

# people2.0

WHITEPAPER SERIES

## Aligning your Business' Growth Plan with the Future Industry Landscape

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### PLANNING FOR THE FUTURE

Looking ahead is what visionary leaders do. Planning for what's coming next requires business owners to not only have a vision, but to also develop a strategy, trust proven intuition, and take reasonable risks. As the future reveals itself, being successful in your efforts demands that your business cultivates a dedicated team that can adapt to change, innovate and execute new ideas, and deliver exceptional service that outperforms the competition.

So, as you plan, assess, and adapt, it's important to keep asking and probing for answers to the question, "what does the staffing landscape of 2030 look like?"

This whitepaper provides some structure to that question, and insight into the work economy's future landscape.

### ECONOMIC IMPACT ON EMPLOYMENT

Before we focus solely on staffing, let's take a look at the future of the global economy. Looking at the forecasted national gross domestic product (GDP) for 2016-2050 (Figure 1), PricewaterhouseCoopers projects that China will become the world's largest economy by 2030.

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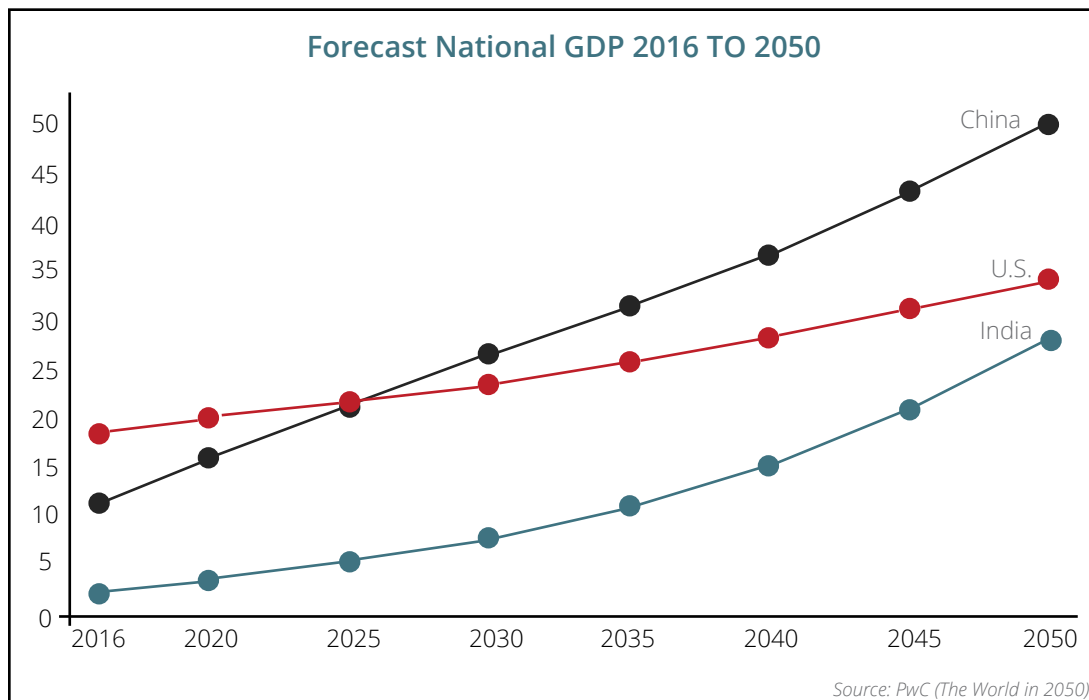


Figure 1

This significant economic shift will bring forth a different employment market. Looking at the next decade, expected job growth in the U.S. is projected to only slightly increase, compared to China and India. Similarly, there is much discussion and worry about automation; no automation over the next 20 years would spell serious trouble for the U.S. economy. Since the U.S. will never outcompete China's job growth, given their much-larger population, the only hope for the U.S. market in terms of competing with China is in its ability to automate and work more efficiently and cheaply.

Comparing a few large, U.S.-based companies (e.g. General Motors vs. Google; Blockbuster vs. Netflix), it's clear organizations can earn a lot more money with significantly fewer employees, when considering a shift from traditional to digitized business. Likewise, while the working-age population is declining, by 2030, the U.S. population is expected to shrink to 1970 levels—meaning workplace productivity will likely fall, as well.

Furthermore, while we've witnessed company profits climb, wages have plummeted. In the U.S., corporate profits were rising before the 2008 recession and quickly recovered from it. In contrast, labor's share of GDP, which was healthy for decades, has fallen sharply since 2000.

Overall, companies have done well making sure their businesses have remained profitable, but they've not been successful in passing those profits on to their employees.

## IMPACT ON THE STAFFING INDUSTRY

The economic and employment markets obviously have a direct influence on how the staffing industry performs. As such, over the past eight years, the U.S. staffing market has been on an upward trajectory (Figure 2).

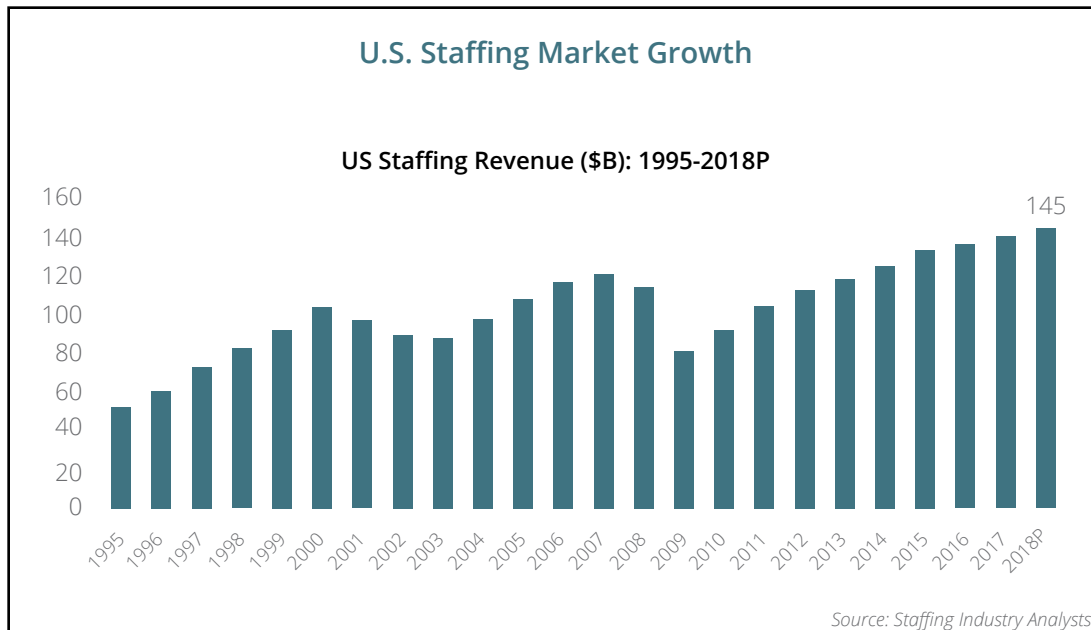


Figure 2

However, history shows that a continuation of this incline is unlikely. In fact, the staffing market is due for a recession. Looking at the regularity of recessions since 1945, the economy has been in a state of recession nearly 32 percent of the time.

While historic trends show that recessions are likely after years of growth, they are still somewhat unexpected, economic events. With that being said, many economic pundits confidently predict that sometime between now and 2030, a big economic hit is almost inevitable.

### Projected Staffing Industry Growth and Employee Trends

However, even taking an upcoming recession into consideration, the staffing industry is still estimated to reach \$200B in revenue (Figure 3).

This level of growth opens up sizeable opportunities for staffing businesses that have prepared themselves with competitive advantages, as well as provide the ability to deliver on exceptional-service expectations.

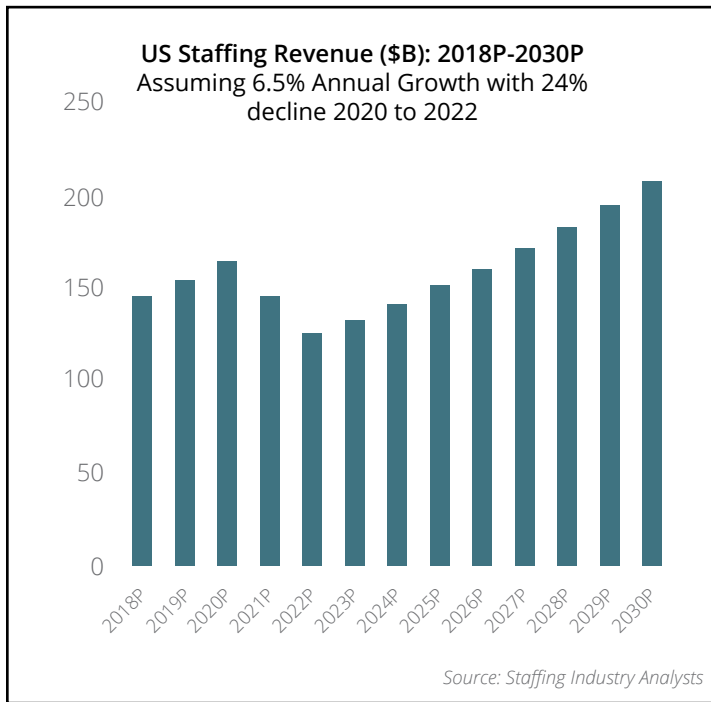


Figure 3

Aligning with adaptation trends, an SIA-buyer survey asked HR and procurement professionals to identify employee types they anticipate increasing over the next decade (Figure 4). The results? A notable decrease in traditional full-time employees, and an increase in all others job types, including flexible, contingent, and agency temp work. This general sentiment that there will be fewer full-time workers and more contingent workers reinforces the concept of a growing gig economy, which has been a topic of much debate in recent years.

### Future Expectations by Employee Type

How will the following employee types change as a share of your total labor force over the next 10 years?

	Traditional full-time employees	Part-time employees	Agency temporary workers	Independent contractors	Statement of work (SOW) consultants	Internally sourced temporary workers	Workers operating through entirely outsourced vendors on an ongoing basis	Freelancers sourced via an online staffing platform
	Response Percentage							
Significant decrease in share	8%	5%	6%	9%	2%	6%	4%	3%
Moderate decrease in share	35%	10%	14%	18%	12%	9%	4%	8%
About the same	36%	64%	36%	38%	32%	56%	43%	46%
Moderate increase in share	15%	19%	36%	28%	39%	22%	39%	33%
Significant increase in share	4%	2%	8%	8%	14%	7%	10%	10%
	N = 181	N = 183	N = 182	N = 181	N = 180	N = 182	N = 181	N = 181
(% "increase") - (% "decrease")	-24%	7%	24%	9%	40%	13%	41%	32%

Figure 4

When looking at the impacts on staffing, it's worth noting that what staffing is and does remains consistent. However, what a staffing business looks like has changed, and will continue to change as trends and innovations evolve, and as demands and services change.

### Major Players in Staffing's Evolution

As is evident in Figure 5, staffing firms are expanding across the whole workforce solutions ecosystem.

For example, some staffing firms find it's a smart idea to own a VMS, whereas others believe it's better to remain vendor neutral. Additionally, there are similar conflicting opinions regarding job boards or other technologies. However, what is clear across the industry is that firms of varying size are pursuing or adding services from around the ecosystem to their portfolio. Ultimately, by 2030, it will become evident as to whether or not those investments prove to be wise or misguided as the best sectors for growth.

Aside from industry leaders, there will also continue to be external influences that impact opportunities for firms to grow and compete. With acquisitions to contend with and unusual players encroaching on the ecosystem, developments within the market may come from outside the staffing world (e.g. Microsoft's LinkedIn, Google's Google for Jobs, IKEA's TaskRabbit, etc.).

As history shows, some of the economy's biggest companies have been disrupted by businesses they didn't anticipate (e.g. Skype, Uber, Airbnb, etc.). It's wise not to lose touch of the way the world is evolving, and recognize new needs/issues that emerge for businesses and consumers alike.

## IMPACT ON EMPLOYMENT

As mentioned earlier, automation may have the biggest impact on employment's future landscape. The "rise of machines" was first notably addressed by researchers Frey and Osborne in 2013, when they reported that "47% of total U.S. employment is at risk of replacement through automation over the next 10 to 20 years."



Source: Staffing Industry Analysts

Figure 5

SIA conducted comparable research of impact on temporary work, finding that 63% of all temporary agency jobs are susceptible to replacement over the next 10-20 years (Figure 6). Across every segment, a certain amount of disruption due to automation can be expected.

Staffing Segment	Probability of Computerization
Office/Clerical	0.814
Industrial	0.796
Commercial	0.802
Finance & Accounting	0.845
Clinical/Scientific	0.413
Marketing/Creative	0.364
Other Professional	0.346
IT	0.278
Legal	0.275
Education	0.252
Healthcare	0.242
Engineering/Design	0.233
Professional/Specialty	0.327
<b>Total Temporary Staffing</b>	<b>0.719</b>

Source: Staffing Industry Analysts

Figure 6

Since 2013, additional research has revealed the probability of growth for specific areas of employment. Areas listed at the top will likely see job growth, whereas areas at the bottom list will not; these are also areas where automation is more likely to occur.

Moreover, this same report noted that the future demand of occupations is still quite a mystery, but does put some stock into demand for a number of occupations (Figure 7). When looking at how jobs will be impacted in the future, occupations in personal services, construction, engineering, and education may be the safest.

### High-Demand Occupations in the US

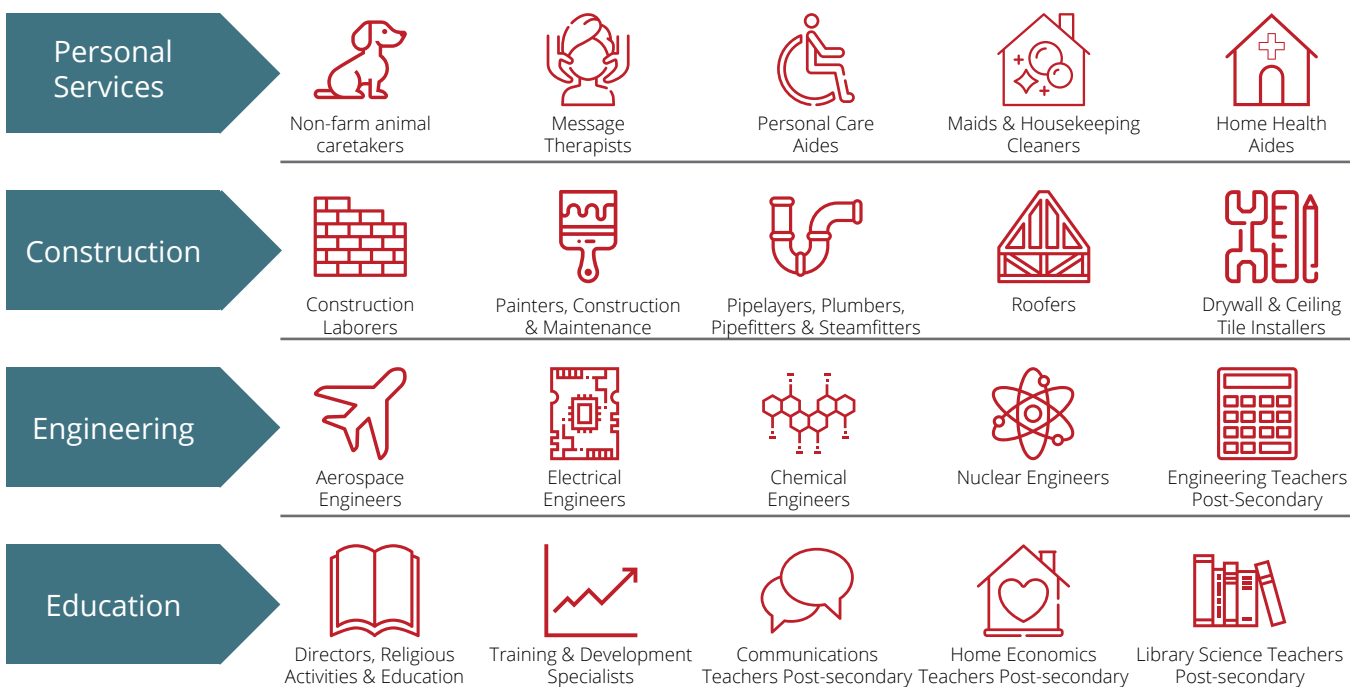


Figure 7

## BOTTOM-LINE PREDICTIONS

All in all, strategic growth is possible via investing in sectors and technologies that show optimal opportunity, keeping an eye on change in the industry and around the world, and adapting thoughtfully to stay competitive.

Consider these key takeaway predictions for 2030 as you map your five- and ten-year plans, and navigate the changing tides that are sure to come.

1. The staffing industry will still be here and thriving, but will have experienced a sharp, economic correction during the 2020s.
2. The three largest global staffing firms of today will not be the three largest global staffing firms in 2030; acquisition might play a part here.
3. Staffing and online staffing will be largely indistinguishable, and the workplace solutions ecosystem will continue to evolve.
4. Total talent management will have mainstream adoption among large organizations.
5. Despite increasing skills shortages, staffing firms will mostly fail to increase bill rates, yet many will find numerous ways to increase efficiency and lower cost by using new technology.
6. Most importantly, there will be significant changes—many of which will be unexpected.

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GLOBAL WORKFORCE DEPLOYMENT

Sources:

1. John Nurthen, Executive Director Global Research Staffing Industry Analysts (SIA) Executive Forum 2018, "Staffing 2030 What will the landscape look like?"