

Recruitment Agencies in Switzerland 2018

How they tick.

What they do.

How they see themselves in the future.

Description of methods

On behalf of swisstafing, the market research institute gfs-zürich invited 308 recruitment agency executives to participate in a combined online and telephone survey. The survey was conducted in Fall 2018. 129 managers took part in the survey. Therefore, the return quota for surveys is 42%, which is high for a voluntary survey. swisstafing wrote to the managers of all its member companies.¹ In view of the high number of surveys returned and a response quota of approximately 17% across the entire industry, the responses are representative for the staffing industry in Switzerland.²

¹ The number of managers approached is less than the total number of member companies since some managers belong to several recruitment agencies in Switzerland. Sometimes, their branch offices represent a legally independent company.

² As is customary for surveys, certain distortions of their representative nature cannot be excluded. According to general experience, managers of large companies, for example, participate less often for reasons of time. Questions about professional ethics may also be more pronounced than in the industry overall.

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Executive Summary

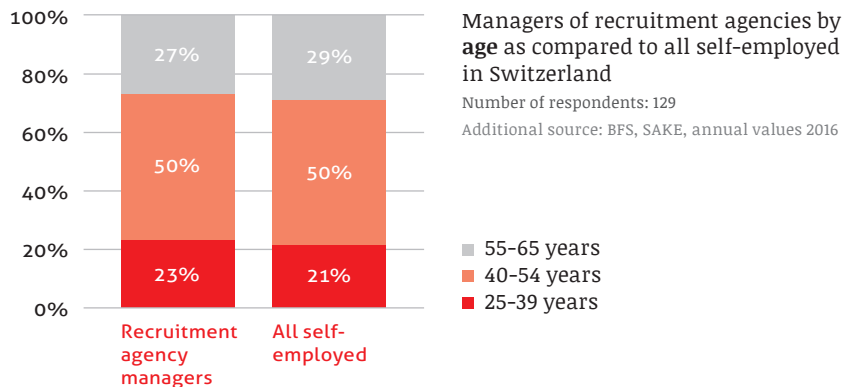
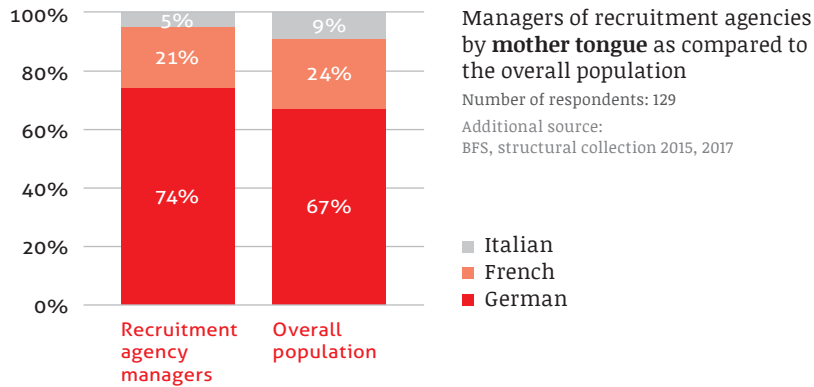
The staffing industry is characterized by small and medium-sized companies. 82% of the approximately 800 recruitment agencies in Switzerland have total revenue of less than CHF 20 million per year. At three-quarters of the companies, management is in the hands of the owner, who is personally responsible for the success and failure of the company. Whether owner or CEO, with the management of a company, the managers are fulfilling their dream of independence and they stand behind their services with passion: bringing people seeking jobs and employers together so that they fit perfectly. For 85% or 75% of respondents, it is important for their work as manager of a recruitment agency to assist companies with recruiting and help people in their search for jobs.

Recruitment agencies in Switzerland employ approximately 5,000 personnel consultants, who place 340,000 temporary workers in paid jobs each year. By contrast, public employment offices have 2,700 employees including administrative personnel. This indicates that with its personnel resources and placement expertise, the staffing industry makes a valuable contribution to the exploitation of domestic potential and the functionality of the Swiss employment market – a key function that has recently been threatened by attempts at political and social restrictions.

Digitalization advances the staffing industry. Strong competition and the prevalence of medium-sized companies make costly innovations difficult, so it's no wonder that high costs are the most frequent reason why a digitalization project is not implemented. Nevertheless, approximately 60% of companies have initiated such a project in the last 5 years. However, core corporate processes are digitalized at only 49% of companies. Despite the low degree of digitalization, companies remain competitive because the personal contact network with companies and employees is the decisive factor for recruiting and customer acquisition. With increasing digitalization, it will become ever more difficult to succeed on the market without technical innovations.

As specialists in the perfect placement of personnel, the managers of staffing companies have a sense of current developments in the employment market. A lot has been written in recent years about a future with fewer jobs and increasing unemployment. The managers of recruitment agencies see this differently: only 22% believe there will be increasing unemployment, 17% in the rental and placement of robots. According to staffing industry estimates, people will still play a central role in tomorrow's economy. In the process, workers in Switzerland can be sure that in phases of structural upheaval, the recruitment agencies will stand by their side with their coaching and placement expertise, as also in times of recovery.

Dr. Marius Osterfeld
Dübendorf, January 2018



1. Profile of recruitment agency managers

1.1. Profile

Who are the people at the approximately 800 recruitment agencies in Switzerland? The managers come from all over the country. The language distribution among swissstaffing's members corresponds to the language distribution in the overall population. This also shows that with regard to its member structure, swissstaffing is a national industry association.

On average, the managers are 49 years old and they have been employed in the industry for 18 years. Only 17% of those surveyed have less than 5 years' industry experience. Thus, the managers of a recruitment agency generally have many years' experience in the industry and they can incorporate this expertise into the management of their companies.

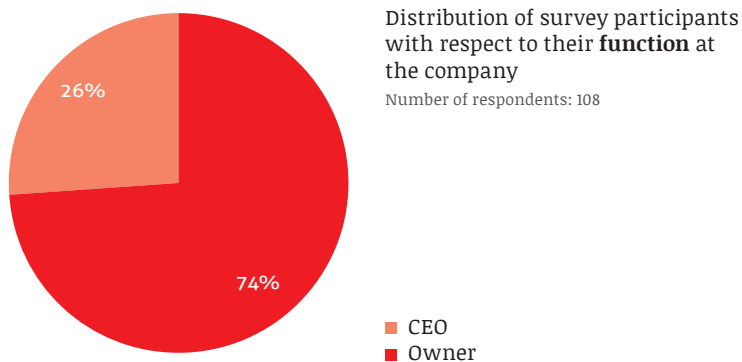
With a 78% share, the majority of staffing companies are managed by a man. As compared to all self-employed people in Switzerland, the share of men in management is thus slightly higher.



1.2. Function at companies

74% of the managers are also the owner of their recruitment agency. These owner-operated companies exemplify the social ideal of the entrepreneur, who does business on his own account and personally tends the business of his company. With their name, the owners represent the successes and failures of their company and bear responsibility personally.

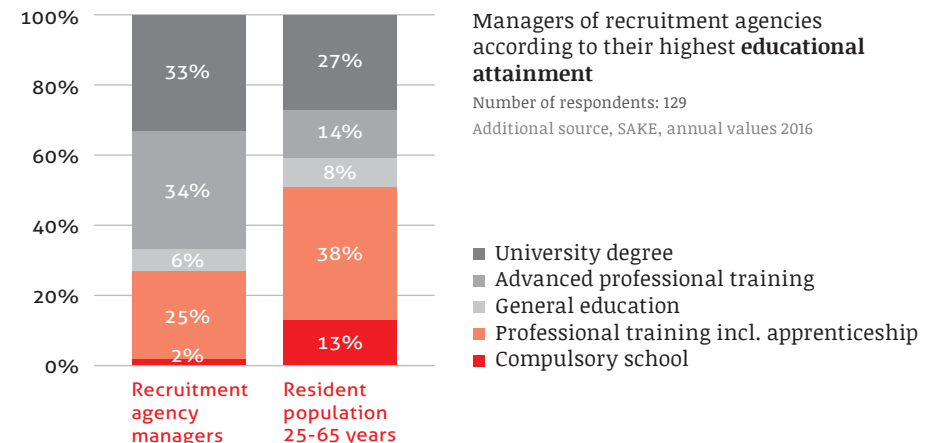
Approximately one-quarter of the recruitment agencies are managed by a CEO who is entrusted with management by the shareholders. Such an organizational form is beneficial for larger recruitment agencies. Half of the operations with CEOs have a network of three or more branch offices across Switzerland. For companies with one or two branch offices, the share with CEO is just 14%. The increased management complexity is an essential reason for entrusting the management of a larger company to a CEO. Furthermore, the local branch offices of international corporate groups are managed by a CEO. As exchange-listed companies, they are in the spotlight and subject to strict compliance regulations and corporate social responsibility.



1.3. Education

The managers of a recruitment agency generally have a professional education. One-quarter have completed professional training; another one-third have attained advanced professional training. These figures reflect a frequently-reported anecdotal career path of personnel consultants. Before joining the staffing industry, many complete training in the industry in which they later work as personnel consultants. Thanks to this professional background, they are expert at making contact with hiring companies, they know what they are talking about, and can place the requested workers expertly.

One-third of the managers have earned a university degree. On the one hand, many managers have acquired the business and legal skills for managing a company in the course of their studies. On the other hand, this share reflects the development of the industry toward the placement of highly-qualified workers. Personnel consultants in growth sectors such as IT, finance & accounting, as well as life science, pharma, and chemistry have generally earned a degree in these subjects. Without this qualification, they would not have the specialized knowledge required for discussions with the responsible individuals at the companies.



Managers of recruitment agencies and their **motivation** for working in the staffing industry

Number of respondents: depending on the variable, between 116 and 128

	1 very low	2	3	4	5 very high
Personal motives					
Independence	2%	4%	6%	29%	59%
Ability to implement a business idea	1%	5%	12%	29%	53%
Contact with people	2%	2%	15%	27%	54%
Social esteem	13%	15%	24%	25%	23%
Continuing the family tradition	70%	8%	7%	6%	9%
Material motives					
Good earning potential	4%	9%	33%	37%	17%
Job search	67%	9%	7%	9%	8%
Professional ethics					
Contribution to society	5%	9%	21%	38%	27%
Assistance with job search	2%	10%	13%	30%	45%
Fair working conditions & wages	2%	2%	17%	25%	54%
Helping companies with recruiting	3%	2%	10%	28%	57%
Advising on professional career	1%	6%	20%	32%	41%

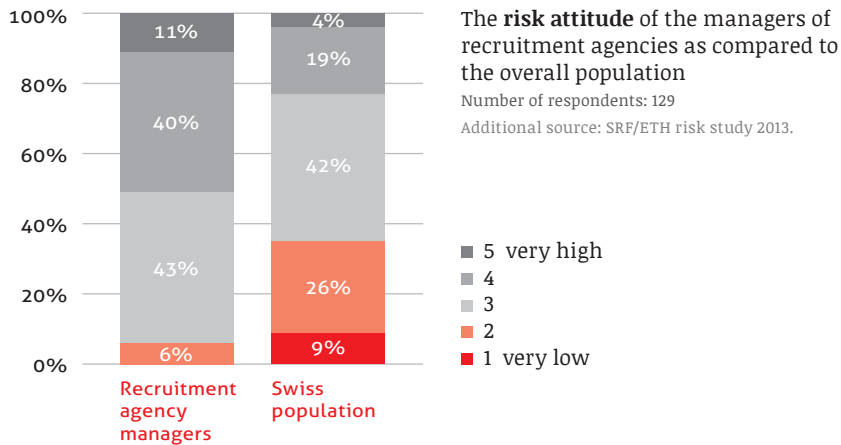
1.4. Managers' motives

A profession is frequently also a calling. This is the experience of recruitment agencies in daily contact with temporary workers. But what motivates the managers of recruitment companies in Switzerland? The survey provides insight into the minds of owners and CEOs. Here, three categories of motives can be distinguished: personal motives, material motives, and professional ethics.

The ranking of the various motives indicates that the managers of recruitment agencies are first and foremost entrepreneurs. They want to be independent and use self-employment to implement their business ideas in practice. Here, contact and exchange with people are the focus of their entrepreneurial activity.

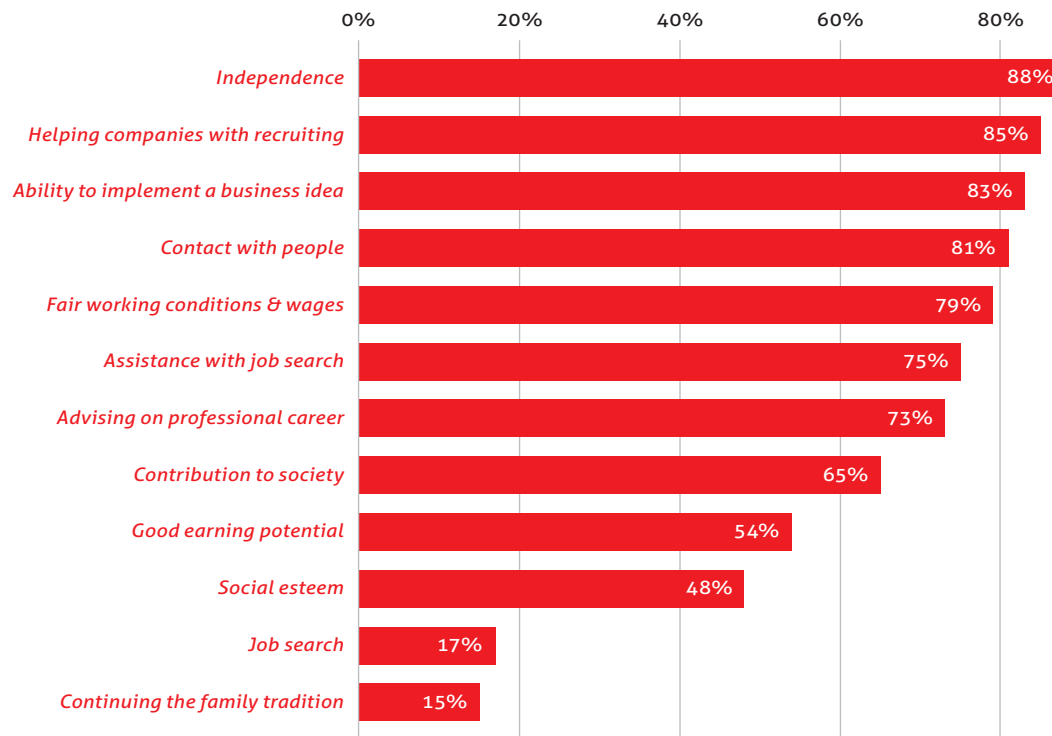
In addition to these personal motives, professional ethics is an important source of motivation for managers. For 85% of managers it is central to be able to assist with recruiting. For 79% of managers it is important to advocate for fair working conditions and wages, and 75% of managers believe that assisting job-seekers is important. With this motivation, the managers also make a valuable contribution to the functionality of the Swiss employment market and society overall.

Material motives such as good earning potential and the search for a job play only a subordinate role. However, these motives should not be regarded as unimportant. As the survey shows, for example with regard to earning potential, this is relatively important to very important for the large majority. Material security is thus not the central motivation for the managers, but rather a prerequisite.



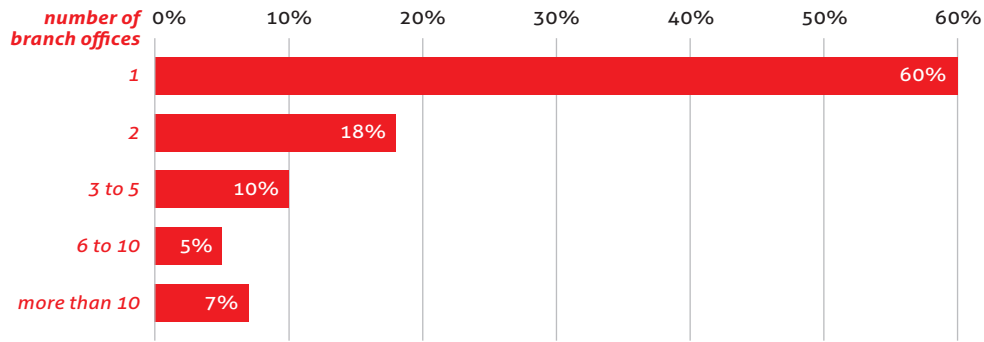
1.5. Risk behavior

A readiness to assume risk is an indispensable part of being an entrepreneur. The assumption of liabilities and making of big investments is faced with an uncertain course of business. Therefore, it's no wonder that the managers of recruitment agencies are much more risk-friendly than the average Swiss. While in the SRF/ETH risk study 2013, 23% of the Swiss population claimed to be risk-friendly or very risk-friendly, at more than 51%, this figure is more than twice as high among the managers. Curiously, in the swisstaffing survey, only 11% of the managers claimed to be very risk-friendly. This shows that the owners and CEOs happily assume risks, but only to a certain extent.

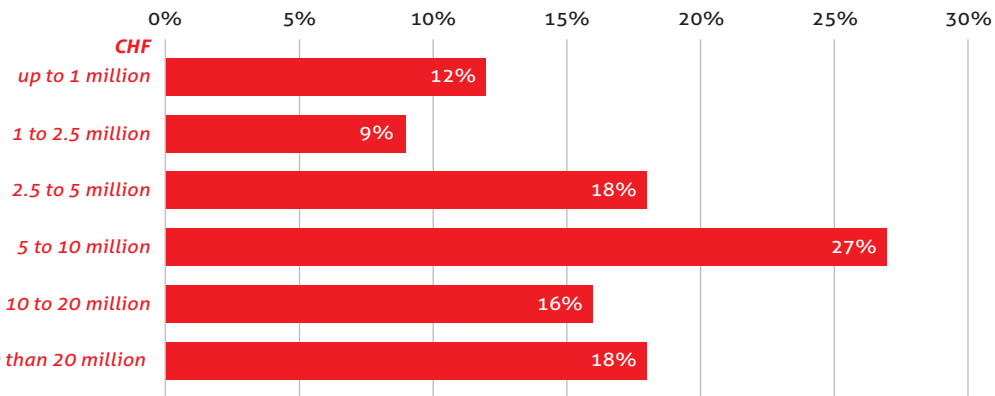


Ranking of the motives for working in the staffing industry

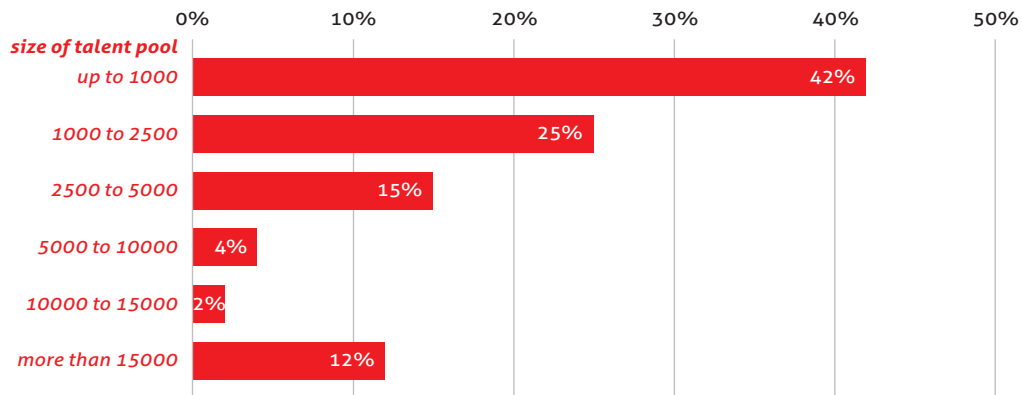
Scale values 4 & 5 together
 Number of respondents: depending on the variable, between 116 and 128



swisstaffing member companies by size of their **branch office network**
Number of respondents: 129



swisstaffing member companies by their **revenue**
Number of respondents: 120



swisstaffing member companies by the size of their **talent pool**
Number of respondents: 129

2. The recruitment agencies' corporate structure

2.1. Network of branch offices, revenue, and applicant pool

The staffing industry is characterized by small and medium-sized companies. 78% of swisstaffing's member companies have one or two branch offices. 7% of the members have more than 10 locations. As small and medium-sized companies, the recruitment agencies are firmly rooted in their regions and they assist local companies with short-term personnel requirements.

The corporate environment in the staffing industry, which is characterized by small and medium-sized companies, is also evident from the distribution of members' revenues. 67% of the companies surveyed had revenue of less than CHF 10 million in 2016. Here it must be considered that these revenue figures include wage payments to temporary workers including all social insurance contributions. Overhead and personnel costs, as well as any margin, represent only a fraction of this revenue. In contrast to the small and medium-sized companies are the large players. 18% of swisstaffing's members recorded annual revenue of more than CHF 20 million in 2016; these include the Swiss subsidiaries of large international staffing companies.

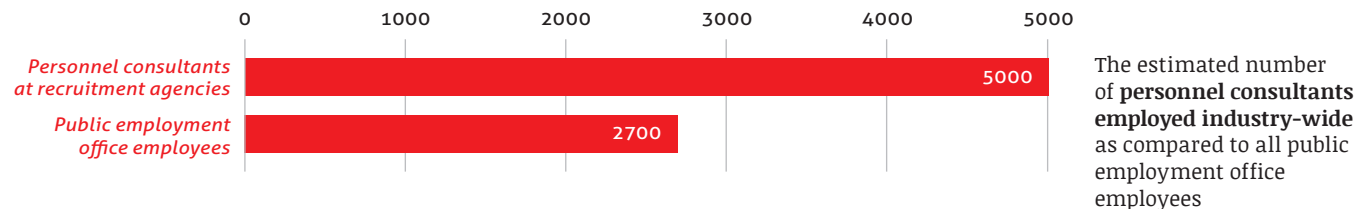
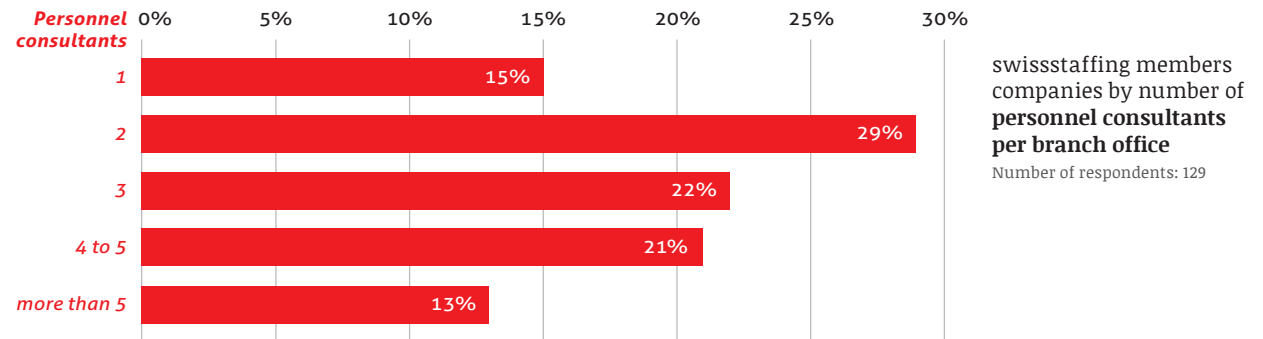
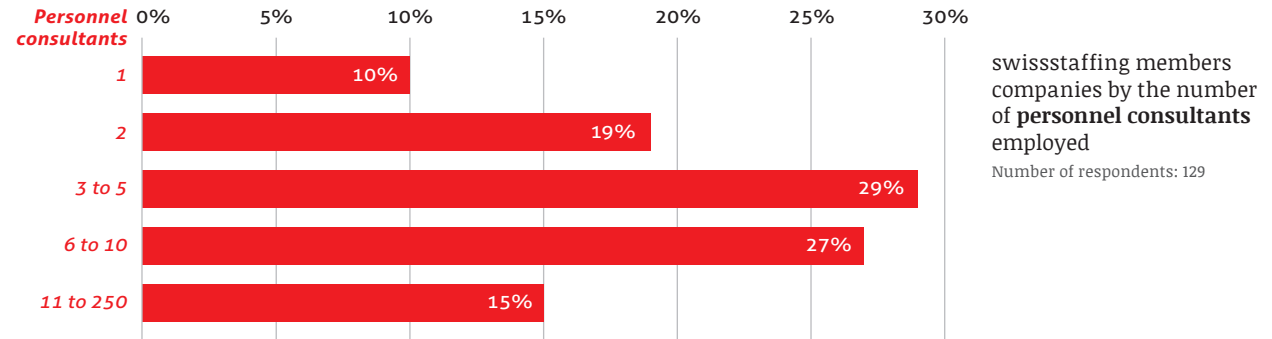
The heart of a successful recruitment agency is its applicant pool. Due to personnel requirements, which often arise on short notice, temporary agencies continually recruit new applicants. This allows them to place qualified workers at the companies that need them within days. For the large majority of member companies, the candidate pool includes 1,000 or fewer applicants. 14% of members can access more than 10,000 applicants on short notice.

2.2. Personnel consultants employed

Short-term placement of personnel is the core service of a recruitment agency. Despite increasing digitalization in the industry, personnel consultants play a central role in providing this service. 58% of swisstaffing's member companies employ up to 5 personnel consultants. 15% of members employ more than 10 personnel consultants. At the largest participating company, there are 250.

At 87% of swisstaffing's member companies, personnel consultants work in office teams of up to 5 people. This suggests that regardless of the size of a recruitment agency, the teams are small and enable close, personal cooperation. However, precisely because the teams are small, it is easy for personnel consultants to lose perspective on the market, which is where market indicators such as the Swiss Staffingindex come into play. In the volatile staffing industry, these indicators offer personnel consultants an impression of how the company or the branch office is developing as compared to the overall market.

Starting with an average number of 5 personnel consultants per company and taking into account the large companies, given the 800 recruitment agencies in Switzerland, it is safe to assume that there are a total of 5,000 personnel consultants. In comparison to the approximately 2,700 employees who work at public employment offices according to Seco's estimates, the sheer number of personnel consultants in the staffing industry is nearly twice as high as in public personnel placement. This shows that due to its extensive personnel resources, private job placement makes an important contribution to the exploitation of domestic potential in Switzerland.³



³ In the survey, the recruitment agencies were asked explicitly about the number of personnel consultants. In the Seco report "Wirksamkeit und Effizienz der öffentlichen Arbeitsvermittlung" ["Effectiveness and efficiency of public work placement"], it is estimated there are 2,700 employees at public employment offices. This figure includes the administrative personnel and is thus only partially comparable to the figures for the staffing industry.

Additional source: Seco, «Wirksamkeit und Effizienz der öffentlichen Arbeitsvermittlung,» 2016

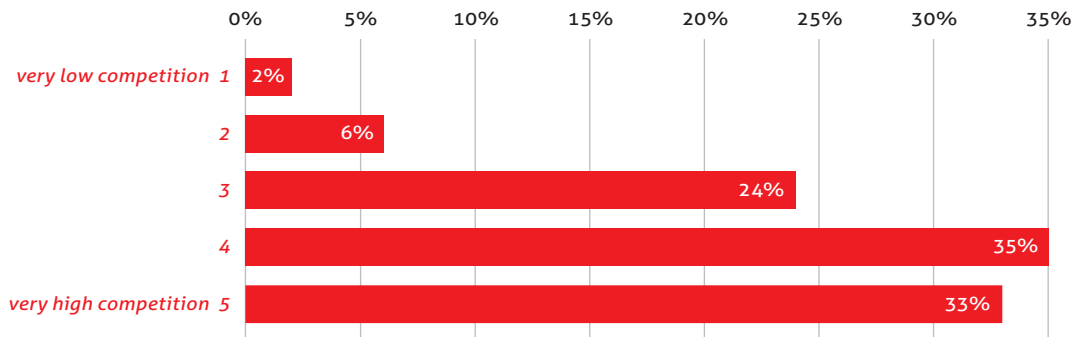
2.3. Competitive situation

In Switzerland, the staffing industry is a competitive market with many regional and national actors. According to figures from the Swiss Federal Statistical Office, there are approximately 800 companies whose main business is temporary employee placement. According to swissstaffing's estimates, the six largest recruitment agencies account for a market share of just 25%. The high number of competitors and the low market concentration speak in favor of stiff competition. Added to this: provider changes are easily possible on the volatile temporary market and hiring companies can obtain comparative bids without a lot of effort.

swissstaffing's member companies regard the competitive situation on the market as intense. Two-thirds of the managers specify that the competition for their companies is stiff or even very stiff. One-quarter regard themselves as subject to relatively strong competitive pressure. Only 8% of the companies are, according to statements by their managers, subject to little competitive pressure and have found a niche in order to escape the competition, at least temporarily. Due to the comparatively small scaling effects⁴, new competitors can penetrate a former niche relatively quickly.

swissstaffing member companies by the way their managers perceive the competitive situation

Number of respondents: 125



⁴ Here, scaling effects are cost benefits that arise due to the company's size. Since the operation of a recruitment agency requires hardly any machines or such, new entrants and small recruitment agencies can quickly become competitive. Services such as salary accounting and special software solutions for the industry can be purchased. One financial obstacle for establishment of a recruitment agency are the deposits that must be made with the state for the hiring permit.

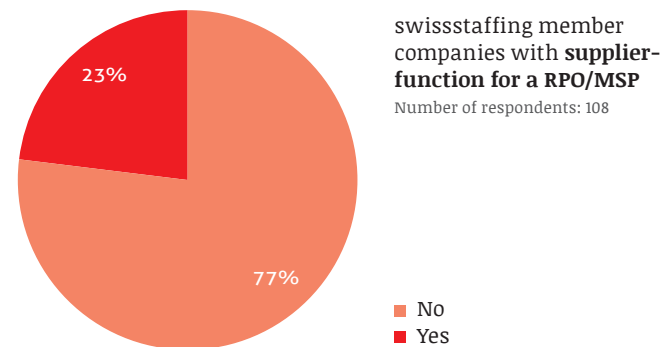
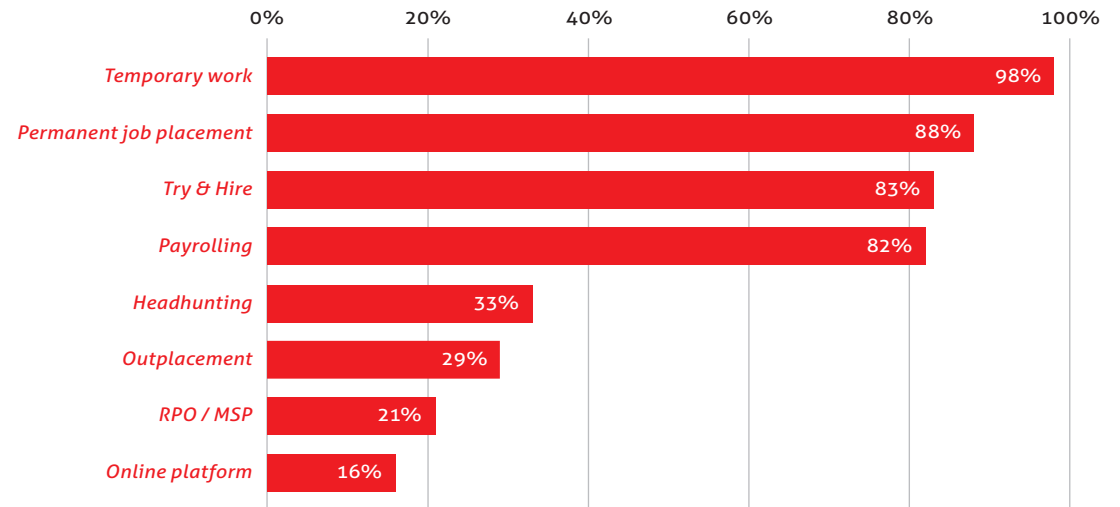
3. Recruitment agencies' service offerings

In the past 30 years, the staffing industry has undergone enormous change. If at the beginning of the 1990s the main business was placing temporary employees, an increasing need for flexibility, specialized workers, and digitalization have resulted in fundamental change, which is still ongoing. Out of the recruitment agencies have come staffing companies that provide their customers with extensive HR services.

The industry's development is reflected in the services that swisstaffing's member companies offer. Now as before, placement of temporary employees is the members' core service. 98% of the companies surveyed offer this service. 88% of the companies provide permanent job placements as a part of their range of services. In addition to these two core services, with try & hire and payrolling, two mixed forms between temporary and permanent job placement have been established; these are an unmistakable sign of the development of recruitment agencies into staffing companies.

In the course of try & hire, a company can initially employ somebody temporarily for three months, then after this get-to-know-you phase, hire the employee at the company without a placement fee. 83% of swisstaffing's member companies count try & hire among their services. With this offering, recruitment agencies are building valuable bridges to the world of work. In particular, for applicants who want to change industries, who have gaps in their resumes or who do not yet have all the required skills, try & hire opens up new opportunities on the employment market.

swisstaffing member companies with their **service offerings**, double-counting possible
Number of respondents: 125



82% of the recruitment companies offer their customers payrolling. For a slim margin, with this service the recruitment agency assumes responsibility for paying part or all of a company's staff and also accounts for all social insurance contributions. An important benefit for customers: included in the package are all HR services for the staff, such as assisting an employee in case of illness or accident. The example of payrolling demonstrates how companies in the industry have developed into comprehensive staffing companies.

The two relatively new services Recruitment Process Outsourcing (RPO) and Managed Service Provision (MSP) are the further logical development of comprehensive personnel consulting. Approximately 21% of member companies are active in this sector. In the course of RPO, the recruitment agency takes over particular parts of the recruiting process – for example, pre-selecting incoming applications, conducting the initial round of interviews or creating assessment centers. If a recruitment agency takes over the entire management of a company's flexible workforce, the industry speaks of Managed Service Provision (MSP). This future-oriented service represents the most extensive HR outsourcing to a staffing company. From the selection of the recruitment agency to the final placement of workers, the staffing company is responsible for each HR step for the flexible workforce. While today there are only a few full-service MSPs in Switzerland, digitalization will likely reduce the cost of this service and make it more feasible for customers. Thanks to both developments, new customer groups for this service are anticipated in the coming years.

As specialists for personnel questions, one-third of the recruitment agencies assist their customers with the greatest challenges in the HR sector: they act as headhunters for their customers, searching for rare specialists or assisting employees who have been let go with outplacement during the search for a new job, including determination of location, coaching, and placement services.

In the future, online platforms and crowdsourcing will be engines of job development and will likely level out the path toward the so-called gig economy. The word "gig" comes from the music scene, where artists receive their fee after a short appearance in a club and then continue to their next customer. Uber and Airbnb are examples of these forms of work. However, recruitment agencies have already recognized the growth market of the gig economy. 16% of swisstaffing's member companies already offer online platforms for work placement. The advantage for potential employees: thanks to placement via a recruitment agency, their social contributions are completely ensured and they are protected by the GAV Personalverleih [CLA of the Swiss Staffing Industry].

4. Recruiting and customer acquisition in the staffing industry

4.1. Recruiting applicants

In order to be able to fulfill the short-notice personnel requirements of corporate customers, recruitment agencies are constantly searching for candidates. As recruiting specialists, they take advantage of all opportunities to address active and passive job seekers.

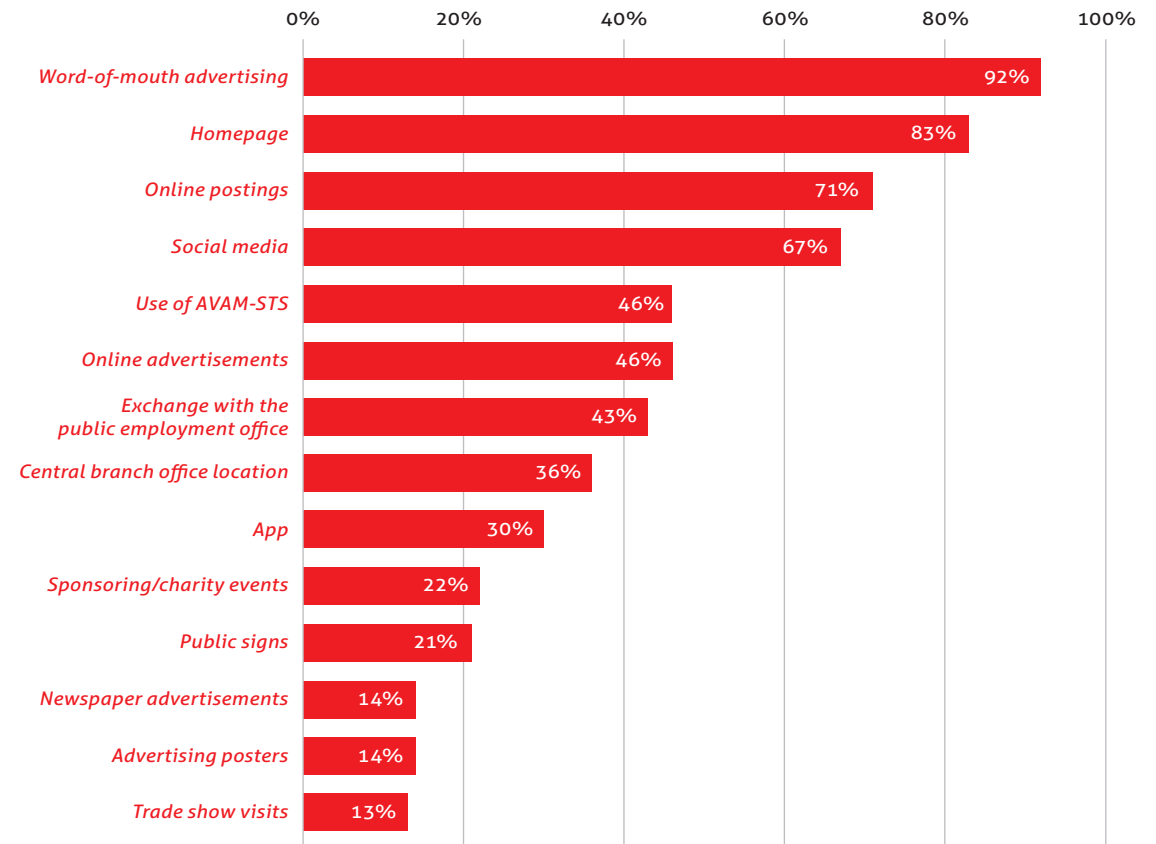
In a digital world, the online presence of recruitment agencies is crucial. For the managers, the corporate home page is the central calling card on the Internet. 83% regard the home page as signboard as important or very important. The full effect of a company's own website can only be exploited if it is embedded in a comprehensive digital recruiting strategy. In this context, 71% of the managers place job advertisements on job portals, 67% rely on the company's presence in social media, and 46% rely on online advertising. The use of a company's own app for acquiring candidates has not yet prevailed in the industry. Only 30% believe that the operation of such an app is important or very important.

Close cooperation with the public employment office is ranked highly by the managers. In particular, owners and CEOs appreciate electronic access to the public employment office's candidate pool, which is made available via the AVAM-STS portal. 46% regard access to this pool as important or very important. 43% of the managers believe direct exchange with public employment office advisors is also important or very important. The special pivotal function between private and public personnel placement is made clear by the fact that exchange with the public employment office is regarded as the most important channel for staffing companies to recruit employees after the digital recruiting possibilities.

Ranking of the most important recruiting channels for swiss-staffing member companies by estimation of their managers

Scale values 4 & 5 combined

Number of respondents: depending on the variable, between 114 and 128



The **significance** of various **recruiting channels** for swissstaffing member companies according to the estimation of their managers

Number of respondents: depending on the variable, between 114 and 128

	1 very low	2	3	4	5 very high
Digital recruiting channels					
Online postings	9%	9%	10%	20%	51%
Online advertisements	15%	22%	17%	18%	28%
Homepage	2%	3%	12%	17%	66%
App	33%	15%	22%	11%	19%
Social media	5%	11%	17%	33%	34%
Exchange with the public employment office					
Exchange with the public employment office	13%	13%	31%	18%	25%
Use of AVAM-STS	13%	19%	22%	19%	27%
Classic recruiting channels					
Word-of-mouth advertising	1%	0%	7%	17%	75%
Newspaper advertisements	38%	30%	18%	11%	3%
Public signs	37%	20%	22%	13%	8%
Advertising posters	42%	30%	14%	9%	5%
Central branch office location	27%	17%	20%	22%	14%
Trade show visits	36%	30%	21%	10%	3%
Sponsoring/charity events	18%	32%	28%	15%	7%

Thus, classic possibilities for personnel acquisition are almost insignificant for recruitment agencies today: the managers attribute the greatest significance to having a central branch office location. 36% believe having such a location is important or very important. In the central location, generally attention is drawn to current job openings with public signs; 21% of those surveyed believe these are important or very important. Fewer than 15% of managers rely on newspaper advertisements, advertising posters, and trade show visits. 82% of member companies use sponsoring or charity events to make candidates aware of them, but only 22% believe this channel is important or very important.

The good reputation of the recruitment agency hovers over all recruiting channels. Here, the managers' opinions are unanimous. 92% are certain that recommendations from (former) temporary workers are the most important key for recruiting new candidates. Fair and good working conditions and job placements are a pillar of the long-term success of a recruitment agency, since this is how new talent can be attracted.

4.2. Acquisition of corporate customers

According to the managers' estimation, recommendations from existing customers and the personal contact network are crucial for acquiring new corporate customers. For 97 or 96%, this path to acquiring new customers is important or very important. This is followed by the homepage as calling card on the Internet (71%) and the availability of rare specialized workers (68%).

In addition to these four possibilities for new customer acquisition, the managers rely on different ways of coming into contact with new customers. Many managers use the possibilities of the digital world. 49% consider digital services important or very important for customer acquisition. 40% rely on advertising via social media, and 27% or 26% still try to position themselves on the market with online advertising or the operation of an app.

The industry uses many classic paths to make contact with new corporate customers: one-third of the recruitment agencies try to approach potential business partners with the company's new services. For 41% of the recruitment agencies, cold-calling customers plays an important or very important role. 43% believe having a branch office near customers is important. Surprisingly, this geographic proximity appears to be more important for acquiring corporate customers than for recruiting candidates.

Only slight value was ascribed to sponsoring, charity events, and trade show visits. Fewer than 20% of the managers believe these are important or very important. Interestingly, price also does not seem to be the decisive element for customer acquisition. Just one-quarter of the managers believe this is important or very important. Given the stiff competition on the staffing market, this insight initially seems surprising. On the other hand, it shows that, given stiff competition, the companies must distinguish themselves from their competitors through characteristics other than price.

The **significance** of various **channels for customer acquisition** by recruitment agencies according to their managers' estimates

Number of respondents: depending on the variable, between 114 and 129

	1 very low	2	3	4	5 very high
Digital services					
Homepage	2%	8%	19%	27%	44%
Digital services	14%	11%	26%	23%	26%
Social media	10%	20%	29%	24%	16%
Online advertisements	24%	21%	29%	16%	10%
App	34%	21%	18%	12%	15%
Product differentiation					
New services	24%	19%	24%	20%	13%
Rare specialized employees	7%	8%	17%	27%	41%
Low price	17%	22%	39%	15%	7%
Classic methods of customer advertising					
Contact network	0%	0%	4%	12%	84%
Word-of-mouth advertising	0%	0%	3%	16%	81%
Cold-calling	19%	13%	27%	21%	20%
Trade show visits	35%	25%	27%	7%	6%
Sponsoring/charity events	24%	31%	27%	8%	10%
Central locations	22%	14%	20%	26%	18%

5. Recruitment agencies in the age of digitalization

5.1. Goals of the digitalization projects

Digitalization advances the staffing industry. 61% of recruitment agencies have implemented a digitalization project in the last 5 years. The technical possibilities are being used to improve the added value of the existing service and optimize internal processes. With a digitalization project, 82% of the managers are pursuing the goal of increasing added value for corporate customers. 75% would like to be more attractive to temporary workers and 80% would like to digitalize internal processes.

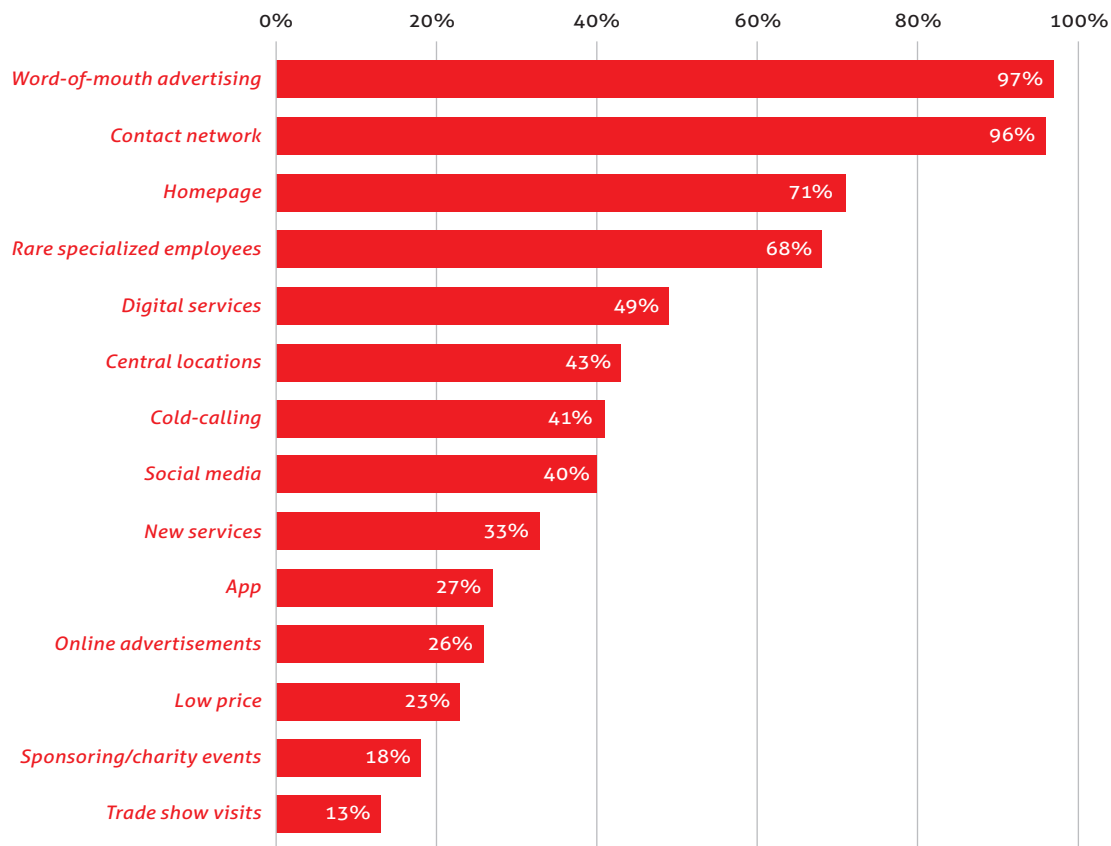
In order to increase added value for corporate customers and temporary workers, recruitment agencies rely in particular on additional digital services such as the development of apps, electronic time recording, and paperless applications. For 72% of the managers, this is an important or very important goal with respect to the planning of digitalization projects. The offering of entirely new digital services is important to half the managers; only one-third of the managers believe that there will be a complete restructuring of the existing business model. The construction of online placement platforms and new recruiting tools are examples in this area.

Big Data and HR consulting are two important growth markets where staffing agencies can position themselves as recruiting specialists. For the planning of their digitalization projects, the managers therefore try to take advantage of the new technical possibilities to collect market information.

Ranking of the most important channels for customer acquisition for recruitment agencies according to their managers' estimation

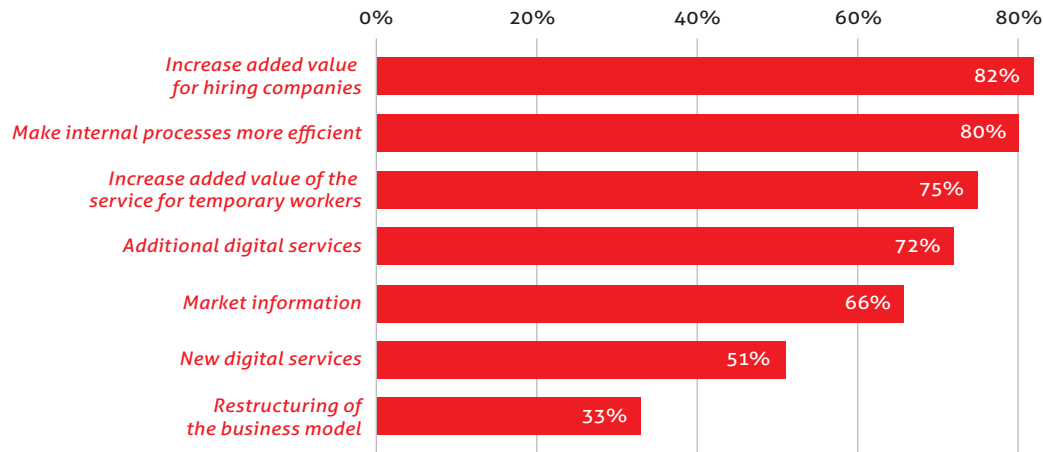
Scale values 4 & 5 combined

Number of respondents: depending on the variable, between 114 and 129



Ranking of the most important goals for digitalization projects for recruitment agencies according to the estimation of their managers

Scale values 4 & 5 combined
 Number of respondents:
 depending on the variable, between 117 and 122



The **significance** of various goals for digitalization projects for recruitment agencies according to their managers' estimation

Number of respondents: depending on the variable, between 117 and 122

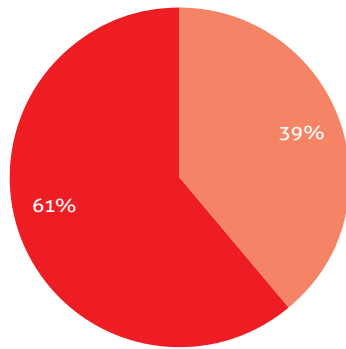
	1 very low	2	3	4	5 very high
Provision of new services					
New digital services	7%	16%	26%	29%	22%
Additional digital services	1%	7%	20%	40%	32%
Restructuring of the business model	14%	22%	31%	26%	7%
Market information	2%	11%	21%	37%	29%
Improvement of the service quality					
Increase added value of personnel placement for hiring companies	2%	2%	14%	39%	43%
Increase added value of personnel placement for temporary workers	2%	8%	15%	38%	37%
Make internal processes more efficient	0%	8%	12%	26%	54%

5.2. State of digitalization at recruitment agencies

In the complex world of the employment market, the symbiosis of human and machine at recruitment agencies is a reality. The maintenance of personal contacts and the perfect matching of candidate and open job requires personnel consultants; their role as listeners, coaches, and service providers can hardly be automated. On the other hand, computers can help personnel consultants with their daily work. An example is a wage system that maps the complex Swiss employment market with all generally-applicable collective bargaining agreements. With most industry software programs, it is currently not possible to print an employment contract that does not comply with Swiss employment law.

The interplay of human and machine is reflected in the managers' responses about their degree of digitalization. At 60% of companies, frequent manual entries in the computer system are necessary. Personal contact with hiring companies and temporary workers is of great significance to 95% of respondents. With respect to digital infrastructure, 58% of recruitment agencies are networked with one another via various software systems. At half of the companies, the core corporate processes are largely automated.

The picture is mixed with respect to data evaluation. While ongoing business is monitored in real time at 60% of the recruitment agencies, the digital possibilities for obtaining regular employee and customer feedback are used by just 40% of the companies.



swissstaffing member companies that have implemented a **digitalization project** within the last 5 years
Number of respondents: 129

The situation of swissstaffing member companies with respect to their **degree of digitalization** according to their managers' estimation

Number of respondents: depending on the variable, between 125 and 128

	1 very low	2	3	4	5 sehr stark
Digitalization of core company processes					
Company's core processes are automated	5%	14%	32%	32%	17%
Software systems are connected via interfaces	6%	13%	22%	28%	31%
Digitalization of the application process	8%	13%	32%	27%	21%
Reporting of personnel requirements via IT interfaces	16%	14%	24%	22%	24%
Digital corporate communication plays an important role	6%	15%	28%	30%	21%
Business Intelligence					
Monitoring of the current business figures in real time	9%	8%	23%	26%	34%
Digital customer and employee feedback for corporate development	10%	22%	25%	19%	24%
Analog corporate activity and employee development					
Manual entries are frequently required	2%	17%	21%	45%	15%
Personal contacts play an important role	1%	0%	4%	15%	80%
Development of employees' digital capabilities	7%	19%	30%	27%	17%

5.3. Reasons for the failure of digitalization projects

At 48% of the recruitment agencies, the costs of a digitalization project are the most frequent reason for its failure. Given the stiff competition on the staffing market, this is not surprising. Slim margins make it difficult to implement costly innovation ideas.

At just one-third of the companies, a project was not pursued because either the corporate customers or the temporary workers do not have the technical infrastructure to be able to use the digital services. In some cases, the required basic conditions are also lacking on the part of legislators. Electronic signatures, digital access to authorities, and a practical identification process on the Internet are central keywords. However, digitalization is also a challenge within companies. One-quarter of the digitalization projects fail due to lacking technology or the required internal expertise. Cooperation with a suitable business partner in the IT world can be the solution to such challenges. In practice, this appears to work. Only 14% of managers have had to discard a digitalization project because they did not find a suitable partner.

A lacking impulse for innovation cannot be confirmed at recruitment agencies. Only every tenth manager dispenses with a digitalization project for want of a suitable idea. Only every fifth manager believes the project considered does not make sense.

5.4. Who digitizes how?

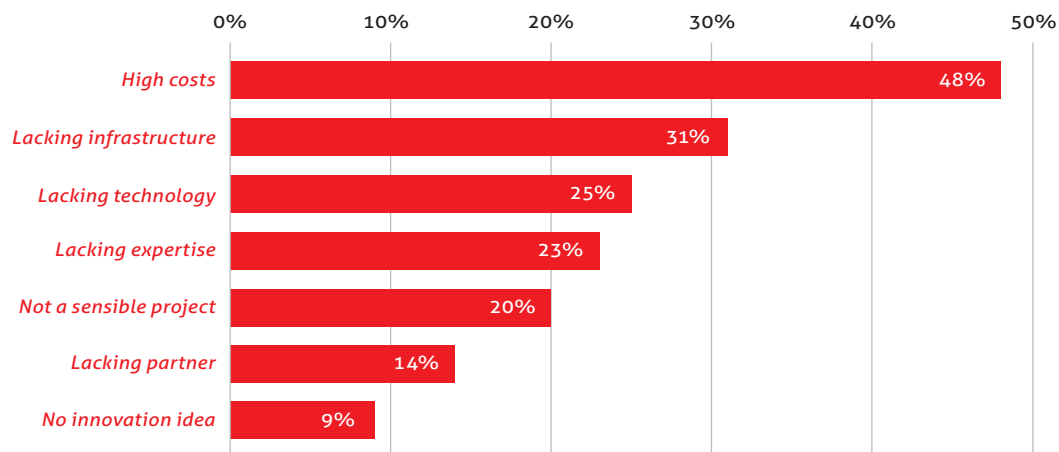
Economic methods provide a more precise look at the survey's data. In order to better understand the innovation dynamic in the industry, it is worthwhile to take another look and understand which management innovations advance which goal(s).⁵

61% of the recruitment agencies have implemented a digitalization project at their company in the last 5 years. A more precise analysis shows that with risk-friendly managers, it was much more likely that they implemented a digitalization project. In addition, the risk-friendly managers more frequently pursued the goal of establishing new business models. Therefore, it is also true in the staffing industry that risk-friendly entrepreneurs are important innovators who advance the economy and the industry.

Digitalization is a challenge for small and medium-sized companies. In the last five years, they initiated digitalization projects much less often. Given this background, the much lower degree of digitalization of core corporate processes is hardly surprising. Processes are digitalized at small and medium-sized companies much less often than at larger recruitment agencies with revenue of more than CHF 10 million. Especially challenged are companies that also believe they are subject to stiff competitive pressure. Lacking profits make the implementation of costly projects that could make the company fit for the future more difficult.

Ranking of the most important reasons for the failure of digitalization projects for recruitment agencies by their managers' estimation

Scale values 4 & 5 combined
Number of respondents: 129



⁵ From here on, only influences will be discussed that have a statistically significant influence with a certainty of at least 15%. With the other influences, it cannot be excluded with sufficient certainty that they do not arise due to accidental fluctuations in the dataset.

The **effect** of managers and company characteristics **on the state of a company's digitalization** and the goals of the digitalization projects implemented

Explanatory characteristic	Implementation of a digitalization project in the last 5 years	Degree of digitalization of core corporate processes (Scale values 4 & 5)	Digitalization goal: Restructuring of the business model (Scale values 4 & 5)	Digitalization goal: additional, digital services (Scale values 4 & 5)
Characteristics of the manager				
Over 50	+++*	+++*	o	+++*
Woman	++	-	--	-
University degree	++++**	o	o	o
Very risk-friendly (scale values 4 & 5)	++*	+	++++**	+
Company characteristics				
Very stiff competition (scale value 5)	--**	++	++	o
Incorporation of customer/employee feedback (scale values 4 & 5)	o	++*	++++**	++++**
High costs as frequent reason for failure	o	o	+	+++*
Small and medium-sized companies (revenue < CHF 10 million)	--**	----**	o	-
Number of respondents	119	118	118	112

Notes:
Estimates rely on linear probability models with a 0/1 variable as dependent variable.

The characters from three «-» over «O» to three «+» indicate the likelihood that a characteristic affects the dependent variable from the headline.

The asterisks * stand for significance levels of 15 (*), 10 (***) and 5% (***). Standard deviations were bootstrapped with 1000 iterations.

Managers with a university degree initiate digitalization projects more frequently. Their companies, by contrast, have neither a higher degree of digitalization of core processes nor do they more frequently attempt to fundamentally change the business model through digitalization or to offer additional digital services. Owners and CEOs with a university degree are thus the drivers of digitalization in the industry. With respect to their direction of impact, however, they are no different than the industry average.

Drivers of innovation are owners and CEOs who are older than 50. At their companies, digitalization processes have been initiated more frequently in the past five years. More of the older managers than average rely on the digitalization of core processes and the offering of additional services. Therefore, older managers appears to use digitalization in order to increase the added value of the core services they offer.

The costs of digitalization are by far the most frequent reason why recruitment agencies forgo the implementation of a project. Companies that name this reason for the failure of digitalization projects more frequently pursue the goal of offering additional services with technical innovations.

Successful innovation occurs in practice with a close cooperation between service provider and customer. This also applies to the staffing industry. Managers who regularly incorporate feedback from corporate customers and employees pursue innovations with a clearer purpose and have a broader perspective with respect to the goals of their digitalization projects. More often than not, they would also like to automate their core processes, offer new services or develop additional digital services.

6. Recruitment agencies look into the future

6.1. The employment world – today and tomorrow

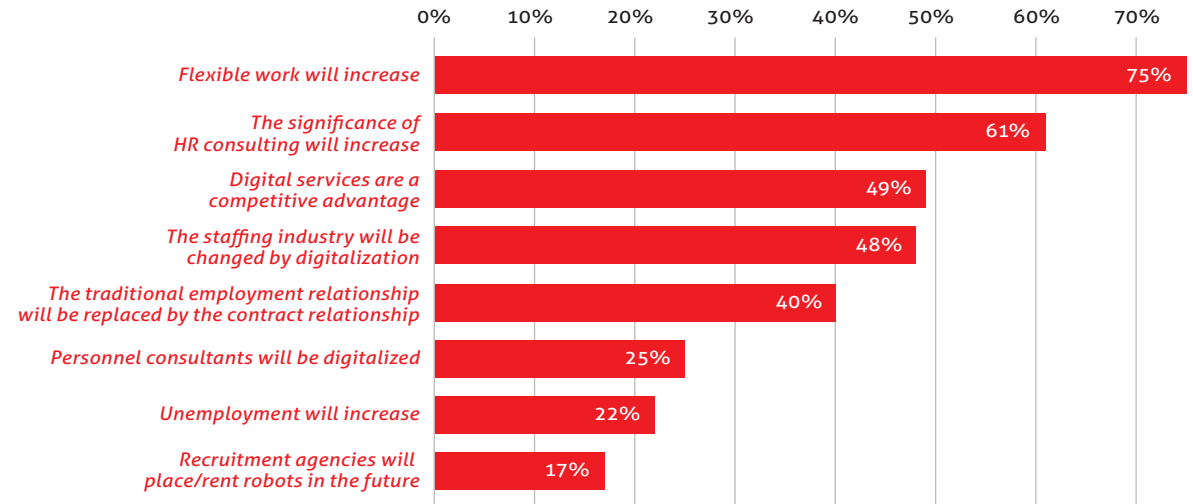
With a view to the future, the managers of recruitment agencies all agree: they believe in people and their ability to work. Despite all the gloomy predictions of future researchers and politicians of various stripes, only 22% are counting on a long-term increase in unemployment. Only 17% believe that recruitment agencies will rent robots in the future. However, from the managers' point of view, the employment world will nevertheless change. 75% of those surveyed believe that flexible work in Switzerland will increase. And 40% expect that traditional employment relationships will increasingly be replaced by contract relationships. Crowdsourcing and the gig economy in the sense of Uber and Airbnb are central keywords.

In this context, the question must be posed to what extent the gig economy has already become reality in the staffing industry. At 40% of member companies, only one-quarter of the placements or fewer are brief – up to four weeks. At another 30% of member companies, the share of brief placements is between 25 and 50%. The figures show that the majority of placements are for longer periods. However, brief placements in the sense of the gig economy are already being handled with temporary work. In contrast to other new business models and forms of work, established temporary work offers the full protection of social insurance and the personnel placement collective bargaining agreement with simultaneous flexibility.

Ranking of the most important **future employment market developments** in the estimation of the managers of recruitment agencies

Scale values 4 & 5 combined

Number of respondents:
depending on the variable, between 117 and 125

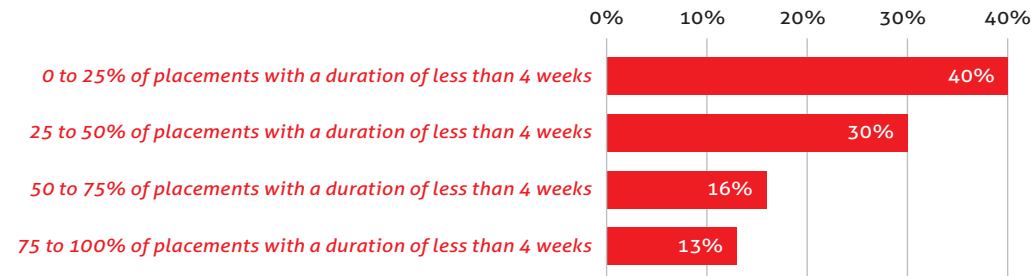


Share of the **short-term placements of less than 4 weeks** among swisstafing member companies according to details from their managers

Example of how to read the first line:

At 40% of swisstafing member companies, the share of short-term placements of up to 4 weeks is less than 25%.

Number of respondents: 129



6.2. The future of the industry

There is a difference of opinion among managers about the future of the industry. 48% of those surveyed assume that digitalization will change the industry. Thus it is not surprising that every other person sees a future competitive advantage in digital services. However, according to the managers' estimation, there will not be a complete revolution. Only every fourth person believes in a complete digitalization of personnel consulting. A possible reason for this result might be that the managers anticipate a sharp increase in HR consulting, an area in which expert personnel consultants will play a key role now as before.

Interesting is a more precise examination of which managers think how about the future of the industry.⁶ Managers who are risk-friendly believe more frequently than average in competitive advantages due to digital services. Otherwise, there are hardly any statistically significant distinctions between the managers with respect to the other characteristics. This also applies with a view to a revolution of the staffing industry and the increase of contract relationships. Members who regard themselves as subject to stiff competition from their competitors believe in sharp changes in both of these areas. Furthermore, risk-friendly managers believe especially frequently in a significant increase in contract relationships on the employment market.

The **view of the future** from the point of view of the manager of swissstaffing member companies

Number of respondents:
depending on the variable, between 117 and 125

	1 very low	2	3	4	5 very high
The future of the employment market					
Unemployment will increase	22%	24%	32%	15%	7%
The traditional employment relationship will be replaced by the contract relationship	3%	22%	35%	32%	8%
Flexible work will increase	2%	4%	19%	42%	33%
Recruitment agencies will place/rent robots in the future	42%	25%	16%	12%	5%
The future of the industry					
The staffing industry will be changed by digitalization	8%	16%	28%	25%	23%
Personnel consultants will be digitalized	22%	28%	25%	20%	5%
Digital services are a competitive advantage	5%	14%	32%	26%	23%
The significance of HR consulting will increase	0%	14%	25%	36%	25%

⁶ From here on, only influences will be discussed that have a statistically significant influence with a certainty of at least 15%. With the other influences, it cannot be excluded with sufficient certainty that they do not arise due to accidental fluctuations in the dataset.

With regard to the increasing significance of HR consulting, there are significant differences among member companies. Managers of small companies with revenue of less than CHF 10 million believe less frequently in the future of HR consulting. This also applies for companies for which high costs are the reason for the failure of digitalization projects. These figures can be understood as an indication that the introduction of services in the HR consulting sector is especially difficult for small companies, and in some cases associated with high costs. When faced with digitalization, one reason may be that Big Data will be a key tool in HR consulting, which is complex to use and especially applicable at large companies.

Furthermore, the managers over age 50 believe more strongly in a future of HR consulting, as do those companies where incorporation of customer and employee feedback is taken seriously. The latter is hardly surprising since the systematic obtaining of feedback is a basic prerequisite for entry into professional HR consulting.

The **effect** of managers' and companies' characteristics **on the managers' opinion** with regard to future industry development

Explanatory characteristic	Revolution of the staffing industry	Increase: Contract relationship	Competitive advantage: Digital service	Increase: HR consulting
Characteristics of the manager				
Over 50	o	o	+	++**
Woman	-	-	++	o
University degree	++	o	++	-
Very risk-friendly (scale values 4 & 5)	++	++++**	++++**	+
Company characteristics				
Very stiff competition (scale value 5)	++++**	++++**	o	++*
Incorporation of customer/employee feedback (scale values 4 & 5)	o	+	o	++*
High costs as frequent reason for failure	o	o	o	--**
Small and medium-sized companies (revenue < CHF 10 million)	--	o	--	---**
Number of respondents	102	107	108	105

Notes:

Estimates rely on linear probability models with a 0/1 variable as dependent variable.

The characters from three «-» over «o» to three «+» indicate the likelihood that a characteristic affects the dependent variable from the headline.

The asterisks * stand for significance levels of 15 (*), 10 (**), and 5% (***). Standard deviations were bootstrapped with 1000 iterations.

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