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Market Insights Update: Global Insights US Market



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Introduction

The US is home to a diverse and highly skilled workforce. Estimated at over \$200 billion, the US market is considered robust over the medium term. The 10% contraction forecast in 2023 is unsurprising given the macroeconomic backdrop and it follows growth of 34% in 2021 and 20% in 2022. The sheer size of the market allows recruitment firms to scale their operations and tap into various sectors and geographic regions.

Beyond cyclical factors, the US staffing industry is benefiting from growth drivers such as greater acceptance of contingent work arrangements and a shift to remote working that has enlarged the accessible talent pool, as well as the further development and adoption of staffing platform technology. Looking ahead to **2024, 3% growth** is projected in the US staffing market.

Any US states and regions have favourable business environments and offer support to international companies looking to set up operations. This support can streamline the process of establishing a legal entity, ensuring compliance, and navigating the local regulatory landscape.

Expanding operations to the United States can be a strategic move for looking to grow their business, access a vast talent pool, and position themselves on the global stage. While it involves challenges and competition, the potential rewards make it an attractive prospect for ambitious recruitment firms.

Welcome to our Monthly Market Insights update for the Digital/Marketing/Tech sector. We would like to thank all those who participated to produce the monthly reports. We hope you find this report useful.

If you have any questions please get in touch!

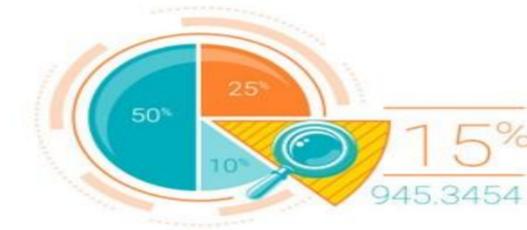
Best wishes,

Toby Day – Head of Digital
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Who We Are

The Digital Recruitment Company was founded in London in 2010 with the sole vision of becoming the leading specialist provider of global recruitment solutions to the Digital & Marketing sectors. With an initial focus on Marketing, Innovation, and Social Media, the company quickly expanded in line with the wider Digital Sector. As technology continues to transform the sector our business has similarly adapted to include Creative, Strategy and Tech.



What We Do

We work across the Digital Sector in both the UK & Internationally. We aim to create long-lasting partnerships with our clients.

We work across the following specialisms:

Client Services, Creative, Data & Analytics, Executive Appointments, Innovation & Service Design, Insight & Research, Sales, Strategy, Tech & UX. Marketing, Media Planning & Buying, Performance Media, Project Management / Product Management.

We also supply permanent hires, executive search, freelance & fixed term contracts and payroll management services.



Our Service

With our clients we work alongside them not to only recruit but to consult on the current market, how best to structure, hire and retain new Marketing, Creative, Technology, Digital & Data & Insights divisions.

Our service is split into two distinct services:

Our Purpose is to strengthen the target market so that the business will increase

- **Initial consulting** - a scoping of your requirements and a follow up document putting forward our recommendations on market insights, department structure, salaries, packages etc - this is completely free of charge and does not come with any obligation to use us for the hiring.
- **Recruitment & Retention** – delivery of a recruitment strategy and hiring plan to identify, attract and retain the ideal talent for your organisational culture and goals. Our fee structure is based upon the scale of any project.



State of the US Labour Market

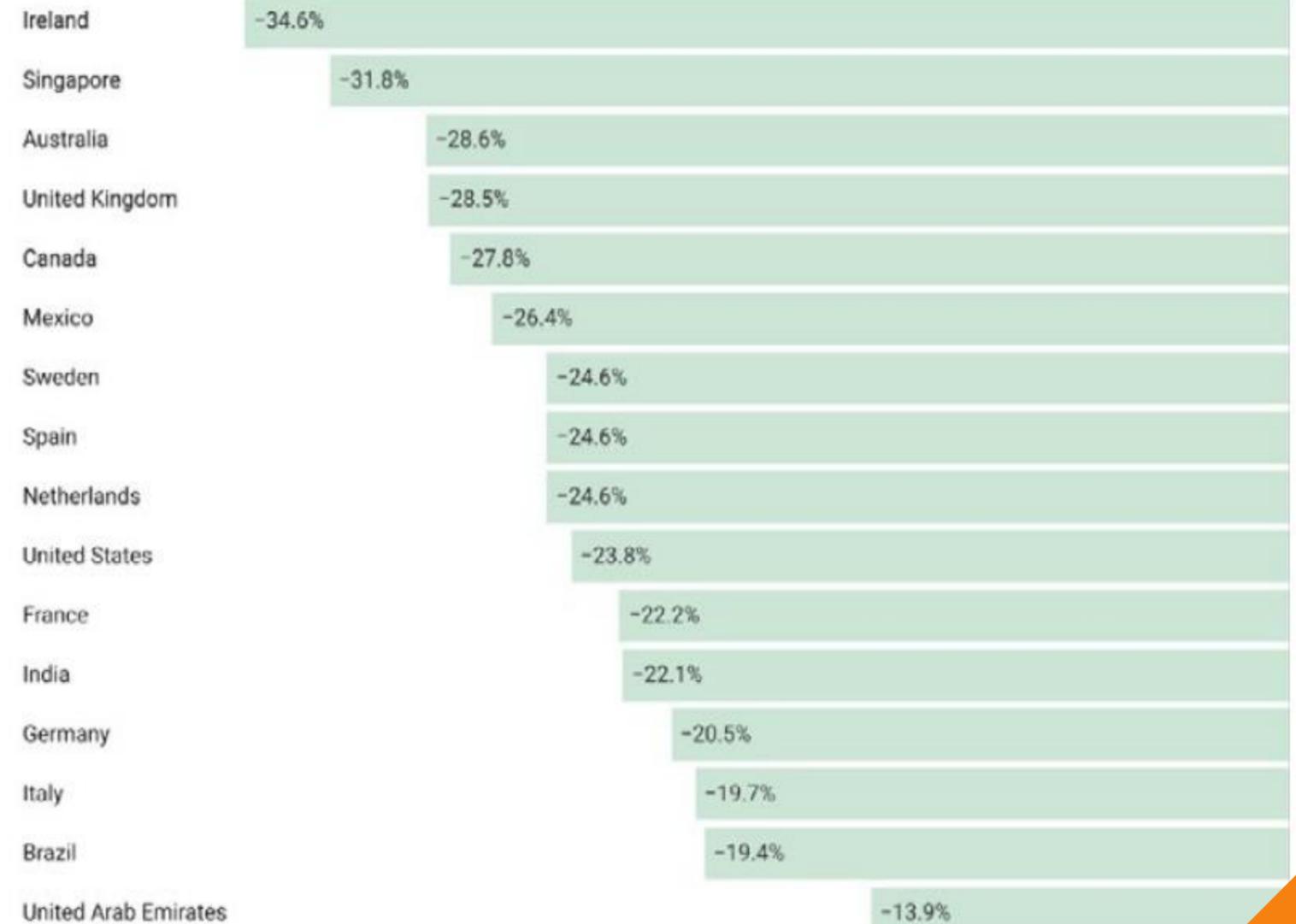
Labour Markets Adapting to Changing Dynamics: As we traverse the evolving landscape of global labour markets, one thing stands clear: change is in the air. The world is rebalancing labour markets, and though these shifts are significant, there's no sign of an imminent recession.

Global Labour Markets: While pockets of improvement have emerged globally, driven by robust consumer spending on services, attempts to control inflation, and reduced banking sector risks, the situation remains delicate. Challenges persist due to factors like China's slower-than-expected economic recovery, lingering geopolitical uncertainties, and elevated interest rates. Inflation trends are diverging, influenced by increased wages in competitive job markets and rising demand for services.

Year-over-Year Decline in Hiring Rates: Hiring rates continue their year-over-year decline, albeit at a slower pace. Many countries have experienced substantial drops. The United States is also in this trend, with an increased number of job seekers conducting searches, indicating heightened competitiveness in the job market.

Hiring declines continue across all countries

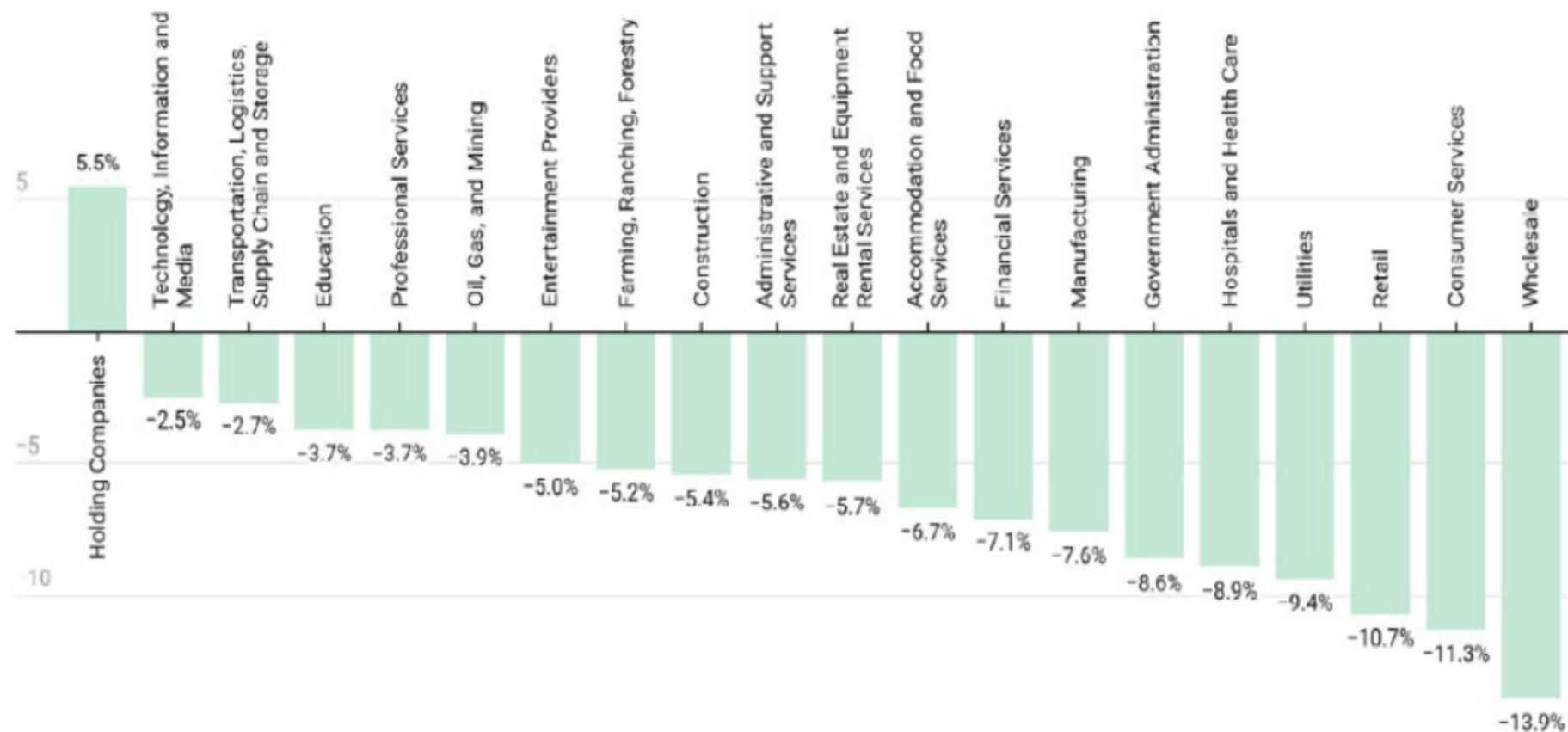
Year-Over-Year LinkedIn Hiring Rate, August 2023



Source: LinkedIn Economic Graph • Created with Datawrapper

Hiring declines persist across almost all industries compared to last month

U.S. month-over-month change in LinkedIn Hiring Rate, August 2023



Source: LinkedIn Economic Graph • Created with Datawrapper

US Labour Market: Balancing Act

The US labour market is losing some momentum, but the probability of a soft landing is increasing. Strong economic growth in the first half of the year has eased the impact of rising prices and interest rates, reducing recession risks. However, potential disruptors like unforeseen inflationary surprises and global economic weaknesses linger.

LinkedIn's Workforce Confidence Index

LinkedIn's latest Workforce Confidence Index reflects a decline in confidence among US workers. Confidence indices are lower than at the start of the year, and the decline is noticeable compared to the previous year.

Challenges in Landing Jobs

Hiring in the US continued to decline across industries, highlighting ongoing turbulence and uncertainties affecting hiring decisions. National hiring experienced a significant decline compared to the previous year, making clear the challenges the labour market faces in its recovery.

The Future of Remote Work

Remote work remains a viable option for employees, with approximately 1 in 11 US job postings offering remote work. However, employers are becoming more reluctant to offer remote positions. The rise of hybrid work aligns with the return to office trend. Although remote work is expected to persist, it will likely be at a reduced level compared to the peak during the pandemic.

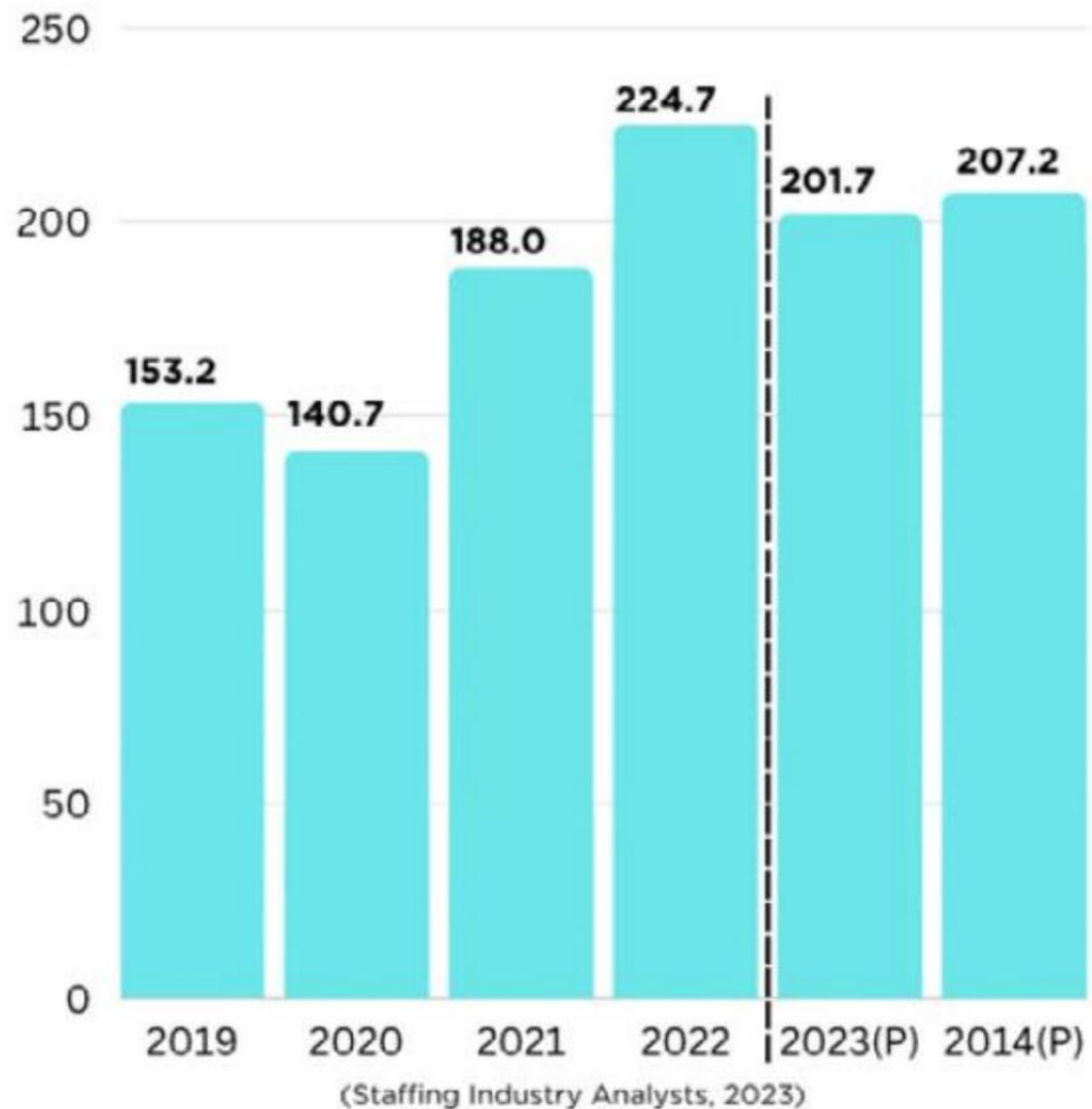
As labour markets adapt and evolve, businesses and job seekers alike must stay flexible and resilient to thrive in this changing landscape.

US LinkedIn Hiring Rate



US Recruitment Market Trends

US Staffing Industry Market Value
(\$Billions)



US Recruitment Market Trends

The US staffing industry has undergone significant changes in recent years, and its current worth, estimated at \$201.7 billion according to Staffing Industry Analysts (SIA), reflects a dynamic landscape.

A Shift in Industry Dynamics

The decline in the US staffing industry's value might seem concerning at first glance, but it's important to view it in the context of its recent exceptional growth. In 2021, the industry experienced record-breaking growth of 34%, followed by 20% growth in 2022. While the value has receded, it is crucial to note that the industry is now nearly \$50 billion larger than it was before the pandemic, indicating its resilience. Temporary job levels reached an all-time high in early 2022, thanks to government spending stimulating economic growth. However, these record levels were unsustainable, and the industry experienced a return to the economic baseline.

The extent of decline varies by sector. While the clerical and life sciences segments are expected to decrease by 7% in 2023, the finance and tech sectors will see a more moderate decline of 6% Permanent Tech Recruitment Free Sizes in the US APSCO Global Insights: Spotlight on the US Market | 8 and 3%, respectively. The engineering segment is predicted to grow by 5%, and the education segment is set to surge by 20%. However, a 30% decline in the medical sector, especially in the travelling nurse segment, significantly contributes to the overall market decrease. Excluding this segment results in a more moderate 5.6% decline in the staffing industry in 2023.

Recession fears have led to a cooling of hiring in 2023, but overall, the US staffing market remains healthy, especially when compared to pre-pandemic levels. The US had over 4 million more jobs in August 2023 than in February 2020, marking a 2.7% increase (Bureau of Labor Statistics).

Anticipated Growth in 2024

Looking ahead to 2024, SIA projects a 3% growth for the staffing industry, which is expected to be worth \$207.2 billion, over four times the size of the UK market.

Permanent Tech Recruitment Free Sizes in the US



Key Growth Segments

Tech

The tech segment of the US staffing industry is poised to grow by 5% in 2024, reaching a market value of \$43.2 billion. Tech and IT, a significant driver of the US economy, control 35% of the global market. Strong demand for highly skilled positions has driven a 3.3% increase in bill rates for various IT occupations during the first half of 2023, according to Staffing Industry Analysts.

Engineering

The engineering segment is one of the few US staffing segments predicted to experience growth in 2023. After strong growth in the previous two years, it's expected to strengthen further in 2024, with an 8% increase, translating to a market value of \$10.4 billion. The top-performing states in the engineering segment in 2022 were Texas, Michigan, and California.

Top Locations for Recruitment

The Top Performing States Include:

- California: California leads the way in generating recruitment revenue, with an estimated annual sales revenue of \$41.4 billion. It is the 5th largest economy globally, surpassing even countries like the UK and India.
- Texas: Texas has seen tremendous growth, making it a hotspot for businesses. It boasts one of the lowest tax burdens in the US.
- New York: Despite companies leaving New York during the peak of COVID-19 lockdowns, many clients still employ workers in the state.

The Up-and-Coming States Include:

- Florida: Florida has become a prime destination for UK recruitment agencies, with a 100% increase in contractors placed within the state from 2020 to 2021.
- North Carolina: Client employee onboards in North Carolina increased by an impressive +381% year on year in 2022.
- Tennessee: Tennessee climbed from 20th to 11th in the list of fastest-growing states for contract placements in 2022.

Domestic Migration Trends

The south-eastern states of the US have experienced significant population growth, driven by factors like low to zero state income tax, favourable weather, and a more affordable cost of living. States like Florida, Texas, North Carolina, South Carolina, Tennessee, and Georgia have seen substantial population increases, while traditionally key states for the US economy like California, New York, Illinois, New Jersey, and Massachusetts have lost population.

Increasing Reliance on the Contingent Workforce

The US boasts the world's largest contingent workforce, with an estimated 33 million contingent workers in 2021, generating over \$1.7 trillion in revenue. The number of freelancers as a percentage of the total US workforce reached an all-time high of 39% in 2022. This trend is expected to continue, with an estimated 50% of the US workforce consisting of contingent workers by 2050.

UK Recruiters in the US Market

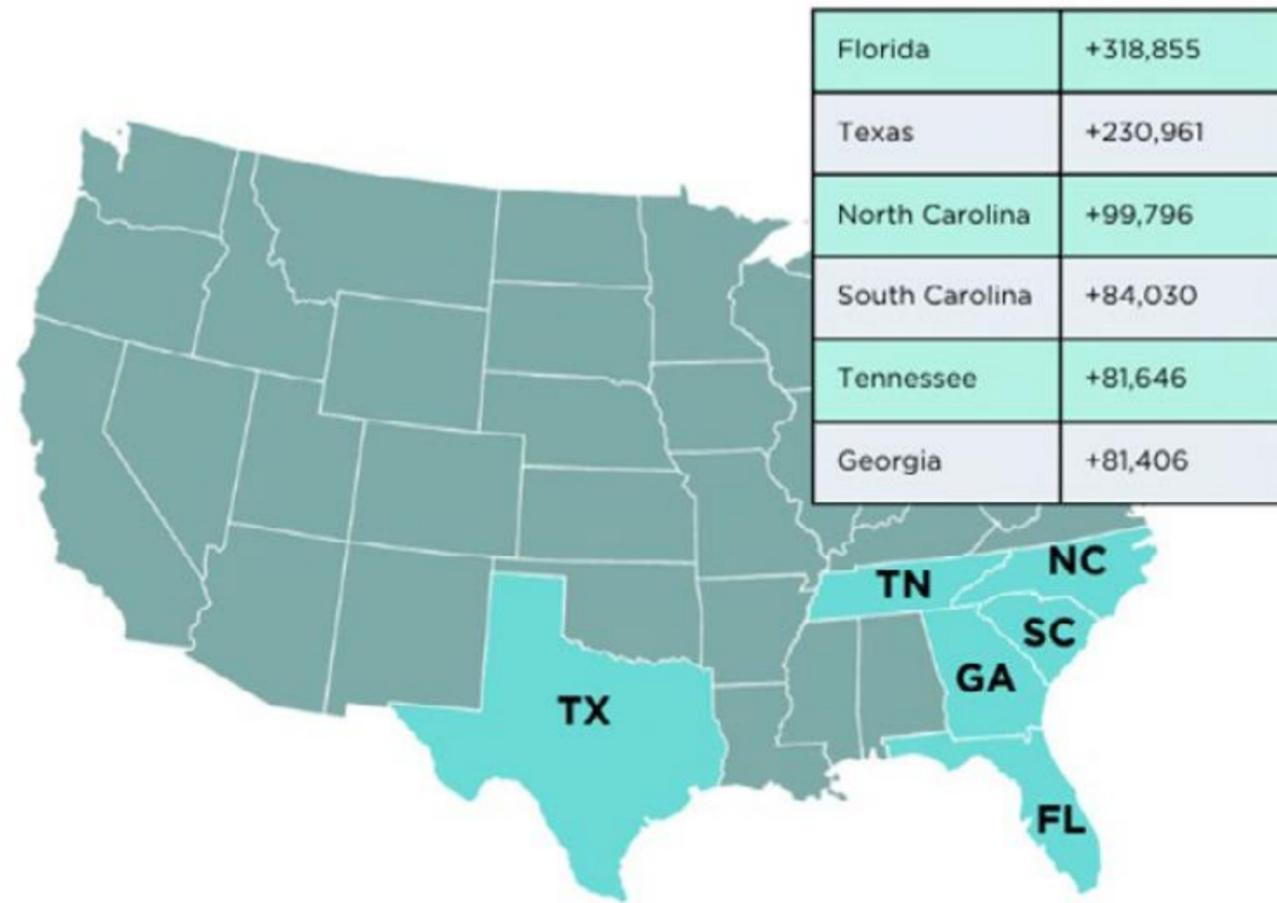
A notable trend in recent years is the influx of UK recruiters entering the US recruitment market. This move is driven by a desire to tap into the largest recruitment market in the world, adding revenue to their UK agencies and demonstrating competence in the largest staffing market, thereby increasing their overall valuation.

In conclusion, the US staffing industry is evolving in response to changing economic conditions and workforce dynamics. Despite challenges, it remains a robust and dynamic sector with significant growth potential, particularly in segments like tech and engineering. As UK recruiters continue to explore opportunities in this market, the future looks promising for the staffing industry in the United States.

Navigating the US Recruitment Market

States with most domestic migration

(July 2021 - July 2022)



(US Census Bureau, 2023)

As the global economy continues to interconnect and evolve, recruitment firms are increasingly drawn to the vast opportunities presented by the US recruitment market. People2.0, with its proven expertise in employer of record (EOR) and agent of record (AOR) services, stands as a dependable partner for businesses seeking to navigate the complexities of this dynamic landscape.

The lucrative US market reflects the sheer size and complexity of the United States' diverse economy, encompassing multiple industry sectors such as technology, healthcare, manufacturing, and finance.

Key Differences Between UK and US Recruitment

Expanding into the US market presents unique challenges, primarily due to distinct differences between the two nations in various aspects of the recruitment industry.

Regulatory Environment: The US and the UK have separate Employment laws and regulations. In the US, laws like the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), and various state-level laws govern the recruitment process. In contrast, the UK adheres to regulations like the Employment Rights Act 1996, Equality Act 2010, and others. These differences significantly impact operational procedures and compliance requirements for recruitment firms in each country.

Focus on Skills vs. Qualifications: US recruiters often prioritise a candidate's skill set and work experience, whereas UK recruiters might place a higher emphasis on academic qualifications and professional credentials.

Sourcing Methods: While digital platforms play an increasingly significant role in both markets, US recruiters tend to leverage a wider range of digital tools and data analytics in the hiring process.

Cultural Nuances in the Hiring Process: Understanding and adapting to cultural nuances is essential when navigating the intricacies of the US recruitment market.

GRID 2023 Industry Trends Report

2022 was a good year for North American staffing firms. According to Bullhorn's GRID 2023 Industry Trends Report, 60% of these firms reported revenue growth, with an impressive 42% seeing growth exceeding 10%. It was a time of optimism and ambition.

Initially, as 2023 dawned, North American staffing firms were hopeful, with 64% anticipating continued revenue growth. However, the tide has shifted due to macroeconomic uncertainty, leading many to revise their estimates downward. Q3 revenue forecasts for publicly traded staffing firms hint at expectations of flat or even negative year-on-year revenue growth. The challenge is clear: how to follow up a record-breaking 2022 into 2023 and 2024.

Despite the uncertainty, resilience prevails. A striking 56% of North American staffing firms still plan to increase their investments in technology this year. The focus is on technology that boosts enterprise-wide efficiency and enhances the client experience, adding tangible value.

In the face of evolving economic landscapes, these firms are also concentrating on activities that foster and preserve client relationships. Thirty-two per cent anticipate a continued reduction in job requisitions from clients, while 46% have their sights set on winning new clients as a top priority.

Yet, the challenges persist. The job market remains fiercely competitive, with a persistent shortage of qualified candidates. In such an environment, staffing firms are leaving no stone unturned to attract and retain the best talent. A resounding 58% list tight talent pools as a top challenge, and 53% predict the skills shortage will worsen in 2023.

Despite the headwinds, North American staffing firms are forging ahead with determination, technology, and a commitment to delivering top-notch service in a dynamic and competitive landscape.



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Thank You



We hope you've enjoyed our Market Insight Survey. If you would like to discuss the survey or would like to work with us on your next hire or your next career move, then please get in touch.



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