State of the Staffing Industry in 2024

Jeff Silber
Analyst
BMO Capital Markets Corp.
(917) 239-4910
jeff.silber@bmo.com
Presentation Overview

- What’s Been Happening
- What Could Happen Next
- Summary
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Temporary Staffing Has Been a Growth Industry

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 with the 6.9% CAGR in U.S. nominal GDP.
Changes in temp volumes predate and are typically more volatile than changes in temp wages (proxy for price).
Temp penetration rate (TPR) has predicted four out of the past three recessions (including the pandemic-induced one). The last three cycles, when it has fallen below 1.85%, the U.S. has been in a recession.
A deeper look at current trends show temp penetration rate (TPR) falling since peaking at 2.1% in March 2022 – an all-time high. In December, the TPR hit 1.8%.
Why This Time May Be Different: Employers Focused on Full-Time Hiring

Manpower Employment Outlook vs. Changes in Nonfarm Employment: (3Q76-1Q24)


While slowing a bit, full-time hiring outlook is still well above prior peaks.
Employees are becoming less reluctant to “quit”; as such, attrition rates are low; in November, this rate fell below its pre-pandemic level.
Why This Time May Be Different: More Working Women

Labor force participation rate for working women hit an all-time high post-pandemic.
Why Are Things Different This Time: Healthcare Staffing Impact


Note: Shaded areas represent recessionary periods. Data is based on Aya Healthcare data including direct contracts, managed service contracts, and third-party staffing. Travel RN jobs include all open jobs for travel, contract, EMR, and Strike needs for RN, LPN, and CAN. Source: Aya Healthcare’s “Aya Index” and BMO Capital Markets.

Healthcare staffing volatility may have skewed the temporary penetration rate.
2023 volumes were below that of 2022 for most of the year. Trends deteriorated towards year-end, with volumes falling below 2019 levels.
Annual growth peaked in mid-2021 (“easy comps”) and the metric turned negative in 4Q22. While conventional wisdom holds that trends in commercial staffing typically leads trends in professional staffing, the latter is rebounding at a quicker rate.
Temp hourly earnings (proxy for price) have been volatile, but typically decline following declines in volumes. That hasn’t happened yet.
Average Hourly Earnings: Temp vs. Total Employment

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

Changes in temp hourly earnings typically predate changes in total employment hourly earnings.
Results for our survey respondents have historically tracked those of the overall industry with some positive survey bias.
While our survey respondents tend to be optimistic, directional trends in our survey are fairly similar to what actually occurred.
BMO economists project a 1.7% increase in real GDP in 2024 with annual growth accelerating as the year progresses, and the U.S. avoiding a near-term recession. Using that as our base case, we forecast U.S. staffing revenues will increase 2-4% in 2024, after falling an estimated ~10% in 2023.
Our Summary

- Changes in temporary staffing volumes lead changes in wages/prices.
- Changes in temporary staffing volumes are typically a leading economic indicator – at least heading into a downturn.
- This cycle may be different, as the pandemic had a sizable impact on demand and supply trends.
- Staffing volumes (per most metrics) have been declining annually since late 2022, with trends worsening towards year-end 2023.
- Pricing has been surprisingly strong, due to the tight labor market.
- After falling an estimated 10% in 2023, U.S. staffing revenues should increase 2-4% in 2024, with growth accelerating throughout the year along with the overall economy.
- We believe temporary staffing is a growth industry and will continue on that path as the economy rebounds.
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