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Market Information & Forecasts

Staffing Trends 2020

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Staffing Trends in 2020

This is the third in SIAs series of annual Staffing Trends reports. The aim of this 2020 report is to provide an update on which trends will affect the market this year. Our eight selected trends this year are:

- A mild staffing market with occasional bright spots
- Recession fears are pervasive (but there may be no recession)
- AI at peak of the hype cycle – and will soon start to be useful
- Legislation starts to catch up with the Human Cloud
- Competitors appear from unexpected directions
- Controlling cost to protect profits
- Staffing firms diversifying into non-staffing areas
- Plans for blockchain credentialing models develop

As per our previous Staffing Trends reports, we also include a SWOT analysis highlighting the strengths, weaknesses, opportunities and threats the staffing industry currently faces (*see page 19*).

This report takes a high-level look at the key trends impacting the global staffing industry in 2020.

Senior staffing executives can use this information to better understand the broad trends likely to impact their business.

A mild staffing market with occasional bright spots

SIA's latest staffing market forecasts for 2020 (3% global growth) suggest a very mild improvement over 2019 - assuming 2020 GDP forecasts remain unchanged.

Generally, staffing industry revenue growth is highly correlated with GDP growth; the stronger the economy, the stronger the staffing market. However, the two are not always in lockstep, as other factors come into play, regulatory changes being one example.

The US market is expected to achieve another year of low single-digit growth with bill rate increases driving growth more than volume expansion. Headwinds include a scarcity of candidates across most occupations and trade uncertainty driving contraction in sectors such as manufacturing.

Continental Europe should turn the corner and start to reverse the decline experienced last year. Of the major European staffing markets, Spain should have the strongest growth followed by the UK – though the UK's fortunes still ride on the outcome of Brexit negotiations as the country prepares for departure from the European Union on January 31, 2021. As we get closer to the UK government's departure deadline, an absence of a deal will likely lead to further economic volatility.

Elsewhere, the Japanese market will also be rather lackluster though still growing. Not surprisingly, the major markets with the strongest growth will be China and India. We also expect a number of smaller APAC and Latin American markets to achieve double-digit growth.

Given the current economic malaise is rooted much more in manufacturing, with the services sector less affected, staffing markets with a greater balance of professional jobs (e.g., US, UK) have generally been less vulnerable to the macro headwinds than those with a dominant share of industrial occupations (e.g. Germany, France, Italy, Belgium).

For further information on staffing market expectations across 47 countries, see SIA's latest [Global Staffing Industry Market Estimates and Forecast](#).

The mildness of the current staffing market can be clearly seen if we look at the aggregated quarterly financial results of Randstad, The Adecco Group and ManpowerGroup. These three companies represent almost 15% of global staffing turnover and they operate in all the major global staffing markets and all the major staffing sectors. As such, their performance represents a decent proxy for the performance of the whole global staffing market.

The chart overleaf plots organic revenue growth (in constant currency) for the combined businesses since the global financial crisis in 2008.

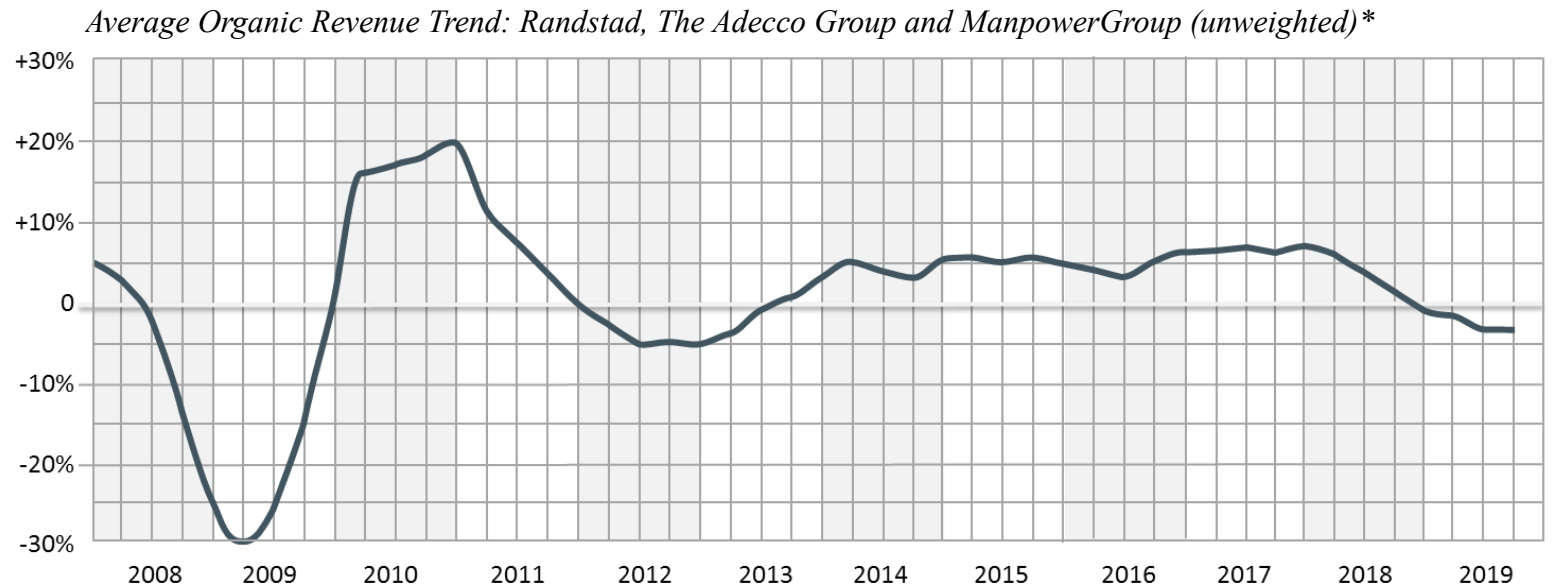
Forecast 2020 growth of the largest staffing markets

	2019	2020		2019	2020
UK	+1%	+3%	US	+3%	+3%
Germany	-5%	0	Japan	+3%	+3%
France	0	+2%	Australia	+2%	+2%
Netherlands	-3%	0	South Africa	+2%	+3%
Italy	-3%	0	China	+18%	+18%
Switzerland	-3%	0	Canada	+2%	+2%
Belgium	-3%	0	India	+11%	+10%
Spain	+5%	+4%	Global	+2%	+3%

Source: SIA, November 2019

While the exit from the financial crisis shows a roller-coaster reaction in performance (from a low of -30% at the height of the crisis to a high of +20% as the market recovered), the period from 2014 onwards represents a long period of steady mid-single digit growth. Revenue growth started to tail off in 2018 and descend into negative territory in 2019.

The message these large publicly-listed staffing firms have been giving their investors (consistent with SIA's 2020 market forecasts) is that the decline is bottoming out. We'll see more clearly whether this is actually happening when these companies, and others, report their Q4 2019 results over the course of the next month (starting with ManpowerGroup on January 31st).



**In constant currency where relevant*

Source: Company Quarterly Financial Reports

Recession fears are pervasive (but there may be no recession)

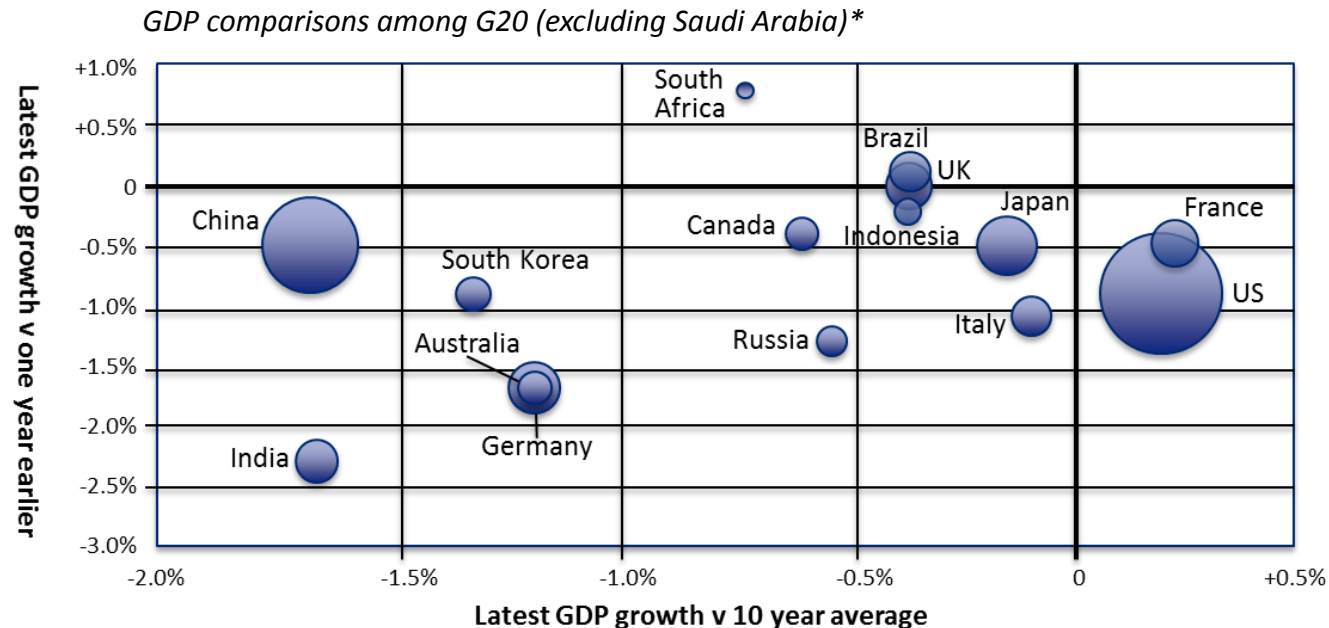
GDP growth among developed economies in 2020 is expected to be weak. Many parts of Europe have been teetering on the edge of recession during 2019 and among the faster growing economies such as China and India, growth will still be below levels experienced a year ago as well as below 10-year average growth figures. Only France and the US indicate growth above the averages they have achieved over the past 10 years.

This month, Kristalina Georgieva, head of the International Monetary Fund (IMF) warned that current economic trends, notably wealth inequality and financial sector instability, can be compared to the “roaring 1920s” that culminated in the Great Depression of 1929.

“If I had to identify a theme at the outset of the new decade, it would be increasing uncertainty,” she said. Georgieva pointed out that, while the inequality gap between countries had closed in the last two decades, it had increased within countries, singling out the UK for particular criticism. “In the UK, for example, the top 10% now control nearly as much wealth as the bottom 50%.” She went on to say that “excessive inequality hinders growth and ... can fuel populism and political upheaval”.

Nevertheless, the [World Bank has pegged global GDP growth at 2.5% for 2020](#) and believe growth could be stronger “if recent policy actions—particularly those that have mitigated trade tensions—lead to a sustained reduction in policy uncertainty”. In the US, while economic growth has decelerated due to slowing investment and exports, the labor market remains robust. In China, while growth has continued to decelerate amid weakening industrial activity and a sharp decline in imports, the government has stepped up fiscal support, including tax cuts and support to local governments for public investment spending which may alleviate some of the negative headwind.

At the same time, it would be foolish to ignore the risks the world faces. These range from environmental to geopolitical, societal, economic and technological. The World Economic Global Risk Forum identifies many risks in 2020 and rates them according to their impact and likelihood. According to their most recent analysis, environmental rather than economic risks are now the most likely as well as the most impactful. While



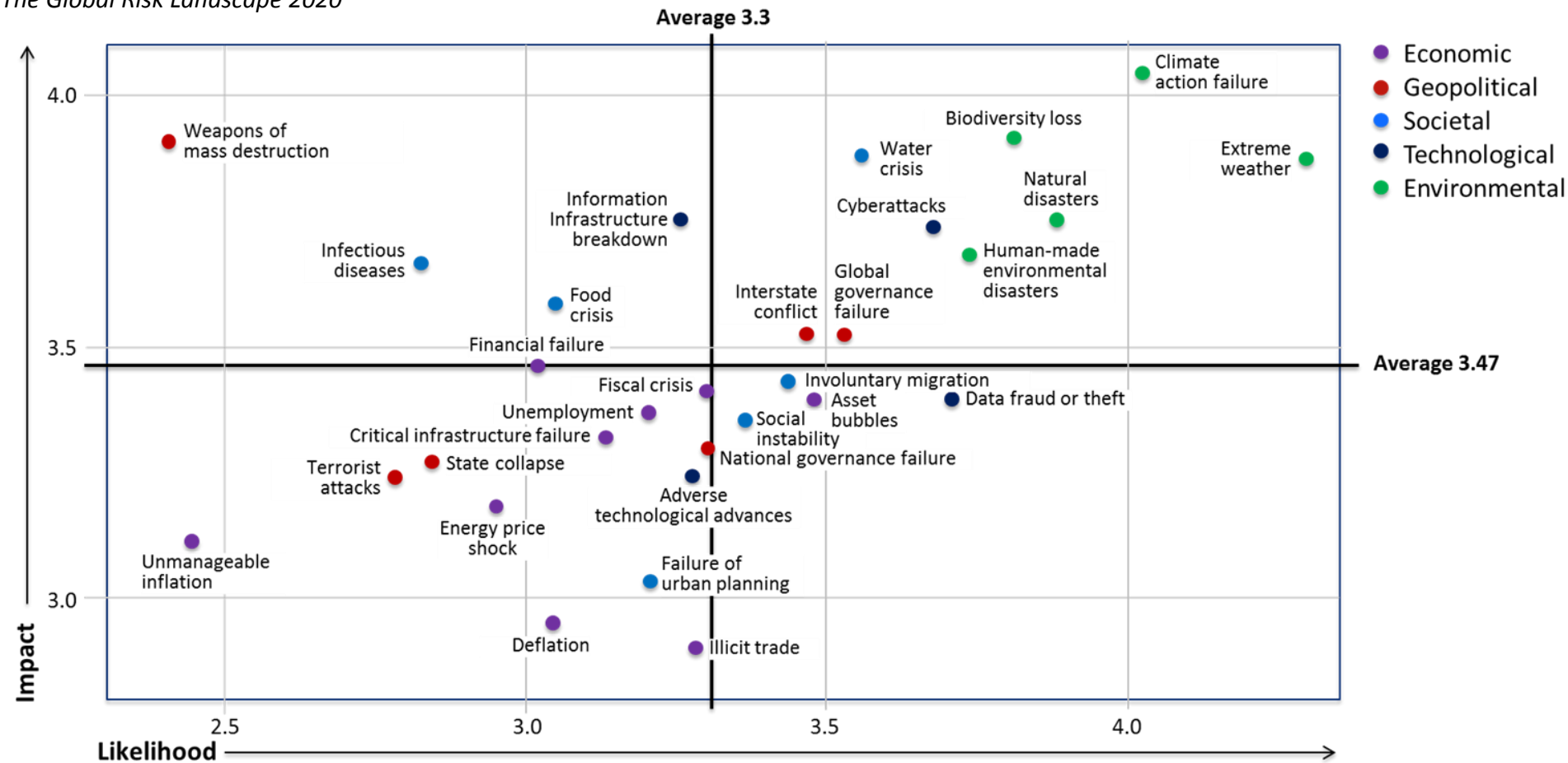
*2Q19 real year-on-year growth, bubble size represents relative nominal size of G20 economies

Source: Bloomberg Economics, Oct 2019

public urgency surrounding climate action has been growing, it can be difficult to comprehend the potential extent of economic disruption that environmental risks might pose, especially those relating to longer-term climate action failure.

What is very apparent now, however, is that extreme weather emergencies have become more prevalent and are having a direct impact on a number of economies. For example, while bushfires in Australia are a regular occurrence and ‘disaster-level’ bushfires cost the country an average of AUD 77 million per year, the cost of the megafires that are currently ravaging the country has been estimated at AUD 100 billion by the University of Queensland. As the fires remain ongoing, it is possible the final costs of this disaster will be even higher.

The Global Risk Landscape 2020



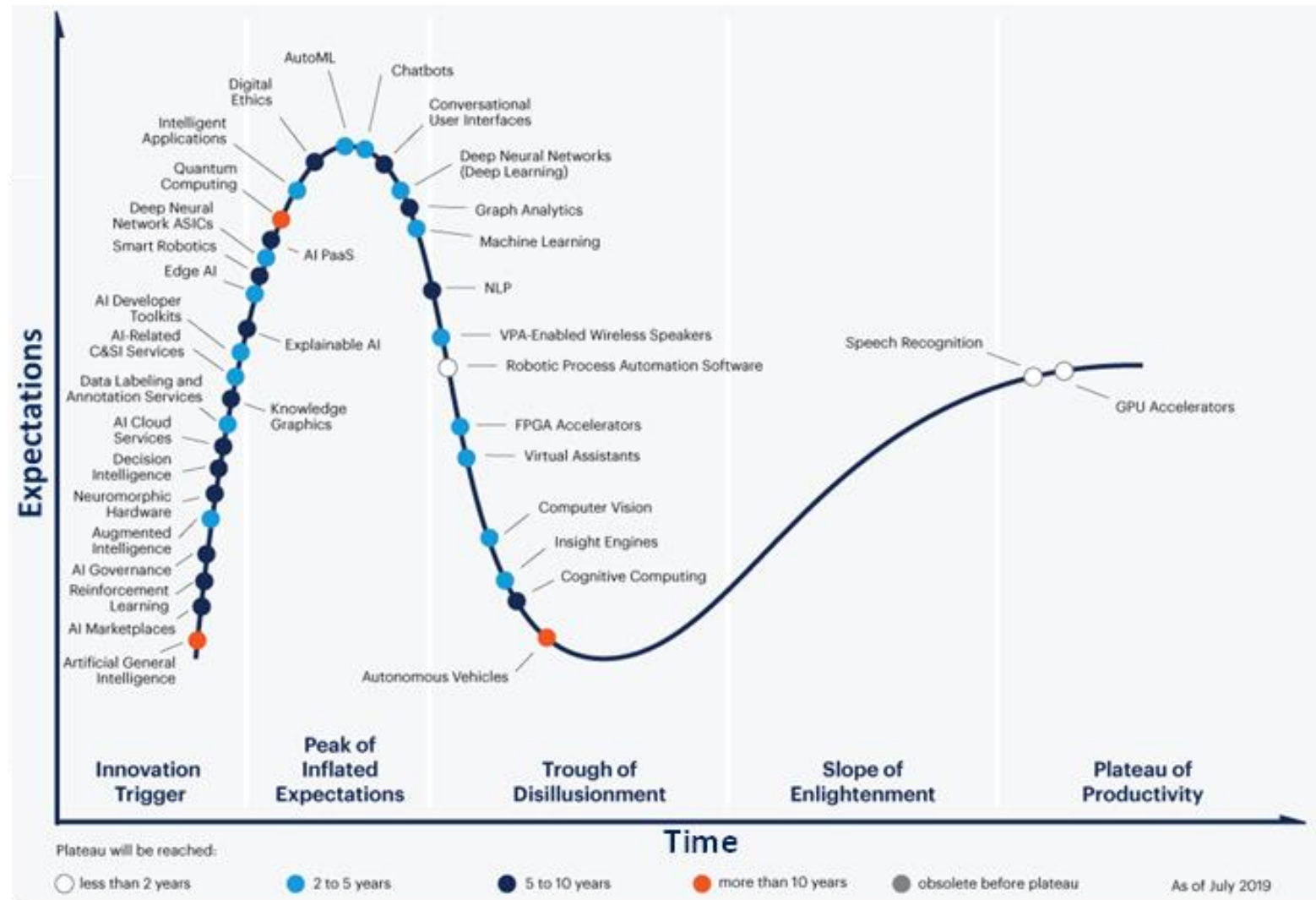
Source: World Economic Forum Global Risk Report 2020

AI at peak of the hype cycle – and will soon start to be useful

According to Gartner, some applications of artificial intelligence have already [passed the peak of the AI hype cycle](#) with many more following in their path. Gartner's analysis is helpful in categorizing the diverse ways in which AI will impact business over the next 10 years.

A couple of AI applications have already made it to the 'plateau of productivity' where mainstream adoption is expected to take off; speech recognition and GPU accelerators (a method to render graphics). Others, such as chatbots, still have to travel through the 'trough of disillusionment', a period where interest AI wanes as

The Gartner Hype Cycle for Artificial Intelligence 2019



experiments and implementations fail to live up to their promise, though this hasn't stopped a number of progressive staffing firms from investing in chatbot technology to enhance their candidate engagement process.

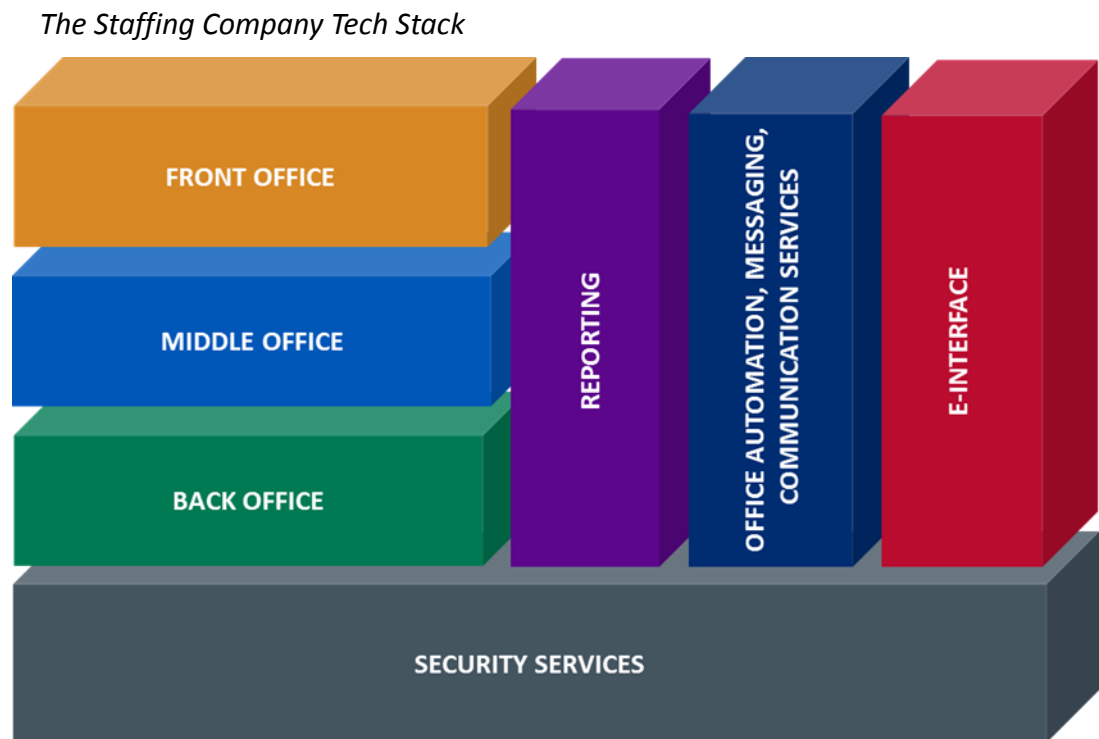
Nearly all the technology providers that service staffing firms are investing in AI to enhance their products but it may be a number of years before we see most providers persuading staffing executives that they are out of the trough of disillusionment and into the sunny uplands of the plateau of productivity. One of the main challenges is that, for AI to be truly effective, it requires huge sets of data, however, most technology providers that service the staffing industry are quite small companies with quite limited resources. This may mean that those smaller providers who are unable to extend their capability are at risk of being disintermediated by large global tech firms who can harness and utilize large data sets to create truly revolutionary products.

There are exceptions to this. Job boards, for instance and other online job advertising firms, do capture lots and lots of data and are in a strong position to benefit from the more advanced forms of AI such as natural language processing (NLP) and neural networks.

With a bewildering array of new products emerging and revisions to existing products, 2020 will be a period of technology uncertainty for staffing executives. The good news is that AI should, in time, bring profound long-term improvements to the traditional staffing process. All parts of the Tech Stack can potentially benefit - from Front, Middle and Back office applications to Reporting and Security applications.

At the same time, as computer algorithms increasingly replace human direction, command and control, the role of the recruitment consultant will undergo profound changes. Already, the more advanced staffing firms have begun to develop ways to integrate the best technologies with the best in human intuition and empathy.

For further information on the options afforded by new technology, see SIA's recent report [The Staffing Company Tech Stack](#).



Source: Staffing Industry Analysts

Legislation starts to catch up with the Human Cloud

Since the mid-1990's, the Internet has had a profound impact on culture, commerce and technology. However, governments have been very slow to respond to this latest industrial revolution and, twenty-five years since the emergence of the Internet, legislation still has some way to go to catch up with new online business models.

While we might hope that businesses emerging under laissez faire capitalism turn out to be ethical and beneficial to society, it would be naïve to overly rely on spontaneous and voluntary ethical behavior by individuals and corporations. In the past, there have been enough examples of malpractice to suggest a proactive legislative approach is necessary - from Facebook's data privacy issues, Apple's discriminatory treatment of vendors in its App Store, Google's built-in anti-competitive bias in its search function to Microsoft's 'near-monopoly' abuse of its browser.

The main piece of EU legislation regulating online commerce is the E-Commerce Directive 2000/31/EC. It covers B2C and B2B transactions as well as services provided free of charge to the recipient, e.g. funded by advertising or sponsorship. While the Directive does not apply to transactions carried out in the US or other jurisdictions, certain provisions apply de facto to US-based companies whose clients are located in Europe at the time of purchase. The European Union has, more recently, passed a number of additional Directives to tighten up online interactions:

- In May 2018, the new General Data Protection Regulation (GDPR) became law across the EU. The legislation updated the previous Directive and introduced a number of new requirements relating to the handling of personal data and direct marketing. Fines in case of non-compliance can reach up to 4% of an organization's annual worldwide revenue or €20 million, whichever is the higher.
- New rules entered into force in December 2018, across the European Union which ended online discrimination on the basis of nationality or place of residence. The rules ensure that consumers no longer face unjustified barriers such as being re-routed back to a country-specific website or having to pay with a debit or credit card only from a certain country.
- In July 2019, the new President of the European Commission, Ursula von der Leyen proposed a new Digital Services Act which will upgrade the liability and safety rules for digital platforms, services and products.
- As of January 2020, new legislation made it easier for EU member states to protect consumers online. The rules enable the removal of sites or social media accounts where scams have been identified. It will also be possible to request information from internet service providers or banks, in order to trace the identity of rogue online traders.

European countries have also become concerned about the 'unfair' tax treatment available to large technology companies. According to 2018 figures from the European Commission, global tech companies taking advantage of low-tax jurisdictions have been able to pay a 9.5% average tax rate compared to 23.2% for traditional firms. Being able to avoid corporation tax in countries where they make significant sales is an option for any company that is willing to create a complex international tax structure.

In order to focus taxation on where users of online services are located, rather than on where companies base their headquarters or book their earnings, a number of European countries are in the process of imposing a digital levy on companies that make their sales primarily in cyberspace. France was the first to announce such a levy (3% on companies with a minimum of €750 million in global revenue and digital sales of €25 million in

France). Italy followed in January 2020 while Austria, Turkey and the UK have similar legislation pending. That the companies affected by this tax levy are mostly American has fed into the increasing trade tensions between Europe and the US. Following US pressure, France has agreed to hold off the imposition of its digital levy until the end of 2020 and, at the Davos summit in January 2020, the US Treasury Secretary, Steve Mnuchin, specifically warned that, if Italy and the UK were to proceed with their plans, they will face the imposition of US tariffs.

From a US perspective, Europe's legislative program may appear overly burdensome, especially when the burden is falling on US firms, however, if Europe is being heavy-handed, the most onerous laws impacting the use of freelancers in recent years have actually materialized in the US.

On January 1, 2020 the State of California put into effect the AB5 law that will transform the state's employment landscape by turning many independent contractors into employees and placing the burden of proof for classifying individuals as independent contractors on the hiring entity. UC Berkeley Labor Center claims the law will turn 64% of 'misclassified' independent contractors into employees.

A number of professions won exemptions from AB5, largely because they typically set their own prices and negotiate directly with their customers. These include doctors, dentists, psychologists, insurance agents, stockbrokers, lawyers, accountants, engineers, direct sellers, real estate agents, hairstylists, commercial fishermen, travel agents, graphic designers and, following a legal challenge, truck drivers. Uber, Lyft and other gig companies were unsuccessful in their lobbying to be exempted and have since been building a war chest to take their case directly to voters with a ballot initiative in November 2020. A key part of their initiative is the creation of a new category of workers which would remain independent but could receive some work benefits and a guaranteed minimum wage. This new category has been described as 'dependent workers' by some.



Photo courtesy of AP

In January 2020, Uber Technologies Inc. and Postmates filed a complaint in California federal district court, alleging that AB5 is unconstitutional. The complaint argues that AB5 violates several clauses in the US and California constitutions, including equal protection because of how it classifies gig workers for ridesharing and on-demand delivery companies compared to the exemptions it grants to workers who do "substantively identical work" in more than 20 other industries.

Proponents of AB5 say that companies deliberately misclassify workers to avoid paying minimum wage, overtime, workers' compensation, unemployment insurance and a range of other benefits that can add 30% to labor costs. Among the proponents are likely many Californian staffing firms who will have little sympathy for the idea that technology intermediaries should bear no responsibility for tax and social charges while human intermediaries are obliged to load these onto the cost of supplying temporary workers.

On the other hand, opponents of AB5 say workers and employers value the flexibility of freelance work and warn that adding to the costs of employment will simply result in higher charges to consumers. In January 2020, online staffing platform Wonolo announced that it would be focusing efforts on states other than California in which demand for 1099 blue collar work is increasing.

Employers and workers in California can find out more information about AB5 at the Labor & Workforce Development Agency's [Employment Status Portal](#).

But it's not just California where freelance workers obtaining work through the Human Cloud have come under the spotlight:

- In 2016, Arizona passed HB 2652, which would classify many gig economy workers, including drivers in ridesharing services, as independent contractors
- In 2018, Florida, Kentucky, Indiana, and Iowa passed laws defining specific on-demand economy workers as a "marketplace contractor" and classify them as independent contractors
- In 2019, Arkansas passed HB 1850 which codified a different 20-part test, used by the IRS, to classify workers as independent contractors while New York, New Jersey and Illinois, are considering AB5-style bills that could open the door for a wide range of freelance workers
- Also in 2019, Senator Bernie Sanders introduced similar legislation to AB5 called the Workplace Democracy Act with Senators Warren and Harris among his co-sponsors, although the act will not pass while the Senate remains under Republican control
- On January 1, 2020 Tennessee adopted a new 20-factor test (HB 539) to determine employee status and placing the burden of proof on the employer

Online staffing platforms have found themselves in the cross hairs of legislation primarily aimed at curtailing exploitation among B2C providers operating in the Human Cloud. While there is little evidence that such exploitation exists in the B2B portion of the Human Cloud, the topic of "gig work" will continue to loom large in debates about the future of work and of workers, therefore increasing legislation through 2020 and beyond seems inevitable.

Competitors appearing from unexpected directions

SIA has previously flagged instances where the Workforce Solutions Ecosystem has faced incursion from companies that traditionally operate outside the ecosystem.

Examples include:

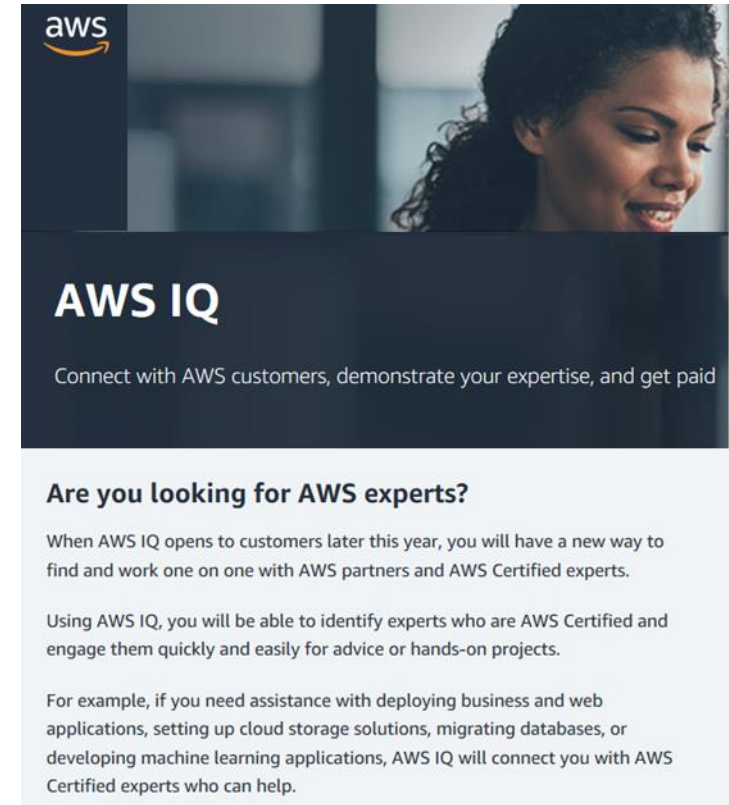
- Xerox's provision of outplacement, training and HR services
- IBM's provision of outplacement, HR services, HR consulting, training, testing and Statement-of-Work
- ADP's acquisition of WorkMarket
- Google's roll-out of Google for Jobs
- Bain's investment in MSX International
- LinkedIn's launch of LinkedIn Profinder
- Microsoft's acquisition of LinkedIn and GitHub
- Ikea's acquisition of TaskRabbit
- Coca Cola's investment in Wonolo

That furniture makers and fizzy drink manufacturers have entered into our ecosystem shows that staffing firms, online staffing platforms and other workforce intermediaries may face future threats from some unexpected places. The danger for any incumbent is that many of these new market entrants have very deep wallets and a disruptive nature.

During 2019, we saw a number of additional market incursions:

- In September 2019, Amazon launched its AWS IQ, a marketplace of third-party cloud experts for on-demand projects. AWS customers can now post a project, solicit bids from experts certified by Amazon, and hire them within the AWS portal. Amazon provides contracts, messaging tools, status updates, and billing. AWS IQ is not Amazon's first venture in the Workforce Solutions Ecosystem having been an innovator at the forefront of the crowdsourcing market with its launch of the Mechanical Turk (MTurk) in 2005.
- In October 2019, Uber launched its long-rumored industrial staffing app in Chicago and, by December, the app had been extended to Miami. Uber Works allows employers to post a job and the app then dispatches a pre-qualified worker. The app also has a two-way rating system for employers and workers. The business model most closely resembles '[Just-in-Time](#)' staffing. One unexpected twist is that Uber has partnerships with staffing firms (TalentBurst and TrueBlue) who payroll its workers and are, therefore, classified as employees. On this basis,

Amazon's new AWS IQ business



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far from being a threat to the staffing industry, Uber's entrance into the B2B portion of the Human Cloud may turn out to be entirely beneficial.

At the same time as we are seeing incursion from outside the ecosystem, we have also seen some interesting developments within it. SIA has previously commented on the blurring between online staffing platforms and traditional offline staffing firms. Up to now, perhaps the most prominent example has been TrueBlue's launch of JobStack in 2017, however, in 2019, we saw Robert Half make a significant strategic move with the launch of RH Direct.

RH Direct is Robert Half's 'low-touch' recruitment service where employers can self-select from Robert Half's database using AI-based matching technology. Such low touch recruitment services have been available for some time given the ability of staffing firms to use [Online Staffing Enabling Technology](#) (OSET) from a range of different providers. But what makes Robert Half's initiative unique is that the company services the top end of the professional staffing market. Most other staffing firms that have gone down this route have operated in the light industrial part of the market, in particular catering.

While it is unclear how successful the RH Direct initiative will be, we can say that automation of the staffing model has officially come of age and can impact every part of the staffing market, not just low skilled, low paid roles.

In 2020, staffing firms will have no choice but to explore opportunities to innovate. If they don't, they will risk being bypassed by more adventurous firms already operating within the Workforce Solutions Ecosystem as well as by some unexpected actors currently operating outside of it.

SIA's Workforce Solutions Ecosystem is available [here](#) alongside other free resources.

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Controlling cost to protect profits

Like any industry, the staffing industry is faced with different factors that can increase or decrease demand – and, hence, the ability to maximize pricing.

Prices will reach equilibrium according to the simple law of supply and demand. So, what are the drivers impacting the staffing market?

Labor demand is probably the most fundamental and, depending on where we are in the economic cycle, demand may provide the opportunity to increase prices or, alternatively, leave you with little alternative but to discount. As skills shortages have become more prevalent and new skills have emerged, this should mean that pricing can be maintained even in weaker economic periods. However, there are low barriers to entry in the staffing industry and price-cutting from more desperate competitors has always acted to dampen any positive drivers.

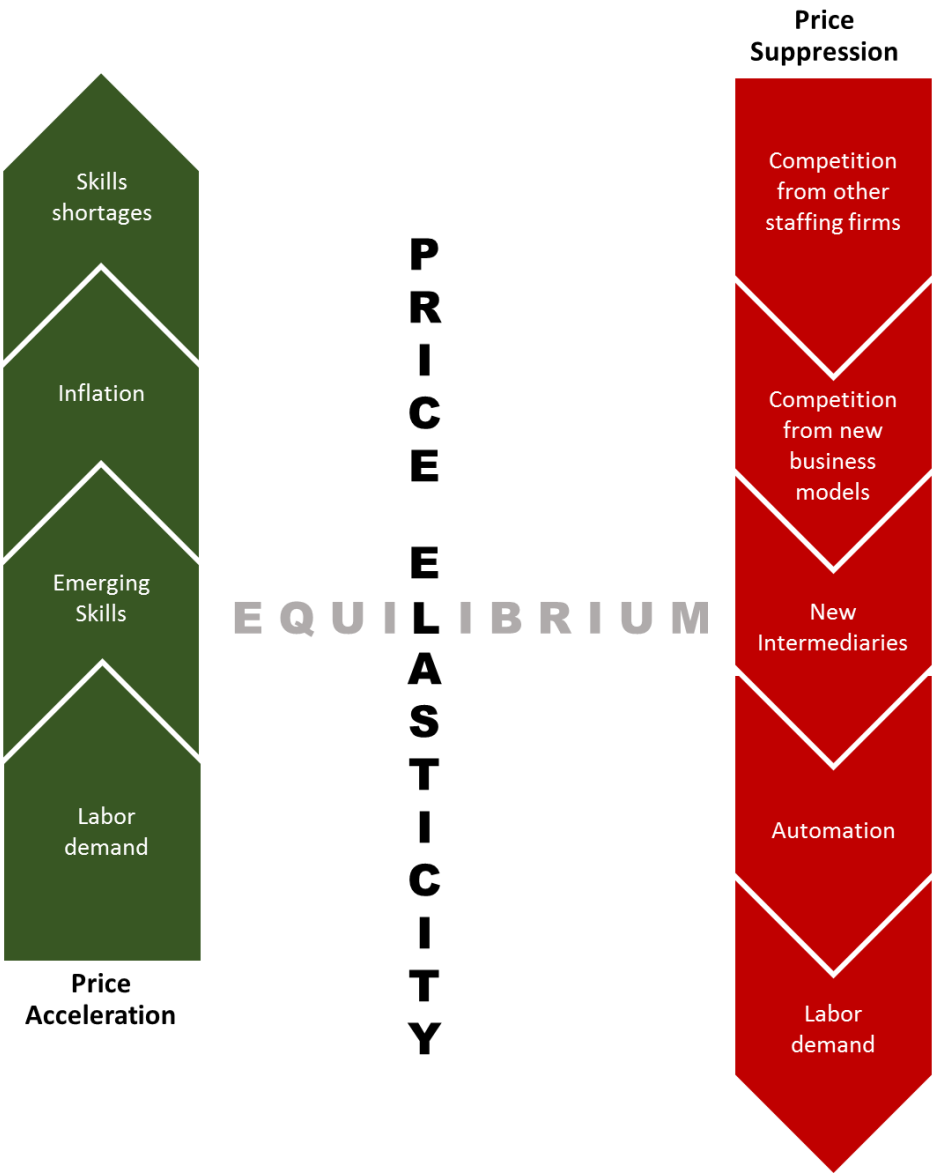
Inflation also acts to drive prices but inflation also drives cost increases as well so most staffing firms will be lucky to keep pace with inflation and protect their margins.

In more recent years, a number of new trends have emerged that are acting to suppress prices rather than accelerate them.

Firstly, the emergence of new intermediaries; MSPs, RPOs and Total Talent providers with a harder procurement edge and a motivation to strike the best possible deal for their clients.

Secondly, automation of the workforce through RPA and robotics is offering employers new, cost-effective ways to get work done without having to resort to human resources. This feature of the market will increasingly grow in relevance as developments in artificial intelligence improve.

Staffing firm price drivers



Source: Staffing Industry Analysts

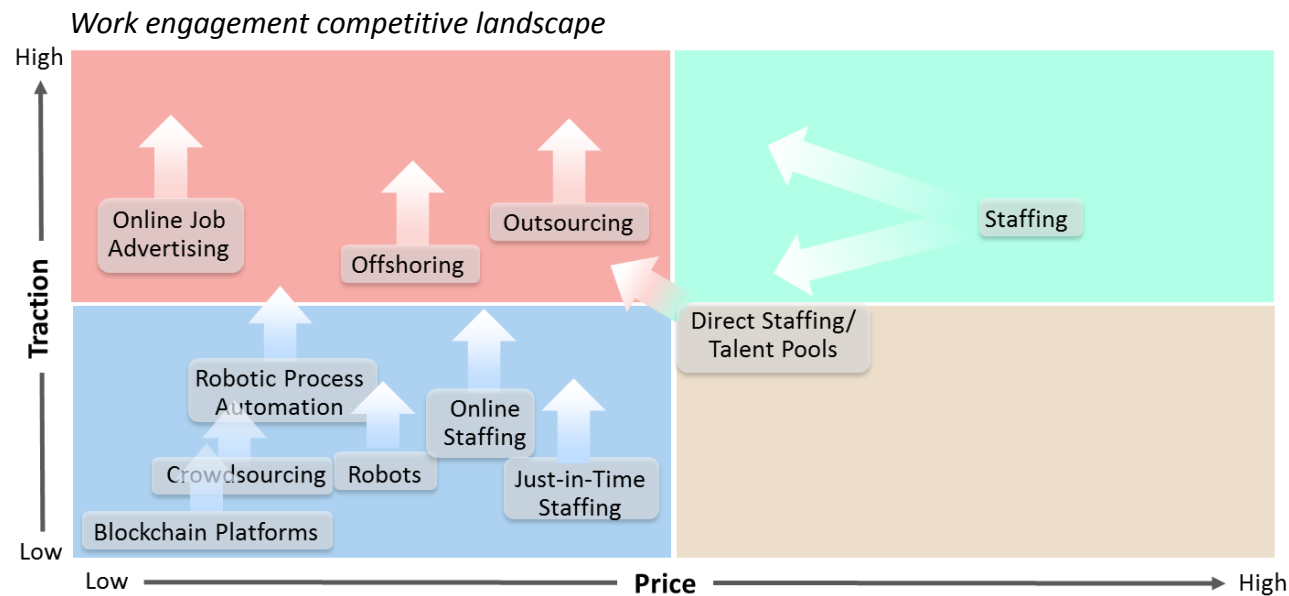
And, thirdly, the emergence of new business models that offer clients other ways to get work done.

Employers have always had alternative ways to source workers other than resorting to a staffing firm; they could, for instance, outsource or offshore work to low-wage markets, post the job on a job board or create their own talent pools. But there are a number of new and emerging business models which means that staffing firms are operating in a much more complex landscape; from online staffing platforms to crowdsourcing and, more recently, disruptive blockchain platforms.

At the same time, some of the more established work engagement alternatives such as job boards and talent pools have also been enhanced though advances in technology making them more effective solutions.

The staffing market does have a key advantage over these alternatives – it is longer-established and well-regulated. However, the problem for staffing firms is that these alternatives are generally perceived to be less costly for clients to use (though we could debate whether they are more cost-effective). As alternative models increasingly gain market traction, the pricing of staffing services will, inevitably, come under pressure.

As the drivers suppressing prices start to outweigh those accelerating them, staffing firms will be left with little alternative but to explore ways to reduce costs. The good news is that advances in technology are providing ways for staffing firms to automate and become more efficient, and thereby offer ways to protect or even improve their profitability. If the staffing industry acts quickly, it might be able to continue to have more traction among clients than some of these other alternatives – if not, the industry will start to lose market share, not just profit margins. Even if your business is growing during 2020, if you are not looking at ways to reduce costs in 2020, you may well struggle to remain competitive in the longer term.



Source: Staffing Industry Analysts

Staffing firms diversifying into non-staffing areas

Not surprisingly, the primary sources of revenue for staffing firms are the provision of direct hire and temporary help. But modern staffing firms have much more diverse revenue streams, some parts of which are growing faster than their core services.

In SIA's most recent North American Staffing Company Survey, respondents were asked *"which of the following services does your company currently offer?"* among thirteen different options.

The most common non-core service selected was payrolling/independent contractor classification offered by 50% of commercial staffing firms, followed by RPO offered by 30%. HR consulting services (27%), retained search (21%) and MSP (19%) were also very significant.

There were some differences between commercial and professional staffing firms, the most significant of which was that more professional staffing firms provided SOW/solutions (35% of firms).

Revenue diversification is as much a defensive strategy as it is a growth strategy. Developing your business so that it is not overly reliant on one or two sources of revenue is a sound strategy and, even better, if you are able to identify services that are in high demand, one that will enable you to grow your business more strongly.

The survey also asked respondents to name their *"top three sources of revenue today and to speculate on what their top three sources will likely be 10 years from now"*. On a net basis, more staffing firms expect an increased share of revenue from SOW/solutions, MSP, and human cloud/online staffing. Direct hire and temporary help were both expected to comprise a smaller share of revenue contribution on a net basis.

While temporary help and direct hire will undoubtedly remain core services for staffing firms, it is also apparent that complementary services will be growing in importance. While we can still define staffing quite easily, defining what a staffing firm does is becoming increasingly complex.

For further information on staffing company revenue, SIA's North American Staffing Company Survey showing revenue insights by skill, industry sources and customer characteristics can be downloaded [here](#).

Frequency of offering selected services by primary staffing firm skill set

	Commercial	Professional
Direct hire/perm placement	98%	84%
Temporary help	98%	89%
Payrolling/independent contractor classification	50%	34%
Recruitment process outsourcing (RPO)	30%	17%
Human resources consulting services	27%	9%
Retained search	21%	25%
Managed service provider (MSP)	19%	23%
Master supplier	14%	15%
SOW/solutions (your firm responsible for deliverable)	13%	35%
Human resources outsourcing (HRO)	11%	3%
Ongoing services outsourcing (e.g., janitorial, landscaping)	8%	1%
Direct-to-consumer (e.g., home healthcare, repairmen, etc.)	3%	4%
Human cloud/online staffing	0%	3%
N	120	235

Source: Staffing Industry Analysts, North American Staffing Company Survey 2019

Plans for blockchain credentialing models develop

Blockchain remains an untested fringe activity of global commerce with few proven applications. While enthusiasts continue to suggest the long-term impact of blockchain will be dramatic, not everyone is convinced. According to noted economist, Nouriel Roubini, blockchain is “one of the most overhyped technologies ever”.

There is one area, however, where blockchain could begin to play a useful role in candidate acquisition. The perceived immutable, secure, private, decentralized nature of blockchain technology has inspired technology companies and others to explore blockchain-based solutions that could potentially mitigate inefficiency and fraud. Verifying jobseeker credentials is an obvious process where inefficiency and fraud exists.

The traditional way of verifying a jobseeker’s credentials can be time-consuming for all parties involved and costly to employers and intermediaries such as staffing firms. Jobseekers must upload documents and credentials each time they apply for a new job, which is duplication of effort for them and risky for employers due to the risk of document fraud. Credentialing often includes the authentication of educational qualifications, professional licenses, employment history and criminal background but, depending on the role, could also include checking sex offender records, motor vehicle licensing, credit status, professional license verification and certain media/civil records. The verification process will usually involve multiple third parties.

If a potential job candidate fails any stage of the background check verification process, the investment, in time and money, is entirely wasted (although eliminating a bad candidate might still be regarded as a worthwhile investment). For staffing firms, there is also much duplication of effort involved – many candidates register with more than one staffing firm and are put through very similar registration and referencing processes. Taking this duplicative cost out of the candidate engagement process would provide staffing firms with significant cost savings.

That there is a strong need for more efficient identity and credential verification solutions is unarguable. This has led Recruit, Kelly Services, Workday and PwC to actively invest in blockchain-based credentialing technology development and/or partnering with blockchain companies on integration. Furthermore, SIA’s [Trends in Digital Credentialing](#) report published in October 2019 identified eight digital credential & management solution providers, eight online staffing platforms and other intermediaries with blockchain-based credentialing and four open source digital credential communities.

While 2020 might be too early for proven blockchain business models to develop, we should start to see clear examples of experimentation. Other large staffing firms are likely to take a more proactive interest in early-stage developments through partnerships, investments and acquisitions.

Those first movers who make the right choices in technology, partners or collaborators will gain a competitive advantage in terms of hiring efficiency, cost and risk in a business environment where sourcing talent is increasingly difficult. To keep this in perspective though, digital credentialing is still in its infancy and active participation in any early initiative is inherently risky. For this reason, many staffing firms will choose to sit back to see how digital credentialing develops before embracing any solution.

Staffing Industry SWOT Analysis

A SWOT analysis on the entire global staffing industry has its limitations given the trends that might impact a small light industrial staffing firm in the US are not going to be the same as those affecting a large IT staffing firm in Germany, for instance. Nevertheless, there are some general issues which, we believe most staffing firms should take into account. For a more detailed overview of this analysis see our report [‘Staffing Trends in 2018’](#).


		Favorable	Unfavorable
Internal	Internal	STRENGTHS <ul style="list-style-type: none"> • Ongoing uncertainty in business environment • Growing importance of controlling labor cost • Younger workers more open to flexible career paths • Established business model with structured legislative environment in major markets • Importance of personal interaction with clients and candidates acting as a barrier to disintermediation • Entrepreneurial, flexible and responsive 	WEAKNESSES <ul style="list-style-type: none"> • Low barriers to entry • Lack of differentiation among suppliers • Grudge purchase (weak Net Promoter Score) • Past success breeding complacency • Commoditization among low-skilled roles • Lack of technical sophistication • Under-capitalization and cash flow management risk among small firms • Resistance to change
		OPPORTUNITIES <ul style="list-style-type: none"> • Growing acceptance of alternative work forms • Escalating skills shortages • Strong structural growth in emerging markets • New technologies offering operating efficiencies, greater sophistication and lower costs • Growing interest in, and sophistication of workforce mix methodologies • Positive legislative developments 	THREATS <ul style="list-style-type: none"> • Automation culling or otherwise impacting jobs • New entrants providing alternative and lower cost contingent solutions • Negative public perception about the gig economy and labor union hostility • Economic downturns • Negative legislative developments

About Staffing Industry Analysts

Founded in 1989, Staffing Industry Analysts is the global advisor on staffing and workforce solutions. Our proprietary research covers all categories of employed and non-employed work including temporary staffing, independent contracting and other types of contingent labor. SIA's independent and objective analysis provides insights into the services and suppliers operating in the workforce solutions ecosystem including staffing firms, managed service providers, recruitment process outsourcers, payrolling/compliance firms and talent acquisition technology specialists such as vendor management systems, online staffing platforms, crowdsourcing and online work services. We also provide training and accreditation with our unique Certified Contingent Workforce Professional (CCWP) program.

Known for our award-winning content, data, support tools, publications, executive conferences and events, we help both suppliers and buyers of workforce solutions make better-informed decisions that improve business results and minimize risk. As a division of the international business media company, Crain Communications Inc., SIA is headquartered in Mountain View, California, with offices in London, England.

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