

# State of the Staffing Industry—An Analyst’s Take

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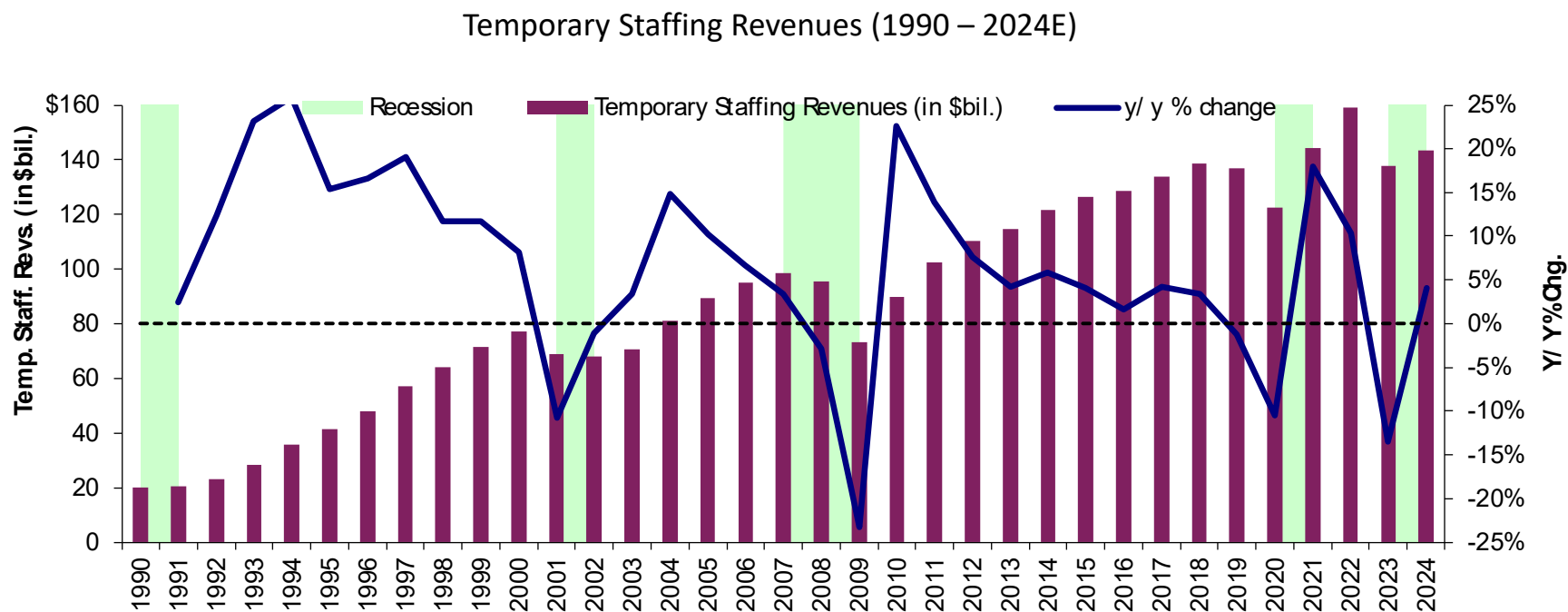


# Presentation Overview

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- What's Been Happening
- What Might Happen Next
- Summary

# Temporary Staffing Has Been a Growth Industry

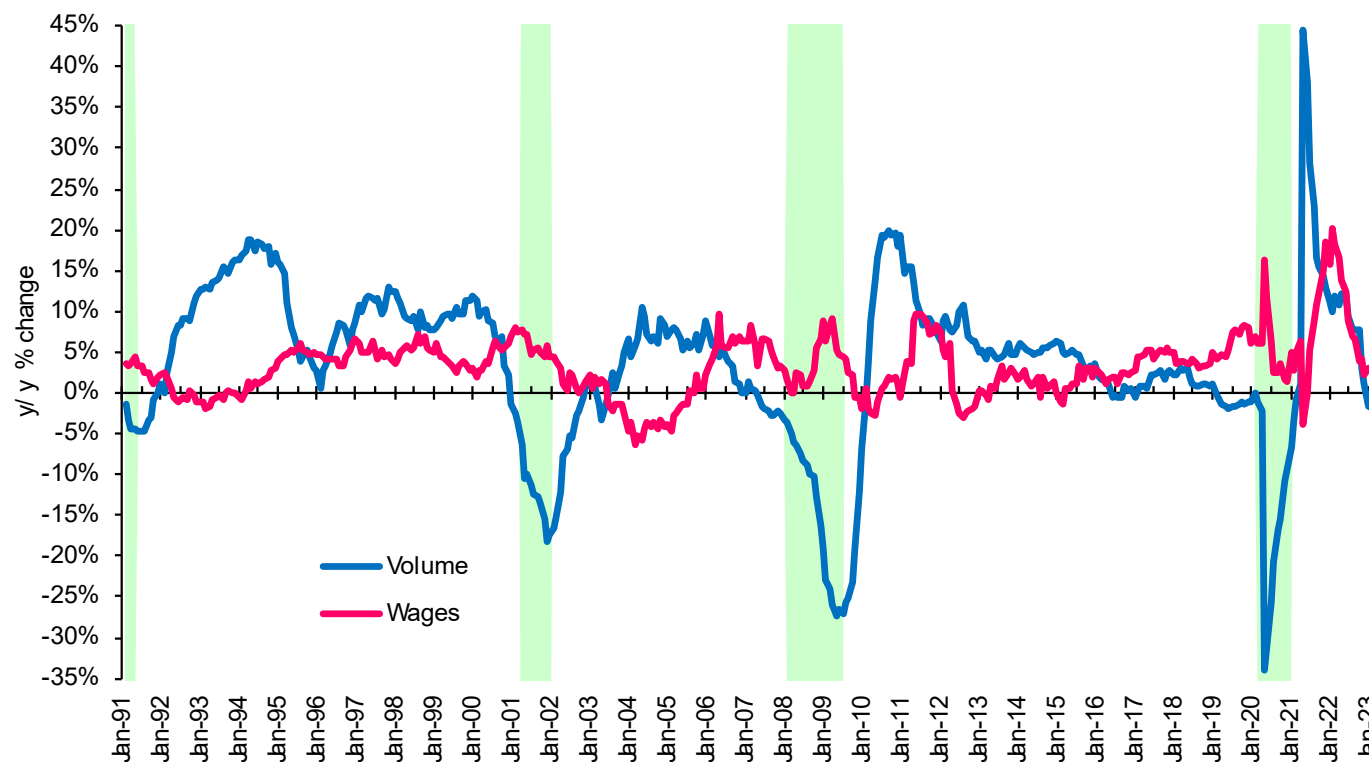


Note: Shaded area represents recessionary period. Source: American Staffing Association and BMO Capital Markets estimates.

While temporary staffing revenues are cyclical, the industry has continued to grow peak to peak. From 1990-2022, industry revenues grew at 9.7% CAGR compared to the 6.9% CAGR in US nominal GDP.

# Temporary Staffing Volumes and Pricing

Temporary Employment: Y/Y Change in Volume and Wages (January 1991 – April 2023)

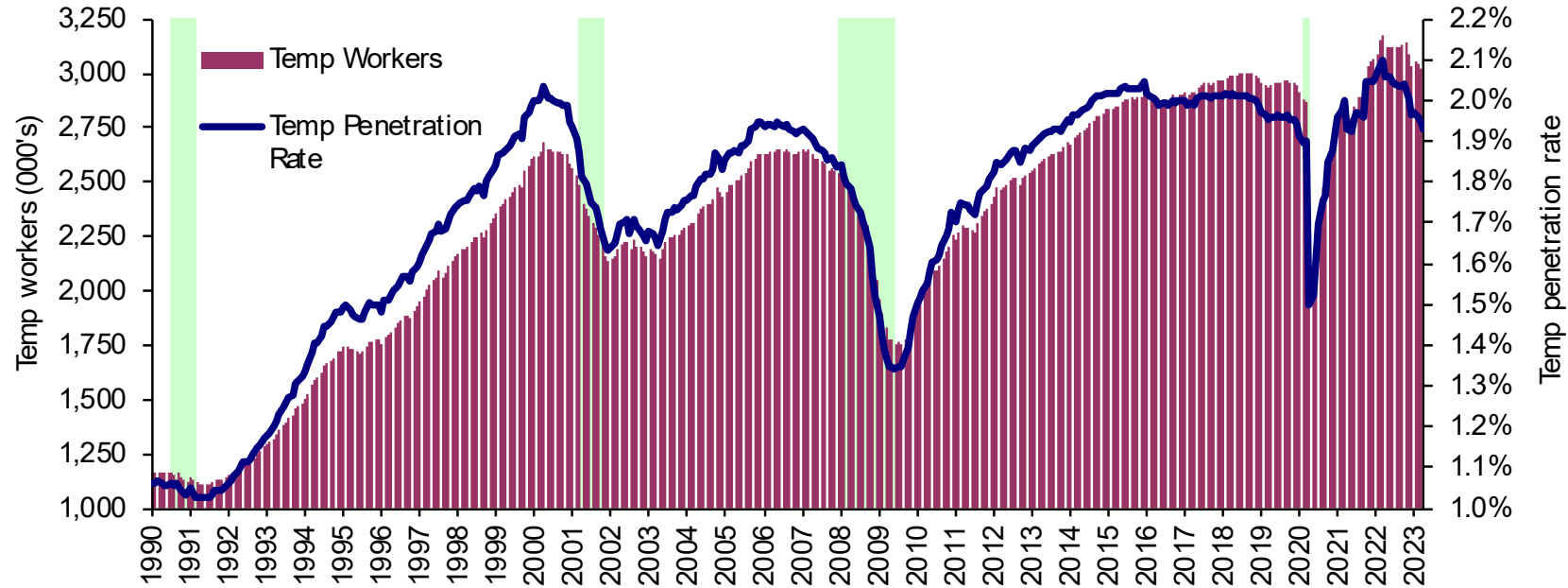


Note: Shaded area represents recessionary period. Source: Bureau of Labor Statistics and BMO Capital Markets.

Changes in temporary employment *volumes* predate and are typically more volatile than changes in temporary employee *wages* (proxy for price).

# Temporary Staffing Penetration Rate: Historical

Temporary Employment and Penetration Rate: (January 1991 – April 2023)

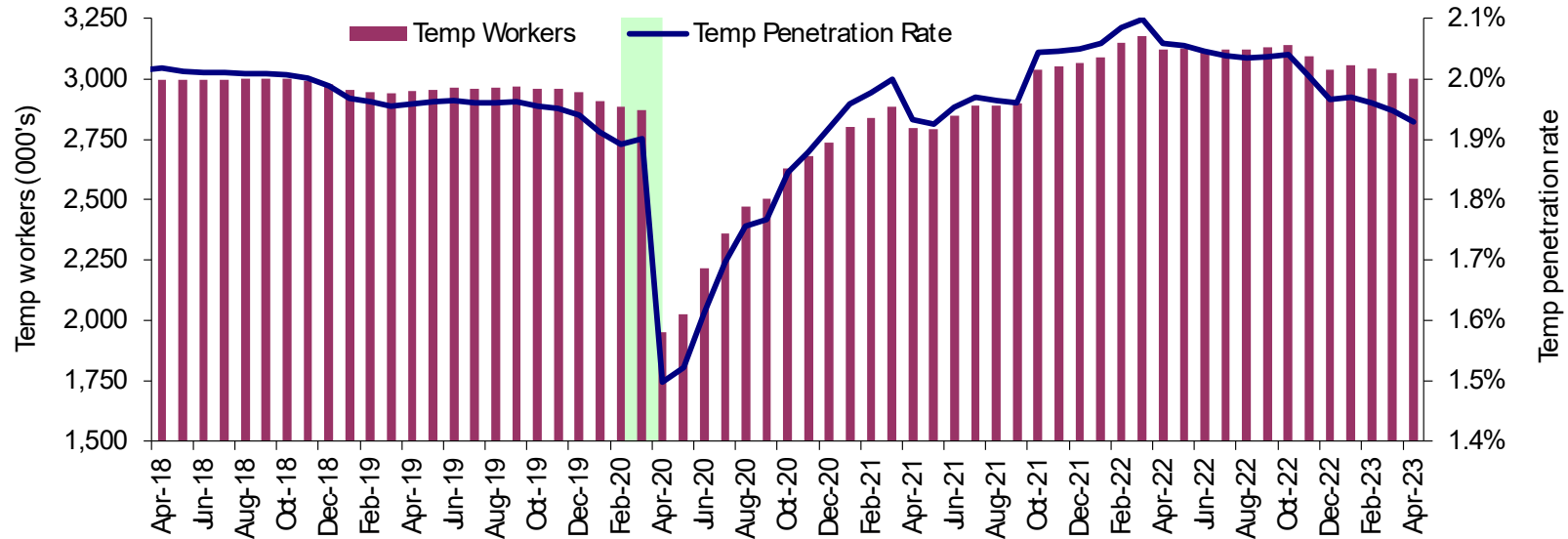


Note: Shaded area represents recessionary period. Source: Bureau of Labor Statistics and BMO Capital Markets.

Temporary help penetration rate (TPR) has predicted four out of the last three recessions (including the pandemic-induced one).

# Temporary Staffing Penetration Rate: Current

Temporary Employment and Penetration Rate: (April 2018 – April 2023)

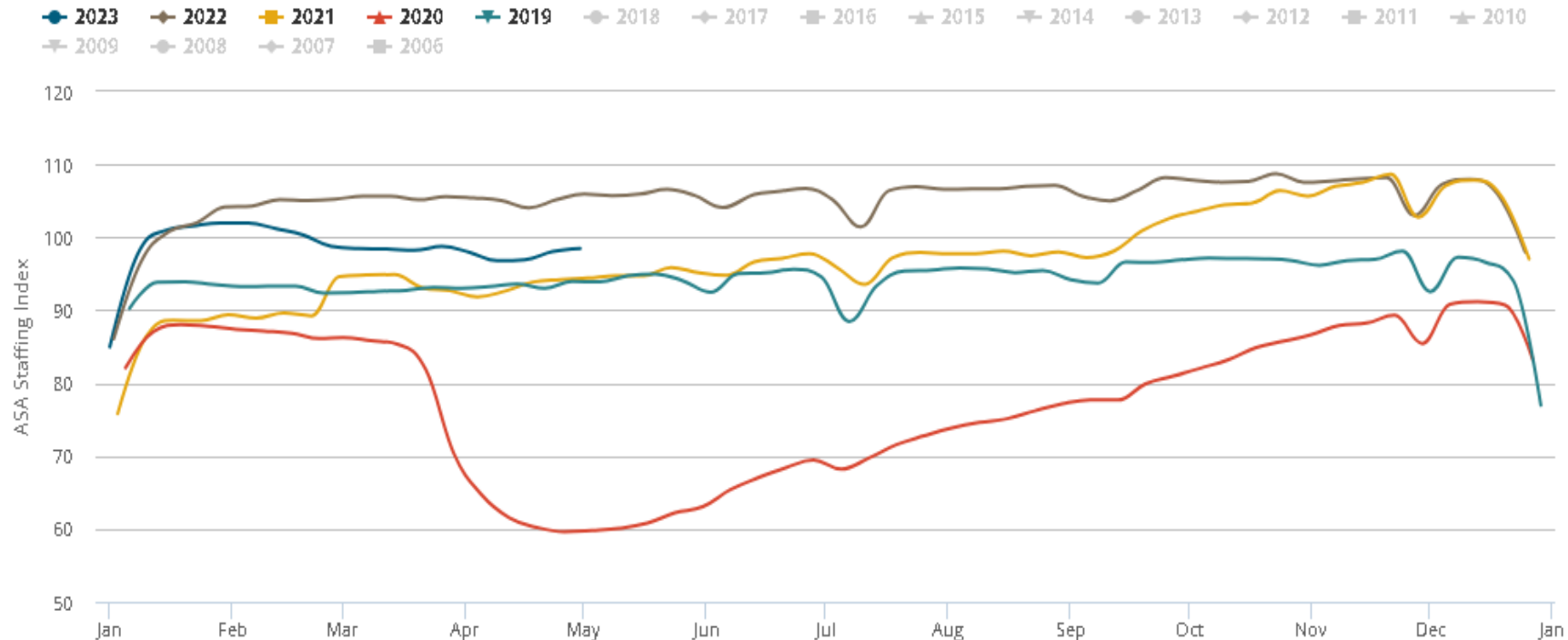


Note: Shaded area represents recessionary period. Source: Bureau of Labor Statistics and BMO Capital Markets.

A deeper look at current trends show temporary help penetration rate (TPR) falling since peaking at 2.1% in March 2022 – an all-time high. While it is approaching pre-pandemic levels, it is not falling off a cliff.

# American Staffing Association Index: Weekly Trends

American Staffing Association Index: Weekly Trends (2019-2023 YTD)

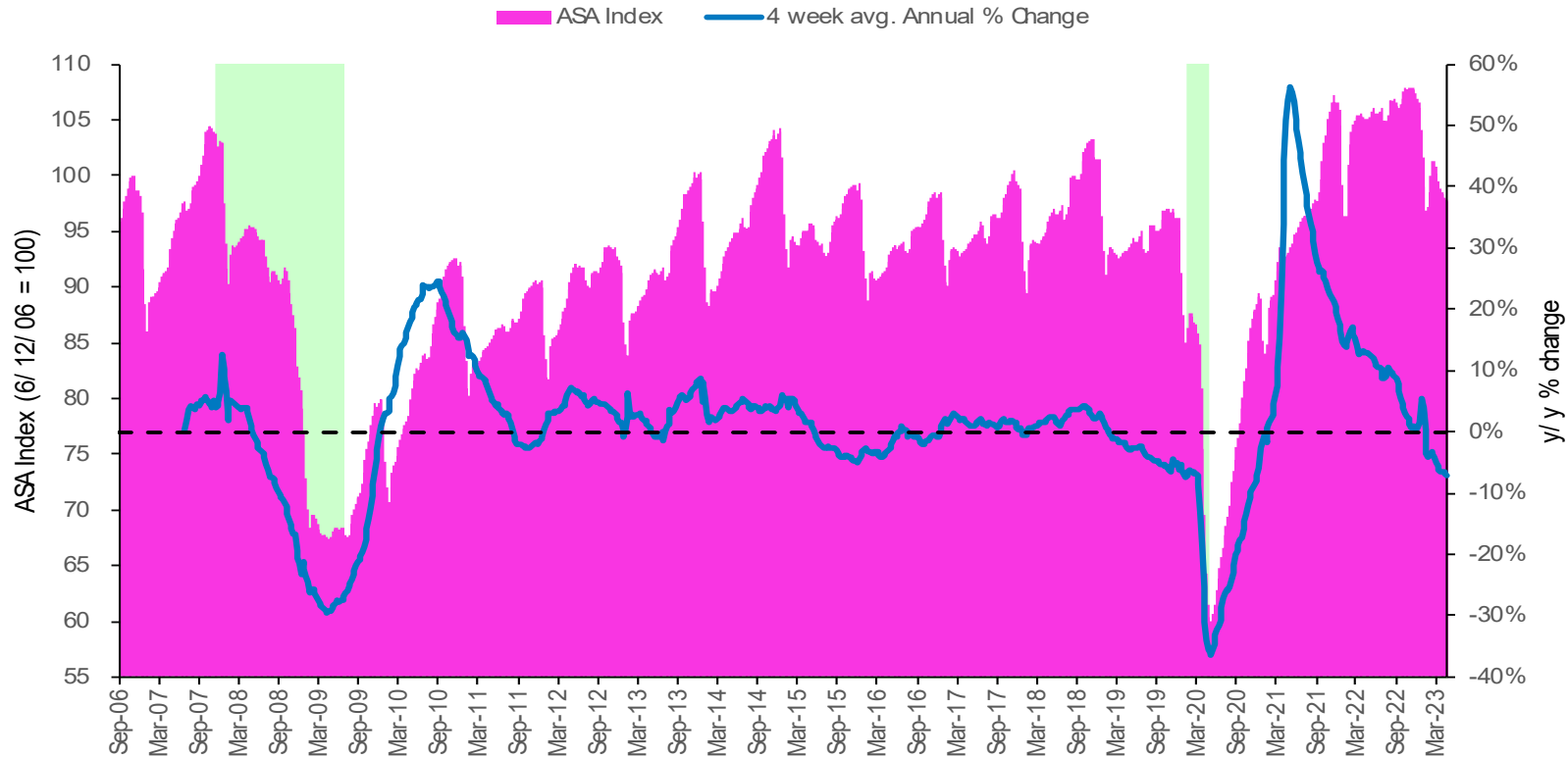


Note: Data not seasonally adjusted. Source: American Staffing Association.

In 2023 to date, staffing volumes have been falling y/y, though starting to show some signs of the typical seasonal pickup.

# American Staffing Association Index: Annual Changes

American Staffing Association Index: Historical Annual Change (June 2006 – May 2023)



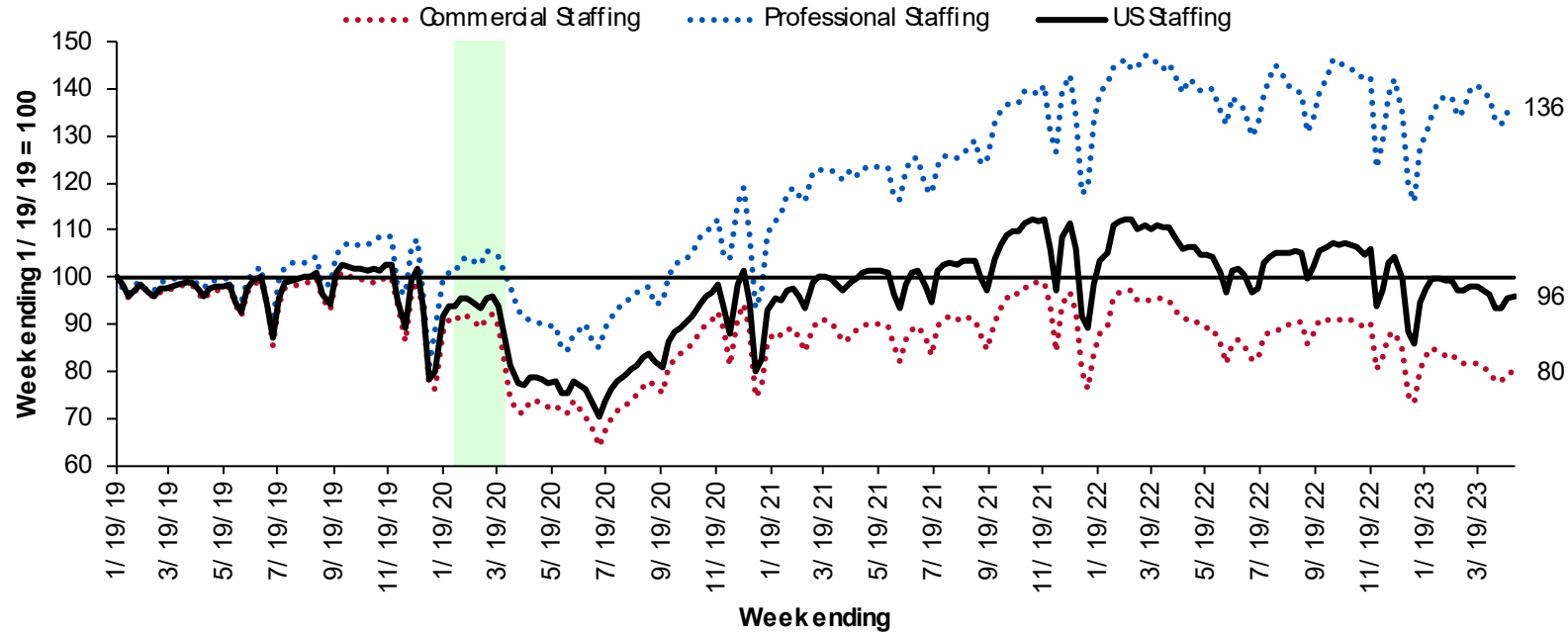
Note: Shaded area indicates recessionary period. Data not seasonally adjusted and use 4-week averages Source: American Staffing Association.

When ASA Index shows meaningful annual declines, it could foretell a recession.



# SIA | Bullhorn Staffing Indicator

SIA | Bullhorn Staffing Indicator: (January 2019 – May 2023)

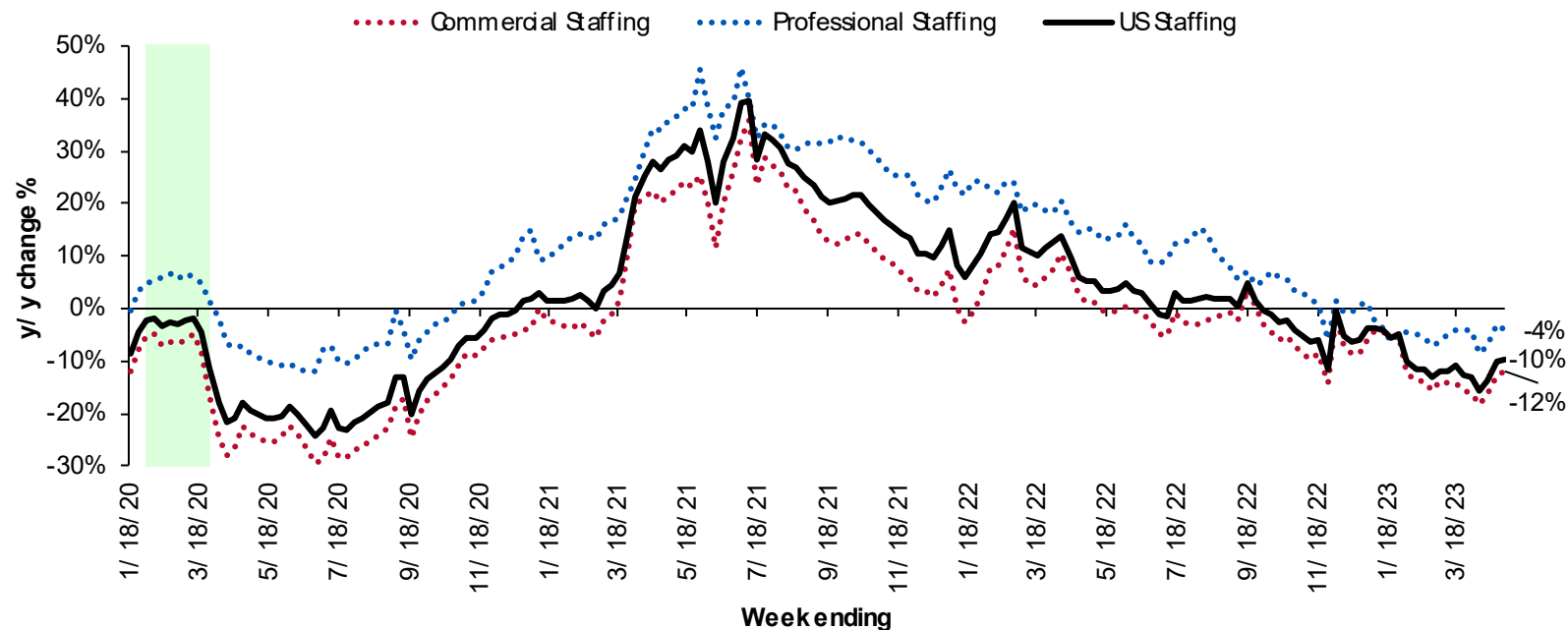


Note: Shaded area indicates recessionary period. Data not seasonally adjusted. Source: Staffing Industry Analysts ([www.staffingindustry.com](http://www.staffingindustry.com)).

This data series (which tracks staffing hours worked) topped out in early 2022, with the industry below 2019 levels.

# SIA | Bullhorn Staffing Indicator: Annual Changes

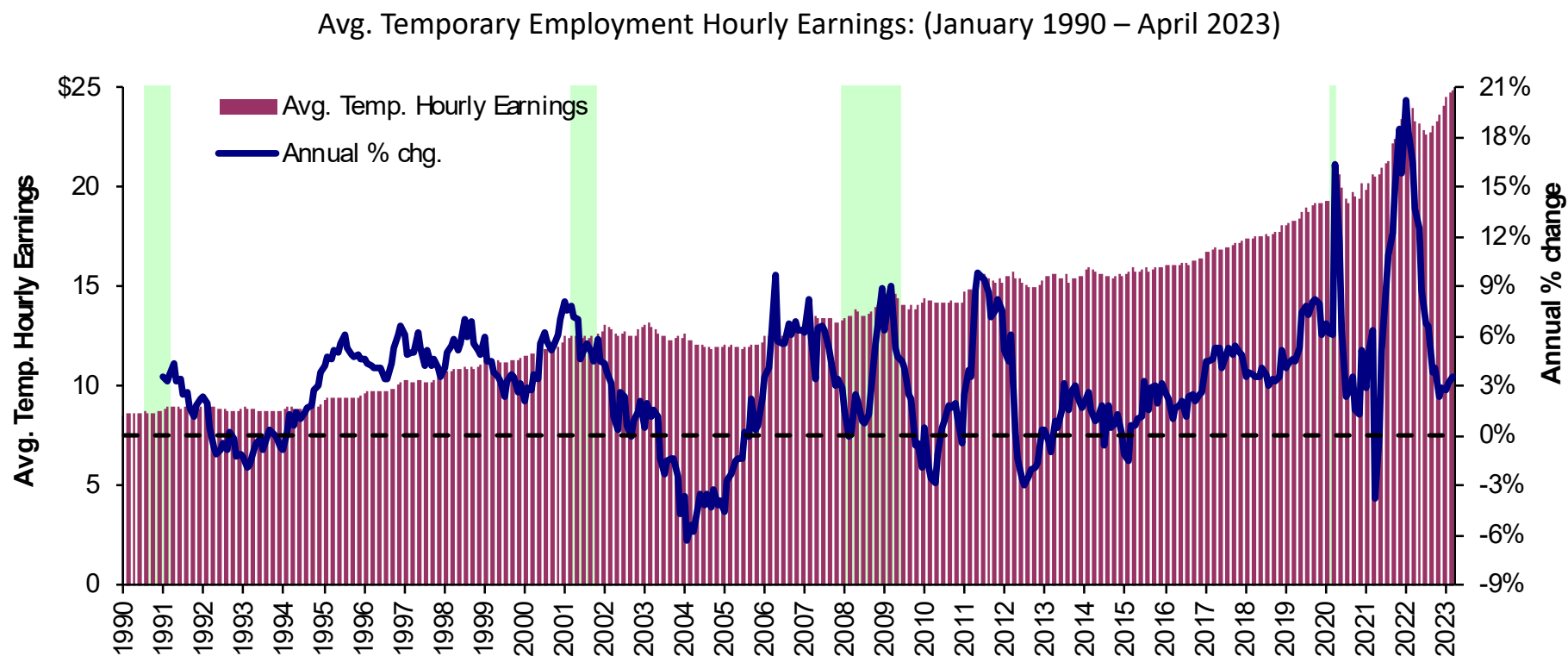
SIA | Bullhorn Staffing Indicator - Annual Changes: (January 2020 – May 2023)



Note: Shaded area indicates recessionary period. Data not seasonally adjusted. Source: Staffing Industry Analysts ([www.staffingindustry.com](http://www.staffingindustry.com)).

Annual growth peaked in mid-2021 (“easy comps”) and the metric turned negative in 4Q22. Commercial staffing trends turned negative even earlier, though both commercial and professional are still declining y/y (though getting “less worse”).

# Temporary Staffing Average Hourly Earnings: Historical

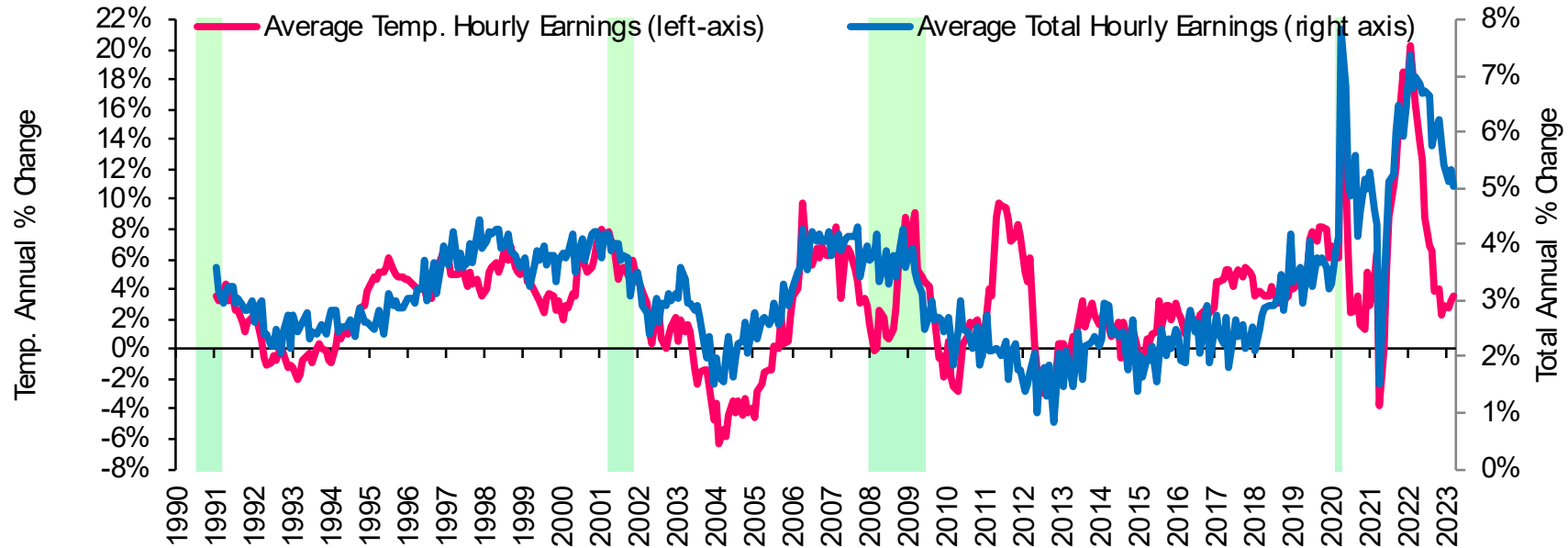


Note: Shaded area represents recessionary period. Source: Bureau of Labor Statistics and BMO Capital Markets.

Temporary employee hourly earnings (proxy for price) have been volatile, but typically decline following declines in volumes.

# Average Hourly Earnings: Temporary Help vs. Total Employment

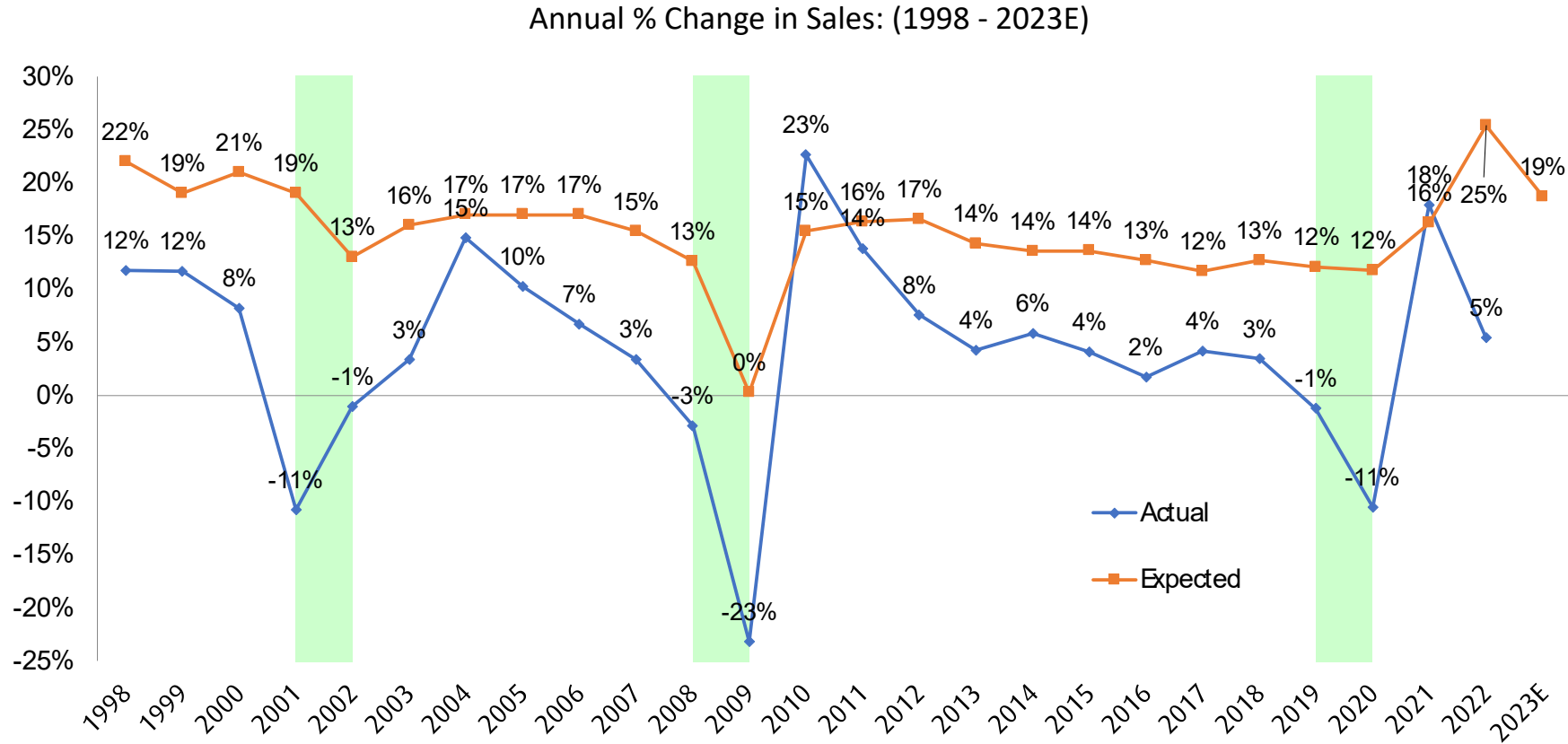
Avg. Hourly Earnings - Temporary Employment vs. Total Employment: (January 1990 – April 2023)



Note: Shaded area represents recessionary period. Source: Bureau of Labor Statistics and BMO Capital Markets.

Changes in *temporary* employee hourly earnings typically predate changes in *total employment* hourly earnings.

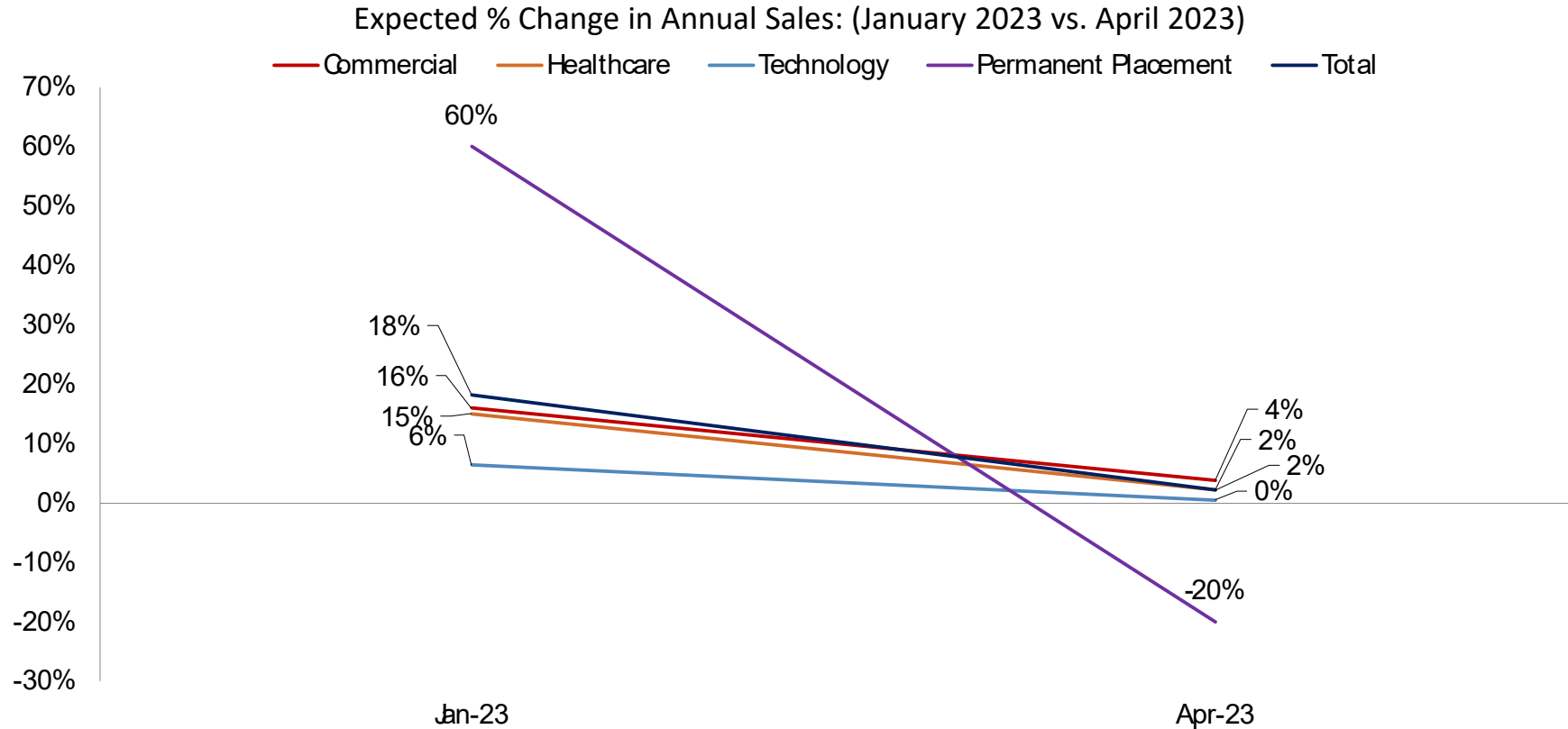
# Sales Change: BMO Survey vs. Actual (Annual Survey)



Note: Shaded area represents recessionary period. Source: American Staffing Association (actual) and BMO Capital Markets survey (estimated).

While our survey respondents tend to be optimistic, directional trends in our survey are fairly similar to what actually occurred.

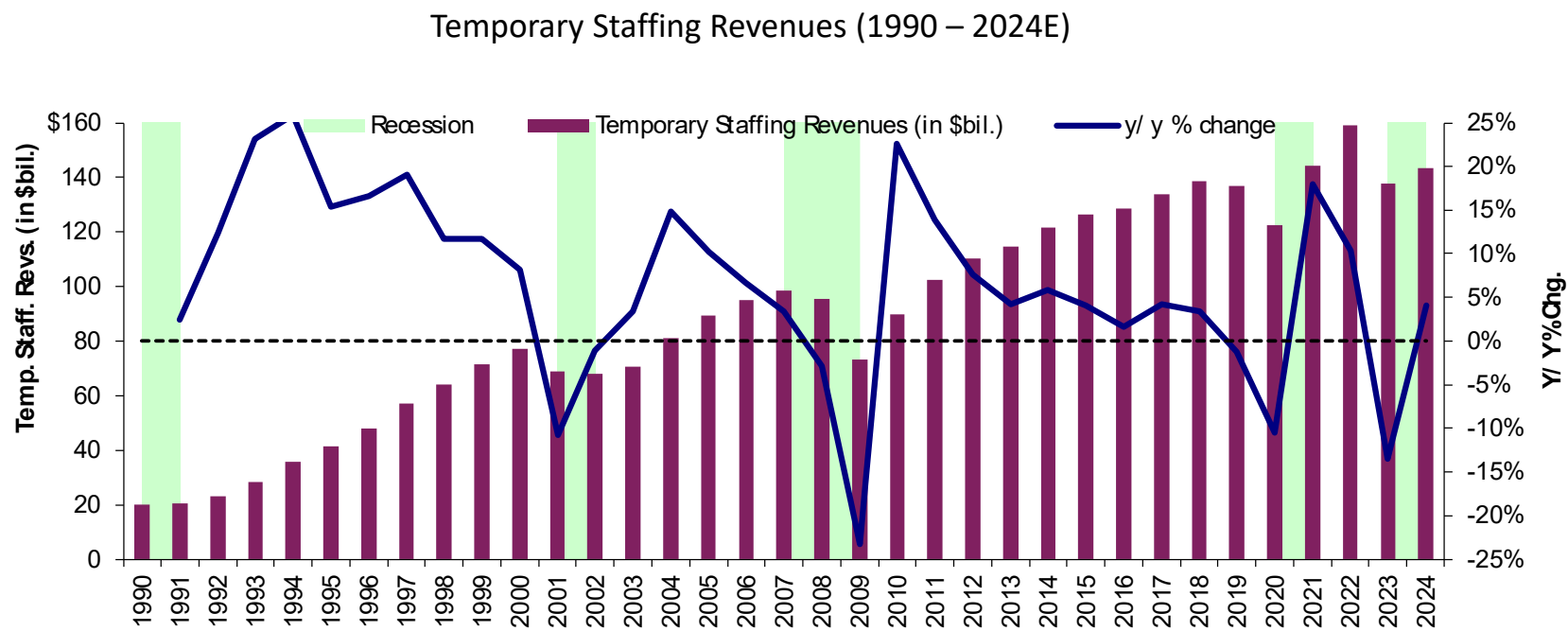
# Expected % Change in 2023E Sales: BMO Quarterly Survey



Note: Shaded area represents recessionary period. Source: BMO Capital Markets surveys.

All our industry subgroups have become more pessimistic as this year has progressed.

# BMO Temporary Staffing Forecast



Note: Shaded area represents recessionary period. Source: American Staffing Association and BMO Capital Markets estimates.

We forecast US staffing revenues will decline 10-15% in 2023. However, we believe trends will get “less worse” as this year progresses, finishing the year with some momentum. This should lead to a rebound in 2024, with the industry growing 0-5% next year.

# Summary

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- Changes in temporary staffing volumes lead changes in wages/prices.
- Changes in temporary staffing volumes could be a leading economic indicator – at least heading into a downturn.
- Staffing volumes (per most metrics) have been declining annually since late 2022, though declines may be getting “less worse.”
- Since pricing lags, we may soon see more pressure on revenues.
- We forecast US staffing revenues will decline 10-15% in 2023, though finish the year with some momentum, leading to a rebound in 2024, growing 0-5% next year.
- As we believe any economic downturn may be short-lived, we are cautiously optimistic that the impact will not be as bad as in prior recessions.
- We believe temporary staffing is a growth industry and will continue on that path as the economy rebounds.



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Hold	Market Perform	49.9%	15.0%	46.1%	44.5%	37.0%	37.5%
Sell	Underperform	2.7%	15.4%	2.6%	1.6%	1.0%	4.8%

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~ As of April 1, 2019

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