

Employment Services Industry

Temporary Help as a Leading Indicator of Total Employment



In the ebb and flow of the economy, wouldn't it be nice to foresee a downturn or recession? The temporary help services industry can be that canary in the coal mine.

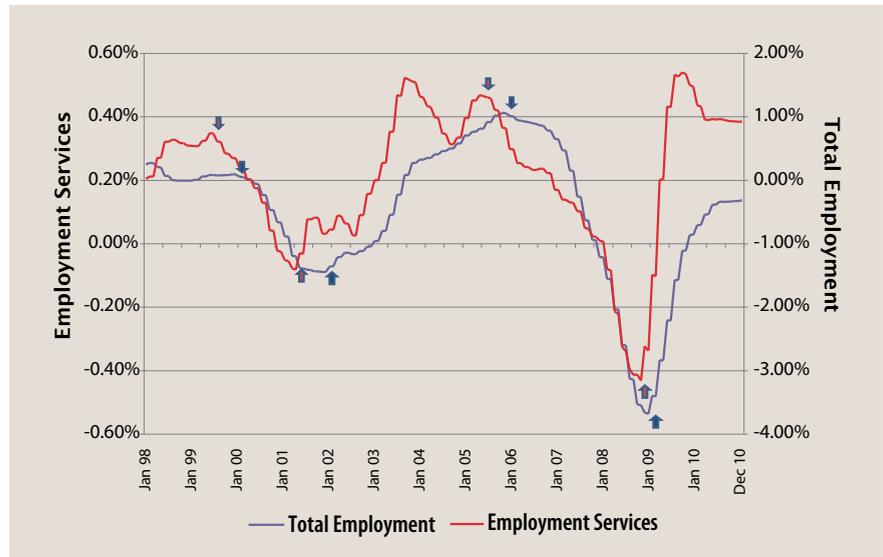
Temp help services is not only an important and reliable means for employers to supplement and balance their workforces, it has also emerged as a leading employment indicator. According to the Bureau of Labor Statistics, the temporary help services industry is considered an indicator of the overall economy because movements in temp employment often have been a precursor to changes in the broader labor market.¹ In 2009 the American Staffing Agency commissioned a study to statistically test the strength of this relationship. The study concluded that particularly in the current decade temporary help employment was strong as both a one- and two-quarter leading indicator of nonfarm employment.²

Can we observe this indicator in employment trends for Utah? We took seasonally adjusted employment data from the Current Employment Statistics program (CES) and calculated the month-over percentage change for the Employment Services (5613) industry and total employment. Our time span covers two recessionary periods: March 2001 to Nov 2001 and December 2007 to June 2009. We observed several points where employment services appeared to be out ahead of changes in

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total employment in periods of both growth and decline. In July of 1999, you can see employment services employment began to fall seven-months before total employment started declining in February 2000. In June 2001 employment services started growing eight-months before total employment started to increase. Likewise in July 2005, employment services started to decline six-months prior to a decline in total employment in January 2006. Employment services employment also began to grow in February 2009 two-months prior to growth in total employment in April 2009.



Source: Current Employment Statistics, Bureau of Labor Statistics.

Can we conclude that the employment services/temporary help services industry in Utah acts as a leading indicator of the overall labor market? Yes, the chart demonstrates that this relationship exists.

Notes

¹Tian Luo, Amar Mann, and Richard Holden, "The expanding role of temporary help services from 1990 to 2008", Monthly Labor Review Online, Aug. 2010, pp. 1.

²American Staffing Association. (June 2009). Staffing jobs as economic and employment indicators. Alexandria, VA: American Staffing Association on the Internet at www.americanstaffing.net/statistics/pdf/Staffing_Jobs_as_Indicators.pdf.

