

# STRUCTURAL INTELLIGENCE BRIEF

## Administrative & Support Services

NAICS 56 Sector: Staffing & Employment Services, Building Services, Security, Facilities Support, Office Administration, Travel Services



### S.J. Bridger

Four Frequencies Framework

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## Executive Summary

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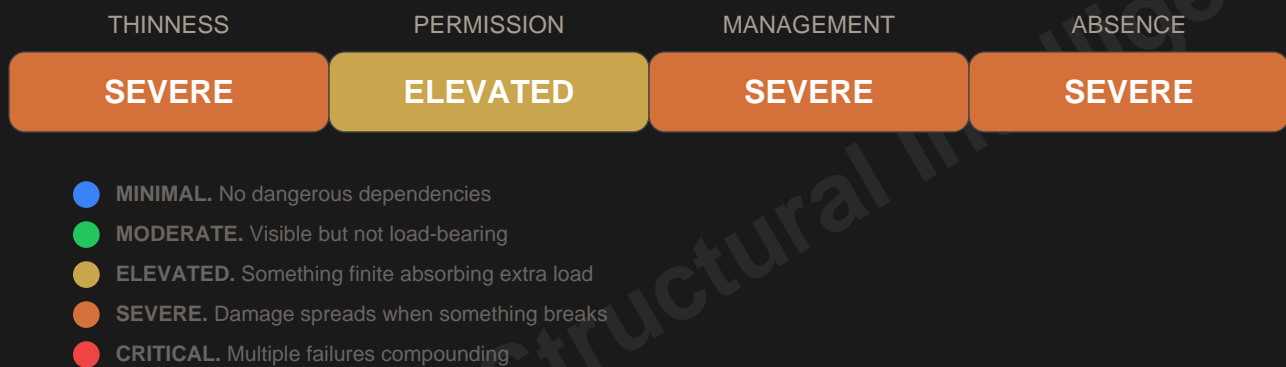
The Administrative and Support Services sector encompasses every firm that provides operational infrastructure to other organizations: employment services and staffing agencies (NAICS 5613) that place 2.2 million temporary workers weekly, building services firms (NAICS 5617) with over 211,000 businesses employing 2 million workers in janitorial, landscaping, and pest control, investigation and security services (NAICS 5616) providing 752,000 security guards, facilities support services (NAICS 5612), office administrative services (NAICS 5611) with 515,000 employees, business support services (NAICS 5614), and travel arrangement and reservation services (NAICS 5615). The U.S. staffing industry alone generated \$124 billion in revenue in 2024, while janitorial services reached \$76.7 billion. The sector employs approximately 9.7 million workers across hundreds of thousands of establishments, with 98.8% of firms classified as small businesses.

The conventional assessment of this sector focuses on placement rates, bill rates, contract retention, and revenue per employee. Those metrics describe current administrative services performance. They do not describe the structural conditions that determine whether the sector can absorb the next recession-driven demand collapse, the next wave of worker classification enforcement, the next immigration enforcement action that disrupts building services workforces, or the next technology displacement cycle that removes demand for routine administrative placement.

The Four Frequencies framework examines a different layer. Where has revenue concentration created fragmentation so extreme that commodity competition prevents margin accumulation? Where do regulatory architectures fragment compliance across 50 states while joint employer liability creates cascading exposure? Where has workforce turnover reached levels that prevent institutional knowledge from forming? And where has the workforce pipeline become structurally dependent on immigration, wage structures that cannot attract domestic replacements, and a business model being displaced by the same automation it places workers to perform?

Administrative and Support Services is a Tier 3 baseline coverage sector in this assessment: 9 structural metrics across federal and industry data sources (Census Bureau, BLS, DOL, OSHA, NLRB, ASA, and SIA). With \$124 billion in staffing revenue, 9.7 million workers, and structural dependency from virtually every other sector in the economy, the conditions documented here determine whether the American economy retains a functional labor intermediation and facilities infrastructure layer or whether turnover, classification risk, and technology displacement compress that layer into a handful of consolidated firms while the workforce it supplies continues to churn through positions that pay too little to create retention.

*Administrative and Support Services operates as a recursive structural paradox: the sector that supplies labor to every other industry cannot retain its own workforce, and the business model that generates revenue–labor arbitrage at compressed margins–is the same mechanism that prevents structural resilience. Twenty-seven thousand staffing firms compete in a market where the top 15 firms control 49% of revenue. Temporary worker turnover runs at 419% annually with 9–10 week average tenure. Security guard turnover at 77% exceeds the private sector average by a third. Building services employ over 3.5 million workers at \$17–18 per hour, depending on immigration-vulnerable workforces. The sector is being compressed from multiple directions: revenue contraction from permanent hiring preference, classification risk from 20+ states enforcing ABC test, automation displacement of routine placement work, and talent pipeline collapse where staffing firms cannot staff their own recruiter positions.*



## Sector Structural Profile

Administrative and Support Services operates as a recursive structural paradox: the sector that supplies labor to every other industry cannot retain its own workforce, and the business model that generates revenue–labor arbitrage at compressed margins–is the same mechanism that prevents structural resilience. Twenty-seven thousand staffing firms compete in a market where the top 15 firms control 49% of revenue and the remaining 20,000-plus firms fight for commodity placement. Temporary worker turnover runs at 419% annually with 9–10 week average tenure. A churn rate this high prevents institutional knowledge from forming at either the staffing firm or the client site. Staffing industry revenue contracted from \$159 billion to \$124 billion in two years, a 22% decline driven not by cyclical downturn but by structural preference shift as clients move from temporary to permanent hiring. Security guard turnover at 77% exceeds the private sector average by a third, driving forced automation adoption not because technology is superior but because the cost of replacing workers at that rate is unsustainable. Building services employ over 3.5 million janitors, grounds workers, and security guards at median wages of \$17–18 per hour (well below living-wage thresholds) with workforce composition structurally dependent on foreign-born workers in metro operations. Fifty-state licensing fragmentation, the ABC worker classification test adopted in 20-plus states, and OSHA joint employer liability create compounding compliance exposure that rewards scale while penalizing the smaller firms that constitute 98.8% of the sector. The

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NLRB reinstated the narrower joint employer standard in February 2026, but state-level enforcement acceleration (particularly Illinois, where penalties reach \$18,000 per first violation) ensures that regulatory pressure continues to compound regardless of federal direction. Seventy-one percent of firms remain in early-to-intermediate digital maturity, creating a 38% efficiency gap in time-to-hire between technology-forward firms (21 days) and manual-process firms (34 days). AI is simultaneously the sector's adaptation tool and its displacement mechanism: 61% of staffing firms now use AI for candidate matching and intake, but that same automation eliminates the routine administrative placement work that represents the sector's core revenue stream. The structural reading is that NAICS 56 is not experiencing a staffing shortage or a technology transition. It is experiencing the structural consequences of building an entire sector on labor arbitrage in an economy where the arbitrage margin has compressed below the threshold required to fund workforce retention, technology investment, or wage growth.

## Four Frequency Severity Assessment

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### T Thinness SEVERE

Where 27,000 staffing firms create extreme market fragmentation, where staffing revenue contracted 22% in two years, and where 85% of revenue depends on recurring client contracts that become nonrenewal exposure in every downturn. Thinness in the Administrative and Support Services sector does not manifest as the workforce vacancy pattern visible in healthcare or education. It manifests as bifurcated concentration and acute cyclicity. A market structure like this has consolidation in specialized niches coexisting with commodity fragmentation, and the entire sector's revenue base amplifies economic contraction faster than any other major industry.

The concentration pattern is structurally bifurcated. Industrial staffing shows consolidation acceleration: the top five firms controlled 36% of the U.S. industrial market in 2023, up from 24% in 2008. Facilities management and waste management exhibit oligopolistic structure with four to five major players (ABM Industries at \$7.8 billion revenue, Cintas at \$10.2 billion). But office and administrative temp staffing remains deeply fragmented across approximately 27,000 firms operating 54,000 offices. This creates a two-tier structure where consolidated segments face pricing pressure from spare capacity in downturns while fragmented segments undercut each other on margins with no path to scale advantage. Census Bureau data shows the top 15 staffing firms control 49% of total market revenue, meaning the remaining 20,000-plus firms split the other half in a commodity competition that prevents margin accumulation.

Cyclicity provides the second Thinness measurement, and it is acute. Staffing industry revenue declined 28% in the 2009 recession and 24% in Q2 2020. Staffing employment plummeted 33.6% year-over-year in Q2 2020, with over one million temporary jobs eliminated in a single quarter. The temporary employment penetration rate peaked at 2.0% of total employment in 2018 and has since declined to 1.54% as of February 2026. This represents a structural ceiling that prevents the sector from growing faster than the broader labor market. Robert Half, one of the sector's largest public firms, reported Q4 2025 revenue down 6.1% year-over-year with SG&A rising to 35.9% of revenue, demonstrating real-time margin compression in the current environment. The 85% of revenue derived from recurring contract staffing sounds like

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stability. In practice, it means 85% of revenue is vulnerable to client nonrenewal when demand softens. This sector is structurally first to contract in every downturn.

This is not cyclical contraction waiting for recovery. Clients moved from temporary to permanent hiring not because demand disappeared but because permanent workers became cost-competitive with temporary labor plus turnover costs. When employers prefer permanent workers over the temporary staffing model, they are structurally displacing the sector's core function. The revenue loss is not paused until growth returns. It is migrating to permanent hiring functions that staffing firms do not control and cannot recapture by waiting for the next expansion.

**Federal data anchors:** Federal data anchors: Census Bureau 2022 Economic Census NAICS 56 (establishment counts, revenue); BLS Employment Situation (temp employment penetration 1.54%, February 2026); BLS JOLTS (staffing sector hiring and separation rates); ASA Staffing Index (weekly employment tracking, 2024 annual decline data); SIA Market Forecast (revenue \$124B 2024, projections 2025); Robert Half Q4 2025 earnings (revenue -6.1% YoY, SG&A 35.9%).

## **P Permission ELEVATED**

Where 50-state licensing fragmentation compounds with the ABC worker classification test in 20-plus states, where OSHA holds both staffing agencies and host employers jointly liable for temporary worker safety, and where immigration enforcement creates cascade liability for building services deployment. The Permission frequency in the Administrative and Support Services sector measures the regulatory architecture that governs who can place workers, under what classification, and with what liability exposure. The data describes a sector where compliance burden multiplies with geographic scope while recent federal rule changes create a two-tier enforcement landscape that leaves classification risk unresolved.

Regulatory fragmentation is the sector's primary Permission condition. Every state maintains independent staffing agency licensing requirements with no federal single-license authority. Fees range from zero to \$3,054 per jurisdiction, with average cost around \$550. Illinois enacted the most aggressive state-level framework: the Day and Temporary Labor Services Act requires \$3,000 annual registration, \$500-per-day penalties for unregistered operation, and 2023 amendments that mandate equal pay and benefits for temporary workers employed beyond 90 days, with civil penalties of \$100 to \$18,000 per first violation. California requires surety bonds of \$25,000 to \$50,000. Security services face extreme variation: training hour requirements range from zero (Arkansas, Idaho for unarmed) to 60-plus hours, with no reciprocal licensing across state lines. A staffing firm operating across 30 states manages 30 separate regulatory regimes with different renewal dates, fee structures, bonding requirements, and compliance reporting obligations.

Worker classification risk provides the second Permission dimension. The DOL withdrew enforcement of its 2024 economic reality six-factor test as of May 2025, reverting to the 2008/2019 framework, but the 2024 rule remains technically valid in private litigation. Twenty-plus states and DC have adopted the stricter ABC test—California's AB5 was upheld by the Ninth Circuit in June 2024—creating compounding exposure for multi-state staffing operations. An estimated 10–30% of U.S. employers currently misclassify workers, generating \$3–4 billion in annual lost tax revenue. The NLRB reinstated the narrower “substantial direct and immediate control” joint employer standard in February 2026, which improves staffing firm

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exposure to joint employer liability at the federal level. But OSHA maintains unambiguous joint liability: both the staffing agency and the host employer are responsible for temporary worker safety training, hazard communication, and recordkeeping, with neither party able to escape liability through contractual assignment. Immigration enforcement adds a third layer: ICE operations in 2025 specifically target building services, construction, and landscaping worksites, creating cascade liability where a staffing firm deploying undocumented workers faces joint wage violation liability, benefits shortfall exposure, and potential I-9/E-Verify enforcement simultaneously.

**Federal data anchors:** Federal data anchors: DOL FAB 2025-1 (IC rule enforcement withdrawal, May 2025); NLRB joint employer rule (February 26, 2026, "substantial direct and immediate control" standard); OSHA Temporary Worker Initiative (joint liability framework); Illinois DTLA 2023 amendments (\$100–\$18K penalties); Ninth Circuit AB5 ruling (June 2024); DOL WHD FY2023 (\$24M recovered for 20,000 misclassified workers); EPA RCRA hazardous waste compliance (2.36M hours/year, \$118.9M annual cost for waste remediation subsector).

## M Management SEVERE

Where temporary worker turnover runs at 419% annually with 9–10 week average tenure, where security guard turnover at 77% exceeds the private sector average by a third, and where 71% of firms remain in early-to-intermediate digital maturity creating a 38% efficiency gap against technology-forward competitors. The Management frequency in the Administrative and Support Services sector measures whether the sector's information architecture and decision-making structures convert market signals into effective operational response. The data describes a sector trapped in a compound loop: turnover prevents technology investment, technology lag prevents efficiency gains that would fund wage increases, and wage insufficiency drives the turnover that started the cycle.

Turnover is the sector's primary Management indicator, and it operates at rates that exceed standard organizational capacity to manage. The American Staffing Association reports 419% annual turnover among temporary workers, with average tenure of 9–10 weeks. At that churn rate, a staffing firm literally cannot maintain institutional knowledge about client preferences, contract requirements, or placement quality standards. Security guard turnover runs at 77% annually (UC Berkeley Labor Center, 2024), up from 69.3% pre-pandemic, with industry estimates reaching 100–300% at some firms. Building services (janitorial, landscaping, pest control) show retention rates of 69% or less at 25% of landscaping firms, with replacement costs running 20–250% of annual salary depending on role complexity. The structural consequence is that NAICS 56 firms function as placement mechanisms rather than organizations capable of accumulating and deploying institutional knowledge. Every quarter represents institutional amnesia at the placed-worker level, and the cost of perpetual replacement consumes the capital that would otherwise fund technology adoption or wage increases.

Technology bifurcation compounds the turnover problem. While 92% of staffing firms use applicant tracking systems and 61% now deploy AI for candidate matching and intake (up from 48% in 2024), only 29% of firms have reached advanced digital maturity. The remaining 71% break down as: 48% early-stage, 23% intermediate. These lagging firms compete with manual processes that produce 34-day average time-to-hire versus 21 days for technology-forward firms. That 38% efficiency gap is not a temporary disadvantage. It is a structural separation that compounds annually as leading firms capture better candidates faster while lagging firms fight for lower-quality placements. Vendor management system

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adoption has reached 80% among large enterprises but remains early-stage for smaller firms. Cleaning robot market growth at 8–20% CAGR is displacing janitorial labor not because automation is preferred but because 100–300% turnover makes human staffing unsustainable. Security firms are shifting to hybrid human-automated models that reduce costs 40–60% while improving coverage. This is a forced response to turnover economics, not a strategic technology choice.

**Federal data anchors:** Federal data anchors: ASA Turnover and Tenure (419% annual, 9–10 week average tenure, 2022); BLS JOLTS (quits rate 1.9–2.1%, layoffs 1.0–1.1%, 2024); BLS Employee Tenure Summary (private sector median 3.5 years, January 2024); SBA 2024 Small Business Profile (98.8% of NAICS 56 firms are small businesses, 350,912 firms); UC Berkeley Labor Center (security guard turnover 77%, August 2025); Bullhorn Digital Transformation Survey (29% advanced, 48% early-stage maturity).

## A Absence SEVERE

Where staffing employment collapsed 37.6% from peak, where building services depends on immigration-vulnerable workforces paying below living-wage thresholds, where AI displaces the routine administrative placement work that represents the sector's core revenue, and where private equity invests in consolidation rather than growth. The Absence frequency in the Administrative and Support Services sector measures where critical capacity, investment, or structural function has departed, concentrated, or failed to develop. The data describes a sector experiencing simultaneous withdrawal on three fronts: workforce pipeline, client demand, and growth capital.

Workforce pipeline collapse is the primary Absence measurement. Building services employ 2.2 million janitors at a median hourly wage of \$17.27 and 1.3 million grounds maintenance workers at \$18.50 per hour, both well below living-wage thresholds in major metropolitan areas. Foreign-born workers represent 19.2% of the total U.S. civilian labor force (2024, BLS), but building services composition in metro operations runs structurally higher, with industry estimates of 35–50% in janitorial and landscaping. ICE enforcement operations in 2025 specifically target these worksites, creating workforce availability disruption with no domestic replacement mechanism at current wage levels. The staffing industry itself faces recursive labor shortage: 75% of employers report difficulty filling roles, but staffing firms cannot staff their own recruiter positions. Only 7% of travel agencies reported that hiring qualified candidates was “easy” in 2024. The security workforce is aging with fewer than half of firms managing staff under three years of experience, while the cybersecurity workforce shows 20% within a decade of retirement.

Client demand structural shift provides the second Absence condition. Staffing industry revenue contracted from \$159.1 billion in 2022 to \$124 billion in 2024, a 22% decline driven by client preference shift from temporary to permanent hiring. Weekly temporary employment fell from 2.9 million (Q4 2022) to 2.1–2.2 million (2024), a 37.6% collapse. SIA projects flat-to-modest recovery in 2025 (1–5% growth), not a return to prior peaks. Travel agencies experienced structural employment collapse. They are now 35% below pre-pandemic levels, with the surviving segment shifting to self-employed, home-based models that reduce employment density. AI adoption is accelerating demand destruction: 61% of staffing firms use AI for candidate matching and intake work, but that same automation eliminates the junior recruiter and administrative placement positions that represent the industry's own workforce pipeline. Office administrative services face permanent demand reduction from both remote work adoption and AI administrative assistants that replace outsourced human intermediation.

Capital allocation reveals the third Absence signal. Private equity drives 76% of facilities management M&A activity and 55% of waste management deals, but the investment thesis is consolidation for margin defense, not growth capital. Facilities management software investment is declining. Only 32% of firms plan increases in 2025, down from 42% in 2023. The FM market is valued at \$1.46 trillion globally with 5% projected CAGR, but growth is concentrated in smart building technology and AI, not labor-intensive services. The structural reading is that capital is flowing toward efficiency extraction from existing operations rather than capacity expansion. The sector is being managed for margin retention in a contracting addressable market.

**Federal data anchors:** Federal data anchors: BLS Occupational Employment (janitors 2.2M at \$17.27/hr, grounds 1.3M at \$18.50/hr, May 2024); BLS Foreign-Born Workers (19.2% of civilian labor force, 2024); ASA Annual Report (staffing revenue \$159.1B 2022, \$124B 2024; weekly temps 2.9M to 2.1–2.2M); SIA US Staffing Industry Forecast (2025 projections 1–5% growth); KPMG Facilities Services Update (76% PE-driven M&A, Fall 2025); JLL FM Report (FM software investment declining, 2025); Stifel Waste Services Update (55.1% financial buyer M&A, Q1 2025).

**Revision conditions.** This assessment reflects structural conditions measured as of March 2026 using the federal data sources cited above. Thinness would be revised from SEVERE to ELEVATED if staffing industry revenue growth exceeded 8% for two consecutive quarters, or if temp employment penetration returned above 1.8% of total employment. Permission would be revised if ABC test adoption plateaued below 15 states or if the DOL reinstated 2024 economic reality test enforcement. Management would be revised if average security guard turnover declined below 50% for two consecutive years and if technology-advanced firms (digital maturity above 60%) exceeded 50% of sector establishments. Absence would be revised if building services wages exceeded \$22/hour (median) for two consecutive years, or if capital investment in labor-intensive services exceeded 40% of FM sector M&A. Reassessment is recommended if any of these conditions change or after 18 months.

## Federal Data Metrics

SOURCE	METRIC	READING
Census Bureau	NAICS 56 Establishments (all sectors combined)	258,000+ firms
Census Bureau	NAICS 5617 (Building Services) establishments	211,894 firms
ASA	Staffing industry revenue	\$124B (2024); contracted from \$159.1B (2022)
ASA	Weekly temporary employment	2.1–2.2M (2024); down from 2.9M (Q4 2022)
BLS	Temporary employment penetration	1.54% (February 2026); peaked at 2.0% (2018)
Census Bureau	Top 15 staffing firms market share	49% of total market revenue
BLS	Janitor median wage	\$17.27/hour (May 2024)
BLS	Grounds maintenance median wage	\$18.50/hour (May 2024)

SOURCE	METRIC	READING
ASA	Temporary worker annual turnover	419%; average tenure 9–10 weeks
UC Berkeley	Security guard annual turnover	77% (up from 69.3% pre-pandemic)
SBA	Small businesses in NAICS 56	98.8% of 350,912 firms
BLS	Total employment in NAICS 56	9.7M workers (2024)
Robert Half	Q4 2025 revenue change YoY	–6.1%
Robert Half	Q4 2025 SG&A as % of revenue	35.9%
Staffing Industry	Staffing employment change (Q2 2020)	–33.6% YoY
ASA	Staffing revenue change (2009 recession)	–28%
ASA	Staffing employment change (Q2 2020 pandemic)	–33.6% YoY with 1M+ jobs eliminated

This assessment draws on structural data from federal agencies and industry associations. Administrative and Support Services is a Tier 3 baseline coverage sector: 9 metrics across multiple sources. Census Bureau provides establishment and revenue data by NAICS subsector. BLS provides employment volumes, occupational wages, JOLTS separation and hiring rates, Employee Tenure Survey data, and foreign-born workforce statistics. DOL and NLRB provide worker classification rule changes and joint employer liability framework. OSHA provides temporary worker safety joint liability structure. OSHA IMIS database shows violation patterns. ASA (American Staffing Association) provides Staffing Index weekly employment tracking, annual revenue and turnover statistics, placement volumes, and industry compensation data. SIA (Staffing Industry Analysts) provides market forecasts, M&A activity tracking, and digital maturity surveys. SBA provides small business prevalence and profile data. State regulatory sources document licensing variation and enforcement escalation. Additional data from: UC Berkeley Labor Center (security guard turnover, August 2025); Robert Half Q4 2025 earnings reports; KPMG Facilities Services Update (PE-driven M&A); JLL Global FM Report (software investment trends); Stifel Waste Services equity research (financial buyer M&A); Grand View Research (cleaning robot market); Deloitte Global Outsourcing Survey.

## The 12 Public Dimensions

Twelve of the twenty Four Frequencies dimensions are measurable from publicly available federal data. These dimensions describe the structural environment every organization in Administrative & Support Services inherits.

### T1 - Bifurcated Market Concentration

Industrial staffing CR5 at 36% (up from 24% in 2008). Top 15 firms control 49% of total market. Office temp fragmented across 27,000 firms. Facilities management oligopolistic (ABM \$7.8B, Cintas \$10.2B). Bifurcation prevents scale advantage for mid-market while commodity segments undercut margins.

### T2 - Cyclicity and Revenue Fragility

Revenue declined 28% in 2009, 24% in Q2 2020. Staffing employment fell 33.6% YoY in Q2 2020. Temp penetration peaked at 2.0% (2018), declined to 1.54% (Feb 2026). 85% recurring contract revenue becomes 85% nonrenewal exposure in downturns. Sector is structurally first to contract, with recovery lagging GDP by 12–18 months.

### P1 - Multi-State Regulatory Fragmentation

50-state licensing with no federal single authority. Fees \$0–\$3,054 per jurisdiction. Illinois DTLSA penalties \$100–\$18,000. Security licensing 0–60 training hours by state, no reciprocity. OSHA joint employer liability for both

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staffing agency and host employer. NLRB reinstated narrower standard (Feb 2026) but state enforcement escalating independently.

## **P2 - Worker Classification Cascade Risk**

ABC test in 20+ states plus DC. California AB5 upheld (Ninth Circuit, June 2024). DOL 2024 rule unenforced but valid in court. 10–30% employer misclassification baseline. Kelly Services \$3.15M settlement (2024). Immigration enforcement targeting building services creates joint liability cascade: wage violation + benefits + I-9 exposure simultaneously.

## **M1 - Structural Turnover Trap**

Temp worker turnover 419% annually, 9–10 week tenure. Security guard turnover 77% (up from 69.3% pre-pandemic). Building services retention at 69% or less for 25% of firms. Replacement cost 20–250% of salary. Turnover consumes capital that would otherwise fund technology adoption or wage increases, creating self-reinforcing cycle.

## **M2 - Technology Maturity Bifurcation**

92% ATS adoption but only 29% advanced digital maturity. 61% using AI (up from 48% in 2024). Time-to-hire gap: 21 days (tech-forward) vs. 34 days (manual). VMS at 80% enterprise but early-stage SME. Cleaning robots at 8–20% CAGR displacing janitorial labor. Security shifting to hybrid human-automated models (40–60% cost reduction).

## **A1 - Workforce Pipeline Collapse**

Janitors at \$17.27/hr, grounds workers at \$18.50/hr, both below living wage. Foreign-born 35–50% of metro building services. ICE targeting worksites (2025). Security aging with broken succession. Staffing firms face recursive shortage: cannot staff their own recruiters. 75% of employers report hiring difficulty.

## **A2 - Client Demand Structural Shift**

Staffing revenue contracted 22% in two years (\$159B to \$124B). Weekly temps fell 37.6% from peak. Clients shifting temp to permanent. Travel agencies collapsed 35% from pre-pandemic. Office admin demand permanently reduced by remote work and AI assistants. Selective insourcing of premium functions; commodity services remain outsourced but margin-compressed.

## **A3 - Capital Consolidation Over Growth**

PE drives 76% of FM M&A and 55% of waste deals. Investment thesis: consolidation for margin defense, not capacity expansion. FM software investment declining (32% plan increases in 2025, down from 42% in 2023). AI investment surging (92% piloting) but displacing labor faster than creating new roles. Capital flowing to efficiency extraction, not growth.

## **T3 - Contract Dependency and Nonrenewal Risk**

85% of staffing revenue from recurring contracts creates structural exposure. Each client shift from temporary to permanent hiring eliminates contract. Revenue contraction from \$159B to \$124B in two years driven by client preference shift, not cyclical downturn. Sector is commoditized with no pricing power to offset demand destruction.

## **M3 - Placed Worker Institutional Knowledge Loss**

At 419% turnover and 9–10 week tenure, no institutional knowledge survives a full replacement cycle. Client preferences, contract performance standards, quality expectations reset quarterly. Staffing firms function as placement mechanisms, not organizations capable of accumulating operational intelligence.

## **A3c - Immigration-Dependent Workforce Availability**

Building services employ 2.2M janitors and 1.3M grounds workers at wages below living thresholds. Foreign-born workers 35–50% of metro operations. ICE enforcement targeting these worksites in 2025. No domestic replacement mechanism at current wage levels. Wage increase to \$20–25/hour would require 15–25% price

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increase to clients.

## The 8 Diagnostic-Only Dimensions

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The following eight dimensions can only be scored through the Four Frequencies diagnostic engagement using behavioral intelligence data from inside the organization. Federal data reveals the sector-level structural conditions above. These dimensions reveal the organization-specific structural dynamics that determine whether your organization is absorbing compensatory load for the sector-level weaknesses, or compounding them.

### **T4 - Client Relationship Concentration**

What percentage of revenue depends on top five clients? When a client shifts from temporary to permanent hiring, what is the revenue impact timeline? Where are client relationships held by individual account managers rather than institutional systems?

### **T5 - Competitor Substitution Readiness**

When a major client recruiter departs to a competitor firm, what percentage of revenue leaves with them? Do you have systems that preserve client knowledge when key people exit, or does client relationship knowledge reside in individual account managers?

### **P3 - Classification Decision Architecture**

Who makes worker classification decisions? How many states use ABC versus economic reality test, and does your compliance architecture reflect that variation? When a state attorney general investigates, how quickly can you produce classification documentation for every worker in that jurisdiction?

### **P4 - Multi-State Regulatory Compliance Velocity**

How many states' licensing regimes do you operate across? When a state changes requirements (Illinois did in 2023), how quickly does your compliance infrastructure adapt? What percentage of headquarters capacity is dedicated to regulatory tracking versus growth-oriented activity?

### **M4 - Turnover Signal Capture**

Do you track whether departing workers leave for better wages, better working conditions, or because they were laid off? When turnover accelerates, what signal reaches leadership, and how fast can you respond with wage or scheduling changes?

### **M5 - Institutional Knowledge Persistence**

At 419% turnover among placed workers, what institutional knowledge survives a complete cycle? Which recruiters hold client intelligence that your ATS does not capture? Where do informal systems compensate for formal systems that cannot keep pace?

### **A4 - Demand Displacement Readiness**

What percentage of your current placements involve work that AI could automate within 24 months? When a major client automates administrative functions, what is your revenue exposure? Do you have service lines that create value no automation can replicate?

### **A5 - Pipeline Resilience to Immigration Enforcement**

If ICE enforcement reduces building services workforce availability by 15–20%, can you source replacement workers at current wages? Do you have wage flexibility to offer 15–25% increases if needed, and can clients

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absorb those price increases?

*The gap between what federal data reveals (9 dimensions) and what the diagnostic measures (all 20) carries particular consequence in administrative and support services. Public data shows the sector-level turnover rates, revenue contraction, and classification risk. The diagnostic shows whether your firm's client concentration, classification architecture, and technology investment create exposure that the sector-level data only implies. In a sector where 419% turnover is the baseline, the diagnostic question is not whether turnover affects you but where your organization's specific turnover pattern creates structural fragility that competitors with better technology, better wages, or better client relationships do not share.*

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## Structural Risk Scenarios

Structural conditions do not predict specific events. They define the envelope of probable outcomes. The following scenarios are structurally plausible given current conditions. They are not forecasts. They are the shapes that failure takes in a sector with this structural profile.

### Cyclical Cliff in Downturn

The Administrative and Support Services sector is the economy's shock absorber for labor demand contraction. In the 2009 recession, staffing revenue fell 28%; in Q2 2020, it fell 24% and employment collapsed 33.6% in a single quarter. The threat is not future cyclical risk—it is whether the sector can survive the next one at structural thresholds where margins have already compressed. When clients shift from temporary to permanent hiring in good times (the \$159B-to-\$124B contraction happened during positive GDP growth), what remains for the downturn? Staffing firms carry fixed overhead costs (recruiting, management, facilities) that do not scale down with revenue contraction. Temporary staffing is inherently pro-cyclical: demand contracts first and most dramatically in downturns, recovery lags by 12–18 months. The structural cliff is simple: staffing revenue cannot fall another 20–30% in the next recession without firms entering negative margin operations where revenue does not cover direct costs. For firms already operating at 35.9% SG&A (Robert Half Q4 2025), the margin absorption capacity is exhausted. The next recession will not compress margins further. It will force consolidation through failure.

### Multi-State Classification Collapse

The worker classification landscape is structurally unstable across 50 different enforcement regimes. Twenty-plus states use the ABC test; some use economic reality test; others use hybrid standards. The DOL withdrew 2024 rule enforcement in May 2025, but state enforcement is escalating independently. California AB5 upheld (June 2024). Illinois penalties reached \$18,000 per violation (2023). Illinois and California together account for roughly 18% of U.S. GDP and employment. A staffing firm operating at scale across both states manages two completely different classification regimes with two different penalty structures and two different political enforcement intensities. The threshold risk is not individual litigation. It

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is the mechanism where state enforcement acceleration compounds across multiple jurisdictions simultaneously. When California AG pursues enforcement, other AGs pay attention and fund their own programs. When Illinois collects penalties, other states benchmark their enforcement against the model. The structural reading is that classification enforcement is moving from isolated events to systematic multi-state campaigns. A firm that misclassifies 5% of its workforce (within industry baseline estimates of 10–30%) could face combined penalties across six states exceeding \$10 million per violation batch. At that exposure level, the cost of remediation, legal defense, and penalty absorption consumes the entire equity value of many mid-market staffing firms. Consolidation will accelerate because only large firms with national compliance infrastructure can absorb the multi-state enforcement load.

## **Building Services Immigration Disruption Spiral**

Building services (janitorial, landscaping, security) structurally depend on foreign-born workers: industry estimates place them at 35–50% of metro janitorial and landscaping operations. Wages of \$17–18 per hour lie well below living-wage thresholds of \$20–25 in major metropolitan areas. At those wage levels, domestic labor supply is essentially unavailable; the only way to fill those positions is with workers accepting below-living-wage employment. ICE enforcement operations in 2025 specifically target building services, construction, and landscaping worksites. When ICE enforcement disrupts workforce availability (a single raid can eliminate 10–50 workers from a location), the staffing firm faces immediate choices: increase wages 15–25% to attract domestic replacements, maintain service levels with reduced workforce (violating client contracts), or source from other immigration-vulnerable pools (increasing enforcement exposure). The structural spiral is that wages cannot increase without client price increases. Clients will not accept price increases because janitorial and landscaping are commodity services with maximum price elasticity. So the firm faces compressed choices: enforce client contracts at reduced service levels (contract nonrenewal), increase wages and lose margins (strategic loss), or continue sourcing immigration-vulnerable workers (enforcement risk). Each choice eliminates revenue or increases legal exposure. The threshold risk is when enforcement intensity accelerates to the point where sourcing becomes operationally impossible at current wages. At that point, the building services firm loses the ability to fulfill its core contract functions. This is not a wage pressure problem. It is a structural availability problem that no individual firm can solve through higher wages because the entire building services market is trapped in the same economics.

## **Cross-Cutting Theme Connections**

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Three cross-cutting structural themes operate at elevated intensity in the Administrative and Support Services sector.

### **Recursive Labor Paradox**

The defining structural condition of the Administrative and Support Services sector is recursive: the sector that exists to solve labor challenges for other industries cannot solve its own. Staffing firms experience the recruitment difficulty, turnover, and wage pressure that their clients hire them to manage. Building services

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firms struggle to retain the janitors, landscapers, and security guards they are contracted to provide. Travel agencies cannot find travel agents. The paradox is not ironic. It is structural: the margins generated by labor arbitrage are insufficient to fund the wages, benefits, and working conditions that would create retention in an economy where competing employers offer the same wages for less demanding work. The sector's revenue model is its retention constraint.

## Classification Fragmentation

The worker classification landscape creates compliance exposure that multiplies with geographic scope. A staffing firm operating in 30 states faces 30 different classification regimes: some using the ABC test, some using the economic reality test, some with state-specific standards that map to neither. Federal enforcement has softened (DOL withdrew 2024 rule enforcement in May 2025) but state enforcement is escalating independently (Illinois penalties up to \$18,000, California AB5 upheld). Private litigation under the technically-valid 2024 federal rule continues. The structural consequence is that classification compliance absorbs operational capacity proportional to geographic scope, creating a Permission architecture that rewards large national firms who can amortize compliance infrastructure across higher volume while penalizing the smaller regional firms that constitute 98.8% of the sector.

## Forced Automation

Automation in the Administrative and Support Services sector is not a strategic technology choice. It is a forced response to turnover economics that make human-staffed models unsustainable in specific subsectors. Security firms adopting hybrid human-automated models do so because 77–300% turnover makes continuous human staffing economically unviable, not because robots provide better security. Building services firms adopting cleaning robots at 8–20% CAGR do so because janitorial turnover and wage pressure leave no alternative, not because automated cleaning produces better outcomes. Staffing firms deploying AI for candidate matching and intake do so because manual processes at 34-day time-to-hire cannot compete with 21-day technology-enabled processes. Each automation adoption reduces the sector's labor intensity. This reduction is simultaneously the sector's structural function. The sector is automating away the thing it exists to provide.

## What This Means for Organizations in This Sector

The structural conditions identified in this assessment are visible to anyone operating in administrative and support services. The turnover, the classification risk, the technology gap, the revenue contraction. These are the conditions staffing executives, building services operators, and security firm managers navigate daily. What this assessment adds is the structural architecture: how these conditions interact, where they compound, and which conditions are within organizational control versus which are sector-level forces that no individual firm can resolve.

The recursive labor paradox is the sector's defining condition. The margins generated by labor arbitrage cannot fund the wages required to retain workforce. The sector that solves labor problems for others

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cannot solve its own. This is not fixable through recruitment tactics or onboarding improvements. It is fixable only through wage increases large enough to create competitive advantage in labor markets where every employer is offering similar wages for less demanding work. For a sector where labor arbitrage represents the entire revenue model, that trade-off creates a structural choice: sacrifice margin to retain workers, or sacrifice workers to maintain margin. Neither choice is viable long-term.

The classification landscape operates across 50 different compliance regimes with no federal unification. State enforcement is escalating independently. Firms operating at geographic scale must maintain 30+ parallel compliance frameworks. The smallest firms that constitute 98.8% of the sector cannot absorb that compliance burden. This creates a structural advantage for large national consolidators who can amortize compliance infrastructure across higher volume. Classification risk is not a threat to the sector. It is an acceleration mechanism for consolidation.

Technology adoption in this sector is forced, not strategic. Firms adopt AI and automation because turnover and wage pressure make human staffing models economically unsustainable, not because technology is superior. This drives a paradox: the sector adopts automation to solve labor economics, which eliminates the labor intermediation demand that the sector exists to fulfill. Security firms adopt hybrid human-automated models and reduce employment density. Staffing firms deploy AI for candidate matching, eliminating junior recruiter positions that represent the sector's own pipeline. The sector is automating away the function it performs.

The building services immigration dependency creates a threshold structural vulnerability. The workforce pipeline depends on wage acceptance at below-living-wage levels. That wage acceptance is enabled by immigration. ICE enforcement targeting these worksites in 2025 creates immediate disruption risk. The sector cannot solve this through wage increases because clients have maximum price sensitivity and will not accept 15–25% cost increases for commodity janitorial and landscaping services. The threshold is where enforcement intensity makes sourcing operationally impossible. At that point, firms lose the ability to fulfill core contract functions. This is not a medium-term labor market stress. It is an acute availability crisis with no margin-based solution.

## Methodology

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The Four Frequencies framework measures structural resilience across four dimensions: Thinness (depth of critical capacity), Permission (distribution of decision authority), Management (leadership and operational effectiveness), and Absence (gaps in critical functions and their consequences). Each frequency is assessed across five dimensions, for a total of twenty structural measurements.

Sector-level assessments draw on federal data mapped to the twelve publicly-measurable dimensions. Organization-level diagnostics add behavioral intelligence from internal raters to score all twenty dimensions. The combination produces the Structural Resilience Index (SRI), a composite score calibrated to a five-band severity scale.

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Severity terminology: MINIMAL (structural conditions within normal operating parameters, no dangerous dependencies), MODERATE (early structural conditions that merit monitoring, concentration visible but not yet load-bearing), ELEVATED (active structural conditions requiring attention, something finite is absorbing extra load), SEVERE (significant structural vulnerability with compounding risk, damage spreads when something breaks), CRITICAL (acute structural vulnerability requiring immediate intervention, multiple failures compounding).

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## What This Means for Your Organization

This brief describes the structural environment your organization operates inside. Whether these sector-level conditions are amplified or mitigated within your specific organization depends on your internal structural profile.

The Four Frequencies diagnostic measures all 20 dimensions for a single organization, producing a 40-page structural analysis with the Structural Resilience Index.

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## About S.J. Bridger

S.J. Bridger is a structural resilience diagnostics practice. We analyze the structural conditions that determine whether organizations hold together when key people leave, when systems fail, and when the relationships that carried institutional knowledge disappear. The Four Frequencies framework was developed through forensic analysis of organizational failures across multiple sectors and refined through diagnostic engagements that measure what traditional assessments miss.

Structural Intelligence Briefs are published assessments of sector-level conditions. They are updated quarterly as federal data sources release new information. The Administrative & Support Services brief is the third in a series covering all 20 NAICS sectors.

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DISCLAIMER: This Structural Intelligence Brief is a sector-level structural assessment based on publicly available federal data and the Four Frequencies analytical framework. It does not constitute advice to any specific organization. It does not establish a consulting engagement, advisory relationship, or professional obligation between S.J. Bridger and any reader or recipient.

