



# The Impact of an Uncertain Economy on Workforce Planning



*HRO Today* Flash Reports are a series of ongoing research initiatives that address today's topics of interest in the HR community. These are focused briefs that can be used to support business decisions and discussions among industry practitioners and thought leaders.

This report examines how views of the current economy will impact staffing, contingent, and outsourcing plans for the remainder of 2024 among mid-sized organizations.

This report is sponsored by **Instant Impact**.

## Methodology

Between January 16 and February 13, 2024, a series of emails were sent to subscribers of *HRO Today* magazine and newsletters, inviting them to take part in an online study. Respondents were manager level or above within their Human Resources departments and in organizations of fewer than 3,000 people. They were screened to ensure they were familiar with their company's current or planned usage of Talent Acquisition (TA) outsourcing services.



## Background

Forecasts for the 2024 U.S. economy depend almost entirely on who you ask. J.P. Morgan forecasts that there will be slight economic expansions and contractions but without going into a recession, also known as a “soft landing.” Momentum in the job market will likely continue to wane, including a slowdown in payroll growth, a modest rise in unemployment, and a decline in quit rates and temporary help.<sup>1</sup> The impact of the U.S. Presidential election could also derail forecasts.

But how will this economic uncertainty impact hiring plans and the use of contingent labor? Will the benefits of TA outsourcing become more pronounced? This report examines these issues.

## Key Findings

*This study offers nine key findings across two areas.*

### Impact of the Economy and Elections on Workforce Planning

- 1 The U.S. economy is currently viewed as problematic.** Over one-half (51%) characterize the economic environment as challenging, though few consider it poor (5%).
- 2 Moderate change is expected in staffing levels in 2024.** Most (51%) expect a moderate increase in staffing levels, while one-third (33%) expect a small increase.
- 3 Economic forecasts impact decisions about staffing levels.** Two-thirds (66%) indicate that economic forecasts have an impact, and 22% of that group feel the impact is great.
- 4 An uncertain economy does not change plans for employee/contingent mix.** Nearly seven-in-ten (69%) indicate there is no change in their plans that will alter the mix of employees and contingent labor.
- 5 The Presidential election is expected to have little impact on hiring.** Two-thirds (67%) indicate the upcoming U.S. Presidential election process will have no impact on hiring.

### Views on Outsourcing Given Economic Uncertainty

- 1 Those looking to outsource are nearly twice as likely to consider RPO over MSP.** While most have no plans to outsource any TA function, among those that either plan to or are currently outsourcing, one-quarter (25%) look to RPO solutions while 14% look to MSP solutions.
- 2 RPO usage is planned to increase more than MSP, despite economic concerns.** Those already using an outsourced TA provider were asked how their plans for outsourcing will change in 2024. One-half (50%) feel it would increase. The type of service they anticipate increasing the most is RPO, selected by 70%, far more than MSP, selected by 20%.
- 3 The greatest benefit received from outsourcing is an increased talent pool.** Of all benefits, an increased talent pool was selected by over three-quarters (76%) of respondents. Better outcomes were selected by just over one-half (52%) of respondents. Cost savings was selected third most often, by just over one-third (36%) of respondents.
- 4 Nearly two-thirds (64%) who use outsourced services plan to use them for exempt hiring.** Over one-half (52%) will use them for non-exempt hiring.

## DETAILED FINDINGS

### Characterization of the 2024 Economic Environment

*How would you characterize the economic environment in 2024 in which your organization operates?*

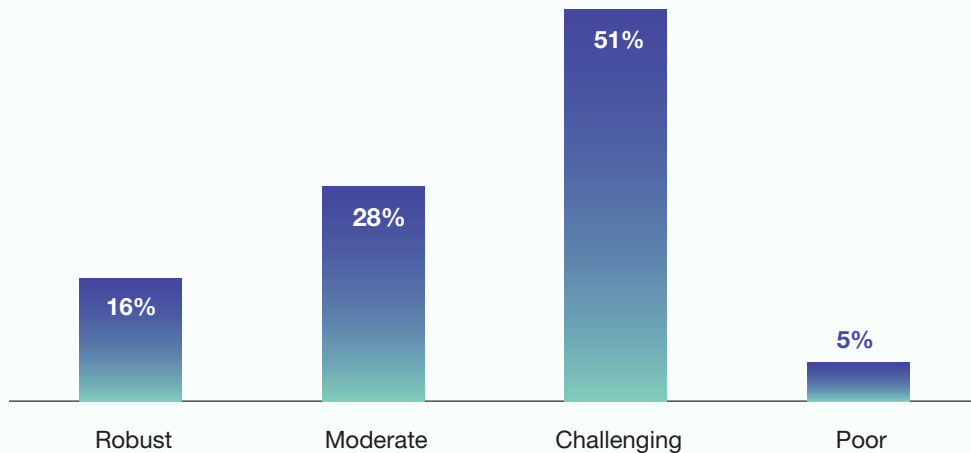
Study participants were asked how they would characterize the economic environment in which their organization operates. Over one-half (51%) indicated it was challenging, though few thought it was poor (5%).

These results are consistent with consumer sentiment throughout the country. While headlines are trumpeting robust economic growth and the strength of the labor market, polls show that many Americans feel pessimistic about today's economy. GDP growth remains strong, despite interest rates increasing at their steepest in decades. Inflation has caused prices to rise, but per capita personal

consumption continues to soar. But despite being in the midst of the hottest labor market in recent memory, borrower defaults have been on the rise across all consumer segments and products.<sup>2</sup>

Nevertheless, the economic outlook has brightened somewhat as of late. A February poll by CBS News found that Americans' assessment of the economy is at its highest level in more than two years, although sentiment remains negative overall. Ratings of the current economy are at their highest level in over two years and have been trending upward, albeit slowly and still in negative territory.<sup>3</sup>

#### Characterization of the 2024 Economic Environment





## Talent Acquisition Outsourcing Plans

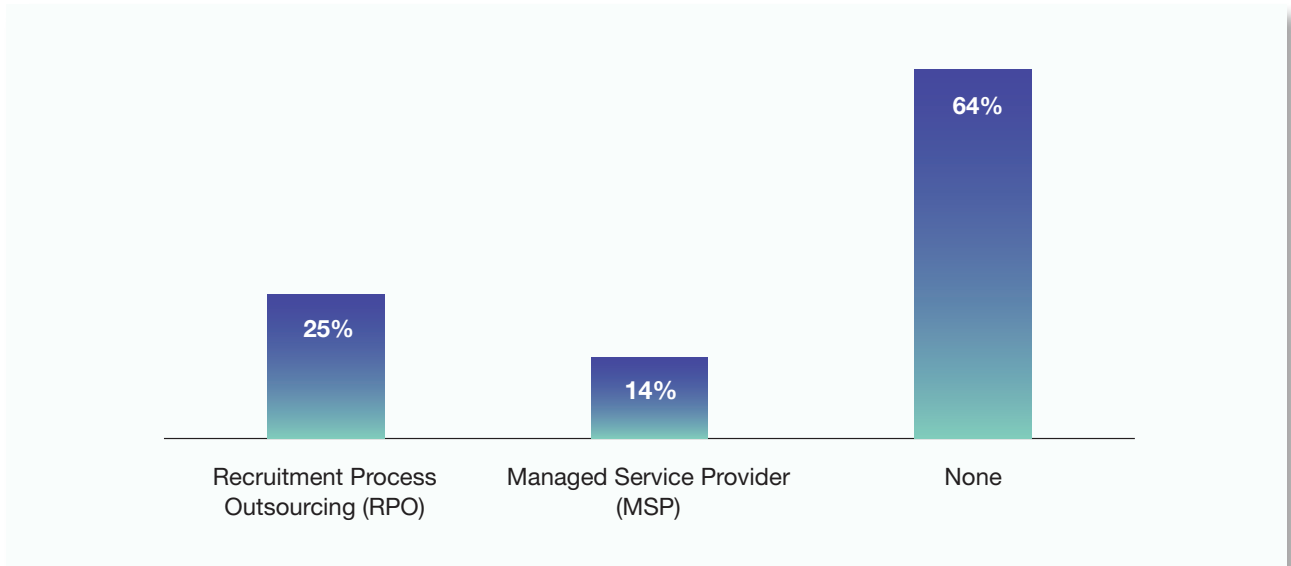
*Which areas related to Talent Acquisition will your organization outsource to any extent in 2024?*

Respondents were asked to indicate the areas related to TA that their organizations planned to outsource in 2024. For most (64%), there were no plans to outsource any TA function. Among those either planning to or already outsourcing, one-quarter (25%) looked to RPO solutions while 14% looked to MSP

solutions. Very few (3%) outsourced more than RPO or MSP.

Note that these percentages are not necessarily indicative of U.S. businesses in general, as the study was fielded only to the *HRO Today* network.

### Talent Acquisition Outsourcing Plans





## Anticipated Change in Outsourcing in 2024

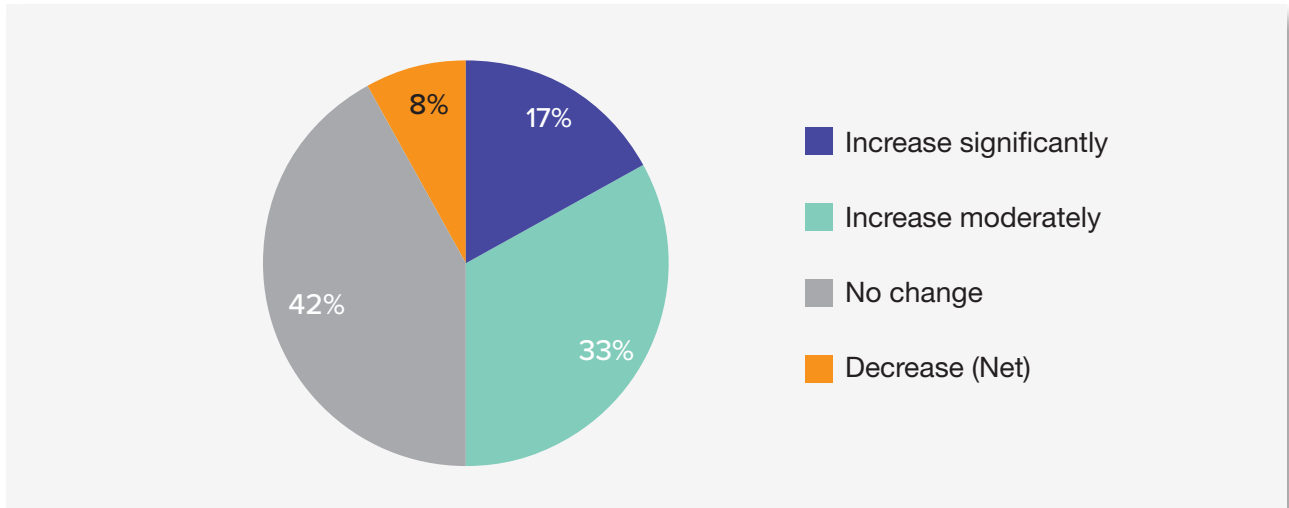
*How do you anticipate the overall amount of outsourcing your organization uses for talent acquisition will change in 2024?*

Study participants who planned to or were already using an outsourced TA provider were asked how their plans for outsourcing would change in 2024. One-half (50%) felt they would increase the amount, with

17% of that group significantly doing so. Only 8% anticipated a decrease in the amount of outsourcing their organization would use.

### Anticipated Change in Outsourcing in 2024

*Base: Already/Plan to Outsource*





## TA Outsourcing Services Expected to Increase

*Which areas of TA outsourcing do you anticipate to increase?*

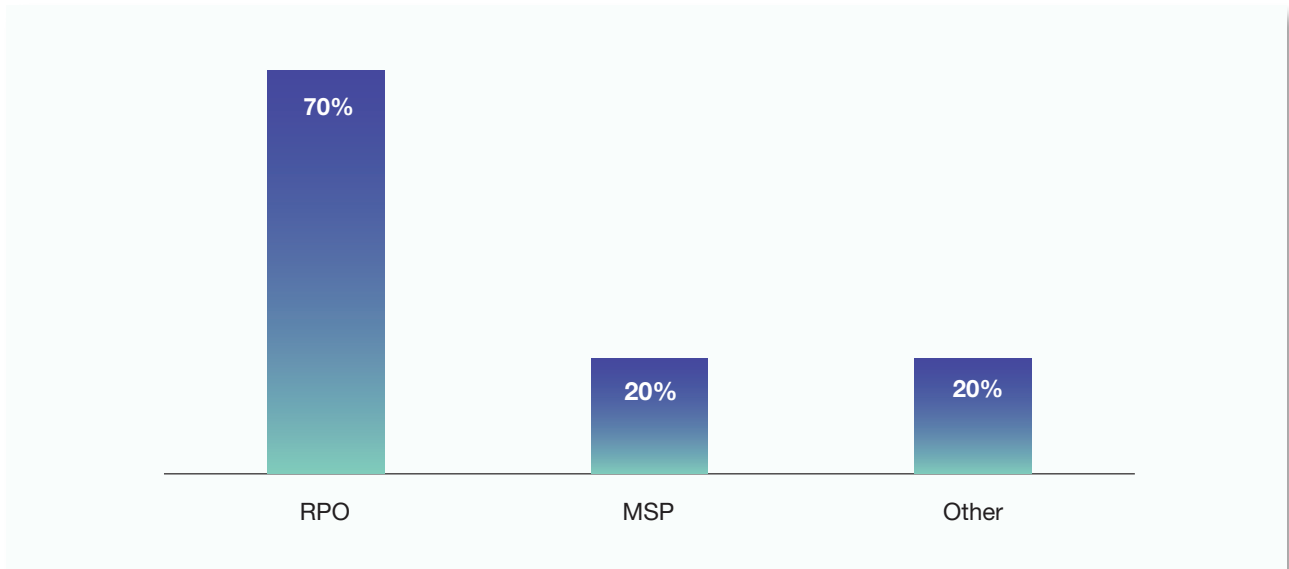
Study participants who expected to increase outsourcing services in 2024 were asked to select the type of services they anticipated would increase. RPO was selected by 70%, far more than MSP (20%).

It is fair to say there is a great deal of uncertainty in the minds of recruiters given the mixed economic outlook

described earlier in this report. Typically, the use of RPO increases in uncertain times due to its ability to provide cost-effective, flexible, and specialized recruitment solutions that allow organizations to navigate challenges, mitigate risks, and focus on their core business functions.

### Type of TA Outsourcing Services Expected to Increase

*Base: Will use outsourced services in 2024*



## Anticipated Benefits from Outsourcing

*What benefits do you anticipate from outsourcing?*

Study respondents were asked to choose the benefits they saw from outsourcing TA functions.

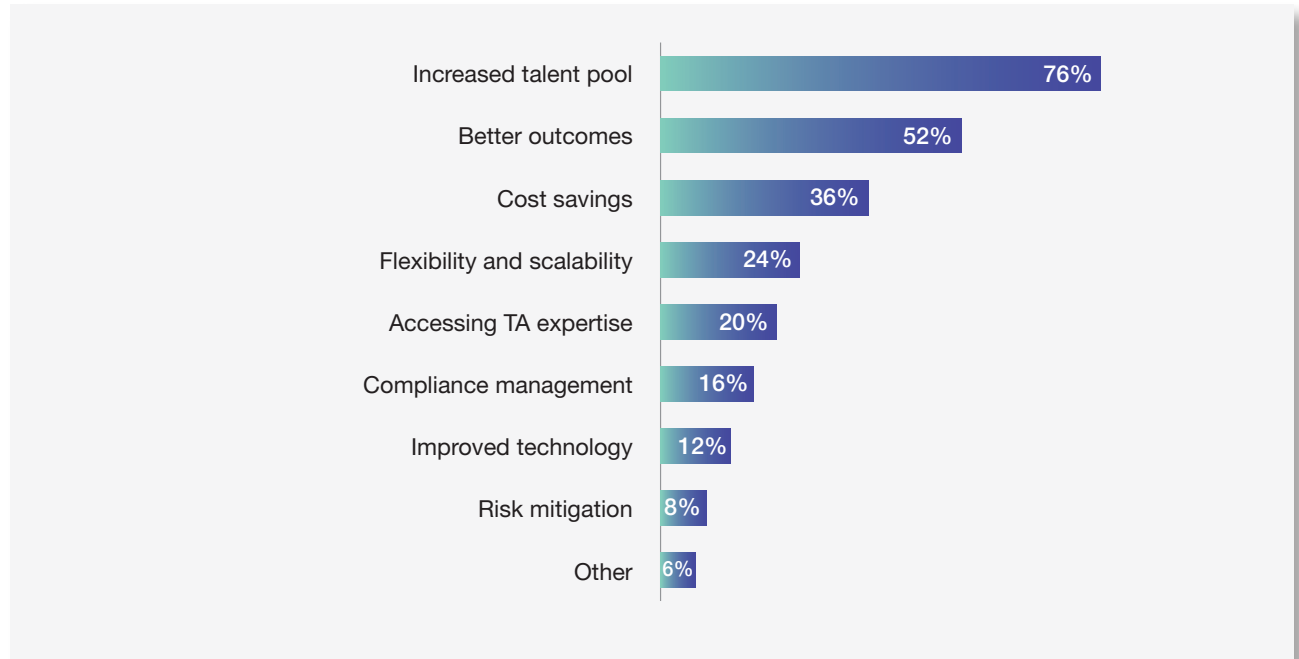
The benefit from outsourcing cited the most by far often was an increased talent pool, selected by over three-quarters (76%) of respondents. Through extensive databases, targeted sourcing strategies, and a proactive approach, an RPO provider can help locate hard-to-find candidates and produce a larger number of qualified candidates.

The benefit of better outcomes was selected by just over one-half (52%) of respondents. Better outcomes

cover a broad array of benefits, such as reduced time-to-fill, improved workforce diversity, and perhaps most important, a higher quality of hire.

Cost savings was selected third most often, by just over one-third (36%) of respondents. RPO can reduce costs by streamlining the recruiting process. Basic aspects of recruiting, such as resume and pre-employment screening and interview scheduling, can be improved and automated, which frees up time and allows companies to spend more time on strategic planning and optimizing quality of hire.

### Anticipated Benefits from Outsourcing







## 2024 Staffing Level Forecast

*What do you anticipate will be the extent of change in staffing levels within your organization as a whole in 2024?*

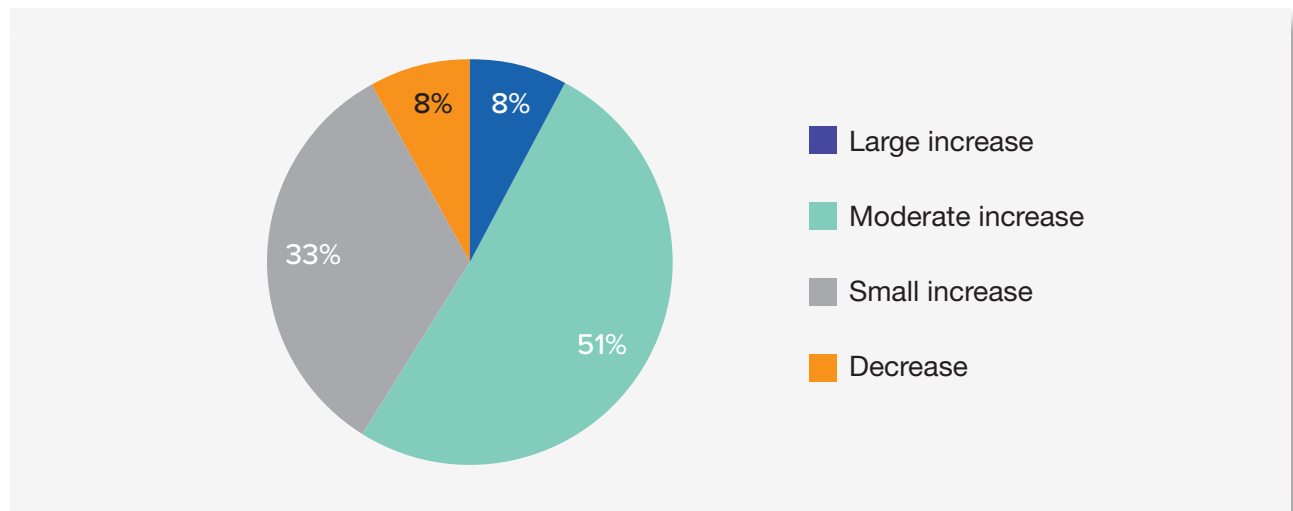
Respondents were asked how much they anticipated staffing levels would change in their organizations in 2024. The majority (51%) expected a moderate increase, while one-third (33%) expected a small increase. The same percentage (8%) expected a large increase and a decrease.

Despite the challenges ahead for recruitment, employers still have plans to hire in the first quarter of 2024, according to the latest ManpowerGroup Employment Outlook Survey. The staffing company found that 42% of employers anticipate an increase

in hiring in the first quarter while 16% expect a staffing decrease, 39% plan to keep workforce levels steady, and 3% are undecided.<sup>4</sup>

U.S. job growth accelerated in February, but a rise in the unemployment rate and moderation in wage gains kept on the table an anticipated interest rate cut in June from the Federal Reserve. Economists do not expect a recession this year. The unemployment rate rose to 3.9% in February after holding at 3.7% for three straight months.<sup>5</sup>

### 2024 Staffing Level Forecast





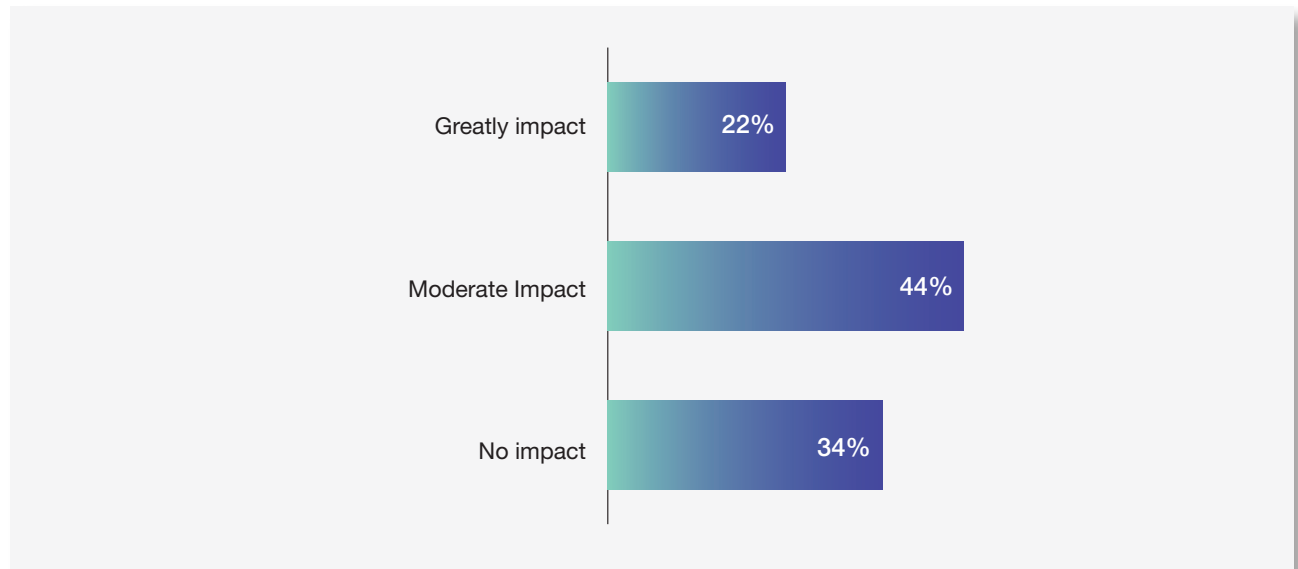
## Impact of Economic Forecasts on Staffing Decisions

*To what extent do economic forecasts and estimates impact your decisions about staffing levels?*

Study participants indicated the extent to which economic forecasts impacted their decisions about staffing levels. Overall, two-thirds (66%) indicated that forecasts impact decisions about staffing levels with 22% of that group indicating a great impact.

Economic forecasts can serve as a foundation for informed decision-making in workforce planning. Organizations that integrate economic insights into their human capital strategies are better positioned to navigate changing market conditions and align their workforce to the evolving needs of the business environment.

### Impact of Economic Forecasts on Staffing Decisions





## Position Classification for Outsourced Services in 2024

*Which position classification will you use outsourced services for in 2024? Please select all that apply.*

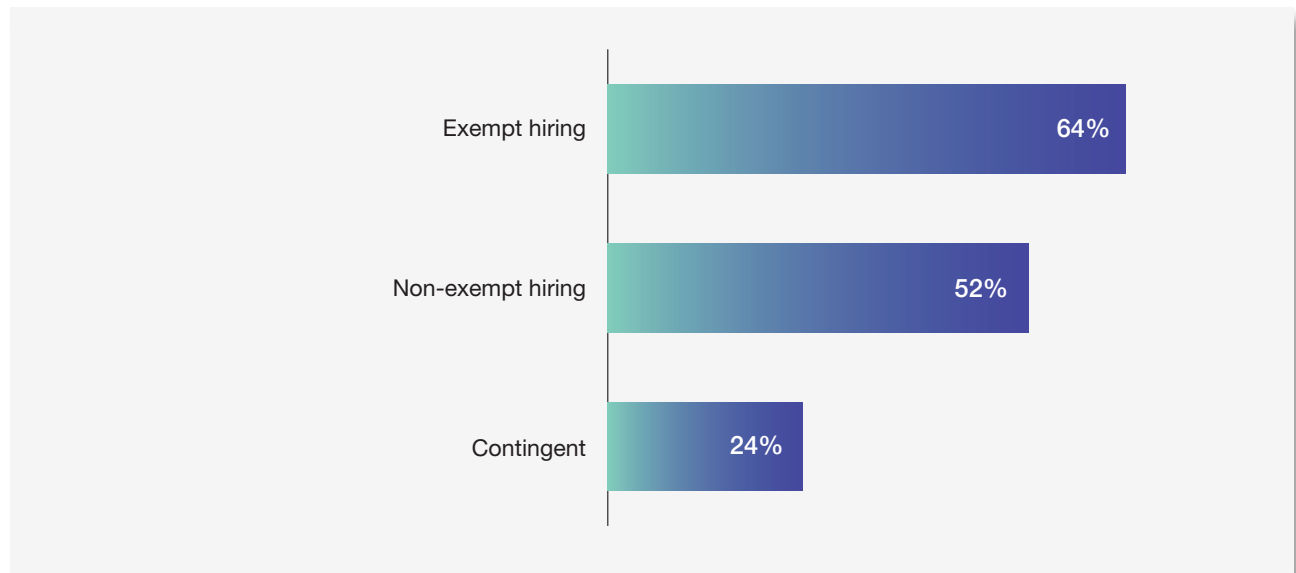
Respondents that will use outsourced services in 2024 were asked to select the position classification for which they will use the services. Overall, nearly two-thirds (64%) plan to use them for exempt hiring, while over one-half (52%) will use outsourced services for non-exempt hiring. Just over one-quarter (28%) will use them for both exempt and non-exempt

hiring. These services will likely be offered by an RPO provider.

Contingent labor utilization, often a solution when workforce flexibility is at a premium, will be provided by an MSP for 24% of respondents who use a TA service provider.

### Position Classification for Outsourced Services in 2024

*Base: Will use outsourced services in 2024*





## Impact of an Uncertain Economy on Mix of Contingent vs. Employee Staffing

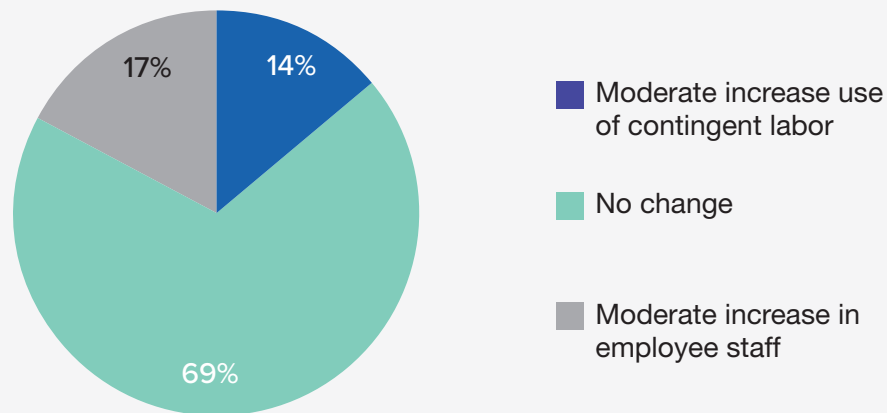
*How will an uncertain economy impact your use of contingent labor vs. employee staffing?*

Study participants were asked how an uncertain economy would impact their use of contingent labor versus employee staffing. Nearly seven-in-ten (69%) indicated there was no change in their plans that would alter the mix of employees and contingent labor. Further, the percentage of those who anticipated a moderate increase in the use of contingent labor (14%) was offset by the percentage of those anticipating a moderate use in employee staff (17%).

No respondents indicated large increases in either contingent labor or employee staffing.

The case for increasing contingent labor centers around flexibility. A contingent workforce provides flexibility, allowing organizations to quickly respond without long-term commitments. Contingent labor offers an opportunity to control costs and adapt to short-term needs without the fixed expenses associated with permanent staff.

### Impact of an Uncertain Economy on Mix of Contingent vs. Employee Staffing





## Impact of the 2024 Presidential Election

*To what extent do you feel the 2024 Presidential election process (not outcome) will impact hiring throughout the year?*

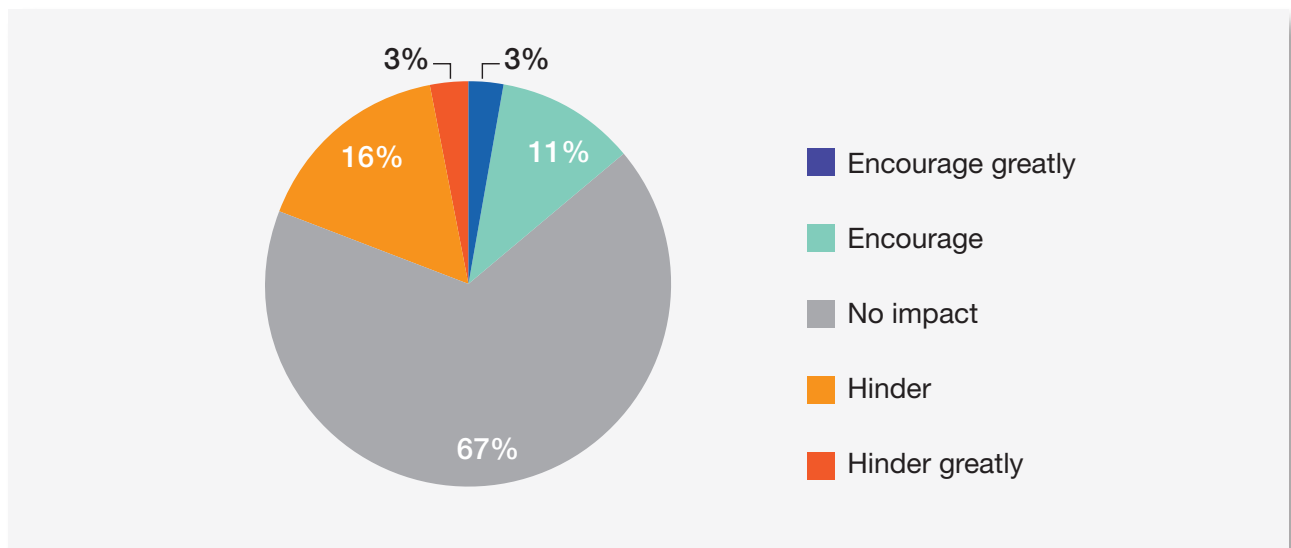
Respondents speculated on the extent to which the upcoming U.S. Presidential election process would impact hiring throughout the year. Two-thirds (67%) indicated it would have no impact, while 19% felt it would hinder hiring and 14% felt it would encourage it.

A study conducted just before a recent U.S. Presidential election corroborates this finding. The study showed that 79% of CPA decision-makers at US businesses said the election was not a factor

in hiring decisions and that they would continue hiring at their current pace.<sup>6</sup>

If hiring is not impacted by the election process, how do the markets respond? An analysis by USBank revealed that there is a minimal impact on financial market performance in the medium- to long-term based on potential election outcomes. The data also shows that market returns are typically more dependent on economic and inflationary trends rather than election results.<sup>7</sup>

### Impact of the 2024 Presidential Election



## Notes

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