Slow Economic Growth, Steady Growth for Staffing

By Cynthia Poole

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STAFFING success
American Staffing Association

The current postrecession expansion of the U.S. economy is now more than seven years old—40% longer than the average of all growth periods since World War II, as noted in the latest American Staffing Association annual economic analysis. And, during this current expansion, gross domestic product (GDP) growth has been weak.

Will expansion continue, or is another shift in the business cycle on the horizon? This analysis reviews the most recent data and forecasts for growth of the economy, and implications for the staffing and recruiting industry.

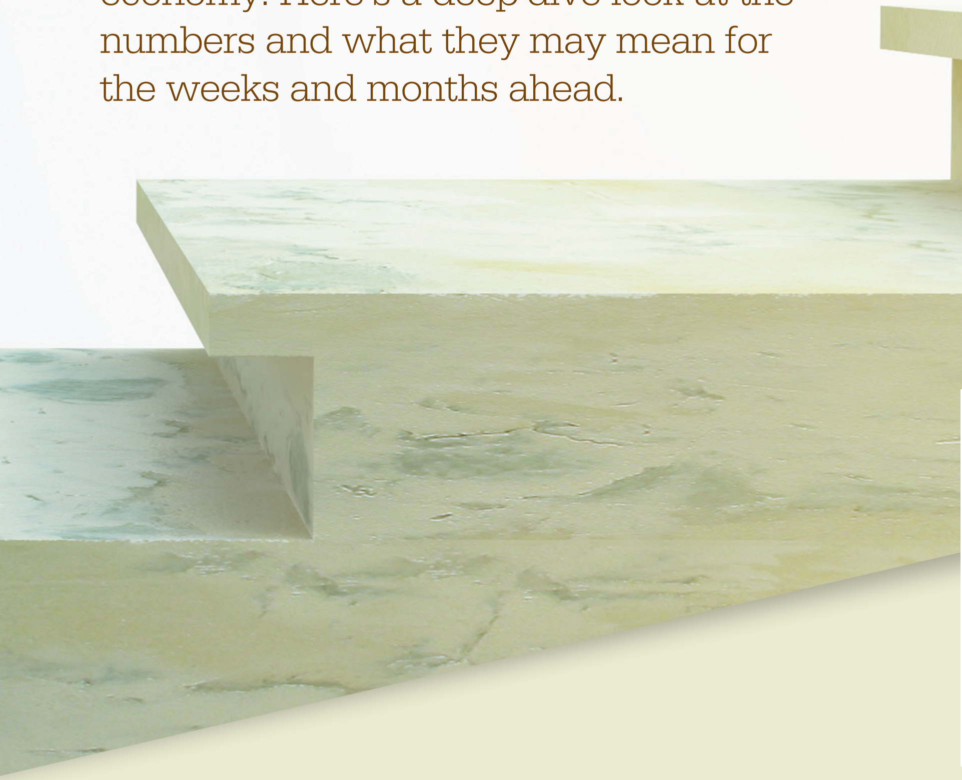
GDP Was Slow to Recover—Growth in Current Expansion Weak

Recovery from the recession was slow and weak, per data from the U.S. Bureau of Economic Analysis. During the recession, average quarterly GDP dropped 2.2%. Real GDP did not recover losses and return to its prerecession peak until 2013, three and a half years after the recession ended.

Since the current expansion began in July 2009, quarterly GDP has grown at an average annualized rate of 2.1%, well below the 2.8% rate of the 2002–07 expansion. The economy slowed in 2015 with quarterly GDP growth estimates averaging 1.9%. The slower pace continued into 2016 with the BEA estimating GDP growth at 0.8% in the first quarter and 1.4% in the second quarter.

In October, BEA reported anticipated third quarter GDP growth of 2.9%—an acceleration from the previous rate. Will this third-quarter estimate hold or be adjusted down, more in line with the economic growth trend during the current expansion?

Whether the analysis is framed as postrecession or postelection, the data show that U.S. economic growth continues at a tepid pace. The story is a bit different for the staffing industry, however, which is still outpacing the economy. Here's a deep-dive look at the numbers and what they may mean for the weeks and months ahead.



Exclusive Industry Research & Data

This is the sixth and final article in a yearlong *Staffing Success* series from the industry's research and data leader—the American Staffing Association. Tell us what you think on Twitter—follow @StaffingTweets and use the hashtag #ASAresearch.

Forecasting Economic Growth

In the coming months economic volatility is likely, as has been seen historically in the early days of most new administrations. Prior to Election Day, in the October *Wall Street Journal* survey of economists, the average annual GDP forecast for the year was a paltry 1.8%, and remained the same post-election.

Those same economists are more optimistic about 2017 and 2018, with consensus projections for full-year GDP growth at 2.2% and 2.3%, respectively. President-Elect Donald Trump is even more bullish, suggesting that his economic plans could push average annualized GDP growth to 3.5% or more.

If the surveyed *Wall Street Journal* economists are correct, that would put GDP growth just above the average of 2.1% for the current expansion. If President-Elect Trump's economic plans come to fruition as early as 2017, a 3.5% full-year rate of GDP growth would push the average for the current expansion significantly closer to the average 4.0% annual growth rate of the prior six expansions from 1960 to 2007. >>>

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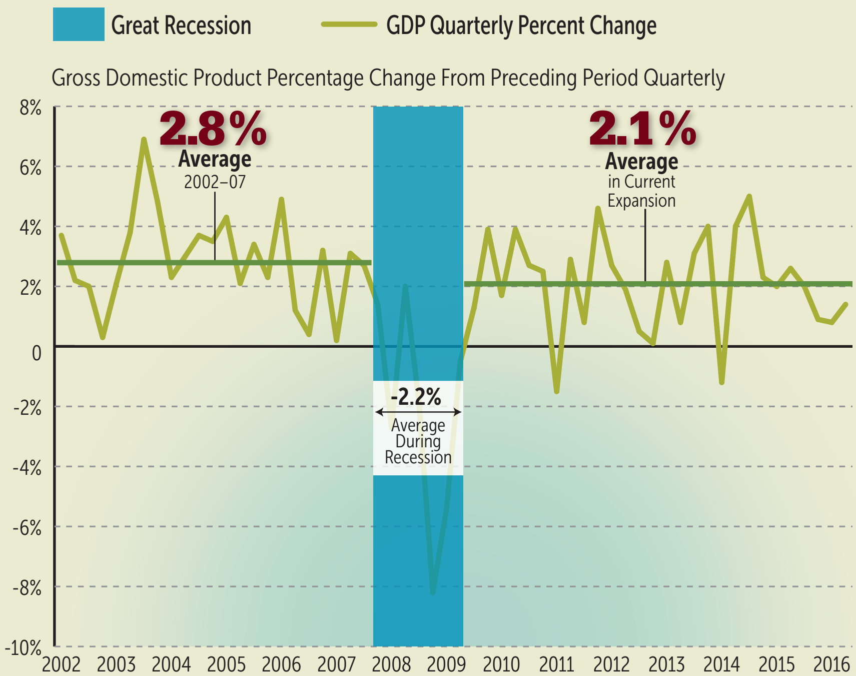
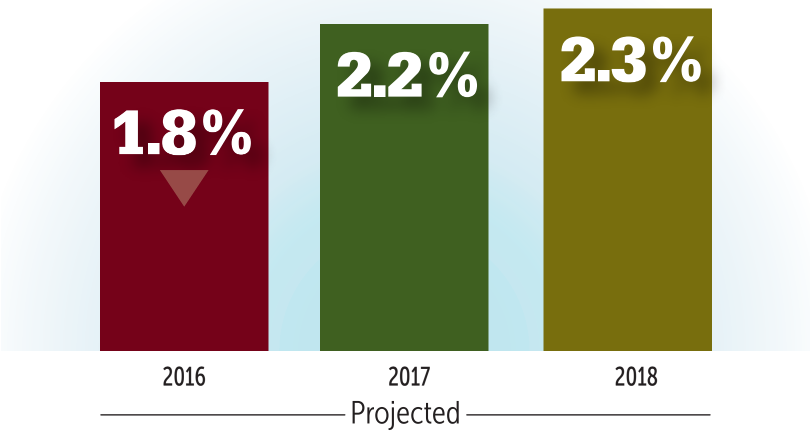


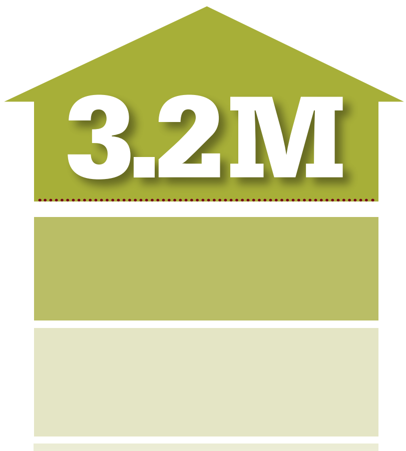
Source: U.S. Bureau of Economic Analysis

Pace of GDP Growth Expected to Increase



Source: Forecast of economists surveyed by the Wall Street Journal, *Nov. 14, 2016*

Staffing Employment Exceeds 3 Million

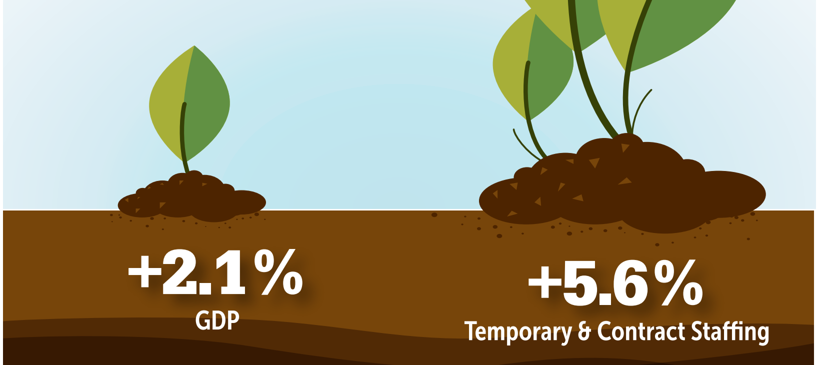


Source: American Staffing Association, Staffing Employment and Sales Survey

Based on projections and anecdotal discussions with staffing executives, there seems to be **quite a bit of optimism** for staffing and recruiting industry growth.

Staffing Continues to Grow

Since the recession, staffing has grown **2X faster** than the economy.



Source: American Staffing Association, U.S. Bureau of Economic Analysis

The **staffing industry** has been growing more than **two times faster than the economy** since the end of **the Great Recession.**

Looking at Steady Staffing Growth

Many experts agree—and ASA research confirms—that staffing industry employment serves as a coincident economic indicator.

The quarterly ASA Staffing Employment and Sales Survey showed staffing employment in the U.S. exceeded precession levels and recorded a new high in 2015: Staffing companies employed an average of 3.2 million temporary and contract workers per week—2.7% more than in the prior year.

Another measure of temporary and contract staffing employment is the ASA Staffing Index, which bears watching as a near real-time measure of not only weekly trends in staffing industry employment, but also current economic conditions.

The staffing industry has been growing more than two times faster than the economy since the end of the Great Recession, according to ASA research and analysis of BEA data.

While temporary and contract staffing employment trends leveled at the beginning of 2016, consistent with weak GDP growth, the trend turned upward in August with three months of consecutive increases in the four-week moving average of the index value.

Anticipating Continued Staffing Growth

It is yet to be seen if the U.S. economy will accelerate or slow further in the remainder of the calendar year and into next as the country transitions to a new administration and potential impacts begin to unveil. At the same time, ASA research and economic trends point to continued growth in staffing employment, although at a slower pace.

Based on projections and anecdotal discussions with staffing executives, there seems to be quite a bit of optimism for staffing and recruiting industry growth; however, with the likely volatility of the economy in the near-term and recent financial reports, staffing companies will want to re-examine their business plans to ensure that effective operations and recruitment strategies are in place to weather this business cycle. ■

Cynthia Poole is director of research for the American Staffing Association. Send feedback on this article to success@americanstaffing.net. Follow ASA on Twitter @StaffingTweets.