary interest.
- (j) Includes 159,000 shares that may be acquired upon the exercise of Exercisable Options, 40,000 shares as to which Mr. Schaub shares voting and dispositive power with his wife, 100,000 shares held by the Sunrise Investment Partners II, LP, of which Mr. Schaub is general partner and a limited partner, 38,000 shares held by The Schaub Foundation, as to which shares Mr. Schaub shares voting and dispositive power but in which he has no pecuniary interest and 1,704 shares owned by Mr. Schaub's wife and 7,175 shares acquired pursuant to Company benefit plans, as to which shares Mr. Schaub has sole voting power but as to which disposition is restricted pursuant to the terms of such plans.
- (k) Includes 730,428 shares that may be acquired upon the exercise of Exercisable Options, 409,173 shares acquired pursuant to Company benefit plans, as to which shares Mr. Waddell has sole voting power but as to which disposition is restricted pursuant to the terms of such plans and 1,195,060 shares as to which Mr. Waddell shares voting and dispositive power with his wife.
- (l) Includes 656,500 shares that may be acquired upon the exercise of Exercisable Options, 294,276 shares that were acquired pursuant to company benefit plans, as to which shares Mr. Gentzkow has sole voting power but as to which disposition is restricted pursuant to the terms of such plans, and 619,007 shares as to which Mr. Gentzkow shares voting and dispositive power with his wife.
- (m) Includes 338,450 shares that may be acquired upon the exercise of Exercisable Options, 90,809 shares acquired pursuant to Company benefit plans, as to which shares Mr. Glass has sole voting power but as to which disposition is restricted pursuant to the terms of such plans, 239,635 shares as to which Mr. Glass shares voting and dispositive power with his wife and 1,500 shares held by Mr. Glass's children.

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- (n) Includes 127,545 shares that may be acquired upon the exercise of Exercisable Options, 67,308 shares acquired pursuant to Company benefit plans, as to which shares Mr. Buckley has sole voting power but as to which shares disposition is restricted pursuant to the terms of such plans and 31,046 shares as to which Mr. Buckley shares voting and dispositive power with his wife.
- (o) Includes 45,929 shares that may be acquired upon the exercise of Exercisable Options, 84,924 shares acquired pursuant to Company benefit plans, as to which shares Mr. Karel has sole voting power but as to which disposition is restricted pursuant to the terms of such plans and 225,973 shares as to which Mr. Karel shares voting and dispositive power with his wife.

COMPENSATION DISCUSSION AND ANALYSIS

The Compensation Committee believes that setting compensation at levels designed to attract and retain key individuals is critical to the success of a personal services business in which there are few tangible assets and in which people represent the true assets of the Company. The Committee is also mindful of the fact that the Company's industry is fractured with a myriad of private firms owned by entrepreneurial individuals or financed by private equity firms representing the Company's most effective competition in many markets. Successful competitors generate large financial rewards to the owners as the Company knows from its acquisitions of such firms over the years. It is imperative that the Company's compensation program provide significant cash and equity incentives to its key managers so as to compete with both public and private companies for this talent and the Committee believes the Company's compensation program achieves this result.

The Committee believes that the Company has an outstanding management team which has produced excellent returns since the inception of the Company's current business in 1986. The Company's management has been stable for two decades: five of the executive officers (Messrs. Messmer, Waddell, Gentzkow, Glass & Karel), have been with the Company since the 1980s. Mr. Messmer negotiated the purchase of Robert Half Incorporated, the predecessor to the Company, in 1986 and has been responsible for recruiting the management team with which he has directed the growth of the Company ever since that time. This includes the formation of Protiviti, which in fewer than five years has grown from revenues of \$18 million in its first full quarter of operation to more than \$550 million of annual revenues in 2007. The annual revenues of Robert Half Incorporated at the time of its purchase in 1986 were approximately \$7 million. In fiscal 2007, the Company's revenues were approximately \$4.6 billion.

In the opinion of the Compensation Committee, the Company is fortunate to have an outstanding management team that possesses not only considerable management talent, but also great entrepreneurial vision as demonstrated by a series of highly successful new divisions added to the Company's business since 1991, including the aforementioned Protiviti subsidiary. The Committee's view is that, as a personal services business, it is in the Company's long term best interest to be known as an organization offering the opportunity to achieve superior remuneration in the industry. The Company believes the vast majority of such remuneration should be contingent on achieving outstanding results and, indeed, makes bonuses subject to achievement of goals the Committee sets and, further, makes annual grants of equity incentives subject to partial or total forfeiture subject to achievement of goals set by the Committee. The Compensation Committee's policy to provide the opportunity for top level compensation and incentives for extraordinary results has been essentially unchanged for many years, and it is believed that the success of this policy is reflected by the superior results that management has achieved for the Company. Indeed, 2007 was one of the most successful years in the Company's history, as indicated by the following:

1. Revenues for 2007 were a record \$4.6 billion, an increase of 16% over 2006.
2. Earnings per share for 2007 were a record \$1.81, as compared with \$1.65 for 2006.
3. Over the past five years, revenues grew at a compound annual growth rate of 20% and return on equity averaged 22% per year, reaching 29% in 2007. Nearly all of this growth was organic.
4. The Company continued to generate strong cash flow from operations and ended the year with \$310 million in cash and cash equivalents.
5. Over the last five years, cash flow from operations was \$1.4 billion which funded \$1.2 billion of stock repurchases and \$200 million of dividends.

Each component of compensation is determined by the Compensation Committee. It should be noted that the Company's five outside directors (including the three members of the Compensation Committee) have also been with the Company since the 1980s. The Compensation Committee determines what changes, if any, should be made to continuing arrangements, such as base salaries and fringe benefits. When

determining compensation for the coming year, the Compensation Committee reviews (a) the Company's results for the prior year, (b) the issues that will confront the Company in the coming year and (c) such other information it deems appropriate.

Based on such long term experience and the historical success of the Compensation Committee's philosophy, the Compensation Committee has not recently retained a compensation consultant nor does it benchmark against a specific peer group, however, it does, from time to time, consider executive compensation at other companies. After such review, it makes its ultimate determinations based upon its evaluation of such information and its long term experience with the Company. While the Compensation Committee receives input from the Chief Executive Officer and Chief Financial Officer and discusses compensation with them, the ultimate decision regarding compensation is solely at the discretion of the Committee. While the Compensation Committee is responsible for executive officers' compensation, the philosophy of providing the opportunity for superior remuneration for superior long term performance is applied to all of the Company's professionals. The Company believes its long term success is due to its ability to attract top talent capable of superior performance and that the Company's compensation practices are an important element in the Company's continuing ability to attract top talent.

As part of its effort to emphasize performance based compensation, the Compensation Committee has set base salaries at levels it considers modest and which, in the case of Messrs. Messmer and Waddell, have been at their current levels since 1998. The Committee instead heavily weights remuneration toward performance-based compensation. An examination of the Summary Compensation Table will show that the vast majority of each executive's compensation consists of restricted share awards under the Stock Incentive Plan and cash payments earned under the Annual Performance Bonus Plan. (With respect to Messrs. Messmer and Waddell, less than 4% of compensation comes from base salary.) The discussion of these plans below, under the Grants of Plan-Based Awards table, shows that actual amounts paid are highly-contingent upon the achievement of positive results. Earnings per share has been chosen as the measurement factor with respect to both of these plans because the Compensation Committee believes it is directly linked to stockholder value.

As described below in the descriptions of the Stock Incentive Plan and the Annual Performance Bonus Plan that appear under the Grants of Plan-Based Awards table, each award under these plans is subject to reduction or elimination depending upon final earnings per share, and only the Annual Performance Bonus Plan permits the final award to be in excess of the target award (pursuant to a set formula in the event actual earnings per share exceed target earnings per share and subject to a cap). Such reductions have occurred in the past. When target earnings were not achieved in 2001 and 2002, a portion of the restricted stock awards under the predecessor of the Stock Incentive Plan (which had a similar performance condition) were forfeited and cash awards under the Annual Performance Bonus Plan were decreased. In 2007, the target earnings per share for purposes of these plans was set by the Compensation Committee at \$1.96. The actual earnings per share for the year was \$1.81. Pursuant to the formulas in these two plans (which formulas are not identical), cash awards under the Annual Performance Bonus Plan were decreased but there was no forfeiture with respect to restricted stock awards under the Stock Incentive Plan.

The Compensation Committee has also exercised negative discretion. When the target earnings per share was set with respect to the Stock Incentive Plan and the Annual Performance Bonus Plan for 2005, it was done on the assumption that certain proposed accounting rules that would negatively impact earnings per share would be adopted and made applicable during the year. When the accounting rules were not adopted, the result was an increase in earnings per share that had nothing to do with performance. At year end, the Compensation Committee made appropriate adjustment in the awards so that management would not receive a windfall from this non-performance related factor.

The emphasis on restricted share awards further ties management performance to the interests of stockholders. While earnings per share is used to determine how much of each contingent grant is earned, and time vesting schedules promote retention, the fact that the award is in the form of stock means that the ultimate value to management is directly tied to stockholder interest. Both management and stockholders benefit from positive stock price performance.

Following its customary practice, the Compensation Committee (a) made restricted stock grants to executive officers under the Stock Incentive Plan at its October 2007 meeting, (b) set target bonuses under the Annual Performance Bonus Plan at its February 2008 meeting and (c) adopted the same target earnings per share for both

plans for 2008 at its February 2008 meeting. As is its customary practice, in setting the target earnings per share, the Compensation Committee considered the Company's annual strategic plan, consensus Wall Street estimates and other items. The Committee adopts targets that it believes are realistically possible to achieve but not easily achieved. This view is borne out by the fact that, with respect to the last ten years, the annual target earnings per share set for compensation purposes was achieved five times and was not achieved five times.

The Company has not granted options to executive officers since October 2004. The Compensation Committee currently has no plans to make option grants in the future, but reserves the right to do so.

The Compensation Committee believes that awards under the Stock Incentive Plan and the Annual Performance Bonus Plan, considered in the context of each individual's total compensation package and the conditions applicable to such awards, are at levels necessary to keep the current management team together so that they can continue to provide superior results to stockholders.

As indicated by the tables appearing below, in addition to the foregoing compensation, each executive also participates in non-tax-qualified deferred compensation arrangements. The Compensation Committee considers deferred compensation arrangements to be appropriate for a corporation of similar size to the Company, and, in light of the moderate salaries, long service and historical results of the management team, believes that the amounts have been set at reasonable levels, particularly in light of the fact that the Company does not have tax-qualified retirement arrangements for these executives. The Committee does not believe it is appropriate to offset these benefits by performance based compensation because these arrangements serve different purposes and both are at levels the Committee believes to be reasonable. A detailed description of how the deferred compensation arrangements operate is set forth below in the two paragraphs under the 2007 Nonqualified Deferred Compensation table.

The Stock Incentive Plan and Annual Performance Bonus Plan have been drafted to comply with Section 162(m) of the Internal Revenue Code. Compensation in compliance with such Section is fully deductible for income tax purposes. The other components of compensation (base salary, retirement allocations and selected fringe benefits) are subject to the limitations of Section 162(m), which provides that any amounts above \$1,000,000 paid in one year to certain executive officers is not tax deductible. In the past, such items have not exceeded \$1,000,000 in one year for any individual, so there has been no limitation of tax deductibility.

In determining executive compensation, the Compensation Committee considers, among other factors, the possible tax consequences to the Company and to the executives. However, tax consequences, including but not limited to tax deductibility by the Company, are subject to many factors (such as changes in the tax laws and regulations or interpretations thereof and the timing and nature of various decisions by executives regarding options and other rights) that are beyond the control of either the Compensation Committee or the Company. In addition, the Compensation Committee believes that it is important for it to retain maximum flexibility in designing compensation programs. For all of the foregoing reasons, the Compensation Committee, while considering tax deductibility as one of its factors in determining compensation, will not necessarily limit compensation to those levels or types of compensation that will be deductible. The Compensation Committee will, of course, consider alternative forms of compensation, consistent with its compensation goals, that preserve deductibility.

Various agreements, as described elsewhere in this Proxy Statement, provide for severance benefits in the event of a termination of employment before or after a change in control. (See the discussion below in connection with the Nonqualified Deferred Compensation table and the discussion below under the heading Employment Agreement and Potential Payments upon Termination or Change in Control.) As indicated by such text, the triggering events and benefits vary among each such arrangement, plan or agreement. Such triggering events and benefits were selected by the Compensation Committee in the light of competitive conditions and customary practices at the time of their implementation and the Committee believes that they continue to be reasonable.

On May 8, 2003, the Board of Directors adopted a policy regarding minimum required ownership of shares by Executive Officers. In accordance with the policy, each person who was an Executive Officer on the date such policy was adopted is required to own such number of shares of the Company as is equal to six times his base salary on such date divided by the closing trading price of the Company's Common Stock on such date. Each person who becomes an Executive Officer after May 8, 2003, is required to own, within five years of his election as such, such number of shares of the Company as is equal to six times his base salary at the time of election divided by the closing trading price of the Company's Common Stock on the date of election. The policy defines owned shares as being such shares, other than unexercised stock options, as are required to be reported as owned by an Executive Officer in the Company's Proxy Statement pursuant to Securities and Exchange Commission rules. Pursuant to such policy, Messrs. Messmer, Waddell, Gentzkow, Glass, Karel and Buckley are required to own 184,643, 93,201, 93,201, 72,099, 72,099 and 56,578 shares, respectively. The actual number of shares owned as of February 29, 2008, by each of the executive officers for purposes of such policy significantly exceeded the required amount.

COMPENSATION TABLES

2007 Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Stock Awards(a)	Option Awards(b)	Non-Equity Incentive Plan Compensation(c)	Change in Pension Value and Nonqualified Deferred Compensation(e)			Total
							Earnings(d)	Compensation(e)	All Other	
Harold M. Messmer, Jr. Chairman and Chief Executive Officer	2007	\$ 525,000	\$ 0	\$ 7,848,461	\$ 0	\$ 6,339,334	\$ 173,696	\$ 519,782	\$ 15,406,273	
	2006	\$ 525,000	\$ 0	\$ 5,931,257	\$ 0	\$ 5,768,417	\$ 11,093	\$ 806,099	\$ 13,041,866	
M. Keith Waddell Vice Chairman, President and Chief Financial Officer	2007	\$ 265,000	\$ 0	\$ 4,864,853	\$ 624,325	\$ 3,173,586	\$ 14,027	\$ 670,611	\$ 9,612,402	
	2006	\$ 265,000	\$ 0	\$ 3,327,911	\$ 1,189,347	\$ 2,887,774	\$ 1,215	\$ 628,624	\$ 8,299,871	
Paul F. Gentzkow President and Chief Operating Officer-Staffing Services	2007	\$ 265,000	\$ 0	\$ 3,591,023	\$ 528,601	\$ 2,856,227	\$ 11,340	\$ 581,612	\$ 7,833,803	
	2006	\$ 265,000	\$ 0	\$ 2,529,854	\$ 1,005,109	\$ 2,598,996	\$ 965	\$ 530,950	\$ 6,930,874	
Robert W. Glass Executive Vice President, Corporate Development	2007	\$ 245,000	\$ 0	\$ 1,085,418	\$ 108,848	\$ 899,182	\$ 5,634	\$ 225,986	\$ 2,570,068	
	2006	\$ 205,000	\$ 0	\$ 747,151	\$ 204,152	\$ 818,202	\$ 502	\$ 212,665	\$ 2,187,672	
Michael C. Buckley Executive Vice President, Chief Administrative Officer and Treasurer	2007	\$ 265,000	\$ 0	\$ 804,471	\$ 132,040	\$ 711,095	\$ 1,165	\$ 184,138	\$ 2,097,909	
	2006	\$ 205,000	\$ 0	\$ 496,599	\$ 189,932	\$ 567,929	\$ 72	\$ 153,937	\$ 1,613,469	

- (a) The numbers in the table are the amounts expensed in that year in the Company's financial statements, and relate to restricted shares granted in that year and in prior years. For each individual, the total market value on the day of grant of restricted shares granted in 2007 was the same as the total market value on the day of grant of restricted shares granted in 2006. The higher amounts indicated in the table for 2007 are due primarily to the accounting effects of SFAS 123(R), which was adopted in 2006. Reference is made to Notes A and K in Item 8 of the Company's Annual Reports on Form 10-K for the Fiscal Years Ended December 31, 2007 and 2006, for a discussion of how the grants were valued.
- (b) The amounts shown represent the amounts expensed in the Company's financial statements for options granted in 2003 and 2004. No options have been granted to executive officers since October 2004. Reference is made to Notes A and K in Items 8 of the Company's Annual Reports on Form 10-K for the Fiscal Years Ended December 31, 2007 and 2006, for a discussion of how the grants were valued.
- (c) Consists of cash payments made under the Annual Performance Bonus Plan, as described below the Grants of Plan-Based Awards Table.
- (d) Consists of above-market interest on nonqualified deferred compensation plans determined in accordance with applicable regulations. See the Nonqualified Deferred Compensation Table below for further information.
- (e) The amounts in this column consist of the following: (i) \$274,573, \$515,788, \$468,184, \$171,627 and \$146,414 allocated for the benefit of Messrs. Messmer, Waddell, Gentzkow, Glass and Buckley, respectively, pursuant to defined contribution plans, as described in the Nonqualified Deferred Compensation table, (ii) \$245,209, \$154,823, \$113,428, \$34,498 and \$25,193 paid to Messrs. Messmer, Waddell, Gentzkow, Glass and Buckley, respectively, as dividends on unvested restricted shares (unvested restricted shares receive the same dividends as ordinary outstanding shares), and (iii) \$19,861 and \$12,531 for Messrs. Glass and Buckley, respectively, with respect to their purchase of the company cars formerly used by them under the discontinued company car program.

2007 Grants of Plan-Based Awards

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
		Threshold	Target	Maximum	Threshold	Target	Maximum				
Harold M. Messmer, Jr.	n/a	\$ 0	\$ 6,864,466	\$ 9,000,000	n/a	n/a	n/a	n/a	n/a		