

## **Weakening Economic Climate Impacts Staffing Service Providers**

*Labor shortages and gloomy export prospects are leading to fears of stagflation – initial signs of a slowdown apparent in the growth region of Basel.*

**If you look at the latest quarterly figures for staffing service providers in Switzerland, everything could appear rosy: according to the Swiss Staffingindex, the number of working hours accumulated by temporary employees has risen by a robust 8.8 percent compared to the previous year and turnover from permanent position placements is up 8 percent. However, a look at the monthly figures for the permanent staffing sector shows a clear trend of slowdown. The growth rates have been falling since March and were far below the quarterly growth in June at just 2.6 percent. Hardest hit has been the economic region of Basel where the staff leasing sector actually recorded a downturn with growth of minus 3.9 percent.**

Paradoxically, labor shortages and a slower global economy are making life difficult for staffing service providers, especially in the Basel region. In the second quarter, the demand for chemical-pharmaceutical products fell by 400 million francs, as reported by the Federal Office for Customs and Border Security (FOCBS) on July 19, 2022. Although this decline only corresponds to 1.2 percent of the chemical and pharmaceutical industry's total exports, it can partly explain the decline in demand for temporary workers in the Basel region as these cover short-term peaks in work. This correlation may also negatively affect the industry's growth nationwide in Switzerland. According to the KOF Economic Barometer, foreign demand as a whole is currently faltering. However, this is only half of the story.

### **Is Basel a Trend Indicator for Switzerland?**

The persistently strong economic climate has depleted the Swiss labor market. Dr. Marius Osterfeld, an economist at swissstaffing, comments: "A lack of staff prevents companies from seizing growth opportunities." Furthermore: "To create firmer ties between employees and companies, many hiring companies are converting staff leasing relationships into permanent positions or instantly opting for permanent position placements." This is most clearly evident in the region of Basel, which has developed particularly strongly to date: in the second quarter, the turnover from permanent position placements rose by 31.1 percent, whereas that of the staff leasing sector fell by 1.7 percent. This is a clear indicator that the region's economic sector, including the pharmaceutical and chemical industry, is looking to the future with optimism and trying to retain employees.

### **Impending Stagflation**

In view of the current labor shortages, rising inflation, and the imminent economic slowdown due to the global goods shortage, there are high chances of stagflation, a situation where the economy stagnates despite high inflation rates. This is because the labor shortage is enabling employees to make salary demands, thereby triggering a dangerous wage-price spiral that further drives inflation and makes it part of the economic system. Even in the case of economic stagnation or a slump, it is difficult to stem the tide of inflation once it has begun. In this context, the strengthened Swiss franc and rising interest rates as potential means of slowing inflation are initially likely to be no more than a drop in the ocean.

### **→Further Information:**

The next page shows the index's key data and the development of the underlying index values. You can access more statistics by clicking on [this link](#).

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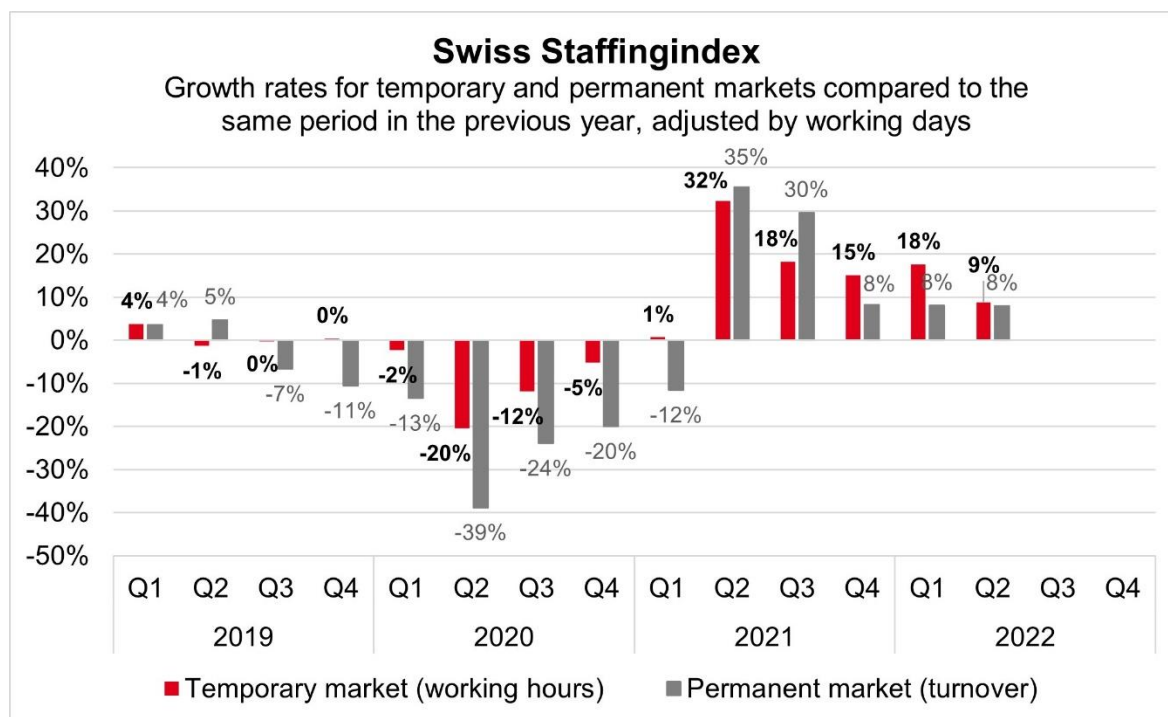
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Swiss Staffing Index key data	
Staffing service providers included	400 companies
<b>Temporary Market</b>	
Working hours recorded per year	103 million
Market coverage of temporary market	Approx. 50 percent
<b>Permanent Market</b>	
Permanent position placements recorded per year	8,500
Market coverage of permanent market	Approx. 40 percent
<b>Publication Schedule</b>	
Frequency of publication	Monthly
Media release interval	Quarterly
Next provisional publication date	October 28, 2022

Source: swissstaffing, Q2/2022

**Swiss Staffingindex: Temporary market (working hours), basis: Q1 2018**

	2018	2019	2020	2021	2022
<b>Q1</b>	100.0	103.7	101.4	102.0	120.0
<b>Q2</b>	134.6	132.8	105.6	139.7	152.0
<b>Q3</b>	140.5	140.1	123.4	145.8	
<b>Q4</b>	128.7	129.2	122.4	140.8	

Source: swissstaffing, Q2/2022

**Swiss Staffingindex: Permanent market (turnover in CHF), basis: Q1 2018**

	2018	2019	2020	2021	2022
<b>Q1</b>	100	103.5	89.6	79.2	85.6
<b>Q2</b>	105.7	110.7	67.7	91.7	99.1
<b>Q3</b>	97.4	90.9	69.2	89.6	
<b>Q4</b>	92.3	82.6	66.0	71.5	

Source: swissstaffing, Q2/2022

**swissstaffing** is the center of excellence for staff leasing companies in Switzerland. As an employers' association, swissstaffing represents the interests of its 450 members in matters of policy, the economy and society. swissstaffing is a social partner of the CBA on Staff Leasing, the agreement covering more employees in Switzerland than any other.

**Studies on temporary workers and staff leasing companies in Switzerland**

The market research institute gfs-Zürich completes regular surveys on behalf of swissstaffing. The current studies can be found by clicking on [this link](#).