

Geographies of Temporary Staffing Unit *Working Brief 30*

The Top 20 Transnational Temporary Staffing Agencies: Rankings by Profitability

*Neil M. Coe, Jennifer Johns & Kevin Ward
December 2007*

Introduction

This year has witnessed increased interest in the temporary staffing industry, and in the largest transnational firms driving its evolution, by industry analysts and investors. The industry has been growing in size and scope and recent mergers and acquisitions (see Working Brief 31) have concentrated the focus on many on the profitability of large staffing firms. This Working Brief builds on the charting of industry change and identification of the top transnational firms (see Working Briefs 8,11,12,25,26 and 29) by examining the profitability of the top 20 firms in 2006.

Firm Profitability

Previous Working Briefs have identified the Top 20 firms in 2004, 2005 and 2006 by foreign revenue and have outlined the geographical footprint of the top 20 firms, identifying a trend towards internationalisation. Table 1 uses publicised data from company annual reports and websites to compare three measures of profitability for the top 20 transnational firms. This reveals several points about the individual firms and the industry as a whole:

- There are clear differences in the levels of profitability for all three measures across the 20 firms. These are not however related to the size of firm, as the rankings in Table 1 demonstrate. The world's largest staffing firm, Adecco ranks 1st in both size and transnationality, but ranks only 8th by profit margin. Manpower (ranked 2nd) and Vedior (3rd) appear at 13th and 11th in this profitability ranking. Conversely, Monster tops the ranking by profitability despite its transnationality ranking of 15th. Clearly, there is no relationship between extent of foreign operations and profitability.
- There is a large distribution of profit margin percentages across the top 20 transnational firms, ranging from 11.66% (Monster Worldwide) and -0.10% (Westaff). Figures for

Table 1: Top 20 Transnational staffing firm margins: ranking by profit margins

Rank	Top 20 Rank 2006	Firm	Origin	Gross Margin (%)	Operating Margin (%)	Profit Margin (%)
1	15	Monster Worldwide	US	60.54	16.08	11.66
2	11	Michael Page	UK	55.78	16.66	11.24
3	7	Hays	UK	n/a	10.24	7.02
4	9	Robert Half	US	42.47	10.75	6.53
5	17	Robert Walters	UK	39.75	7.77	5.46
6	4	Randstad	The Netherlands	21.88	5.77	4.54
7	10	MPS	US	28.18	6.08	4.03
8	1	Adecco	Switzerland	18.58	4.91	3.84
9	12	Synergie	France	96.82	5.22	3.25
10	5	USG People	The Netherlands	24.57	5.53	3.16
11	3	Vedior	The Netherlands	20.50	4.98	3.12
12	14	CDI Corp	US	23.90	3.78	2.52
13	2	Manpower	US	18.72	3.94	2.30
14	18	Proffice	Sweden	14.47	2.51	1.84
15	19	Glotel	UK	19.90	3.00	1.82
16	16	Harvey Nash	UK	19.00	2.60	1.63
17	6	Kelly Services	US	17.20	1.35	0.99
18	8	Hudson Highland	US	38.98	1.29	0.77
19	13	Corporate Services Group	UK	19.60	1.64	0.61
20	20	Westaff	US	18.02	0.05	-0.10

NB: Figures are for the last full accounting year.

Source: www.reuters.com, company websites and annual reports.

gross margin and operating profit are equally diverse.

- The top 20 firms, with only one exception of Westaff, are all operating in profit for the last financial year. Specialist firms such as Michael Page, Hays, Robert Walters and Robert Half International dominate the higher rankings. This reflects, and explains, the continuing interest of more generalist firms (such as Adecco and Vedior) in increasing the proportion of their business conducted in specialist segments.
- The profit margins of each firm is directly impacted upon by operating costs. Since the late 1990s the vast majority of firms have been seeking to manage and reduce their overheads considerably. This has been a challenging exercise for many firms, especially given the often large office networks deemed necessary to attract and place temporary workers. Strategies to reduce costs have included a reduction in branch numbers (often in more developed markets and home markets whilst expanding internationally), the rationalisation of firm employees and the streamlining and centralisation of office functions.
- The higher profit margins of Monster could be explained through this consideration of overheads as the firm does not have 'branches'. The firm's costs are related to the building and maintaining of technological infrastructure, the employment of sales staff and marketing costs.
- Specialist firms such as Michael Page and Robert Walters are characterised by more geographically concentrated branch networks with offices in key global cities. This impacts on their cost-base compared to generalist firms such as Adecco with thousands of branches worldwide.
- It must be stressed that the profitability margins must be placed in the broader context. Each firm is embedded in a particular national context that impacts upon tax levels and practices. In addition, the ability of firms to convert gross margins into profit margins is affected by a number of factors particular to the firm beyond tax issues. The specifics of the financial management and short and long-term strategies are unique to each firm and are beyond the ambitions of this Working Brief.

Conclusions

Profitability is of key importance to the temporary staffing industry, as in all industries. This Working Brief aimed to show how levels of profitability vary greatly across the top firms for a variety of inter-related reasons. It is well understood by the industry that certain staffing activities are more profitable than others, and generally the more specialised the segment the greater the margins and profit. Therefore we have witnessed a shift in attitude by the majority of firms in relation to the balance of 'traditional' and 'specialist' business towards increasing the latter. The

primary focus of our research on the globalisation of temporary staffing is also clearly related to profitability as firms seek to establish and extend their presence in emerging markets that may be hugely profitable. In addition, global economic processes are geographically uneven so a diversity of operations by geography can balance out overall profit margins as particular territories see growth or decline.

**For more information about this working brief, please contact:
Jennifer Johns (j.johns@liverpool.ac.uk)**

**For more on GOTSU and its activities please visit:
www.sed.manchester.ac.uk/geography/research/GOTSU**