

Geographies of Temporary Staffing Unit

Working Brief 40

The Top 20 Transnational Temporary Staffing Agencies: Rankings by Profitability, 2008

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Introduction

Recent years have witnessed increased interest in the temporary staffing industry – and in the largest transnational firms driving its evolution – from industry analysts and investors. This Working Brief contributes to our ongoing project of charting industry change and identifying and profiling the top transnational firms (see also Working Briefs 8, 11, 12, 25, 26, 29, 33 and 39) by examining the profitability of the top 20 firms in 2008. This Working Brief also includes firm financial data from 2006 (previously presented in Working Brief 30) to allow profitability to be charted over time.

Firm Profitability

Table 1 uses publicised data from company annual reports and websites to compare three measures of profitability for the top 20 transnational firms in 2006. Table 2 ranks the 2008 top 20 firms by profitability. Table 3 compares profitability in 2007 and 2008 for the 2008 top 20 firms. This reveals several points about the individual firms and the industry as a whole:

- In each table 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 clear relationship between extent of foreign operations and profitability. In 2008 Adecco again ranks 1st in both size and transnationality, but ranks only 11th by profit margin;

Table 1: Top 20 Transnational staffing firm margins: ranking by profit margins, 2006

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.

Table 2: Top 20 Transnational staffing firm margins: ranking by profit margins, 2008

Rank	Top 20 Rank 2008	Firm	Origin	Gross Margin (%)	Operating Margin (%)	Net Profit Margin (%)
1	8	Michael Page	UK	56.82	14.44	10.01
2	12	Monster	US	57.35	9.89	7.12
3	6	Hays	UK	16.05	9.57	6.62
4	11	Brunel	The Netherlands	23.38	8.70	6.37
5	15	SThree	UK	34.67	8.69	5.99
6	19	Resources	US	38.74	9.11	5.06
7	7	Robert Half International	US	40.41	7.58	4.48
8	18	Robert Walters	UK	41.09	5.53	3.62
9	13	Synergie Group	France	7.68	5.36	3.36
10	20	Proffice	Sweden	19.71	3.32	2.09
11	1	Adecco	Switzerland	18.01	3.07	2.06
12	17	Harvey Nash	UK	16.46	2.47	1.64
13	16	CDI Corp.	US	21.99	1.30	1.00
14	2	Manpower	US	19.20	1.93	0.74
15	3	Randstad	The Netherlands	20.90	-1.21	-0.73
16	4	USGPeople	The Netherlands	24.39	1.45	-0.77
17	5	Kelly Services	US	17.47	-2.20	-2.05
18	14	Olympia	Germany	18.14	-3.14	-5.67
19	10	Hudson Highland	US	42.29	-9.96	-9.78
20	9	MPS Group	US	28.32	-13.91	-12.16
Industry				5.05	1.28	0.70
Sector				8.52	2.06	1.71

Source: www.reuters.com, company websites and press releases.

Table 3: Top 20 Transnational staffing firm margins: changing profit margins, 2007-8

Rank	Top 20 Rank 2008	Firm	Origin	Net Profit Margin 2007 (%)	Net Profit Margin 2008 (%)	Change
1	8	Michael Page	UK	11.24	10.01	↓
2	12	Monster	US	11.66	7.12	↓
3	6	Hays	UK	7.02	6.62	↓
4	11	Brunel	The Netherlands	6.40	6.37	↓
5	15	SThree	UK	9.63	5.99	↓
6	19	Resources	US	7.50	5.06	↓
7	7	Robert Half International	US	6.53	4.48	↓
8	18	Robert Walters	UK	5.46	3.62	↓
9	13	Synergie Group	France	3.25	3.36	↑
10	1	Adecco	Switzerland	3.84	2.06	↓
11	17	Harvey Nash	UK	1.63	1.64	↑
12	16	CDI Corp.	US	2.52	1.00	↓
13	2	Manpower	US	2.30	0.74	↓
14	3	Randstad	The Netherlands	4.54	-0.73	↓
15	4	USGPeople	The Netherlands	3.16	-0.77	↓
16	5	Kelly Services	US	0.99	-2.05	↓
17	14	Olympia	Germany	3.00	-5.67	↓
18	10	Hudson Highland	US	0.77	-9.78	↓
19	9	MPS Group	US	4.03	-12.16	↓
-	-	Allegis	US	n/a	n/a	

Source: www.reuters.com, company websites and press releases.

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- In 2006 there was a large distribution of profit margin percentages across the top 20 transnational firms, ranging from 11.66% (Monster Worldwide) to -0.10% (Westaff). Figures for gross margin and operating profit are equally diverse. In 2008, the profit margin percentages varied more widely, ranging from 10.01% (Michael Page) to 12.16% (MPS Group);
 - In 2006 the top 20 firms, with only one exception of Westaff (no longer in the 2008 top 20 ranking), were all operating in profit. The picture is much more mixed in 2008. Table 2 shows that six firms did not operate in profit in 2008. These were: Randstad (-0.73% down from 4.54%), USG People (-0.77% down from 3.16%), Kelly Services (-2.05% down from 0.99%), Olympia (-5.67%), Hudson Highland (-9.78% down from 0.77%) and MPS Group (-12.16% down from 4.03%);
 - Table 2 also provides the industry (temporary staffing) and sector (services) averages for profitability. Here we see that despite large decreases in profitability since 2006, the top 20 transnational staffing agencies are, on the whole, out-performing their competitors within and beyond their industry. Fourteen firms (the top 14 by profitability rank) produced profit margins above the industry average, and eleven above the sector average;
 - The profit margin 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, 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. These cost saving initiatives have been given increased significance during the current global economic recession;
 - Table 3 shows that 19 of the top 20 transnational staffing firms have failed to maintain the same profit margins in 2008 as in 2007. Only Synergie has reported a slightly higher profit margin (up to 3.36% from 3.25%). Monster has decreased from 11.66% to 7.12%, but is still ranked second as the sector as a whole has struggled in the face of global economic difficulties;
 - It must be stressed that the profit margins need to 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. However, the specifics of the financial management and short and long-term strategies are unique to each firm and are beyond the remit of this Working Brief.
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Conclusions

Profitability is of key importance to the temporary staffing industry, as in all industries. This Working Brief aimed to show how profit margins are under increasing pressure due to the global economic downturn. Since many of the top 20 firms reported their full year financial data for 2008 (or 2007-8 in the case of some such as Adecco) the recession has increased in severity in many global locations. We have therefore produced a Working Brief (41) that presents and reflects upon the top 20 firms' first quarter earnings for 2009.

**For more information about this working brief, please contact:
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