

# Economic Perspectives for the Agency Work Industry Paris – CIE TT Congress

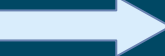
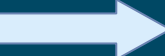
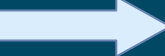
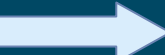
May 16, 2003

**Boris Bernstein**

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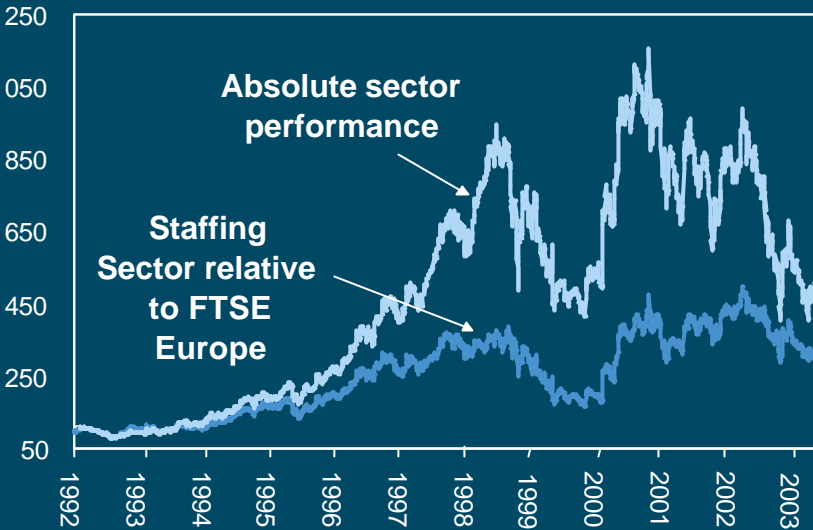
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# Key messages

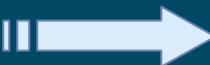
- ||  The staffing industry fulfils a need
- ||  The industry is currently suffering one of the most challenging periods in decades
- ||  Success long term will depend on harnessing key issues
- ||  Thoughts on industry structure

# The financial market offers a prism to view the staffing industry

10 year performance



5 year performance



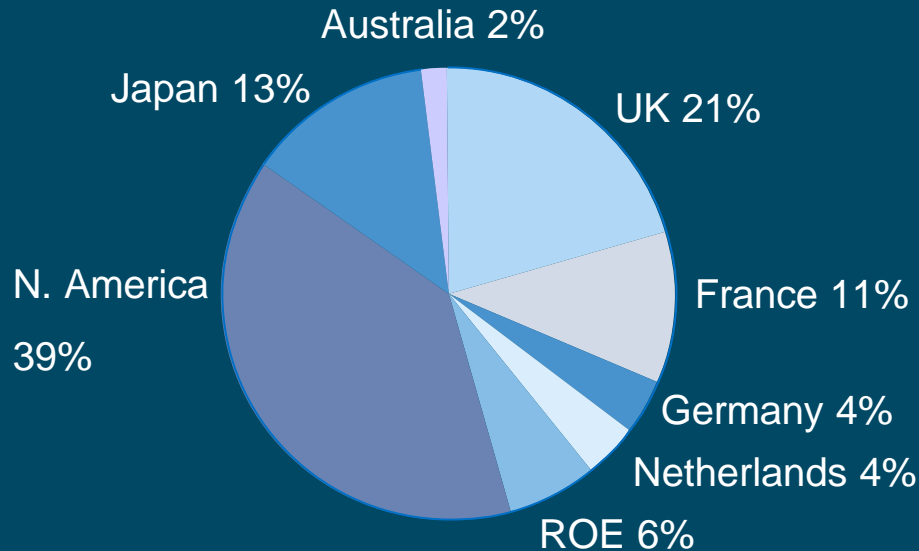
**Staffing is an attractive industry, but highly cyclical**

Note: Staffing basket Adecco, Kelly, Manpower, Robert Half

Source: DataStream, Goldman Sachs Research estimates

# The industry is sizeable and global

Worldwide staffing market value 2002, EUR157 bn



Penetration rates (%)

	2002E
UK	3.5
Netherlands	3.2
France	2.2
Germany	0.7
Belgium	1.8
US	2.2

➔ Penetration rates show differences by country

# The staffing industry fulfills a need

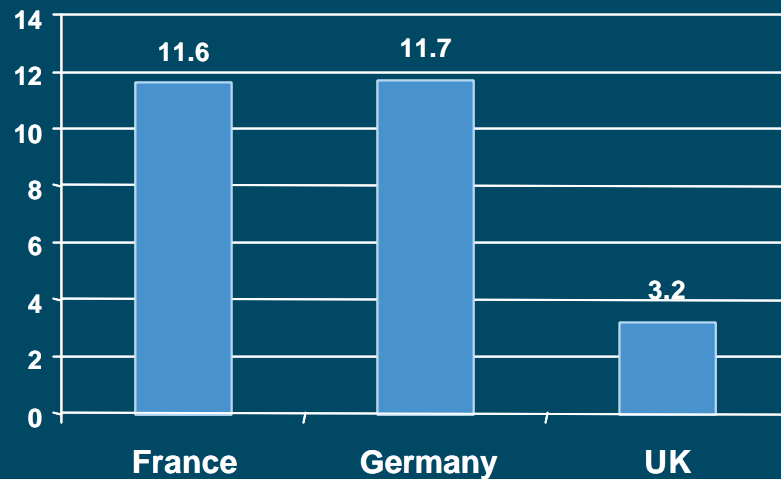
# Companies have long accepted staffing

Companies cannot afford to staff for maximum need

Greater scale means external providers have lower cost

HR departments do not have expertise in certain areas (ie specialised, non core)

Workforce employed in fixed-term contracts (%)



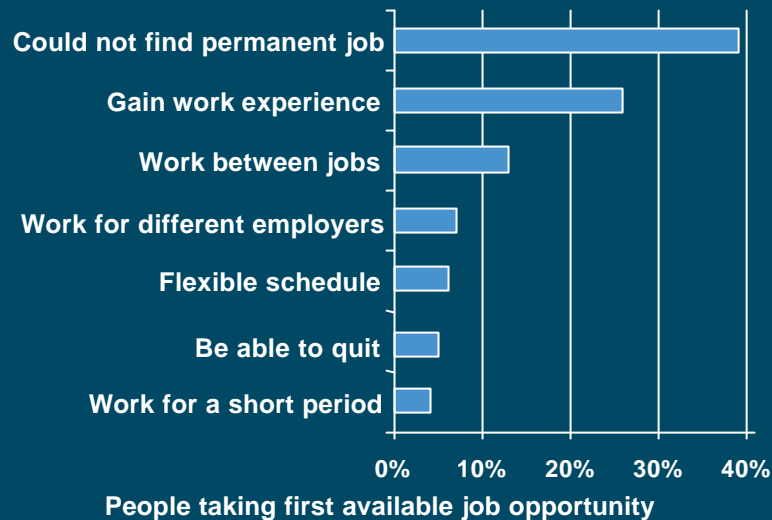
# Candidates' enthusiasm depends on segment

The staffing industry can be the 'midwife' of the labour market

Some candidates genuinely want to work flexibly

Admittedly, for many temporary employment is still second choice work

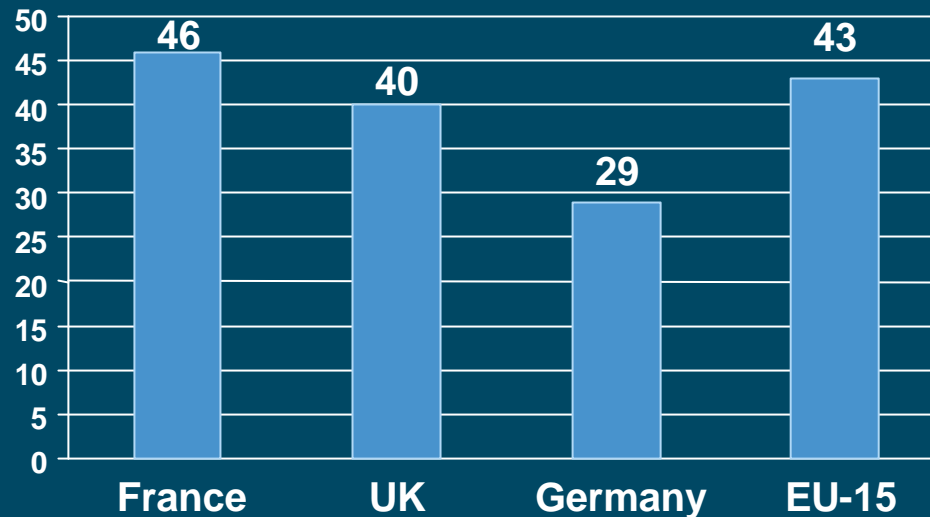
Main reason to work for agency, 2000



# The industry makes an economy more flexible

A high proportion of temporary positions lead to non-agency jobs.

Conversion into non-agency jobs after one year (%)

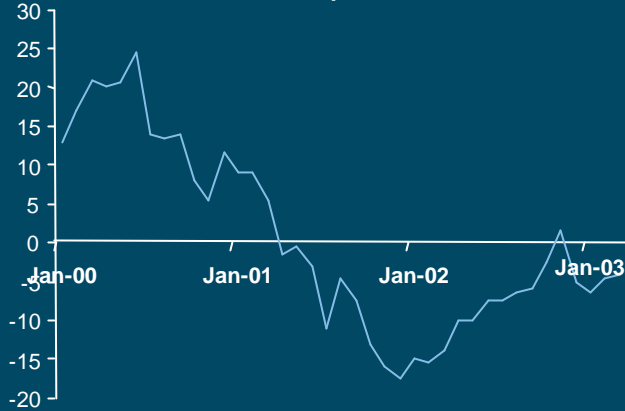


McKinsey estimated that 13% of EU job creation 1996 to 1998 was due to the staffing industry, equivalent to 250,000 jobs.

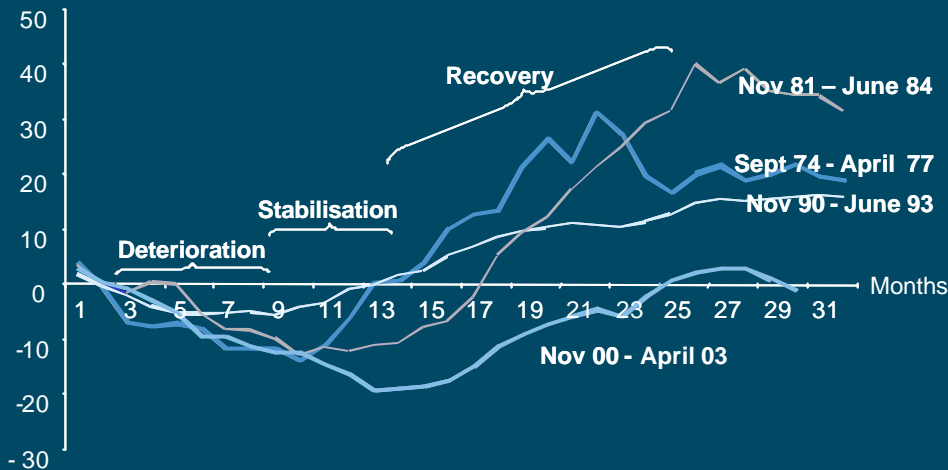
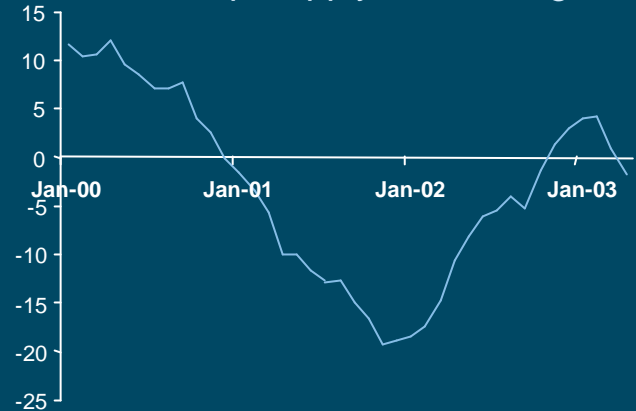
**The industry is currently suffering one of the most challenging periods in decades**

# Volume has declined sharply for two years

French SETT Temp Volume YoY % chg



US Help Supply YoY % chg



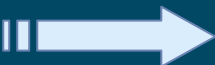
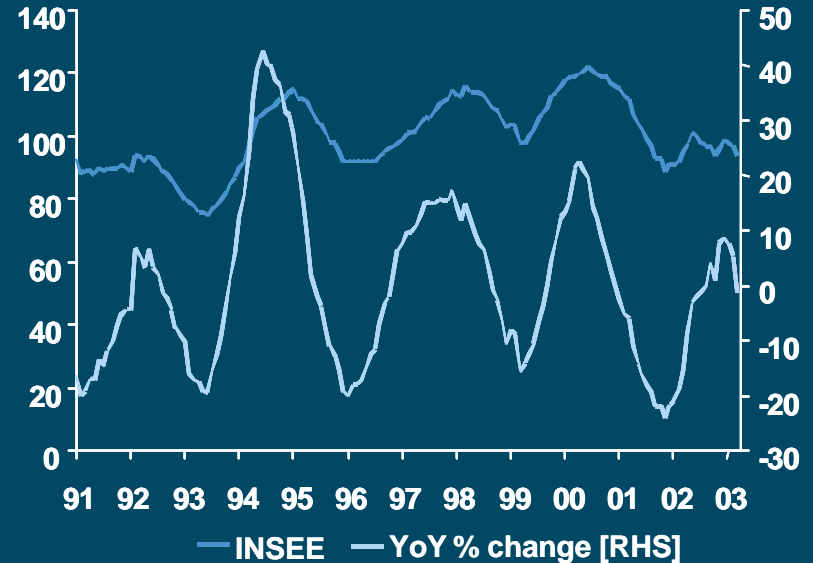
**YoY comparisons are improving, but there is little momentum**

# Indicators are above lows, but do not signal a clear upturn

US ISM



French INSEE



**Goldman Sachs International thinks that Europe will grow above trend again 2004**

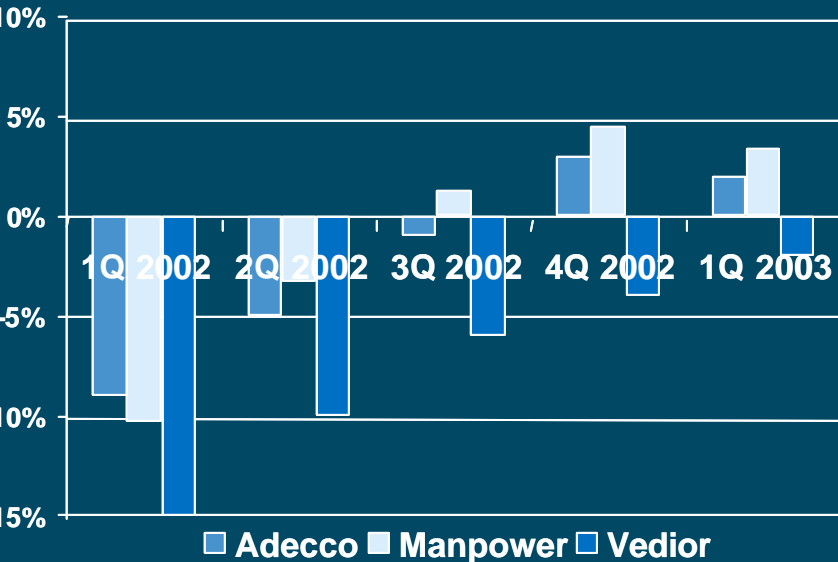
Workers' compensation and unemployment insurance in US

Loi Fillon in France

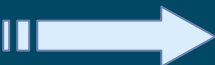
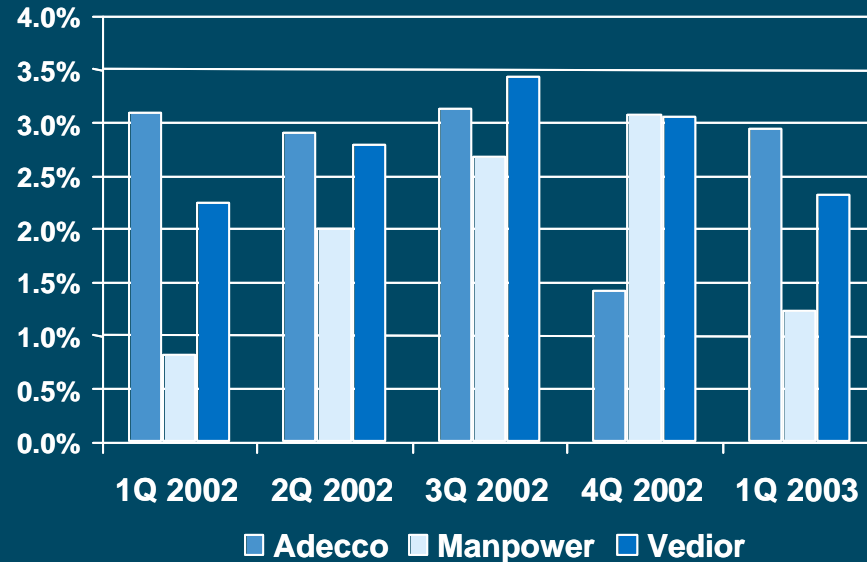
➔ Increasing 'prices' in a challenging period is difficult

# The leading staffing firms reflect the industry downturn

Organic growth YoY (%)



EBITA margin (%)



**A different exposure or view to revenue, gross profit and costs means varied performance**

**Success long term will depend on  
harnessing key issues**

# The deregulation/regulation pendulum is swinging back

Generally, the trend is to deregulation (Spain, Italy, Greece, Japan)

Yet there are some contrary proposals (EU directive)

|| → Industry lobbying could be more coordinated and effective

|| → Regulated solutions can derail market development

# In several years, labour shortage will be front/centre again

Near term the power is clearly in employers' hands

Yet the 'war for talent' will resurface (McKinsey)

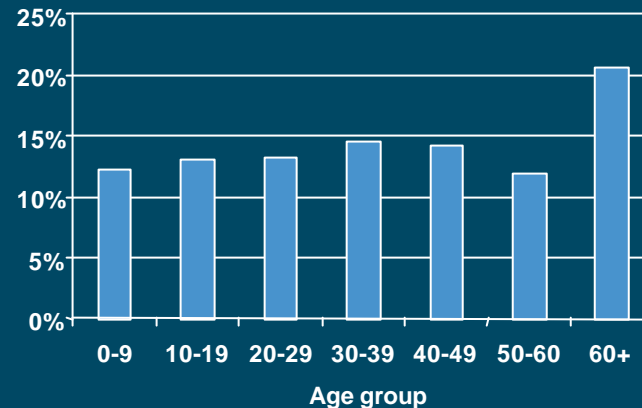
To create greater supply, temporary work must be made more attractive

Offshore may offer a safety valve/challenge in certain sectors

Unemployment rate

ILO % 2002	
Canada	7.4
France	9.1
Germany	8.7
Italy	9.0
Japan	5.2
UK	4.9
US	5.8

France demographics, 2001



# Public perceptions are improving, but still an issue

Removing the stigma is key to industry development

Perceptions and industry development are improving

||  Union support

||  Increasing professionalisation

||  Public relations

# Technology changes the way we work

The work is the same, the process different

Increased efficiency counteracts gross margin pressure

New opportunities

➡ Potential to 'prove' value add

➡ Develop new services

Yet new business models offer challenges (eg VMSs)

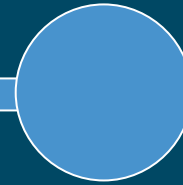
# Thoughts on industry structure

# Experience shows industry will not stand still

Niche segments



Mass generalist



Industry polarisation is still a valid strategic premise

➔ Special opportunities in new segments or geographies

➔ M&A can bring necessary scale

The 'next level' is 'HR solutions'

➔ Both companies and candidates would like more value added

➔ Change requires some evolution of business models

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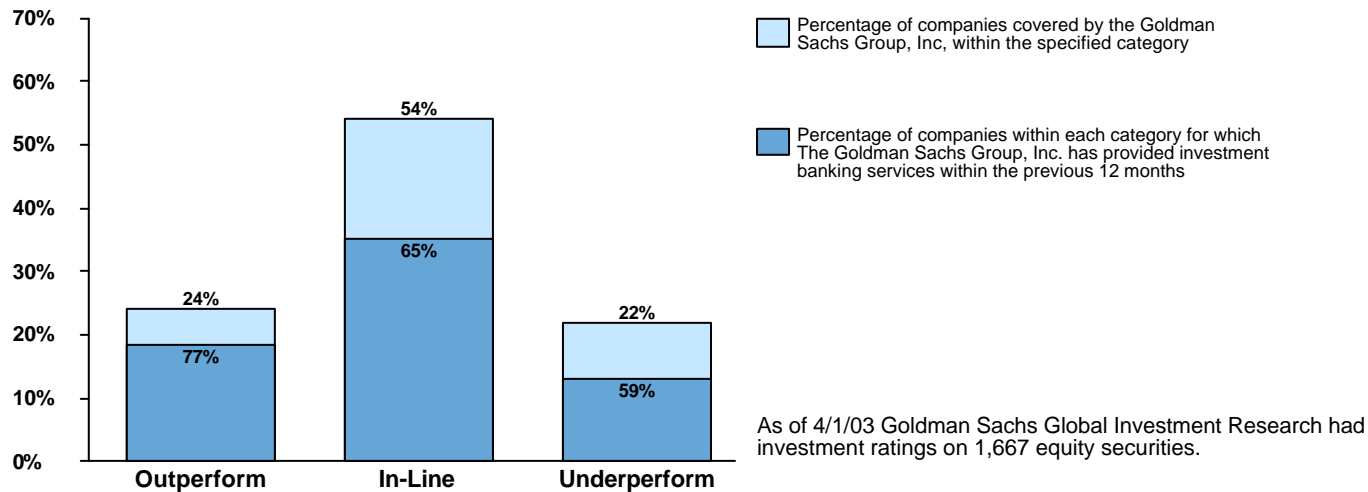
# Disclosures

**May 16, 2003**

# Disclosures

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Compass Group	CPG.L
Deutsche Post World Net	DPWGN.DE
Exel	EXL.L
Group 4 Falck	FALC.CO
Hays plc	HAS.L
Intertek Testing Services	ITRK.L
ISS (International Service Systems)	ISS.CO
Manpower Inc.	MAN
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