

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 enhancing their employability through career counselling, education and continuous training.

In 2012, the global staffing market grew approximately 1%^{1,2} to EUR 277 billion¹. This compares with an estimated increase of 8%² to EUR 260 billion in 2011¹. Professional Staffing accounted for around 33%¹ of the market in 2012 and increased 6%^{1,2} year-on-year, while General Staffing declined by 1%^{1,2} compared to 2011 and represented 67%¹ of the global market in 2012.

The USA represented the single largest market for HR services measured by revenues in 2012, with a share of approximately 32%¹, followed by Japan with 17%¹ and the UK with 11%¹. Europe as a whole represented 36%¹ of the global staffing market in 2012, whereas the Emerging Markets accounted for 9%¹. The year 2012 was marked by a clear divergence in how the major markets developed. The European markets were in decline or showed only limited growth. Among the major European countries, France and Germany declined while the UK grew moderately. Outside Europe, Japan declined, while the USA grew. France and Germany were impacted by the European recession, while the UK was helped by the positive impact from the Summer Olympic Games. An uncertain regulatory environment in Japan continued to hold back demand for temporary staffing services while 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 140,000 registered private employment agencies worldwide in 2011 according to Ciett³. Among the biggest markets measured by revenues, the USA, Japan and the UK show a high degree of

fragmentation, with Japan showing the largest number of staffing companies, followed by the USA and the UK. 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 on-going, particularly in fragmented markets and it is prompted by several factors. For one, 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 (MSP), to manage the 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.

Our role

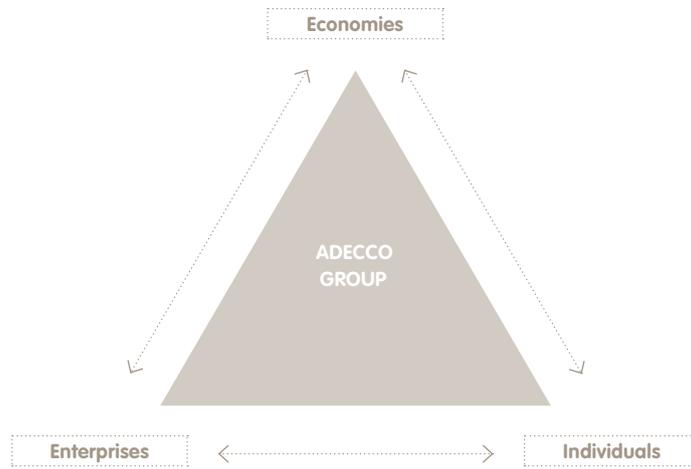
Adecco is the world's leading provider of HR solutions. We are conscious of our role towards all stakeholders in the markets where we operate. We maintain a constant dialogue with clients and workers as well as with societal, governmental and business stakeholders to create more and better work opportunities 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.

¹ Adecco estimate. 2011 estimates revised.

² In constant currency.

³ Ciett = International Confederation of Private Employment Agencies.

How HR services benefit labour markets



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 create stepping-stone opportunities also 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 makes 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.

‘Adapting to Change’

As established by Eurociett’s ‘Adapting to Change’ study, HR services companies are an engine of job creation and deliver jobs ahead of the classic job creation curve. In fact, temporary jobs are created even at very low levels of GDP growth, when no permanent jobs are generated. The study highlights that

temporary work does not substitute permanent work, as 74% of enterprises would not consider hiring permanently as an alternative to taking on temporary workers. 62% of responding businesses would not have created jobs if they had no access to HR services companies, such as the Adecco Group.

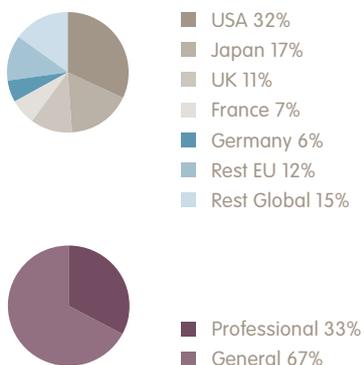
HR services companies are a stepping-stone for the unemployed and young people to (re-)enter the job market. According to the study, 35% of temporary workers in Europe are below the age of 25 and use temporary work as their first opportunity to gain work experience. On average 37% of all temporary workers are officially registered as unemployed before finding a temporary job. Twelve months after having finished work on a temporary basis, only 15% of temporary workers are registered as unemployed again. Temporary work is recognised as an effective channel to find work with the possibility of eventually gaining a permanent position. ‘Adapting to Change’ underlines that services offered by our industry contribute to reducing undeclared work. There is an inverse correlation between the level of illegal economic activity and the level of temporary work penetration: countries with a high penetration rate of temporary workers have lower levels of undeclared economic activity.

‘The role of temporary agency work and labour market transitions in Europe’

Throughout 2012, the Adecco Group was involved in a report, finalised in December 2012 by Eurociett and UNI Europa (the social partners for the temporary agency work sector). The report demonstrated the positive role temporary agency work plays in facilitating transitions in the labour market. Data was analysed for six major EU markets (Germany, Spain, Italy, the Netherlands, France and Belgium). The key findings by transition type were:

- From unemployment to work. The study confirms the bridging function of temporary agency work from unemployment to work

2012 global HR services market by revenues¹ in %



- From temporary to permanent jobs. Temporary agency work facilitates transitions from temporary to permanent jobs
- From education to work for young people. Temporary agency work is an important entry channel into the labour market

Temporary agency work is a valuable entry point into the labour market for groups such as older workers, persons with an education and/or qualification profile that does not match labour market needs or groups such as ethnic minorities that risk discrimination.

‘The Way to Work’

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:

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

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)

⁴ International Labour Organization.

Adecco’s market position in 2012

	% of Adecco revenues	Market share ¹ in %	Market position ¹
France	25	28	1
North America	18	4	3
UK & Ireland	9	6	1
Germany & Austria	8	9	2
Japan	8	3	4
Italy	5	17	1
Benelux	4	6	3
Nordics	4	13	2
Iberia	3	24	2
Australia & New Zealand	3	4	4
Switzerland	2	15	1
Emerging Markets	9	6	1
LHH	2	15	1

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 ILO⁴ 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 and 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 26 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. Adecco is actively involved in the Directive’s review process, which is being conducted by the European Commission and which will lead to a report by December 2013.

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 2012, Adecco was a founding member of the Staffing Federation in Ukraine. 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.

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 2012, the UK enjoyed one of the highest penetration rates in temporary staffing, around 3.7%,⁵ but significantly below the prior peak penetration rate of 4.7%⁵ in 2007. In Germany the penetration rate of 2.0%¹ was in line with the peak achieved during 2011. In the USA, the world's largest staffing market, the penetration rate stood at 1.9%⁶, close to the peak of 2.0%⁶ achieved in 2000. Japan at 1.4%¹ and France at 2.0%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 2012, persistent high unemployment, related to uncertainty on the development of the economy, 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.

⁵ Source: Ciett.

⁶ Source: Bureau of Labor Statistics (BLS).

⁷ Source: United States Census Bureau.

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 life-long 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 16%⁷ between 1992 and 2012. 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

Measures adopted in the developed markets to control public spending and reduce debt burdens, although beneficial in the medium term, will continue to constrain GDP growth in 2013. Employers will continue to be hesitant to hire permanent labour, given no or limited economic growth in many markets around the globe. Additional labour needs will mainly continue to be covered with temporary staff. At the same time, the structural trend towards more flexibility in manufacturing and the move of production to the Emerging Markets will continue. The HR industry will help employers face these changes and will also reduce the skills gap, as the willingness of individuals to move across borders increases. In 2013, HR services and solutions will continue to prove their value while the structural growth drivers for the industry remain fully intact.