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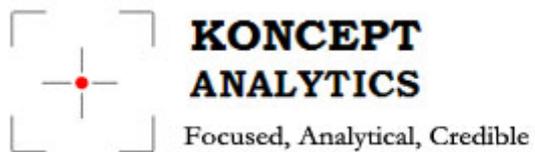
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# Global Recruitment Market Report: 2010 Edition

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July 2010



## Executive Summary

The improving global economy is anticipated to drive the worldwide recruitment industry which is likely to witness a compound annual growth rate of more than six percent over the period 2009-14. However, the market growth is not expected to return to pre-crisis levels anytime soon as labor markets around the globe are witnessing slow and prolonged economic recovery, especially in the developed nations.

In 2009, the global recruitment industry witnessed a sharp decline breaking the upward trend that the industry has been witnessing since 2004. This fall is attributed to the global financial crisis, resulting from the US sub-prime crisis in late 2007, which led to a sharp decline in the demand for recruitment services.

The US is the largest among all the regional recruitment markets, with more than one-third share of the global market share. Meanwhile, the decline witnessed by the US recruitment market in 2009 was calculated to be much greater than that of the global market.

Adecco is the largest player in the global recruitment market, followed by Randstand and Manpower. Randstad became the second largest player after its acquisition of Dutch staffing firm Vedior NV. The other players in the market are USG People, Allegis People, Kelly Services, Radia Holdings, Hays, Robert Half International and Staff Services Co.

The current report provides an in-depth analysis of the global recruitment market. The various drivers, opportunities, and the challenges faced by the market are discussed in detail. The competitive aspects of the market are also highlighted and the key players are profiled with their respective business strategies.

By combining SPSS Inc.'s data integration and analysis capabilities with our relevant findings, we have predicted the future growth of the industry. We employed various significant variables that have an impact on this industry and created regression models with SPSS Base to determine the future direction of the industry. Before deploying the regression model, the relationship between several independent or predictor variables and the dependent variable was analyzed using standard SPSS output, including charts, tables, and tests.

### Key Findings:

- The global recruitment market is expected to be worth US\$369 billion by 2014
- In 2009, the global recruitment market was worth US\$271 billion
- The US is the largest recruitment market with 35% share of the global market
- Adecco is the top player in the global recruitment market with US\$29.4 billion revenues
- Slow economic recovery in the developed economies is the biggest challenge for the global recruitment industry

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# 1. Industry Snapshot

## 1.1 Industry Definition

The official North American Industry Classification System (NAICS), the new version of the Standard Industry Classification (SIC), categorizes the entire recruitment industry in three ways:

- Employment Placement Agencies
- Temporary Help Services
- Professional Employer Organizations

The global recruitment industry comprises of recruitment or employment agencies that provide services of recruiting staff/employees for various business enterprises in different sectors. Such companies hire these employment agencies to recruit personnel to carry out their business operations. This category refers to the establishments that are primarily engaged in providing employment services, except theatrical employment agencies and motion picture casting bureaus. Establishments classified under this code may assist either employers or those seeking employment.

These recruitment firms are also known as Executive Search Firms, Executive Recruitment Agencies, Temporary Staffing Agencies and Placement Firms.

Temporary/contract recruitment companies place workers in jobs on a contract or temporary basis. Most of these companies operate in specialized sub-segments like professional, clerical, computing, and accounting.

Temporary workers, also called contract employees, make the fastest growing segment of the American workforce. Contract employees are highly skilled and highly compensated temporary workers.

Search and placement recruitment companies are paid by employers to find candidates for specific positions. While their main motto is to recruit suitable candidates, job-seekers can also approach these recruitment companies.

## 1.2 SIC Classification

**Table 1.1: Recruitment Industry SIC Classification**

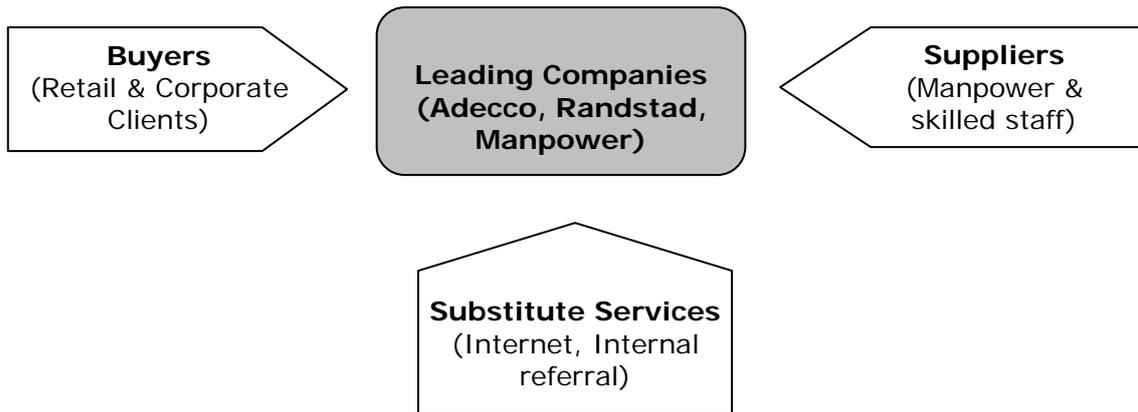
| SIC Code | Classification              |
|----------|-----------------------------|
| 7363-03  | Employee Leasing Agencies   |
| 7361-03  | Employment Agencies         |
| 7361-04  | Executive Recruitment Firms |
| 7363-04  | Temporary Staffing Firms    |

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### 1.3 Value Chain

Retail and corporate clients are the main customers of the recruitment industry. While retail clients usually come from companies on an ad hoc basis through the Internet or branch network, corporate clients are relatively larger and use recruitment firms/agencies as a main staffing supplier. This can be through a preferred supplier agreement or a full outsourcing contract. Such accounts offer economies of scale in costs and are generally managed on a national / global basis.

**Figure 1.1: Recruitment Market Value-Chain**



## **2. Global Recruitment Market**

The recruitment market plays a valuable role in easing transitions within the labor market. The recruitment firms create jobs that would not otherwise exist, enhancing companies' competitiveness and workers' employability, thereby promoting a labor market that corresponds better to the needs of the people and companies alike.

The recruitment industry anticipates and matches labor market needs with the required skills, as recruitment firms serve as impresarios for workers, immediately identifying job vacancies, providing training, and facilitating the transition from unemployment to work. In addition, recruitment firms also prepare the ground for a job-creating economic upturn, helping companies face the ongoing global competitive pressure, increasing labor market participation, and furthermore, accelerating and increasing the number of jobs created once the economy recovers.

The role of recruitment industry has become more prominent than ever before in improving the functioning of the labor market, by facilitating the match between supply and demand of labor and providing more work opportunities to more people.

### **2.1 Market Size**

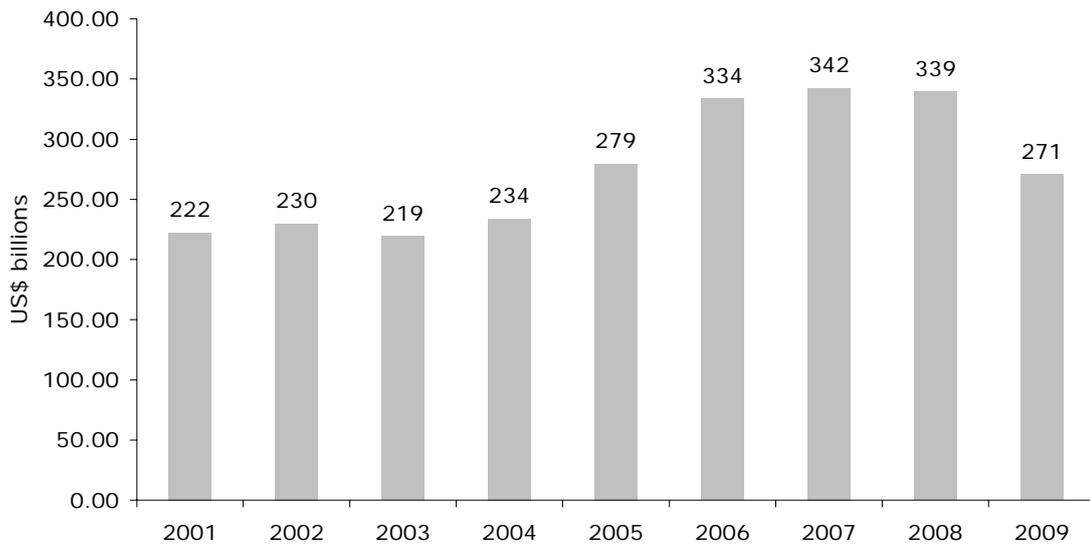
The impact of the global economic crisis, resulting from the US sub-prime crisis in late 2007, started to be acknowledged by countries across the globe. Some countries that depended on the openness and the socio-economic fabric of their economies and the flexibility of their labor markets were particularly affected as compared with the others.

In 2008, the global recruitment market registered a fall of 1% to US\$339.47 billion in its annual revenues. The negative impact of the economic crisis on the labor market in general, and the agency work sector in particular, started to show in spring 200-8 and accelerated in 2009.

In 2009, the global recruitment market was estimated to be worth US\$270 billion, which reflects a sharp decline of 20% as compared to the previous year when the market was worth US\$339.47 billion. This decline further fuelled the level of unemployment across the globe as companies worldwide undertook massive layoffs following a considerable decline in the demand for products and services.

The tepid economic recovery spreading across most developed economies at the end of 2009 is judged too anemic to stop the continuing rise in unemployment, which is expected to have peaked in the US in the first half of 2010, and is likely to continue in Europe till 2011.

**Figure 2.1: Global Recruitment Market, 2001-2009**



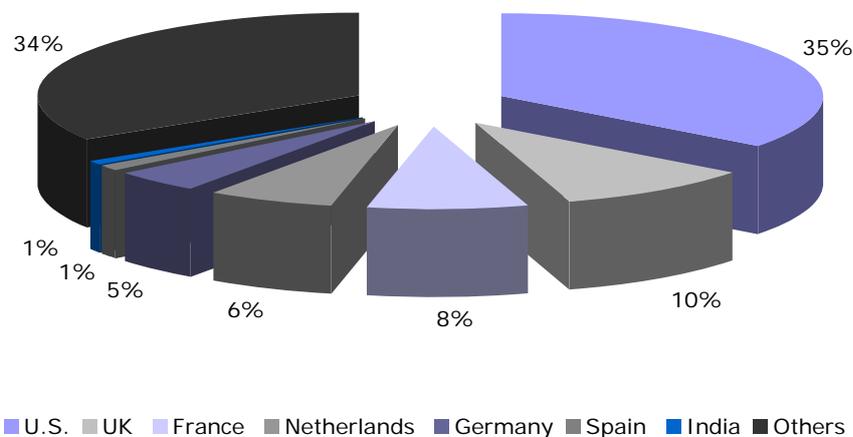
Source: Ciett

## 2.2 Market Segmentation

### 2.2.1 Geographical Segmentation

In terms of a geographic segmentation, the US leads the global recruitment industry with 35% of the overall industry revenues as of 2009. Other leading recruitment markets globally include the UK, France, the Netherlands, Germany, Spain and India. The developed and liberalized markets account for the biggest share of the global recruitment market. In addition, as other countries have liberalized their markets over the last few years, their share has also increased over the years resulting in overall growth of the global market.

**Figure 2.2: Global Recruitment Market by Country, 2009**

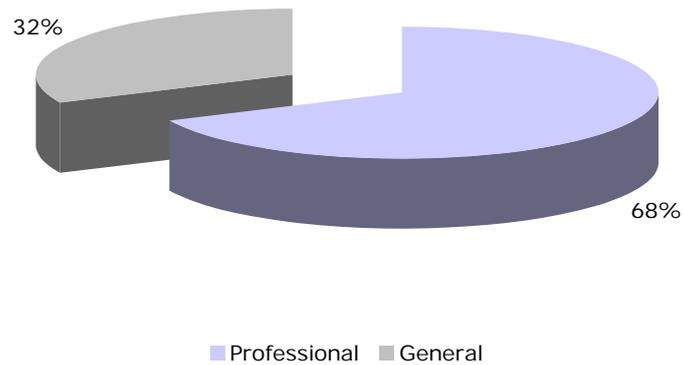


Source: Company reports

### 2.2.2 Segmentation by Employment Type

The global recruitment market by employment type can be segmented into professional and general segments. The professional segment accounts for around 68% of the global market share, while the remaining 32% is held by the general segment.

**Figure 2.3: Global Recruitment Market by Employment Type, 2009**



*Source: Adecco estimates*

### 3. Major Recruitment Markets

#### 3.1 The U.S. Recruitment Market

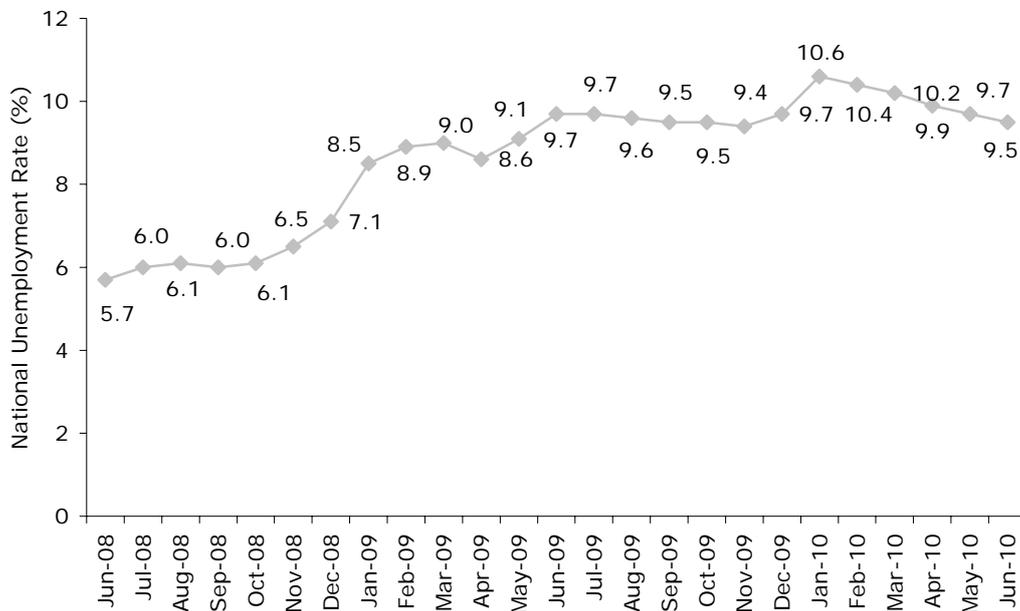
##### 3.1.1 Overview

The total number of unemployed persons in the US was estimated at around 14.6 million, 9.5%, as of June 2010. Among the major worker groups, the unemployment rate for adult women declined to 7.8% while the unemployment rates for adult men (9.9 percent), teenagers (25.7 percent), whites (8.6 percent), blacks (15.4 percent), and Hispanics (12.4 percent) showed little or no change. The jobless rate for Asians was 7.7%, not seasonally adjusted.

The total non-farm payroll employment decreased by 125,000 in June 2010, reflecting the departure of 225,000 temporary census 2010 workers from federal government payrolls. Total private employment edged up by 83,000 over the month due to modest increases in several industries. So far this year, private-sector employment has increased by 593,000 but in June was 7.9 million below its December 2007 level.

The rate of unemployment is on a constant rise in the US since June 2008 as a result of the consistent fall in the national economy caused by the sub-prime crisis, and reached its peak in January 2010 when it was estimated at 10.6%. However, the month of June-2010 recorded a modest decline in unemployment, when it came down to 9.5%, following the slow recovery of the national economy, which resulted in increased demand for the workforce.

**Figure 3.1: The U.S. Unemployment Rate, June-2008 to Jun-2010**

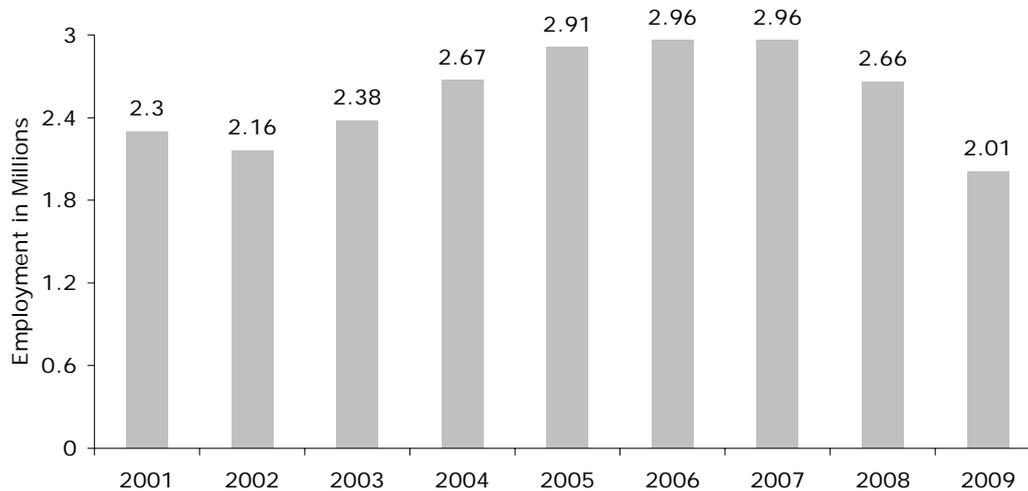


Source: The U.S. Bureau of Labor Statistics

In 2009, two million Americans had gone to work for U.S. staffing companies every business day which is 24.4% less compared to average 2.66 million in 2008. The decline in the number of people employed is the result of weak economic conditions which has resulted in fall in demand for the temporary staff by the companies. Over the course of 2009, staffing firms hired an estimated 8.6

million temporary and contract employees. In 2009, the temporary and contract staffing turnover rate averaged 330%; this is a slight increase from 2008 (320%), but is at a similar level observed during the recession of 2001 (341%). This increase in turnover translates to a decrease in tenure for temporary and contract employees from 12.4 weeks in 2008 to 12.1 weeks in 2009.

**Figure 3.2: The U.S. Temporary Staffing Average Daily Employment, 2001-2009**

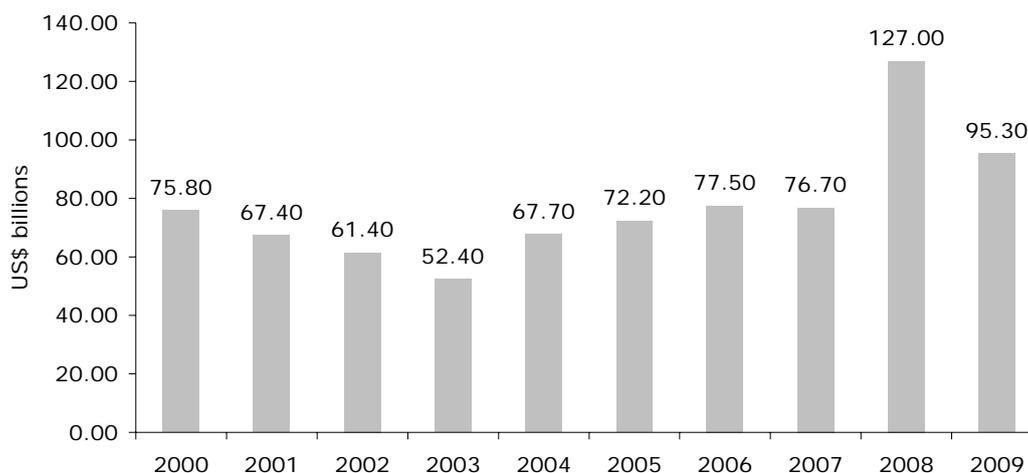


Source: American Staffing Association, *Employments and Sales Survey*

### 3.1.2 Market Size

The U.S. recruitment market declined by 25% in 2009, in terms of size, to reach US\$95.30 billion from US\$127 billion in 2008, mainly due to the falling demand for recruitment services. The fall in the demand for services offered by recruitment firms came in the wake of large scale job-cuts by companies across the country.

**Figure 3.3: The U.S. Recruitment Market Size, 2000-2009**



Source: Company reports

The decline in the market has resulted in shift in the upward growth trend which started in 2004 as the U.S. economy witnessed economic boom. The prospering

national economic led to the creation of large number of jobs, which eventually increased the demand for the services of placement agencies. During 2003-2008, the market witnessed a CAGR of 19.36%, as the market size reached US\$127 billion in 2008 from US\$52.40 billion in 2003.

## **3.2 Canada**

### **3.2.1 Overview**

The rate of unemployment declined by 0.2% to 7.9% in June 2010 since July 2009, thereby increasing the count of employed people from The Canadian unemployment rate has declined by 0.2% to 7.9% as employment increased by 93,000 in June, 2010. It is the first time the rate has been below the 8% mark since January 2009. The Employment has been witnessing an upward trend since July 2009, increasing by 403,000 or 2.4%. The rise in the employment offset nearly all the employment losses observed during the labor market downturn which began in the fall of 2008. The June unemployment rate, however, remained well above the October 2008 rate of 6.2%, due to a large increase in the number of people in the labor force over this period.

Increase in employment was evenly split between full and part time in June. Since July 2009, most of the employment gains have been in full-time work, up 355,000 or 2.6%, while part-time work rose by 1.5%. Notable employment increases in June were in service industries including retail and wholesale trade; business, building and other support services; health care and social assistance; and other services such as automotive repair and personal care services.

In June 2010, there were continued gains in the number of private sector employees. The number of self-employed workers also increased, while there was little change among public sector employees. Virtually all of June's employment gains were in Ontario (+60,000) and Quebec (+30,000). At the same time, there were declines in Newfoundland and Labrador and New Brunswick. There was little employment change in all other provinces. The employment increases in June were led by core-aged men 25 to 54, followed by workers 55 years and over and youths 15 to 24. The average hourly wage for employees was 1.7% higher in June compared with the same month last year.

There were 22,000 additional workers in retail and wholesale trade in June, bringing total gains to 69,000 (+2.6%) since July 2009. The Employment in business, building and other support services have increased by 20,000 in June. These industries have shown strength since the start of the year, with gains totaling 86,000 (+14.0%) over the period. Health care and social assistance continued its long-term upward trend, with an increase of 20,000 in June. Employment also increased in June in other services such as automotive repair and personal care services, up 17,000.

In the goods-producing sector, employment in construction edged up 11,000. This industry has had the fastest growth rate of all major industry groups since July 2009 (+8.3% or +94,000). On the other hand, employment in manufacturing dipped by 14,000 in June. While employment in this industry is little changed since July 2009, it remains well below its October 2008 level (-235,000 or -11.9%).

The number of private sector employees increased by 52,000 in June. At the same time, there were 26,000 more self-employed workers. Since July 2009, the number of employees in the private sector has risen by 349,000 (+3.3%), with

most of the gains in recent months. The number of public sector workers has risen by 2.6% over the same period, while self-employment has declined by 1.3%.

**Table 3.1: Employment Figures, June 2009-2010**

|                                 | May 2010  | June 2010 | June 2009 to June 2010 | May, 2010 to June, 2010 |
|---------------------------------|-----------|-----------|------------------------|-------------------------|
|                                 | Thousands |           | % change               |                         |
| Class of Workers                |           |           |                        |                         |
| Employees                       | 14,427.6  | 14,495.2  | 0.5                    | 2.7                     |
| Self-employed                   | 2669.1    | 2694.7    | 1.0                    | -0.2                    |
| Public/private sector employees |           |           |                        |                         |
| Public                          | 3483.1    | 3498.8    | 0.5                    | 2.5                     |
| Private                         | 10944.5   | 10996.4   | 0.5                    | 2.7                     |
| All industries                  | 17096.6   | 17189.8   | 0.5                    | 2.2                     |
| Goods-producing sector          | 3745.5    | 3735.3    | -0.3                   | 1.1                     |
| Service-producing sector        | 13351.1   | 13454.5   | 0.8                    | 2.5                     |

Source: Labour Force Survey

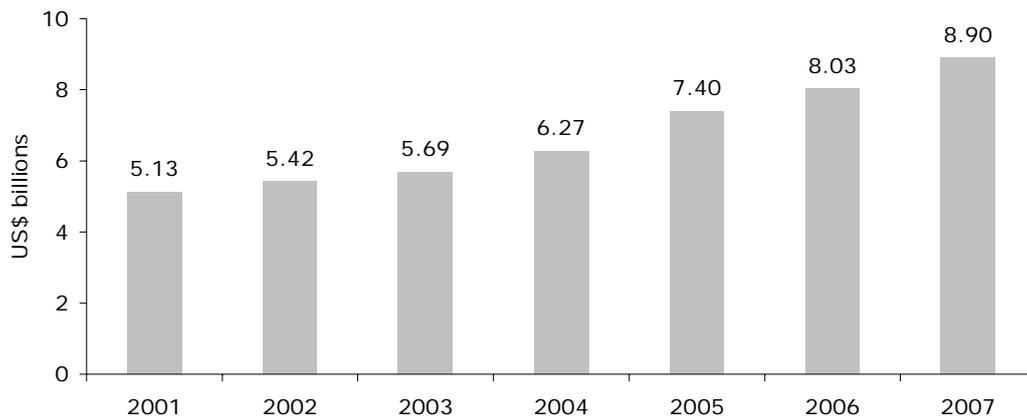
### 3.2.2 Market Size

The recruitment market of Canada has grown at a notable rate over the past few years as an increasing number of companies have started using employment agencies for searching and hiring temporary employees. The increasing dependence of different business sectors over the services offered by the recruitment firms has further added to the growth of the later.

There were 4,698 recruitment agencies across the country in 2007. The operating revenues of the Canadian recruitment market increased at a CAGR of 9.64% to reach US\$8.90 billion in 2007 from US\$5.13 billion in 2001 over the cited period. Although temporary staffing services accounted for the bulk of operating revenues earned, its share has declined. The growth in revenue during 2006 and 2007 is mostly attributed to permanent placements and contract staffing services.

Ontario accounted for the majority share of operating revenues with 59% in 2007; however, it was lesser than its 62% share in 2002. In the meantime, Western Canada also registered strong growth in the operating revenues during 2007, with Saskatchewan and British Columbia posting double-digit growth.

**Figure 3.4: Canadian Recruitment Market Size, 2001-2007**



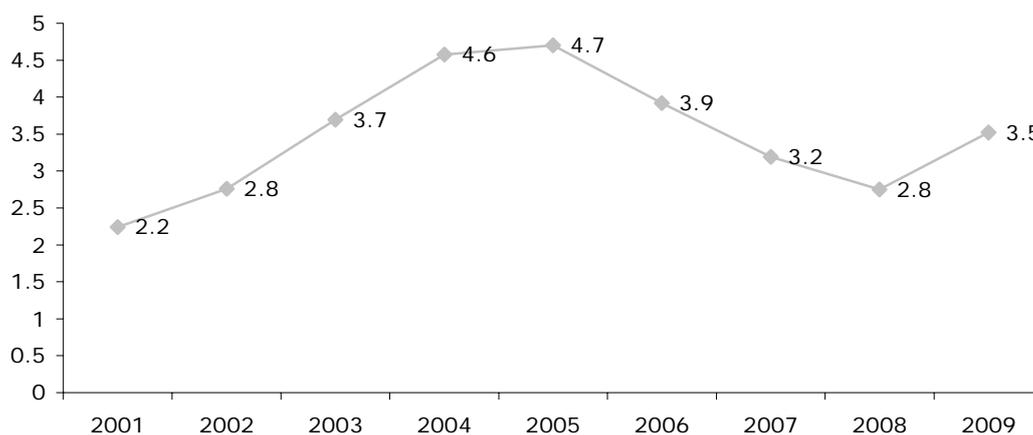
Source: Statistics Canada, Operating Revenue of Employment Services Industry

### 3.3 The Netherlands

#### 3.3.1 Overview

The unemployment rate in the Netherlands increased to 3.5% in 2009 from 2.8% in 2008. The key reason behind the increasing number of unemployed people is cited to be the worsening economic conditions in the country as a result of the global economic crisis. The country is anticipated to witness a further rise in the rate of unemployment, which is likely to go as high as 4.88% by the year end 2010. However, in the pre-crisis period of 2005-2008, the unemployment rate had been witnessing the downward trend as unemployment rate had fallen to its low of 2.8% from its high of 4.7% in 2005.

**Figure 3.5: Unemployment Rate, 2001-2009**



Source: IMF

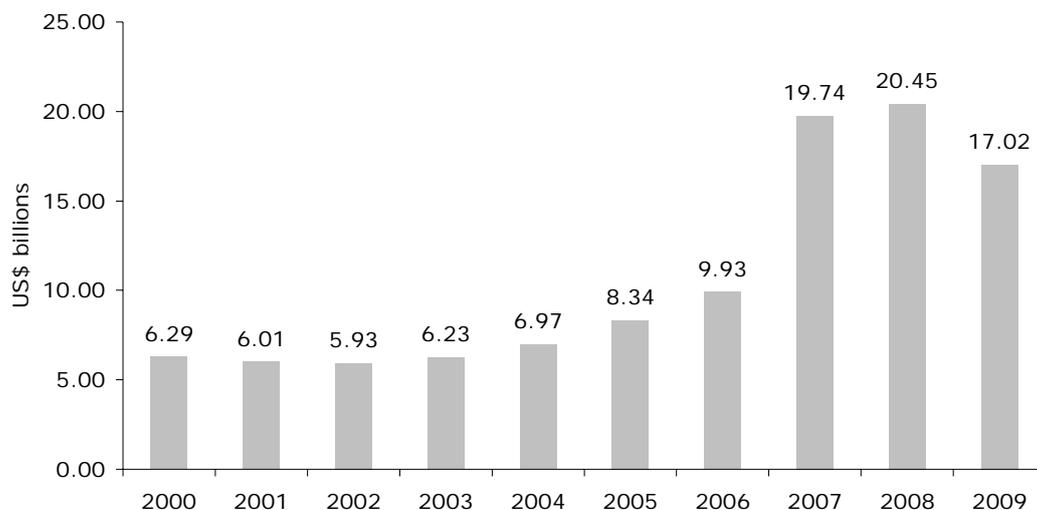
#### 3.3.2 Market Size

The Dutch recruitment market was estimated to be worth US\$17.02 billion in 2009 as compared to US\$20.45 billion in 2008, registering a decline of 17% due to weak economic conditions. However, during the period of 2000 to 2009 the market witnessed a compounded annual growth rate of 16%, as a result of the increasing demand of the services offered by recruitment firms among different

business sectors for the placement of right candidates in their respective organizations.

The Dutch recruitment market is clearly dominated by Randstad Group among all other recruitment firms that offer a wide variety of HR services. Other leading companies include Tempo-Team and Yacht. Tempo-Team, the second largest recruitment company in the Netherlands, outperformed the market in 2009 for the fifth year in a row. From the total of 374 outlets at the beginning of the year, 346 remained by the end of 2009, with most closures due to the completion of the integration. Yacht, on the other hand, is active in the professional and interim management services segment which, being more late-cyclical, only started to contract markedly in 2009.

**Figure 3.6: The Netherlands Recruitment Market Size, 2000-2009**



Source: Company reports

## 3.4 France

### 3.4.1 Overview

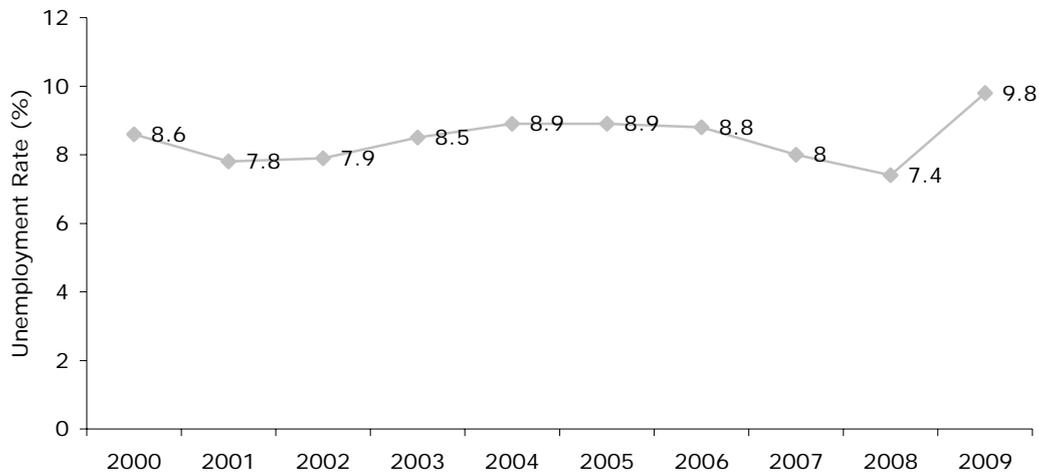
France is the second largest economy in Europe and one of the largest importers and exporters across the continent. It has a large and diverse industrial base with many indigenous world class companies.

Unlike the majority of countries, which registered deep negative effects of the global economic recession, the French economy remained considerably stable and weathered the financial crisis better than others. In fact, the losses incurred by the French banks during this period were below as compared with those in other developed countries. In addition, French banks were more diversified, engaged in more cautious lending practices, and were subject to closer supervision. The domestic demand also proved to be more resilient and the economy less reliant on global trade. As a consequence, the national economy contracted only by 2.1% and the budget deficit expanded less dramatically than in other countries.

However, the rise in unemployment did not leave France untouched as it increased to around 10% in 2009. The unemployment rate was on a constant fall since 2006 and came down to 7.4% in 2008 but the weak economic conditions, followed by massive job cuts fuelled it further in 2009. At nearly 50%, the tax burden remains one of the highest in Europe and relative to Germany labor costs

have risen 17% during the last decade. Thus, there is a danger that prolonged labor market weakness may depress economic recovery of France.

**Figure 3.7: France Unemployment Rate, 2000-2009**



Source: INSEE

Recruitment consultants, public as well as private, play a major role in stabilizing the French labor market. Although the public recruitment consultants enjoyed a monopoly in the country earlier, the scenario changed following the 1986 reform. At present, both public and private recruitment consultants work together and address common recruitment and hiring issues of the country.

Through their extensive services, the recruitment consultants have almost replaced the newspaper job postings, bulletin boards, etc. in France. They not only provide services to the candidates in finding a suitable job in addition to providing career guidance and other trainings but also cater to the needs of the employers.

The recruitment sector serves a wide array of sectors including banking, IT, logistics and distribution, insurance, pharmaceutical industry, management, real estate industry, and FMCG among others. Moreover, some agencies may specialize in offering jobs only for banking industry, while some may cater only the insurance sector. This narrow focus has proved beneficial for these specialized recruitment agencies as a result of which they often generate superior results as they can channel all their resources for a specific skill set.

The majority of the French recruitment consultants are based at Paris, with some market leaders like ADECCO, Effectif, ADIA, Dorothy Danahy SAS, Scandi Bureau, Hays Personal Interim, MCS International GR Interim Temp Agency, Plus International, and Progressis. Several other major companies based in different parts of the country include Toulouse, Courbevoie, and Marseille.

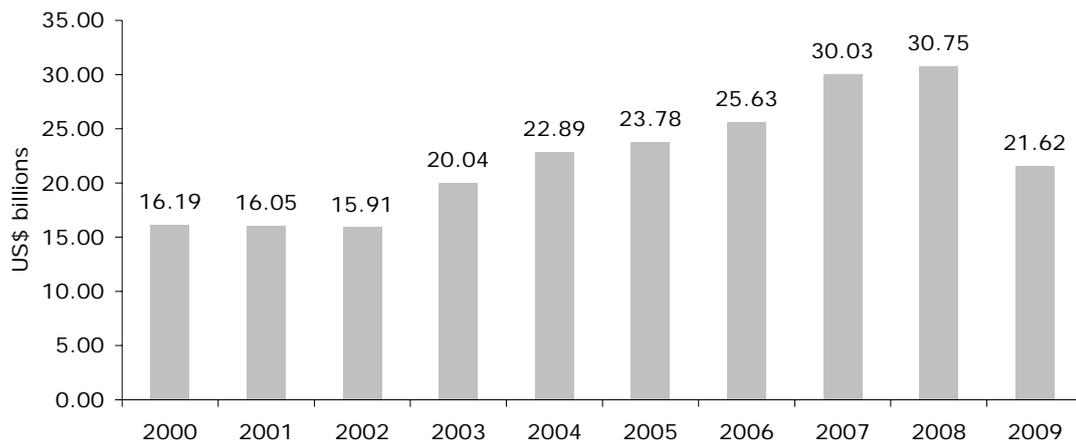
### 3.4.2 Market Size

The French recruitment market was estimated to be worth US\$21.62 billion in 2009. The market has witnessed decline by 30% in 2009 from US\$30.75 billion in 2008, mainly due to the weak economic conditions which added to the unemployment in the country that touched 10% in the first quarter of 2010. Job creation has been on the lower side with downsizing of the workforce continuing

in the companies and this has made the conditions worst for the recruitment companies.

However, recruitment market has been growing at a CAGR of 11.60% since 2003 to reach US\$30.75 billion in 2008 from US\$5.93 billion in 2002. This growth is attributed to the strong national economic environment which increased job creation; however, at the same time, companies faced a talent crunch in finding the suitable candidates. Thus, it forced the companies to use recruitment consultancy service to fill in the vacant positions with right candidates as a result recruitment consultancy witnessed exponential growth in their revenues.

**Figure 3.8: France Recruitment Market Size, 2000-2009**



Source: Company reports

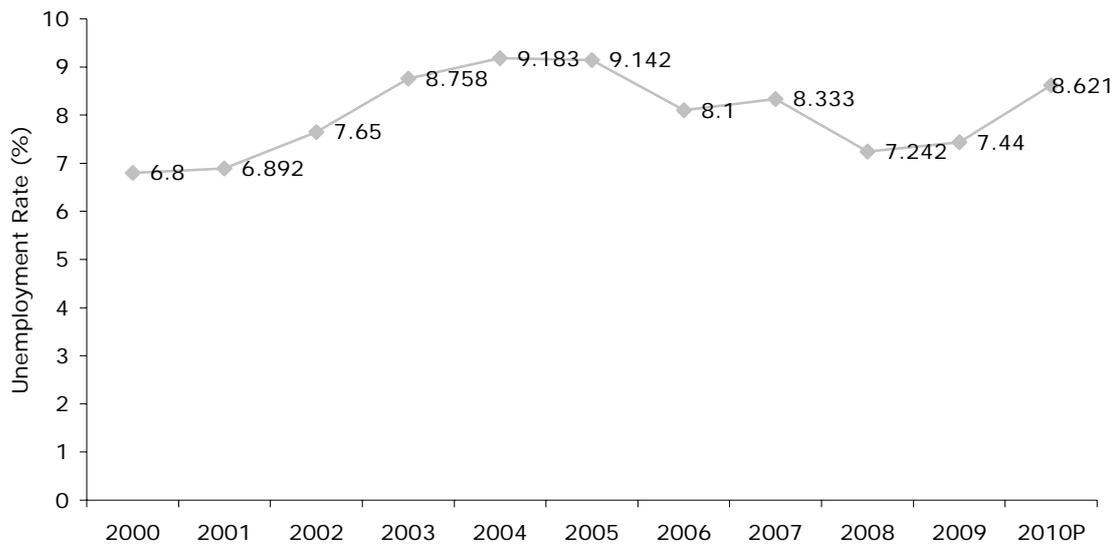
## 3.5 Germany

### 3.5.1 Overview

The German economy suffered the biggest post-war recession in 2009, with a decline of around 5%. Thereafter, an export-led recovery has enabled the country to make up a substantial portion of the ground lost in the slump.

The unemployment rate in Germany increased to 7.6% in 2009 from 7.2% in 2008. The key reason behind this rise in the rate of unemployment is cited to be global economic recession, as a result of which the German economy registered a fall of around 5% in 2009. While the rate of unemployment remained above 7% since 2000, it touched the double digit mark of 10.6% in 2005. In addition, IMF projects the unemployment rate to increase to 8.6% in 2010 which will further make the recovery somewhat dampen and long in nature.

**Figure 3.9: Germany Unemployment Rate, 2000-2009**

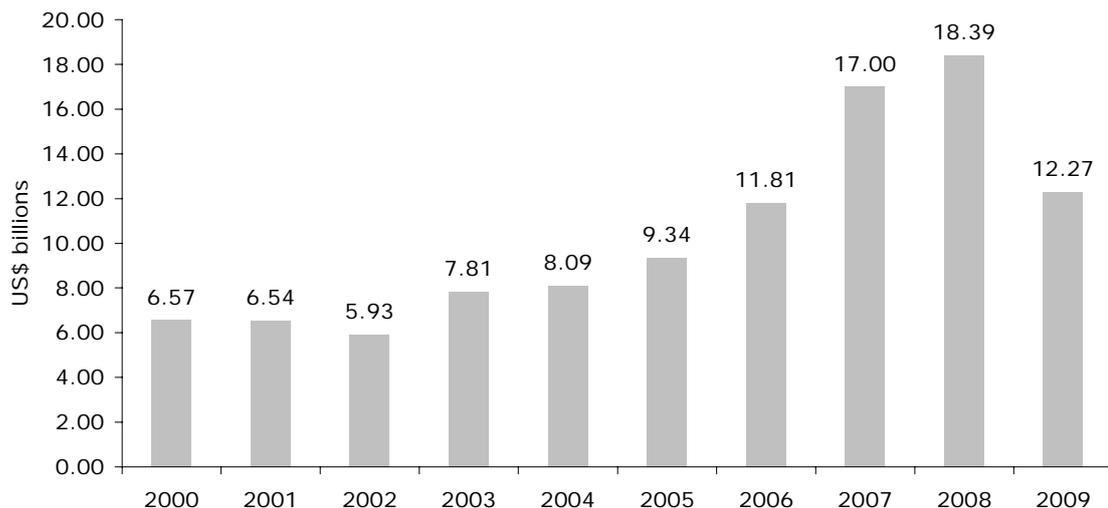


Source: IMF

### 3.5.2 Market Size

The German recruitment market witnessed a massive decline in just a single year, making it worth US\$12.27 billion in 2009 from US\$18.39 billion in 2008. This decline is being attributed to the lack of demand for recruitment services as several business corporations laid-off a considerable number of employees in the wake of the worsening economic conditions during the first half of 2009. Nevertheless, the domestic recruitment market had been growing at a satisfactory rate of 52.25% since 2003 as a result of the increased demand of placement services among various business sectors.

**Figure 3.10: Germany Recruitment Market Size, 2000-2009**



Source: Company reports

In Germany, Randstad is the leading company to offer recruitment services and holds around 15% of the total market share. The deepest effect of the global economic downturn was recorded in the second quarter of 2009 within the

German recruitment market; however, the revenue trend steadily improved through this period hinting at a slow recovery of the industry.

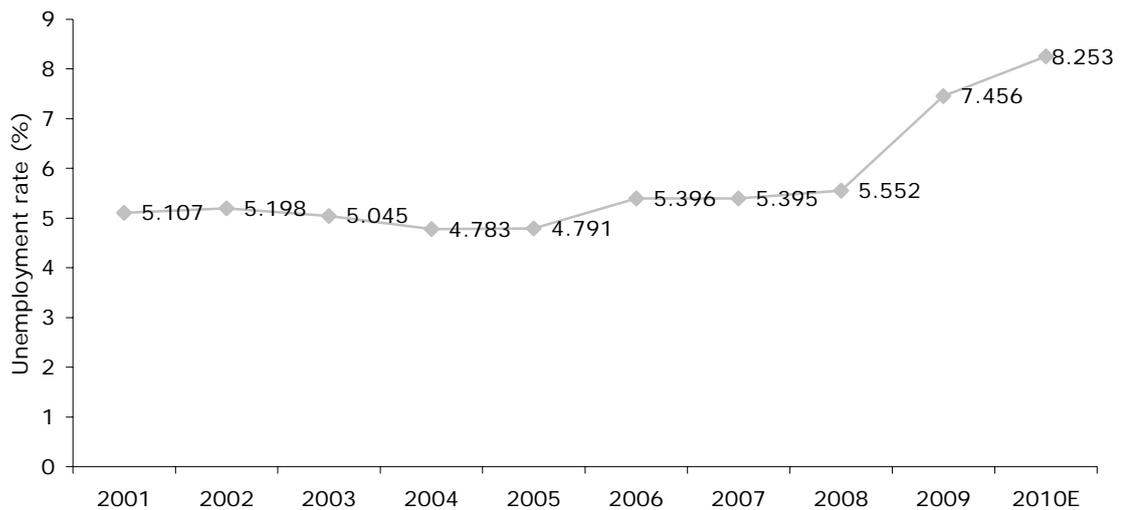
### 3.6 The United Kingdom

#### 3.6.1 Overview

Unemployment in the UK significantly increased to 7.46% in 2009 from 5.55% in 2008. This growth mainly occurred due to the tight economic condition in the country which led a significant decline in the consumption demand. As a result, a number of companies laid-off a considerable amount of workforce and, at the same time, it also had a negative effect on the demand for temporary workers who are generally hired to fill the employment gaps in the companies.

The unemployment rate is further expected to increase to 8.253% in 2010, as effect of the government stimulus package goes off. In addition, the government is also expected to cut the public expenditure to bring down the fiscal deficit that has increased to staggering US\$269 billion, which, in turn, will further make addition to the unemployment rate in the UK.

**Figure 3.11: The UK Unemployment Rate, 2001-2010E**



Source: IMF

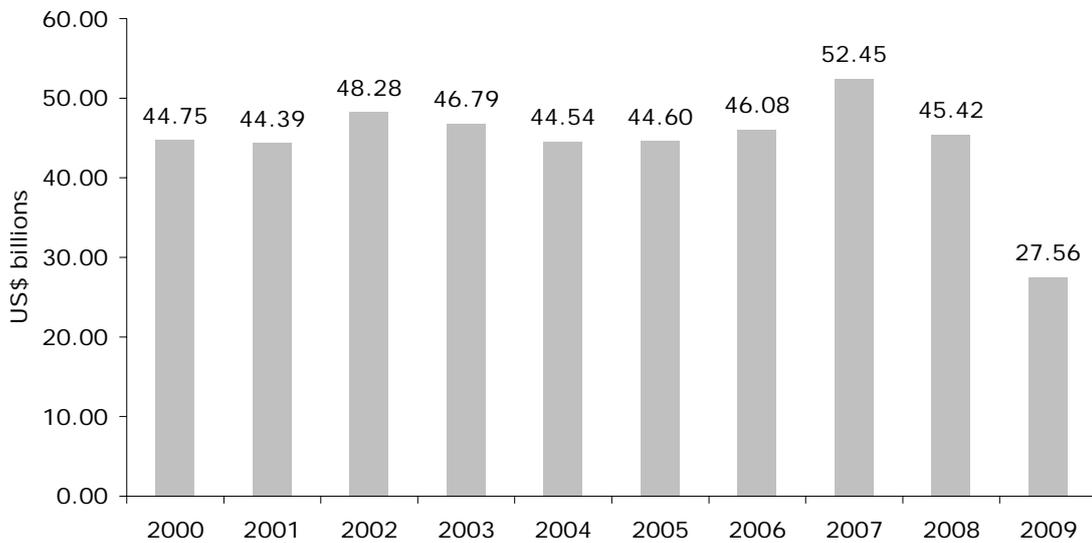
#### 3.6.2 Market Size

The UK recruitment market has declined by 39% in 2009 to US\$27.56 billion from US\$45.42 billion in 2008. This fall occurred due to the recessionary economic conditions, which led to massive layoffs across the country. It has not only cut-down the demand for recruitment services but also resulted in a decline in the demand of temporary staff, which is generally high in all market conditions as companies need temporary workers to fill in the employment gap.

The UK recruitment market started to witness a contraction in 2008 when the industry turnover declined to US\$45.42 billion. The most significant downward turnover trend was realized in permanent placements turnover which shrunk 395 from £4.275 billion (US\$7.92 billion) in 2007 to £2.608 billion (US\$4.835 billion) in 2008. At the same time, the temporary placement business turnover declined

from £22.730 billion (US\$42.14 billion) in 2007 to £19.882 (US\$36.86 billion) in 2008, a decrease of 12.60%.

**Figure 3.12: The UK Recruitment Market Size, 2000-2009**



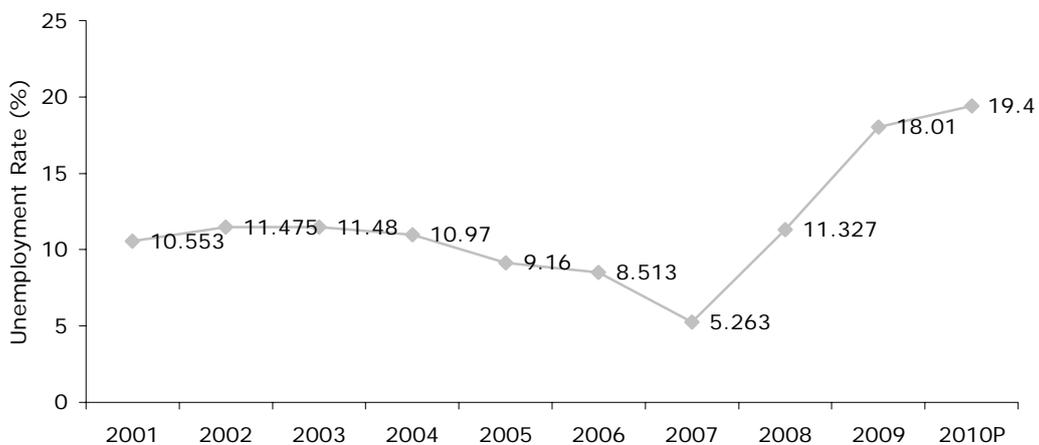
Source: Company reports

### 3.7 Spain

#### 3.7.1 Overview

In 2009, the Spain unemployment rate has risen by a staggering 59% to 18.01% from 11.32% in 2008. The key factor to fuel the unemployment rate is the worldwide global economic crisis which had a significant effect on the Spanish economy which reported a major downfall. However, in the pre-crisis period, unemployment rate had touched the low of 5.34% in 2007 from 10.553% in 2001.

**Figure 3.13: Spain Unemployment Rate, 2001-2010P**



Source: IMF

The rate of unemployment is projected to increase even further to 19.4% in 2010, despite of a slow recovery of the national economy, mainly because of the

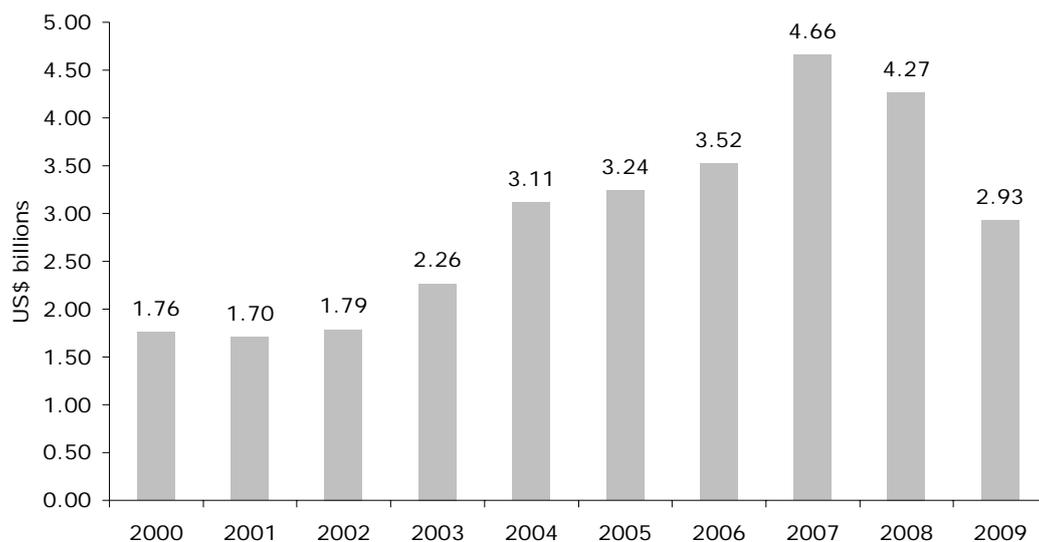
government initiatives like cutting public expenditure, raising taxes, and removing stimulus package to cut its fiscal deficit which is around 11.4% of GDP. Therefore, these issues are cited to be responsible for a delayed and slow recovery of the Spanish economy.

### 3.7.2 Market Size

The Spanish recruitment market is estimated to be worth US\$2.93 billion as of 2009. However, the market declined by a notable 31% in 2009 from its size of US\$4.27 billion in 2008 as a result of global economic recession which led to exponential increase in the unemployment rate. In addition, it also had a negative effect on the demand for recruitment services, thereby resulting in a fall in the turnover of the recruitment industry on the whole.

Since 2002, the market had been following an upward trend, which is evident by the growth in its size of US\$1.79 billion in 2002 to US\$4.66 billion in 2007, a CAGR of 18.26% over the period. The period of 2004 to 2007 proved to be much significant for the Spanish market when the industry turnover increased by 37% as a result of economic boom, which, in turn, increased the demand for recruitment services.

**Figure 3.14: Spain Recruitment Market Size, 2000-2009**



Source: Company reports

## 3.8 India

### 3.8.1 Overview

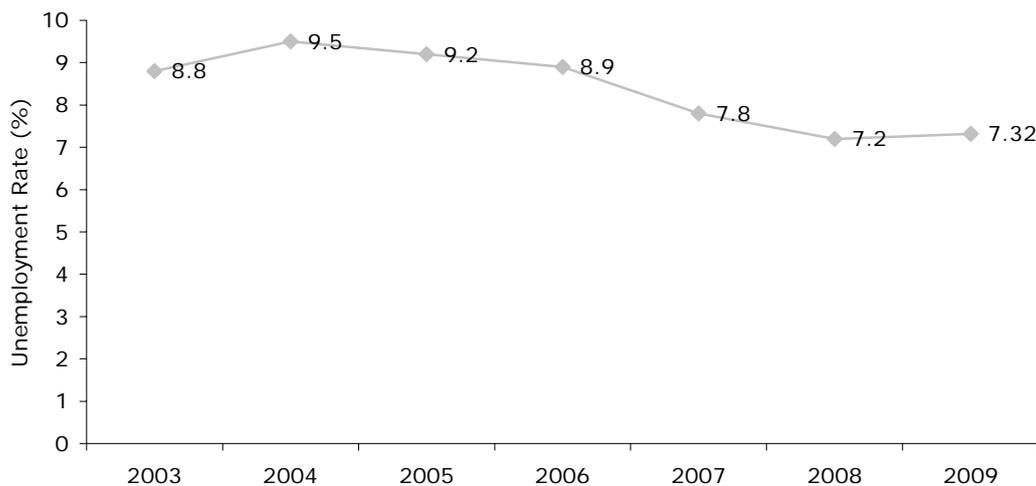
The entire demography of hiring and talent in India has undergone major changes in the last decade. The last five years, in particular, saw the emergence of a large number of skill upgrading exercises, and an equally large number of high-end, specialty jobs. The advent of new industry verticals has moved recruitment statistics from dozens to thousands and more along with multiplying salary scales.

As far as the current hiring and recruitment scenario is concerned, 25% of recruitment in Indian companies is done through internal referrals while the bigger part of 50% is shared among recruitment consultants and placement

agencies. 15% of the overall recruitment is done through direct advertisements while the remaining percent is carried out through options including like employee referral websites.

Over the last few years, unemployment rate has come down as country witnessed high growth rate due to reforms undertaken by the Indian government. The rate of unemployment declined to 7.20% in 2008 from 9.5% in 2004. However, it showed a marginal growth again in 2009 to reach 7.32%, mainly due to the global economic crisis which, like all other countries, influenced the Indian economy.

**Figure 3.15: India Unemployment Rate, 2003-2009**



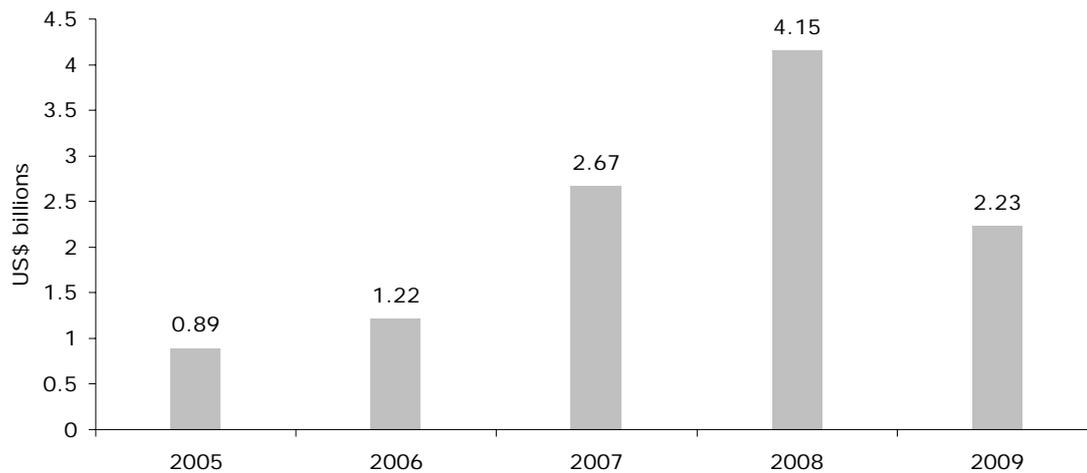
Source: CIA World factbook

### 3.8.2 Market Size

The Indian recruitment industry, which includes hiring through third-party recruiters, followed a slow growth rate during 1998 to 2002. However, in the next six years, 2002 to 2008, the recruitment industry galloped at an annual rate of approximately 30-40% as new firms entered and crowded the market. Existing players expanded in tandem with clients, fuelled by new projects and investments against the backdrop of a robust and growing economy. This exponential industrial growth has mainly been driven by the improving IT and IT-enabled sectors in India.

In 2009, Indian recruitment industry turnover declined to US\$2.33 billion as compared to US\$4.15 billion in 2008, representing a fall of 46.25%. This fall occurred mainly due to the global economic slowdown which resulted in a large number of job-cuts and an equally slow demand of recruitment services among companies for placement of employees. In addition, clients of recruitment firms also sought discounts, which brought the commission rates down from 20% of a candidate's annual compensation to as low as 4%, all in the space of one year.

**Figure 3.16: Indian Recruitment Market, 2005-2009**



Source: Executive Recruiters Association (ERA)

## 3.9 China

### 3.9.1 Overview

The Chinese recruitment market can be categorized into two focuses: "local focus" and "global focus". With the Chinese government pushing out an array of incentives to stimulate the domestic economy, the "local focus" positions are expected to register a notable rise in the market, particularly in the health care, food preparation, educational and technological industries.

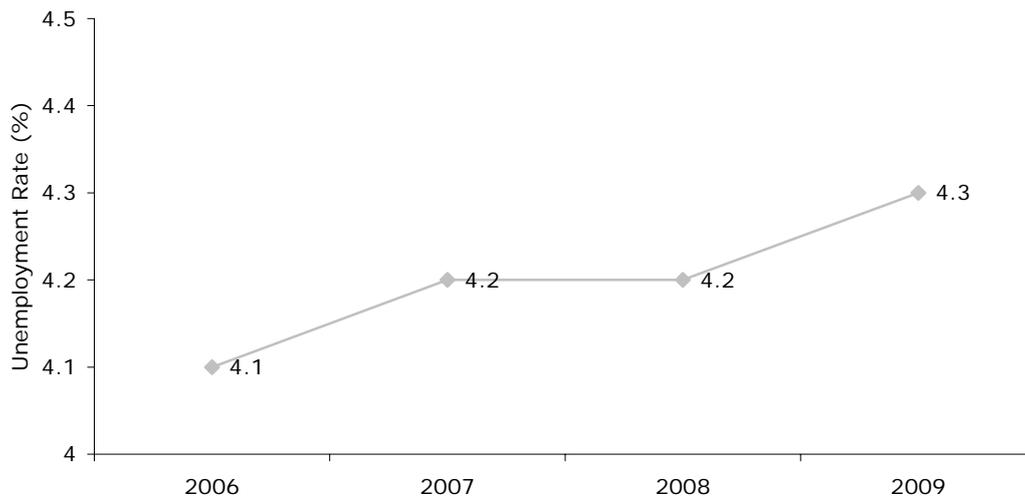
In addition, there is an increasing demand of training and development services in China. The young Chinese generation is looking for something more than just the income; they are also looking for self-development in a job.

China witnessed a marginal increase in the rate of unemployment rate, which reached 4.3% in 2009 from 4.1% in 2006, after staying stable at 4.2% for two years in a row: 2007 & 2008. According to the Manpower Employment Outlook Survey, hiring intentions in China fell to the lowest level in 2008. Shortages were mostly reported at higher levels, referring to senior and middle-level managers.

As the number of foreign companies entering the Chinese market increases, the demand for qualified accountants, especially those with either IPO or start up experience, is highly expected to witness a growth. In 2008, both banking activity as well as the number of deals declined, as a result of which the recruitment rate also became slow.

The survey also found that while some sectors - notably banking - are suffering from a slowdown, the employment sector still looks resilient as consumers are still willing to spend. Hong Kong, which is forecast to continue growing at over 10% this year, due to its strong links with the mainland China's economy, which turns out to be a key reason for the relative resilience of the employment market. It should be noted that the demand for accountants is relatively higher in China as compared to other professionals.

**Figure 3.17: China Unemployment Rate, 2006-2009**



Source: China national Bureau of Statistics, trading economies

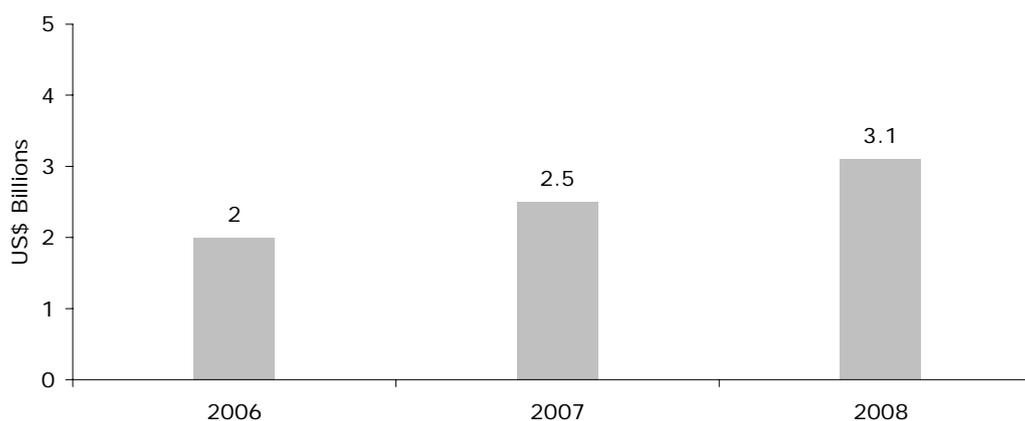
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### 3.9.2 Market size

The estimated value of the Chinese staffing market reached US\$2 billion in 2006 . According to the industry experts, it reached US\$2.5 billion in 2007 and by the end of 2008, the Chinese recruitment market was estimated to be worth US\$3.1 billion. Furthermore, increasing foreign investment in China is likely to fuel the growth of staffing market, mainly supported by the high demand for specialized, credentialed talent and efficient human resources solutions.

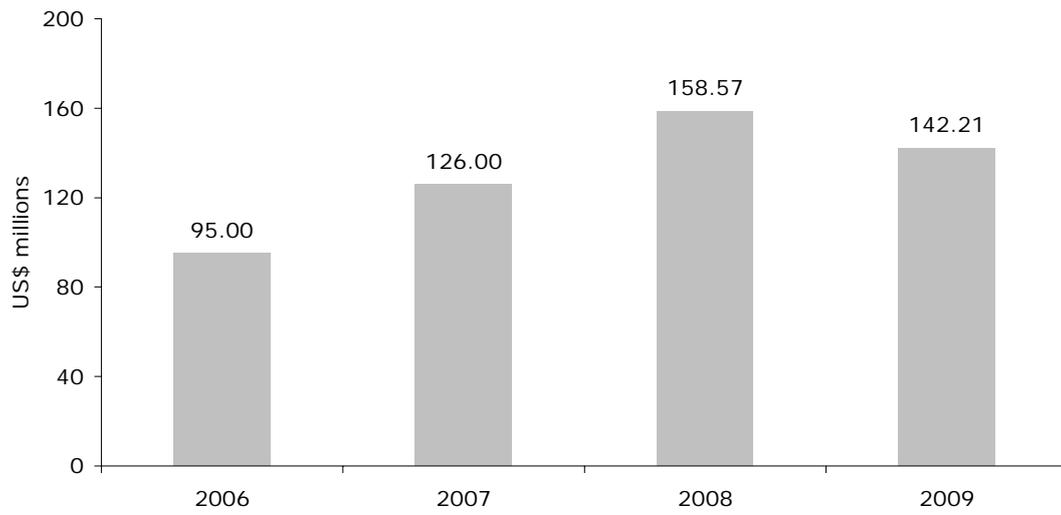
Companies operating in the online recruitment market generated robust revenues as the Chinese online recruiting market grew at a CAGR of 29% from US\$95 million in 2006 to US\$158 million in 2008. However, the industry witnessed a decline in revenues in 2009 with revenues declining to US\$142 million.

**Figure 3.18: Growth of Overall Recruitment Market in China, 2006-2008E**



Source: Company Reports

**Figure 3.19: Online Recruitment Market of China, 2006-2009**



Source: Company Reports

## **4. Market Movements**

### **4.1 Growth Drivers**

#### **4.1.1 Deregulation of Markets**

The regulatory framework of labor markets in individual countries has a significant influence on the market size and growth rates. Generally speaking, more flexible labor markets lead to higher penetration rates for temporary staffing. The UK has one of the most liberal labor markets and enjoys one of the highest penetration rates in temporary staffing. France, Germany, the Nordics, Spain, Italy and Japan have all seen an increase in opportunities as a result of labor market liberalization in recent years.

The most recent country to liberalize its recruitment sector is France, which opened its public sector to the temporary staffing market after the French Parliament voted in favor of it in 2009. Eurociett estimates that this development will add the equivalent of approximately 130,000 full-time employees, representing 25% of the estimated French temporary staffing market. According to Adecco, in a period of five to eight years, the French public sector could represent a market potential worth EUR 3–5 billion. Adopted in October 2008, the Agency Work Directive is expected to facilitate the opening up of further industry sectors and reduce restrictions on temporary work in the European Union. Eurociett estimates that this will enable the staffing market to help in creating around 570,000 new jobs in the coming years and, at the same time, making temporary work more socially acceptable.

#### **4.1.2 Socio-demographic Trends**

The impact of socio-demographic changes on the labor market is becoming increasingly apparent. With declining birth rates in developed countries, and people retiring earlier and living longer, there will, in the long term, be insufficient qualified workers to sustain economic growth. The staffing industry can help to narrow this gap by accessing additional demographic groups (e.g. active retirees) and taking full advantage of its global presence to facilitate mobility.

Meanwhile, the lifestyle changes associated with temporary work are influencing the market in a positive way, as more and more people are showing interest in moving to the regions which appear promising to them. This fits well with the trend in many companies to look for greater flexibility, better job-profile matches and higher acceptance in the skilled workforce, in order to overcome the growing talent shortages in many industries. Moreover, the recruitment industry is not just about placements, it is also about training and continuously educating the temporary workers.

#### **4.1.3 Economic Environment**

Growth in the industry, in particular for temporary staffing services, is heavily dependent on GDP developments. When the global economy accelerates the growth rates for staffing and HR services increase and when the economy slows down, so does the demand for staffing and HR services. Economic indicators across the globe suggest that business conditions are gradually improving from the low levels experienced in 2009, pointing to a recovery in most countries. Unemployment rates are expected to reach peak levels in the first half of 2010.

Compared with temporary staffing, which usually picks up shortly after an improvement in the GDP, unemployment rates are typically a late-cyclical indicator, only improving once economic activity and business confidence have returned. While the current economic situation overshadows structural growth in the industry, labor market deregulation is progressing and penetration rates for HR services are still very low. The recent opening of the French public sector to temporary employment underlines this trend. Hence, many industries and regions still provide untapped potential for the staffing market, and the potential for structural growth in our industry remains intact.

## **4.2 Key Challenges**

### **4.2.1 Regulatory Hurdles**

A key issue barring the long term growth of the industry is that most of the markets around the globe are not liberalized yet. Governments, even in some of the developed countries, continue to regulate labor markets, which hampers the entire industry growth. Further, emerging markets, like India and China, which have huge untapped potential with penetration rate at negligible levels can offer tremendous growth opportunities if the regional regulatory environment becomes favorable.

However, regulatory environment which are evolving in countries like U.S. which is opposing outsourcing of work is can have a negative impact on the recruitment industry of developing countries like India, etc.

### **4.2.2 Slow Recovery in Financial Services Sector**

The financial services sector had been the key contributor to the growth of the global recruiting market until the economic downturn of late 2007. Though there has been a slight recover in the financial services sector yet the recovery has been notably slower than it was expected. The market segment had always been a major contributor to the recruitment firms business particularly in the financial centers of the world. At the same time, it has been also major revenue generating segment in the emerging markets. Thus, recruitment firms around the globe is going to witness a tough ride going forward until financial service sector returns to pre-crisis levels.

### **4.2.3 Slow Global Economic Recovery**

The second half of 2009 witnessed a significant improvement in the global economic conditions, with similar signs of economic recovery registered by several countries worldwide. The recovery has been strongest in the emerging economies, especially Asia. Moreover, the global trade expanded and financial market conditions also improved substantially during the same period. Nevertheless, this recovery in many countries was dependent on fiscal and monetary policy stimulus. However, labor markets remained weak as unemployment rate remained at unacceptable high level.

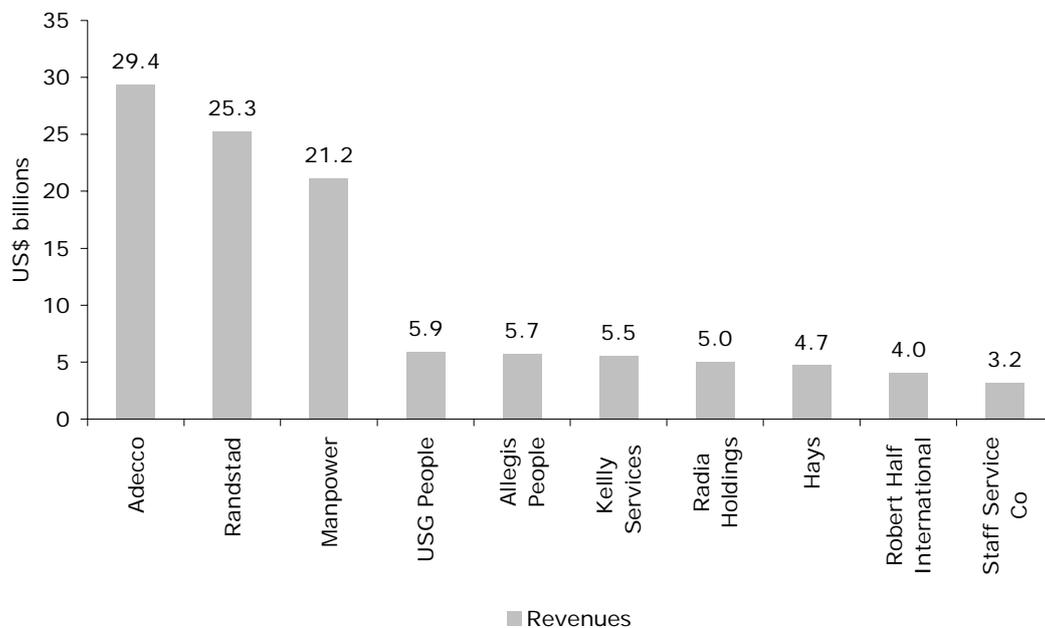
In the meantime, economic recovery is expected to be slow and long in nature as the developed nations are witnessing a high level of fiscal deficit crisis. This particular trend has given shape to government measures like reducing public expenditure, rise in taxes, etc. for the reduction of fiscal deficit in order to take it to the acceptable level. Thus, it will result in increased rate of unemployment in these economies due to the slow and prolonged recovery of the labor market.

## 5. Competitive Landscape

Adecco SA leads the global staffing market with a revenue share of US\$29.38 billion as of the year end 2008. Randstad Holding NV is the second largest staffing firm across the globe and contributed US\$25.27 billion to the worldwide market revenues, as of the year end 2008. Other leading staffing companies include Manpower Inc., USG People NV and Allegis Group which account for US\$21.17 billion, US\$5.92 billion, and US\$5.74 billion of the global revenues, respectively.

The largest staffing firms are spread around the world and engaged in a high number of acquisitions geared to open new markets and provide broader occupational reach. With the strongest growth now occurring in professional and technology positions firms that once focused on low skill labor are rapidly adding high-skill positions. The best firms are offering a wider range of services to meet employer needs with greater flexibility.

**Figure 5.1: Major Global Staffing Firms, 2008**



Source: Workforce management

Note: Results reflect revenues for 2008 or most recent fiscal year for which the information is available, list was released in Oct, 2009

## 6. Company Profiles

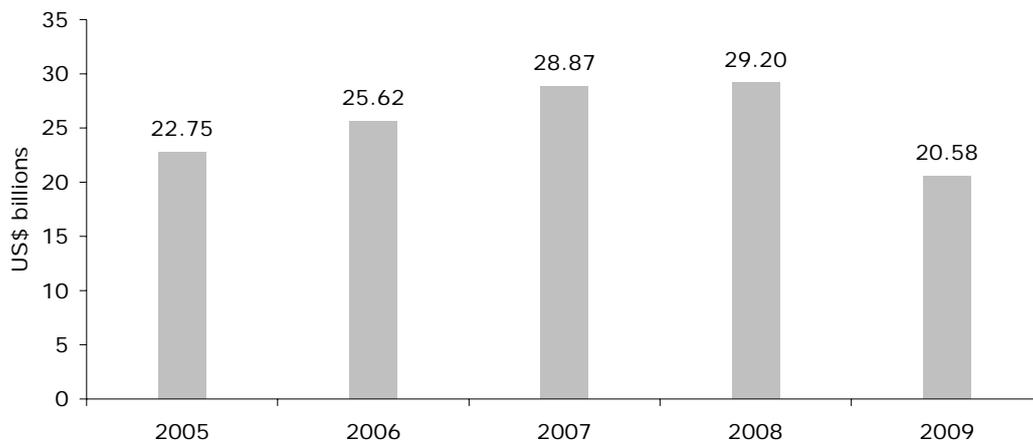
### 6.1 Adecco

Adecco SA provides human resource services, including temporary staffing, outsourcing, permanent recruitment, outplacement and career management, training and consulting. The Company divides its activities into six business lines: Information Technology (IT); Engineering and Technical; Finance and Legal; Medical and Science; Sales, Marketing and Events, and Human Capital Solutions. The Company operates worldwide through its subsidiaries. Adecco's subsidiaries include Adecco Argentina SA, Adecco Coordination Center NV, Adecco France SASU, Adecco Germany Holding GmbH, Adecco Norge AS, Adecco USA, Inc., Olsten Staffing Services Corp. and Lee Hecht Harrison LLC, among others. The Company has over 6,600 offices in more than 60 countries.

#### Business Revenues

The company experienced severe pressure on its top line, as demand for staffing services was hit by reduced economic activity. Its revenues declined by 30% to US\$20.58 million in 2009 from US\$29.20 million in 2008. Consequently, Adecco accelerated headcount reductions and restructuring measures in most countries in order to protect profitability, resulting in restructuring costs of US\$168 million for the year 2009.

**Figure 6.1: Adecco Business Revenues, 2005-2009**



Source: Company Reports

#### Business Strategies

##### Dual Approach in Service Offering

The company offers general as well as professional staffing services. Given the different service requirements of each business, Adecco follows two distinct approaches to market it services how:

- In general staffing business, it typically offers tailored solutions to retail and large clients. Given the relatively lower-margin nature of the business, cost leadership and price discipline are key factors. Strategically, it aims to build longer-lasting relationships with candidates and clients, not only to improve their prospects, but also in order to optimize costs.

- In professional staffing, it focuses on its “experts talk to experts” approach. With this approach it establish relationships with line managers at client companies to better understand the skill sets of candidates needed. This ensures successful matching of candidates’ profiles with clients’ needs for positions requiring higher qualifications. Furthermore, higher level expert points of contact with clients lead to longer-lasting and more challenging assignments for associates. Such assignments, in turn, enable us to attract talented, qualified and consequently more sought-after individuals. Its strategic objective with this approach is to profit from the demand for talent, while generating higher margin returns.

In order to enhance the Group’s earnings mix, its strategy is to grow the professional staffing business. In October 2009, Adecco successfully completed the acquisition of Spring Group in the UK, and in January 2010, it acquired US-based MPS Group, in a move to further expand its professional staffing offering, particularly in the USA and in the UK, the largest professional staffing markets. The two companies are an ideal strategic fit, enhancing Adecco’s position in this highly attractive market segment.

### **Decentralized Country Approach**

The company business is a local business since HR markets are local markets. Every country has its own characteristics in terms of client needs, client structure, demographics, culture and regulations. The company is convinced that decentralization is the right strategy for managing a global staffing organization and promoting local entrepreneurship – a key success factor for its business. Its two distinct market approaches in the general and professional staffing businesses, coupled with a decentralized country approach, form the heart of the Adecco Group strategy aimed at achieving sustainable, profitable growth.

### **Cost Management**

In view of the cyclical nature of its business, a tight grip on cost management is of utmost importance, especially during economic downturns. Keeping in mind its strategic goal of enhancing its leadership position as adjusting the cost base both structurally and in alignment with the demanding market conditions is a priority for the company. The company achieves its rigorous cost management through stringent reporting, review processes, as well as the application of the “Economic Value Added” (EVA) concept. These measures, allied with ongoing structural cost improvements, and value-enhancing acquisitions in the professional staffing field, puts it in a good position to reach the EBITA margin target of above 5.5% mid-term and to emerge as an even stronger company, ready to take full advantage of the next economic upswing.

## **6.2 Randstad Holding**

Randstad Holding NV is a Netherlands-based temporary and contract staffing organization. It has five divisions: Staffing, which offers temporary staffing, permanent placement and specialties; Professionals, which is engaged in the recruitment of middle and senior management positions, employees with professional qualifications, either for permanent positions or on secondment, interim or project basis; Human Resources (HR) solutions, including human resources, project management, HR management and HR consultancy services; search & selection, which offers recruitment of middle and senior managers for permanent position; and In-house Services, which is aimed at improving labor flexibility, retention, productivity and efficiency. It operates in Belgium, Bulgaria, Canada, Chile, France, Germany, Greece, India, Luxembourg, Mexico, the

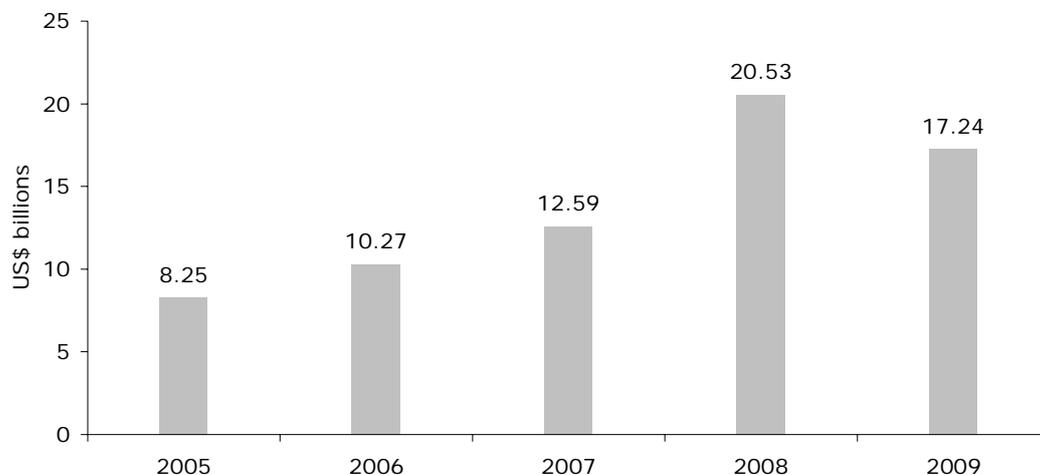
Netherlands, Spain, Switzerland, Poland, Portugal and the United Kingdom. During the fiscal year ended December 31, 2009, the Company acquired Vedior Groep.

### Business Revenues

Randstad's business revenues declined by 16% from US\$20.53 in 2008 to US\$17.24 billion in 2009, as a result of the global economic crisis, which led to a rise in unemployment. The revenue decline accelerated in the first months of the year, leading to a 27% organic revenue decline in Q109 and a decline of 33% in Q209. Market contraction was synchronized and, unusually, all major markets as well as almost all major segments contracted rapidly at the same time.

The decline stabilized during the second quarter however, and traditional patterns had begun to return by the summer. The trend turned first in its US staffing and in-house businesses, which was followed later on by staffing and in-house businesses in the UK and in the more industrial sector-oriented countries in Continental Europe, such as Germany, France and Poland. The global professionals businesses, which traditionally move later in the cycle, started to stabilize during Q309, but did not show any signs of recovery until the end of the year. Same was the case with its Dutch businesses, which are exposed to the more service oriented, and therefore more late-cyclical, Dutch economy. As a result of these patterns, the organic revenue decline for the company as a whole eased to 28% and 17% in Q3 and Q4, respectively, including a return to growth in its US staffing and in-house business in late November.

**Figure 6.2: Randstad Business Revenues, 2005-2009**



Source: Company Reports

### Business Strategies

#### Staffing and Specialties

In many countries its staffing consultants have a dual role, not only serving their clients but also recruiting the candidates and making the match. This sets it apart from many competitors with separate sales and recruitment forces and enables it to make a better match. Furthermore, it preserves document knowledge and best practices in its business concepts, in order to ensure that clients receive an offering that has been proven to work. Its service offering in staffing includes many specialties: specific market segments on which dedicated units focus, such

as healthcare, transport, airports and contact centers. Specialties leverage its extensive branch network, its brands and front-office processes to make an above-average contribution to EBITA.

### **Professionals and Search & Selection**

It has the broadest and deepest offering in a wide range of professionals sectors and geographies. This diversified business mix is extremely helpful, especially in the challenging economic climate it faced in 2009. Most of its operating companies offer both professional placement services on a temporary basis as well as through permanent positions (Search & Selection). For this reason, it describes progress in these two offerings together here.

### **Increasing Employment Satisfaction through Employee Engagement**

The company organizes a global employee engagement survey each year to support retention. The survey measures key engagement drivers like satisfaction, pride, intention to stay and likelihood to recommend. The outcomes help management determine which factors will most effectively raise engagement levels in each employee group.

The 2009 survey showed that while there is room for improvement, engagement is high, scoring a 7.1 on a scale of 10 (7.5 in 2008). Employees also indicate that they are proud to work at Randstad, with 38% giving pride a score of 9 or higher (41% in 2008). The company is pleased that, despite the difficult market circumstances, the survey only showed a mild deterioration. Survey reports are treated as an opportunity for further dialogue about engagement at all levels within the organization. Engagement is further stimulated by a share purchase plan for all employees and a performance share plan for a group of senior managers.

## **6.3 Manpower Inc.**

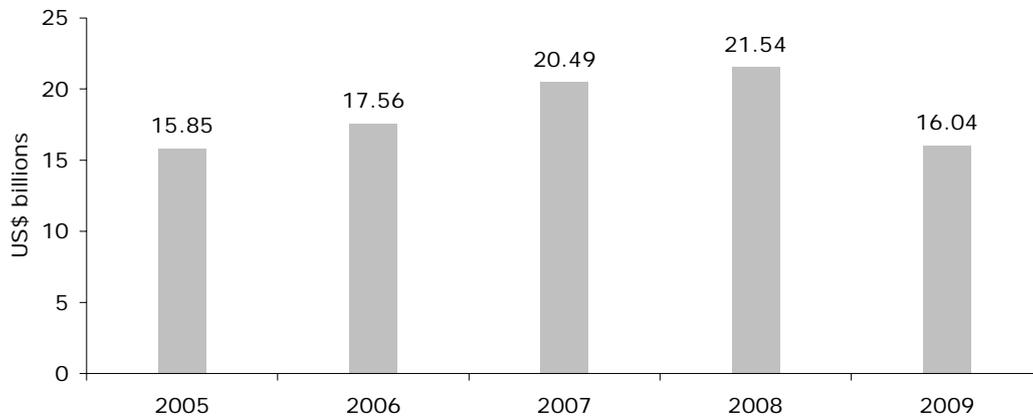
Manpower Inc. (Manpower) is a leading player of the employment services industry. Its global network of nearly 4,000 offices in 82 countries allows the company to meet the needs of its clients in all industry segments. Manpower Inc.'s five brands, Manpower, Manpower Professional, Elan, Jefferson Wells and Right Management provides a range of services for the employment and business cycle including: permanent, temporary and contract recruitment, employee assessment and selection, training, outplacement, outsourcing, consulting and professional services. In 2009, it found permanent and temporary jobs for nearly three million people. It had 530 branch and 205 stand-alone franchise offices in the United States as of December 31, 2009. In February 2010, the company signed an agreement to acquire COMSYS IT Partners, Inc. a professional staffing firm.

### **Business Revenues**

The difficulty in the labor market is clearly evident in its numbers. Its revenue for 2009 was US\$16.04 billion, down 26% and its net loss was US\$9 million, down from earnings of US\$206 million in 2008. Its net earnings, excluding non-recurring items, were US\$86 million. Its operating cash flow continued to be strong, at US\$414 million, ending the year with US\$1 billion of cash. It moved quickly and appropriately to reduce its expense base by 15%, but never at the price of endangering its position in a market or its ability to recover with speed. Its geographic footprint, which they are committed to, remained intact, with 87% of its revenue generated from outside the U.S. Its Right Management team did an

outstanding job as they guided companies in transitioning people out of their businesses. Its revenues from Right Management segment has improved by 24% to US\$559 million and its operating earnings finished the year at US\$113 million.

**Figure 6.3: Manpower Inc. Business Revenues, 2005-2009**



Source: Company Reports

## Business Strategies

### Digital Strategy

The company is following the digital strategy which it describes as a holistic integration of its brand strategy, business models, and processes, and information technology to accelerate its business. It continues to refine its digital strategy, evaluating and implementing new technologies such as mobile applications, social networking and virtual work platforms. This approach allows the company to leverage its global digital assets for operational efficiency and enables it to deliver the optimal manpower experience for clients and candidates. This includes enhancements to its front- and back-office systems that again help the company with quickly matching and deploying the right talent to its clients.

### Professional Staffing

The company is positioning for the acceleration and global expansion of Professional Staffing—its high-growth, high-profitability business in the areas of information, communications and technology (ICT), engineering, and finance and accounting. Its expanded offering serving these high-demand skills areas will include new global online and offline capabilities for both its clients and candidates. Professional Staffing is a critical revenue stream going forward as it is continuing to build the company's brand and attract the talent its clients need as skills shortages rise.

The company will leverage much of its Manpower Experience in expanding its Professional Staffing and Specialty Services. Several years ago, company has made the decision to broaden its range of services beyond its core staffing. The company has been very successful and now it's going to move faster. It will leverage its global footprint and the full range of services to balance its mix of business, turn up the volume on its higher margin specialty businesses and grow its professional staffing business.

In 2010, it will be critical for the company to deploy go-to-market strategies in this area. Recently, it announced to acquire one of the largest IT staffing

providers in the U.S., bringing its specialty business and professional staffing business to account for over 20% of its overall revenues and one third of its gross margin. The company reports that it is able to marry its organic success with an acquisition, in this case, to significantly enhance its ability to help its clients win.

### **Strengthening Its Right Management Business**

The company's Right Management business is stronger than ever before. The year 2009 was a "cyclical" period for Right Management to move to center stage, as companies downsized their workforce. As a result, hundreds of thousands of people entered its Right Management doors to find out more about themselves and find new careers. The company has used this opportunity to not only strengthen its Right Management brand, but reposition it closer to Manpower and invest in its Talent Management practice. It worked, as the number of coaching and assessment assignments in Right Management reached record levels. It has positioned the company strategically, as these services are in high demand during a recovery.

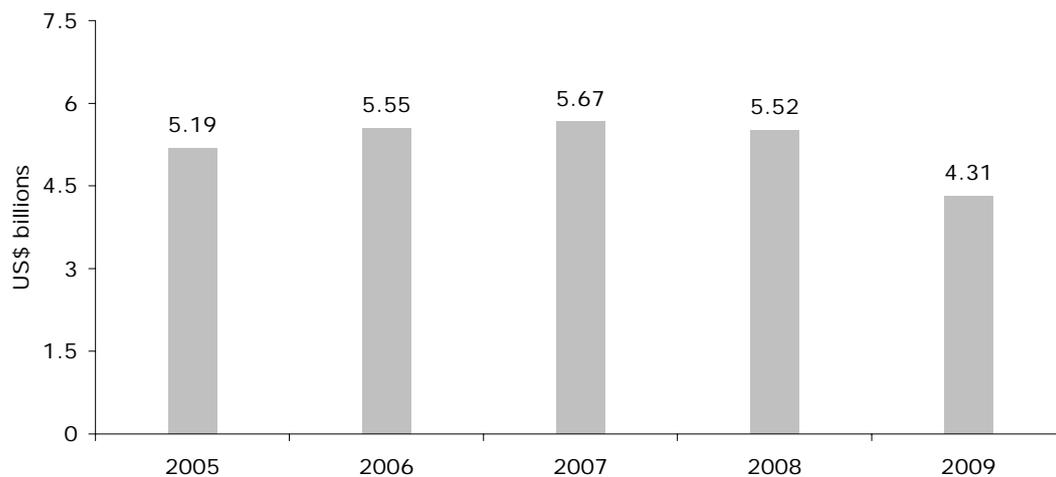
## **6.4 Kelly Services Inc.**

Kelly Services, Inc. assigns professional and technical employees in the fields of creative services, education, legal and healthcare. In addition, it also offers talent management solutions for its customers, including outsourcing, consulting, recruitment, career transition and vendor management services. The company provides temporary employment for approximately 480,000 employees annually to a variety of customers worldwide. Kelly's workforce solutions are provided to a diversified group of customers through offices in three regions: the Americas, Europe, the Middle East, and Africa (EMEA) and Asia Pacific (APAC). The company's operations are divided into seven principal business segments: Americas Commercial, Americas Professional and Technical (Americas PT), EMEA Commercial, EMEA Professional and Technical (EMEA PT), APAC Commercial, APAC Professional and Technical (APAC PT), and the Outsourcing and Consulting Group (OCG).

### **Business Revenues**

The Kelly Services' business revenues declined by 21.8% in 2009 to reach US\$4.31 billion from US\$5.52 billion in 2008. The decline in revenues is the result of decrease in hours worked by 18.7% combined with a decrease in average hourly bill rates by 5.0% (1.2% on a constant currency basis). The decline in revenues is further accelerated by the decline in Fee-based income by 43.1% in 2009 to US\$86.1 million from US\$151.3 million in 2008. Also, revenues decreased in all the seven business segments as a result of global economic slowdown.

**Figure 6.4: Kelly Services Inc. Business Revenues, 2005-2009**



Source: Company Reports

## **Business Strategies**

### **Increasing Operational Efficiencies**

The company focuses on increasing the efficiency of its operations as the global economic crisis has significantly decreased its profit margins. Therefore, it has decided to modify its operational strategies more frequently in order to make its operations more efficient. The company is cutting its expenses with a specific focus on the changing conditions. In addition, it also focuses on preserving strategic options by maintaining cash flow, access to lines of credit and maintaining operational capability; streamlining operations and delivery channels by deepening relationships with customers and candidates; and positioning itself to grow and strengthen its competitive position

### **Structural & Non-Structural Cost Reductions**

Another area of concern for the company is to reduce its structural as well as non-structural costs in order to stay competitive in the market. As a result, it has reduced its structural cost by closing, selling, or consolidating underperforming branches greater than 130 in the past 18 months. Also, it has reduced its employee headcount corporate-wide by more than 1,600 in last 18 months. The company is focusing on reducing non-structural cost by suspending salary increases, cash & stock incentive awards, and retirement plan contributions, restructured field-based incentive plans, reduced 401(k) match, eliminating matching expense and reduced discretionary costs

### **Restructuring of the American Business**

The company has planned to restructure its American business unit by facilitating collaboration and cross-selling, improving business mix and account penetration, driving new sales, Increase profitability, and maintaining high level of service excellence.

## 7. Market Outlook

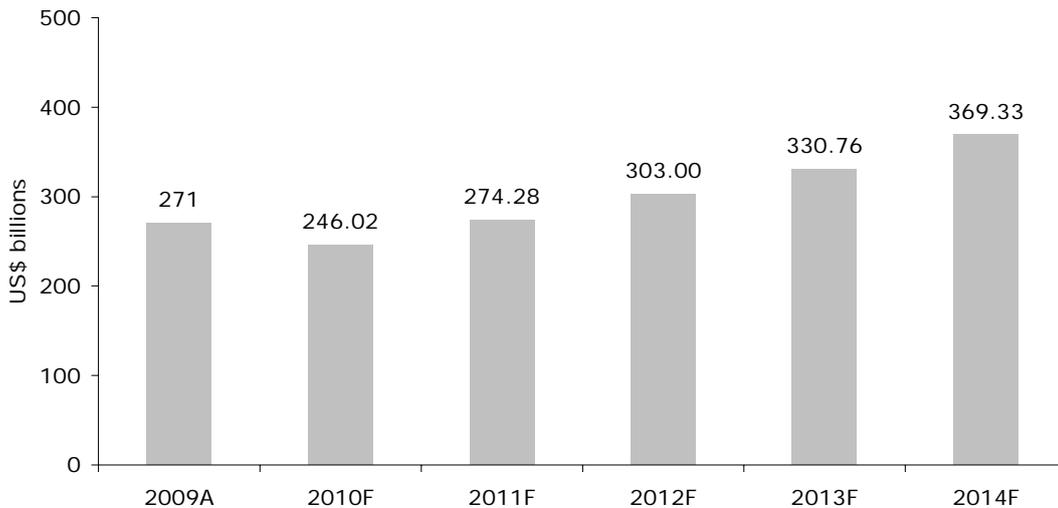
### 7.1 Market Forecast

The global recruitment market is expected to grow to US\$369.33 billion by 2014 at an average CAGR of 6.39% during 2009-2014. The market growth will primarily result from the improving global economic conditions. We expect that improving economic activities around the globe will lead to the creation of large number of jobs. Thus, it will eventually increase the demand for recruitment services.

In comparison with the year 2009 when the market was estimated to be worth US\$271 billion, the year 2010 is anticipated to witness a decline of 9% to reach US\$246 billion. The projected decline is likely to occur from the rising worldwide unemployment. At the same time, the pressure of fiscal consolidation on the developed economies like the UK, the US, and Spain will further result in higher taxes and massive cuts in public expenditure which will decelerate the economy recovery of these economies. Hence, it will result in the creation of significantly lesser number of jobs in the developed economies.

However, in the years following 2010, the global recruitment market is projected to record a healthy growth.

**Figure 7.1: Global Recruitment Market Forecast: 2009-2014F**



Source: Konzept Analytics

### 7.2 Forecast Methodology

This section applies Correlation and Regression analysis methods, two statistical tools to forecast the global recruitment market. The capabilities of SPSS, predictive analytics software, have also been leveraged to determine the relevant indicators used for forecasting this industry. The model is concerned with describing and evaluating the relationship between a given variable (dependent variable) and one or more other variables (independent variables).

In the present case, global recruitment market has been taken as the dependent variable and three other variables – World Population, World GDP and Global

Unemployment Rate affecting the industry have been taken as the independent variables. In the table below, the values of both the variables has been outlined.

**Table 7.1: Dependent & Independent Variables, 2001– 2009**

| Year | Dependent Variables<br>Global Recruitment Market (US\$ Billions) | Independent Variables        |                           |                              |
|------|--|------------------------------|---------------------------|------------------------------|
|      |  | World Population ( Billion ) | World GDP (US\$ Trillion) | Global Unemployment Rate (%) |
| 2001 | 222  | 6.14                         | 31.81                     | 6.3                          |
| 2002 | 230  | 6.20                         | 33.07                     | 6.3                          |
| 2003 | 219  | 6.28                         | 37.27                     | 6.1                          |
| 2004 | 234  | 6.35                         | 41.91                     | 6.4                          |
| 2005 | 279  | 6.42                         | 45.29                     | 6.3                          |
| 2006 | 334  | 6.50                         | 49.02                     | 6.0                          |
| 2007 | 342  | 6.57                         | 55.11                     | 5.7                          |
| 2008 | 339  | 6.64                         | 60.56                     | 5.8                          |
| 2009 | 271  | 6.77                         | 59.29                     | 6.6                          |

### 7.2.1 Dependent and Independent Variables

Following are the reasons for the selection of three independent variables:

- World Population has a positive correlation with the global recruitment industry. As the global population increases, it will result in increase in demand for the recruitment services as more and more people will look for the jobs in the future. Also, there has been a change in the trend with large number of people nowadays looking for job take the services of the recruitment firms in order to increase there options of getting a good job. Thus, it will result in increase in the industry revenues.
- World GDP also has a positive correlation with global recruitment market as industry is cyclic in nature. The demand for the recruitment services increases with rise in economic activity as it results in increase in the number of new jobs created. The companies around the globe depend upon the recruitment firms to fulfill vacant job positions either by recruiting for them the right candidate permanently or providing them temporary staff to meet their customers demand.
- Globally unemployment has negative correlation with the recruitment market. As unemployment rate increases, it results in decline in demand for the services of the recruitment industry. Thus, it results in overall decline of the global recruitment industry.

### 7.2.2 Correlation Analysis

The application of correlation analysis helps in quantifying the strength of relationships between the Global Recruitment market and each independent variable after adjusting for the effects of the other explanatory variables.

Correlation analysis is also applied to measure the degree of association between two set of quantitative data. Correlation coefficients describe the direction and strength of association between variables. The correlation matrix table, given below, analyzes the strength of association of the two independent variables with the dependent variable as well as the level of association between the independent variables.

**Table 7.2: Correlation Matrix**

|  |                     | <b>Global Recruitment Market (US\$ billions)</b> | <b>World Population (billions)</b> | <b>World GDP (US\$ Trillions)</b> | <b>Global Unemployment Rate (%)</b> |
|--|---------------------|--|------------------------------------|-----------------------------------|-------------------------------------|
| Global Recruitment Market (US\$ billion) | Pearson Correlation | 1.00   | .721                               | .807                              | -.718                               |
|  | Sig. (1-tailed)     |  | .014                               | .004                              | .015                                |
|  | N                   | 9  | 9                                  | 9                                 | 9                                   |
| World Population (billions)              | Pearson Correlation | .721   | 1.00                               | .979                              | -.190                               |
|  | Sig. (1-tailed)     | .014   |                                    | .000                              | .312                                |
|  | N                   | 9  | 9                                  | 9                                 | 9                                   |
| World GDP (US\$ Trillions)               | Pearson Correlation | .807   | .979                               | 1.00                              | -3.48                               |
|  | Sig. (1-tailed)     | .004   | .000                               |                                   | .179                                |
|  | N                   | 9  | 9                                  | 9                                 | 9                                   |
| Global Unemployment Rate (%)             | Pearson Correlation | -.718  | -.190                              | -.348                             | 1.00                                |
|  | Sig. (1-tailed)     | .015   | .312                               | .179                              |                                     |
|  | N                   | 9  | 9                                  | 9                                 | 9                                   |

We now proceed to use the multiple linear regression approach with dependent variable (Global Recruitment Market) and explanatory variables (World Population, World GDP and Global Unemployment Rate) to quantify the nature of relationships between the dependent and independent variables.

### 7.2.3 Regression Analysis

Multiple linear regression is a method to assess the strength of the relationship between each set of explanatory variables (independent variables), and a single response (or dependent) variable.

A multiple regression model can be set up in SPSS. The resulting SPSS output tables are shown in the "Model Summary" table, which includes the multiple correlation coefficients, R, its square, and an adjusted version of this coefficient as summary measures of model fit. Further, we have used R-Square to explain the validity of the independent variables. The R Square value reflects the degree of influence the independent variables have on the dependent variable. R Square

is the coefficient of determination that represents the proportion of total variation in the dependent variable that is accounted for by the variation in the factors.

**Table 7.3: Model Summary – Coefficient of Determination**

| Model | Change Statistics |          |                   |                            |               |                 |          |     |     |
|-------|-------------------|----------|-------------------|----------------------------|---------------|-----------------|----------|-----|-----|
|       | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Sig. F Change | R Square Change | F Change | df1 | df2 |
| 1     | .933              | .871     | .793              | 23.70379                   | .012          | .871            | 11.234   | 3   | 5   |

Predictors: World Population, Global GDP and Unemployment Rate

Thus, looking at the above table, we can state that the above mentioned independent variables World Population, World GDP and Global Unemployment Rate collectively account for 87% of any change in the dependent variable Global Recruitment market.

Applying multiple regression analysis to a set of data leads to regression coefficients, one for each explanatory variable. These coefficients give the estimated change in the response variable associated with a unit change in the corresponding explanatory variable, conditional on the other explanatory variables remaining constant.

**Table 7.4: Regression Coefficients Output**

|                              | Un-standardized Coefficients |            | Standardized Coefficients |
|------------------------------|------------------------------|------------|---------------------------|
|                              | B                            | Std. Error | Beta                      |
| (Constant)                   | 218.588                      | 1578.807   |                           |
| World Population (billions)  | 98.155                       | 329.760    | .394                      |
| World GDP (US\$ Trillion)    | 1.081                        | 6.656      | .225                      |
| Global Unemployment Rate (%) | -101.255                     | 51.082     | -.565                     |

Dependent Variable: Global Recruitment Market (US\$ billion)

Finally, we have used the multiple regression equation:

$y = a + bx_1 + cx_2 + \dots$ , to calculate the forecast, where

- a is the constant,
- b is the regression coefficient of World Population
- c is the regression coefficient of World GDP
- d is the regression coefficient of Global Unemployment Rate

Here b and c are the regression coefficients, which represent the amount the dependent variable Y changes when the corresponding independent changes 1 unit.

## **About Koncept Analytics**

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Koncept, through its Customized Solutions fulfills specific information needs of its clients. It could be a thorough understanding of the competing products in a specific market, differentiation strategies of its key competitors, regulatory constraints in any specific geographic region or exploring potential business opportunity in any market.

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