

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.

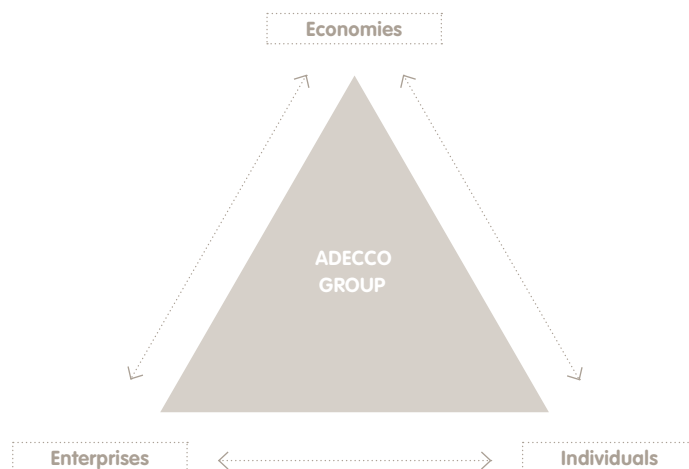
In 2011, the global staffing market grew approximately 7%¹ to EUR 265 billion¹. This compares with an estimated increase of 11% to EUR 248 billion in 2010¹. Professional Staffing accounted for around 30%¹ of the market in 2011 and increased 5%¹ year-on-year, while General Staffing was up 8%¹ compared to 2010 and represented 70%¹ of the global market in 2011.

The USA represented the single largest market for HR services measured by revenues in 2011, with a share of approximately 31%¹, followed by Japan with 17%¹ and the UK with 8%¹. Europe as a whole represented 36%¹ of the global staffing market in 2011, whereas the Emerging Markets accounted for 11%¹. The major markets developed diversely in 2011 and varied between a revenue decline of 6%¹ and growth of 22%¹. The market in Japan continued to decline, while growth in the UK was still subdued. A more restrictive legislative proposal (see page 25) in Japan held back demand for temporary staffing services. In the UK, a sluggish economy, characterised by being largely service-driven, and cuts in government spending led to a substantial decline in demand for temporary staffing services.

Competitive landscape The global HR services market is highly fragmented and the competitive landscape varies considerably from one country to another. There were 125,000 registered private employment agencies worldwide in 2010 according to Ciett². The three biggest markets measured by revenues – the USA, Japan and the UK – show a very high degree of fragmentation, with Japan showing the largest number of staffing companies, followed by the USA and 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 20%¹ of global turnover. The Adecco Group is the largest 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. The trend of large multinational companies to outsource part or all of their HR processes continued and led 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 the Professional Staffing markets in order to diversify their product offerings and to enhance their position in this more profitable and faster-growing segment.

¹ Adecco estimate. 2010 estimates revised.

² Ciett = International Confederation of Private Employment Agencies



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 cope with seasonal, cyclical and structural market changes and as a labour market intermediary, we help them to adapt to these challenges.

Economies As an HR services company we turn available work into jobs and thereby support economic growth. Labour market transparency is increased through our deep understanding of companies' needs and people's work or education aspirations to provide the needed match of 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, families, 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'

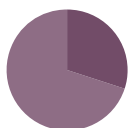
As established by Eurociett's 'Adapting to Change' study, HR services companies are an engine of job creation and deliver jobs ahead of the classic job creation curve. In fact, temporary jobs are created even at very low levels of GDP growth, when no permanent jobs are generated. The study highlights 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. The Ciett Economic Report 2011 revealed that 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.

2011 global HR services market by revenues¹ in %



- USA 31%
- Japan 17%
- UK 8%
- France 7%
- Germany 7%
- Rest EU 14%
- Rest Global 16%



- Professional Staffing 30%
- General Staffing 70%

'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.

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 ILO³ Convention at global and the EU 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 23 countries. Adecco supports efforts at national level with national legislators to ratify ILO Convention 181. In October 2011, on the occasion of the ILO Global Dialogue Forum, Adecco led the Ciett delegation to promote a constructive dialogue between social partners to promote workers' rights in our industry.

Adecco's market position in 2011

	% of Adecco revenues	Market share ¹ in %	Market position ¹
France	30	31	1
North America	18	4	2
UK & Ireland	8	8	1
Japan	7	3	4
Germany & Austria	7	9	2
Benelux	5	5	3
Italy	5	18	1
Nordics	4	13	2
Iberia	4	25	2
Australia & New Zealand	2	4	4
Switzerland	2	16	1
Emerging Markets	7	5	1
LHH	1	18	1

EU Agency Work Directive The EU member countries were set the deadline of December 5, 2011 to implement the EU Agency Work Directive adopted in November 2008. 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 in December 2011, the industry is faced with a heterogeneous implementation of the Directive across the EU. Adecco, Eurociett and national associations continue to advocate for the correct implementation of the Directive, focusing on the appropriate regulation and lifting of unjustified restrictions.

Across the globe, Adecco encounters considerably different regulatory schemes and drives the efforts of national associations to improve labour market efficiency. In most markets where Adecco operates, company representatives are engaged in the dialogue with national authorities to foster appropriate labour market regulation and define the proper regulatory environment for the provision of private employment services. In 2011 Adecco was a founding member of the Staffing Federation in India, the Association of Private Employment Agencies in Russia and the Staffing Association in Vietnam. In these regions, much emphasis is placed on setting up the proper regulation of the industry, in order to differentiate properly regulated agencies from rogue providers.

³ International Labour Organization

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 globally. The key growth drivers for the penetration rates and, hence, our industry are appropriate regulation, the business environment, the need for flexibility, the move of production to the East and socio-demographic changes. In 2011, the UK enjoyed one of the highest penetration rates in temporary staffing, around 3.1%¹, but significantly below the prior peak penetration rate of 4.7%² in 2008. In Germany a new peak penetration rate of 2.2%¹ was reached in 2011. In the USA, the world's largest staffing market, the penetration rate stood at 1.7%¹, in Japan at 1.4%¹ and in France at 2.2%¹, all still below historical 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. Compared with temporary staffing, which usually picks up shortly after GDP trends start to improve, unemployment rates are typically a late-cyclical indicator. Uneven business trends in 2011 highlighted the importance of a flexible workforce in adapting to fluctuations in demand and workforce needs. Many industries and regions still offer immense untapped potential for HR services, and the structural growth drivers for the industry remain fully intact.

Need for flexibility Greater flexibility in dealing with peaks and troughs in demand is achieved by companies employing temporary workers as a part of their workforce. In almost all developed countries, 2011 again augmented the need for flexible labour due to the uncertain economic development. More made-to-order production also resulted in an increased 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% between 1992 and 2011. This trend is expected to continue and should further drive demand for our services.

Move of production to the East 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, the Emerging Markets today 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.

Socio-demographic changes The impact of socio-demographic changes on the labour market is becoming increasingly

apparent. With declining birth rates in developed countries and people living longer, the scarcity of talent will hinder economic growth. In the USA an extra 25 million workers will be needed by 2030 while Europe will seek 35 million additional workers by 2050, according to 'Adapting to Change'. The staffing industry can help to narrow this gap by accessing additional demographic groups (e.g. students, families, retirees), by taking full advantage of its global presence and pool of candidates and by facilitating mobility. Meanwhile, lifestyle changes are having a positive impact on our industry. Today, people increasingly want to explore new assignments on a more frequent basis and are ready to move where the opportunities are. This fits well with the trend in many companies to look for greater flexibility, better job-profile matches and higher acceptance of temporary employees in the skilled workforce, 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.

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

Austerity measures applied by most developed countries will hinder GDP growth in 2012 and Europe is expected to suffer most. In such an environment companies will be hesitant to hire permanent labour and rather hire staff on a temporary basis to remain flexible. The need for flexibility, socio-demographic changes and appropriate regulation offer attractive structural growth potential for our industry in the coming years in the developed countries. Economic growth in the Emerging Markets is expected to continue, albeit at slightly lower rates, driven by increased domestic demand and continued foreign investments. The move of production to the developing countries and the need for flexibility will further increase the penetration rates of temporary staffing in the Emerging Markets. In 2012, flexible HR solutions will continue to prove their value and many industries and regions offer untapped growth potential. Structural growth drivers for the industry remain fully intact and temporary staffing penetration rates are set to surpass prior peaks in the future.