Geographies of Temporary Staffing Unit
Working Brief 41

Charting the Initial Impacts of the Financial Crisis on the Top 20 Transnational Staffing Firms, 2009

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Introduction

The temporary staffing industry has significantly grown in size over recent years. CIETT (2008) reports global revenues of US$73.96bn in 1994, rising to US$340.51bn in 2007. However, the geographical and sectoral expansion of temporary staffing is now coming under pressure as the global economic downturn begins to affect both temporary staffing agencies and the broader industrial environments in which they operate. This Working Brief offers some current data on firm revenues, gross profit and net earnings for the first quarter of 2009 in supplement to Working Brief 40, which presents data on firm profitability in 2008.

Firm Financial Data: First Quarter 2009

As Working Brief 40 shows, the top 20 transnational firms began to struggle in 2008 to generate profit margins comparable with earlier years. Table 1 below presents first quarter results for 2009 where available. The following points can be made:

- Data is only available where firms report and publicise their quarterly results. Therefore, many of the larger firms are included, but others do not provide this information. Data is available for 12 of the 2008 top 20 transnational firms. This Working Brief thus only provides a partial view of current developments in the industry;
- Table 1 compares first quarter data from 2009 with that of 2008. The first category – that of firm revenue – shows widespread and dramatic decreases in revenues for the first quarter of 2009. Of the 12 firms, there is only one exception, with Brunel reporting a 13% increase in revenue on 2008. Firms reporting the greatest drops are Hudson Highland (down 44%), Robert Half International (33%), Manpower (32%) and Randstad (28%). With the exception of Brunel, no firm has reported percentage decreases in revenue of less than 22%;

Table 1: Top 20 Transnational staffing firm changing revenues, profits and earnings, first quarter 2009.

Rank 2008	Firm	Origin	Q1 2009 Revenue ($m)	Vs Q1 2008	Q1 2009 Gross Profit ($m)	Vs Q1 2008	Q1 2009 Net earnings ($m)	Vs Q1 2008
1	Adecco	Switzerland	4,832.34	⇓ 26%	895.22	⇓ 25%	30	⇓ 85%
2	Manpower	US	3,647.10	⇓ 32%	664.30	⇓ 21%	2.30	⇓ 97%
3	Randstad	The Netherlands	3,987.37	⇓ 28%	801.12	⇓ 30%	-68.64	⇓ 170%
4	USG People	The Netherlands	985.26	⇓ 22%	232.89	⇓ 25%	-2.61	⇓ 107%
5	Kelly Services	US	1,042.6	⇓ 25%	175.5	⇓ 30%	-16.1	⇓ 300%
6	Hays	UK	n/a					
7	Robert Half International	US	823.33	⇓ 33%	293.73	⇓ 42%	8.79	⇓ 88%
8	Michael Page	UK	n/a					
9	MPS Group	US	429.35	⇓ 24%	115.63	⇓ 29%	1.60	⇓ 92%
10	Hudson Highland	US	164.99	⇓ 44%	63.31	⇓ 50%	-5.56	⇓ 408%
11	Brunel	The Netherlands	140.77	⇑ 13%	38.56	⇑ 5%	n/a	-
12	Monster	US	254.41	⇓ 31%	13.74	⇓ 82%	-10.34	⇓ 218%
13	Synergie Group	France	n/a					
14	Olympia	Germany	n/a					
15	SThree	UK	n/a					
16	Allegis	US	n/a					
17	CDI Corp.	US	228.65	⇓ 22%	47.43	⇓ 33%	-0.92	⇓ 108%
18	Harvey Nash	UK	n/a					
19	Robert Walters	UK	n/a					
20	Resources	US	156.00	⇓ 23%	58.00	⇓ 23%	2.08	⇓ 76%

Source: Company websites and press releases.

- Gross profit figures demonstrate a similar drop in the first quarter of 2009. Again with the exception of Brunel (5% increase on 2008) eleven firms have reported significant decreases in gross profit figures. The largest drops were reported by Monster (82%), Hudson Highland (50%), Robert Half International (42%) and CDI Corp (33%). All are US-based firms;
- The reduction in revenues and gross profits for the majority of the firms presented in Table 2 has clearly resulted in large drops in net earnings. All eleven firms that reported this data have seen levels fall, and six made a loss. The largest losses were reported by Randstad (US$68.64m) and Monster (US$10.34m). The percentage decreases on 2008 are all substantial;
- Firm commentaries on their revenue and margin declines have varied. Greatest disagreement surrounds predictions for the longevity of the economic decline and sources of future growth. On April 21st 2009 Jeffrey A. Joerres, Manpower Chairman and CEO said 'the continued deterioration of the labour markets throughout the world has put pressure on our profitability. Our team has performed well in reducing our operating costs, while at the same time maintaining the appropriate geographical presence….We anticipate that, despite the difficult economic environment, we will maintain profitability in the second quarter'. This contrasts with Adecco's more conservative outlook. Dominik de Daniel, Adecco CFO stated on May 6th 2009 that 'Visibility is very low, making it very difficult to predict when the bottom of the staffing market will be hit';
- As the world's largest staffing agency, Adecco's financial performance over the first quarter of 2009 has attracted industry and analyst attention. Adecco has implemented cost-saving measures (including closing branches and cutting jobs) to protect its margins. Reuters reports that Adecco expects low demand for workers to continue in the short term. Adecco suffered significant revenue declines in core geographical markets – operations in France, the US, Germany, the UK, Japan and Italy all posted double-digit percentage drops;
- As part of an ongoing trend for staffing agencies to target professional staffing, the recent economic challenges have refocused attention on the shift from blue-collar to white-collar staffing. Manpower have cited good performance from its career transition and organisational consulting company Right Management while Adecco reported a 38% decline in revenues from their industrial business compared to a 9% fall in revenues from professional business units;
- It must be stressed that profitability margin results 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. 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.

Conclusions

Revenue generation and profitability are of key importance to all industries. This Working Brief shows that the recent global economic downturn is impacting upon the temporary staffing industry. The overwhelming majority of firms are struggling to maintain levels of income and have implemented cost-saving initiatives to protect profit margins. As the tables above demonstrate, the depth and scale of the recession has resulted in widespread declines in the performance of staffing agencies. It is well understood by the industry that certain staffing activities are more profitable that 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 current economic challenges are intensifying firm strategies on the shift towards specialisation. However, this is one of few areas of agreement across the temporary staffing industry as firms and industry analysts debate future global economic development.

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