

Our industry increases the efficiency of labour markets, raises the competitiveness of companies and creates jobs that would not otherwise exist.

The HR industry

Lifelong employment for everyone, adapted to personal, family, generational and geographical needs and abilities is the aim of our industry. HR services companies help people find a permanent, fixed-term or temporary job as well as enhance their employability through continuous training, education and career counselling.

Market development in 2013

In 2013, the global staffing market grew approximately 2%^{1,2} to EUR 289 billion¹. Professional Staffing accounted for around 34%¹ of the market in 2013 and increased 5%^{1,2} year-on-year, while General Staffing increased by 1%^{1,2} compared to 2012 and represented 66%¹ of the global market in 2013. The USA represented the single largest market for HR services measured by revenues in 2013, with a share of approximately 34%¹, followed by Japan with 13%¹ and the UK with 11%¹. Europe as a whole represented 35%¹ of the global staffing market in 2013, whereas the Emerging Markets accounted for 10%¹.

2013 was marked by a divergence in how the major markets developed. The European markets declined in the first part of 2013 and stabilised or returned to growth towards the end of the year. Among the major European countries, France declined and Germany remained unchanged at the 2012 level, while the UK grew moderately. France and Germany were impacted by the European recession, while the UK was sustained by a more resilient economy. In the improving economic context of Japan, demand picked up only slowly, as the industry is more exposed to the late-cyclical office business; in 2013 this resulted in a market broadly unchanged when compared to the prior year. In the USA, moderate economic growth and the need for flexibility drove demand for HR solutions and services.

Competitive landscape

The global HR services market is highly fragmented and the competitive landscape varies considerably from one country to another. There were 137,300 registered private employment agencies worldwide in 2012 according to Ciett³. Among the biggest markets measured by revenues, the USA, Japan and the UK show a high degree of fragmentation. The French market, by contrast, is highly concentrated. The top three listed staffing companies dominate the French market with a combined market share of around 70%¹, measured by revenues. Looking at the global picture, the three largest listed staffing companies represent around 20%¹ of global turnover. The Adecco Group is the leading HR services company worldwide and has leading positions in Europe, North America, Asia/Pacific and Latin America.

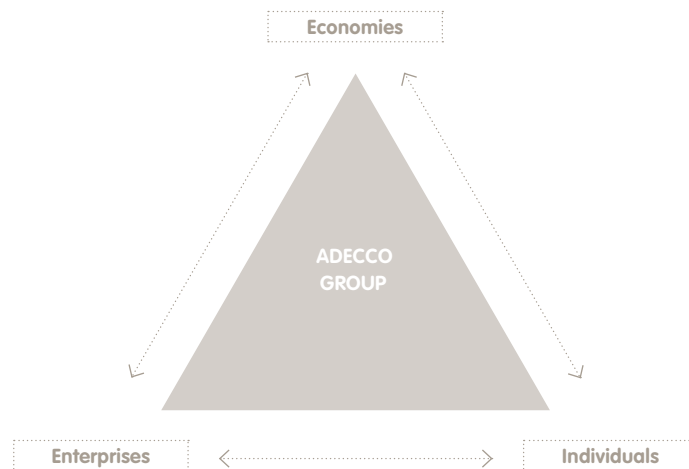
Consolidation in the staffing industry is ongoing, particularly in fragmented markets and it is prompted by several factors. First, consolidation is driven by the need of companies to better utilise economies of scale. Additionally, the trend of large multinational companies to outsource part or all of their HR processes continues and will lead to further consolidation in the industry. Partnering with a Managed Services Provider to manage a company's contingent workforce spend typically results in higher volumes for fewer suppliers. Moreover, consolidation is also driven by general staffing companies seeking a stronger foothold in professional staffing in order to diversify their product offerings and to enhance their position in this more profitable and faster-growing segment.

¹ Adecco estimate.

² In constant currency.

³ Ciett = International Confederation of Private Employment Agencies.

How HR services benefit labour markets



Our role

We are conscious of our role towards all stakeholders in the markets where we operate. We maintain a constant dialogue with employers and employees as well as with societal, governmental and business stakeholders to create more and better work opportunities for individuals worldwide. Economies, enterprises and individuals all have to face seasonal, cyclical and structural market changes and as a labour market intermediary, we help them to adapt and react to these challenges.

Economies

As an HR services company we turn available work into jobs and thereby support economic growth. Labour market transparency is increased through our deep understanding of companies' needs and people's work or education aspirations to provide the needed match between supply and demand. We increase labour market participation by enhancing employability of workers, creating new work solutions and fostering geographic and occupational mobility. As a result, our industry provides economies with the needed flexibility for increased competitiveness and sustained economic growth.

Individuals

For individuals, we offer legally recognised and regulated work opportunities, facilitate on-the-job training and enhance occupational and geographic mobility. HR services companies also create stepping-stone opportunities for under-represented groups to gain work experience and to secure complementary incomes (e.g. students, part-timers, retirees). By offering flexible work solutions we increase work options and enable workers to improve their work-life balance. Individuals benefit from a greater choice of work and from improved employability.

Enterprises

The Adecco Group offers enterprises all its HR services both locally and globally. We provide companies with flexible HR solutions to help them weather peaks and troughs in demand, thereby maintaining and increasing their competitiveness. Our expertise in workforce management and the rapidity of execution make us a valuable partner for enterprises to manage their complex workforce planning as well as risks. We also provide access to talents or improve skills of workers. Through improved flexibility, companies are in a position to protect core activities and cope with unpredictable changes in the market environment.

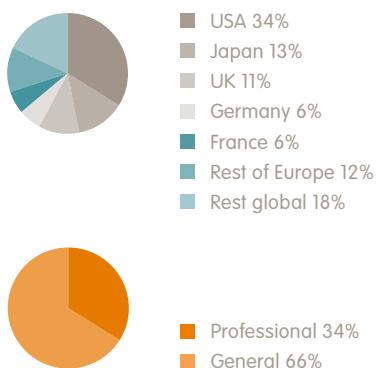
Evidence from research⁴

Research studies increasingly recognise the positive role that HR services companies play for economies, individuals and enterprises. The key findings so far show:

- In the new reality of volatile economic cycles, the industry provides an array of value-added services to help companies to adapt better and faster to economic cycles and to be able to focus on their core business. These services reduce the time lag between recovery and job creation and increase the range of choices and opportunities for people. It is estimated that 76% of employers use agency work to respond to changing business demands and activity fluctuations. In France, when asked about the main reasons they decided to work through private employment agencies, 60% of agency workers answered "to find a job quickly".
- HR services companies reduce the two dimensions of unemployment: structural and frictional. Evidence is that countries with higher agency work penetration rates are also the ones with lower unemployment rates. Agency work does not substitute permanent contracts: 74% of user organisations would not consider hiring permanent workers as an alternative to taking on agency workers, and 62% of them would not have created jobs if they had no access to private employment services.

⁴ Sources: Ciett; *Adapting to Change*, 2011; *The Role of Temporary Work and Labour Market Transitions in Europe*, 2013.

2013 global HR services market by revenues¹ in %



- The transition function that our industry provides is crucial in maintaining inclusive labour markets with high levels of participation. Temporary agency work facilitates the transition from unemployment to work, from temporary to permanent jobs, from education to work for young people. Across Europe, agency work is recognised as an effective channel to find a permanent job (from 90% in the UK and 78% in the Netherlands to 43% in Germany and 40% in Italy) as well as a first job (from 92% in the UK and 86% in Belgium to 71% in Italy and 59% in Germany). In Europe, 35% of agency workers are below 25 years of age; for them agency work is often the first opportunity to gain work experience.
- HR services companies contribute to matching and developing the skills needed in labour markets. Most agency workers use agency work to gain experience and develop their skills (from 56% in Spain and 36% in the UK to 27% in Belgium and 26% in the USA). In several European countries, sectoral training funds managed by social partners have been established to facilitate access to vocational training for agency workers. In the Netherlands, for example, agency workers receive substantially more training than fixed term workers and regularly undergo training to find new job opportunities.
- Satisfaction among agency workers is very high. Across Europe, a very large percentage of agency workers would recommend agency work to their family or friends, ranging from 83% in the UK and 76% in Poland to 69% in France and 55% in Italy; in France, 93% are happy with their work, 89% with their work-life balance.
- Efficient labour markets need appropriate regulation for the HR industry. Generally, countries showing higher scores of labour market efficiency are the ones where agency work has been able to operate for many years. There is a direct correlation between labour market efficiency and the World Economic Forum Global Competitiveness Index.

Adecco's market position in 2013

	% of Adecco revenues	Market share in % ¹	Market position ¹
France	24	28	1
North America	19	4	2
UK & Ireland	10	6	1
Germany & Austria	8	9	2
Japan	6	3	4
Italy	5	17	1
Benelux	5	6	3
Nordics	4	13	2
Iberia	3	19	2
Australia & New Zealand	2	3	5
Switzerland	2	14	1
Emerging Markets	10	6	1
LHH	2	15	1

The industry's vision

In May 2012, at the World Employment Conference in London, Ciett, the International Confederation of Private Employment Agencies, of which the Adecco Group is the largest member, announced a new vision for the industry, 'The Way to Work: a Job for Every Person, a Person for Every Job'. The private employment services industry made a five-year global commitment to reach several important goals (in brackets the % of the year 1 target achieved):

- Support 280 million people in their job life (93%)
- Help 75 million young people enter the labour market (93%)
- Up-skill 65 million people, giving them more work choices (93%)
- Create 18 million more jobs (97%)
- Serve 13 million companies with the right talents to succeed (100%).

The industry aims to achieve these goals through:

- Directing the way to work (being a labour market entry point, encouraging transitions, enhancing people's skills)
- Offering a new way to work (providing labour contractual diversity to meet work-life balance and individual constraints)
- Giving people a great way to work (delivering decent and quality jobs)
- Helping people to organise the way to work (matching skills and jobs better and faster).

Regulatory environment

To maximise the benefits of HR services in delivering greater labour market efficiency, relevant regulation should balance flexibility with security, for both workers and businesses. Adecco is supportive of international instruments that provide guidelines to properly regulate private employment services, such as the ILO⁵ Convention at global and the EU Agency Work Directive at European level.

ILO Convention 181

Along with its accompanying Recommendation n°188, ILO Convention 181 encourages the effective operation of services provided by private employment agencies, and especially temporary work agencies. The convention was adopted in 1997. It recognises the role HR services companies play in a well-functioning labour market and emphasises the protection of the workers using their services. As ILO Convention 181 only provides the framework within which HR services companies should operate, member countries implement it in accordance with their national labour legislation. To date, ILO Convention 181 has been ratified by 27 countries. Adecco supports efforts at national level with national legislators to ratify ILO Convention 181.

EU Agency Work Directive

The EU member countries were required to implement the EU Agency Work Directive in their own legislation by the end of 2011. Key elements of the Directive are the recognition of agency work, the removal of unjustified restrictions against the use of temporary work and the establishment of the equal treatment principle (unless national collective labour agreements with social partners set exceptions to the principle). Since the end of the transposition deadline, the industry has faced a heterogeneous implementation of the Directive across the EU. Adecco, Eurociett and the national associations continue to advocate for the correct implementation of the Directive, focusing on the appropriate regulation and lifting of unjustified restrictions.

Across the globe, Adecco encounters considerably different regulatory schemes and drives the efforts of national associations to improve labour market efficiency. In most markets where Adecco operates, company representatives are engaged in the dialogue with national authorities to foster appropriate labour market regulation and define the proper regulatory environment for the provision of private employment services. In 2013, Adecco was a founding member of the Staffing Federation in Croatia. In regions where the staffing industry is less mature, much emphasis is placed on setting up the proper regulation of the industry, in order to differentiate properly regulated agencies from rogue providers.

⁵ International Labour Organization.

⁶ Source: Cielt.

⁷ Source: Bureau of Labor Statistics (BLS).

Key growth drivers for our industry

Penetration rates – the number of full-time equivalent associates (temporary workers) divided by the total active working population – differ significantly across the markets. The key growth drivers for penetration rates and, hence, our industry, are appropriate regulation, the business environment, production shifts, changing labour needs, the increasing skills gap, mobility and the trend towards flexibility in general. In 2013, the UK enjoyed one of the highest penetration rates in temporary staffing, around 3.9%¹, but significantly below the prior peak penetration rate of 4.7%² in 2007. In Germany the penetration rate remained in line with the prior two years, at the peak level of 2.2%¹. In the USA, the world's largest staffing market, the penetration rate stood at 2.0%⁷ in line with the peak achieved in 2000. Japan at 1.4%¹ and France at 1.9%¹ are still below historic peaks. In the BRIC and other developing countries, penetration rates continued to increase but remained below 1%¹.

Business environment

Growth in our industry, in particular for temporary staffing services, correlates with GDP development. In 2013, persistent high unemployment, related to many economies remaining below their full potential, highlighted the importance of a flexible workforce in adapting to fluctuations in demand. Companies increasingly scale their fixed workforce in line with troughs in demand and use a flexible workforce for any additional need. Many industries and regions still offer immense untapped potential for HR services, and the structural growth drivers for the industry remain fully intact.

Production shifts change labour needs

Moving production to low-cost countries will continue to impact the geographical mix of our industry. As companies move East, the need for HR services and local staffing know-how in the Emerging Markets is increasing. Given the low salary levels, today the Emerging Markets still represent a minor portion of the total revenue potential for the staffing industry. However, in terms of volumes, this region already represents a substantial share.

The increasing skills gap

As the unemployment rate among workers with lower qualifications increases in the developing countries, a high number of specialised roles remain vacant. The staffing industry can help to narrow this gap by accessing additional demographic groups (e.g. students, part-timers, retirees), by taking full advantage of its global presence and pool of candidates and by facilitating mobility.

Greater mobility

Meanwhile, individuals are more willing to move across borders to pursue work opportunities and enhance their careers. This fits well with the trend in many companies to look for greater flexibility and better job-profile matches, in order to overcome the growing talent shortages in many industries. It exemplifies that our business is not just about recruitment, but also about training and providing lifelong learning to increase employability.

Trend towards more flexibility

Greater flexibility in dealing with peaks and troughs in demand is achieved by companies employing temporary workers as a part of their workforce. Current production trends, oriented towards made-to-order, are structurally increasing the need of companies for flexible staffing levels. The inventory-to-sales ratio continued to decrease as witnessed in all businesses in the USA, where the ratio declined by 15%⁸ between 1992 and 2013. This trend is expected to continue and should further drive demand for our services.

Appropriate regulation

The regulatory framework of labour markets in individual countries has a significant influence on the size of HR services markets and growth rates. The appropriate regulation of the HR industry, and in particular the temporary labour market, balances flexibility with security for companies and workers alike, and drives the efficiency of labour markets. Each market requires appropriate regulation to increase transparency and allow HR services companies to play their role in creating jobs and increasing labour market participation.

Outlook for the staffing market

In the initial stages of economic recovery, employers will remain hesitant to hire permanent labour. Additional labour needs will mainly be covered by temporary staff. At the same time, the structural trend towards more flexibility in manufacturing and the shift of production to low-cost countries will continue. The HR industry will help employers face these challenges and will also reduce the skills gap, as the willingness of individuals to move across borders increases. In 2014, HR services and solutions will continue to prove their value while the structural growth drivers for the industry remain intact.

⁸ Source: United States Census Bureau.