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Current and Future Outlook of Employment Services

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Abstract: In this paper, we studied about current outlook of employment services specific to top 3 competitors. In the process we focused on the industry concentration of the top 3 firms, along with their annual revenue and quarterly revenue, gross profit, net income. We also discussed on the Industry Trends and Future outlook of employment services industry.

Keywords: Employment Services, Revenue Analysis, Industry Concentration, Industry Trends and Technology development, Merger and Acquisitions, Emerging Market Growth, Offshoring.

I. INTRODUCTION

The worldwide employment services market is very broad, highly competitive and capital adverse industry that provides non-financial business related to other services. In recent years, it has been undergoing significant consolidation. Price competition is intense, pricing pressures from competitors and clients are increasing and expect that the level of competition will remain high in the future, which could increase market share and profitability. This industry provides a variety of human resources services to businesses, which includes, temporary workers, helping employers to locate right employees, and also providing human resources services to clients directly.

II. INDUSTRY CONCENTRATION

Employment/recruitment agencies find candidates for client companies (both part time and full time staff). Depending what the client company requires, the candidates are hired as either full employees of the client, or work on a temporary sub- contract basis in which they remain an employee of the agency [1-7]. The client sometimes needs to supplement their workforce in special situations like employee absences, temporary skill shortages and abrupt workloads. The sector provides recruitment and screening of candidates for executive and general jobs, outsourced human resource functions encompassing recruitment, training, administration, workplace safety and strategy, as well as contract and labor hire services, temporary placement services, and placement of apprentices and trainees. These agencies keep large database of executive's resumes. Information is then provided to the clients for their selection [7]. By all these segments, companies find it easier and help to find the suitable resources with less time, money and effort. Some agencies also provide personnel management duties for their clients, including recruiting, background check, payroll processing, benefits administration and labor relations. Due to the nature of the industry we have selected top global leaders in Employment Services industry to provide a deeper overview with regards to the industry composition [2].

The top leaders in this business service are:

2.1. Adecco

Is the world's largest employment agency based in Switzerland, generated revenue \$23 billion in 2016 and is operated approximately 5,100 branches in 60 countries and territories. It has four main service lines - temporary staffing, permanent staffing, career transition service and outsourcing and talent development services. It offers professional staffing services in the information technology, and engineering and technical business lines, finance and legal business line, medical and science business line under different brand names [1]. In addition, the company provides managed service provision and recruitment process outsourcing solutions, career transition and talent development services, such as leadership coaching, career development programs, assessment and feedback tools, and change management support.



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2.2. Randstad

Is based in Netherlands with \$22.5 billion revenue in 2016. Randstad expansion to 39 countries, representing more than 90% of the global HR services market and the second largest HR services provider in the world after Adecco. Randstad provides temporary, temporary-to-hire and permanent placement services each week to over 100,000 people through its network of more than 900 branches and on-site locations. Randstad specializes in human resource services for temporary and permanent jobs, including contract staffing of professionals and senior managers. In several countries, Randstad also has operating companies that select managers for permanent placements in middle and senior management. HR Solutions also involves a number of services such as selection processes, HR consultancy, outplacement and career support.

2.3. Manpower

Based in U.S. conducts its business throughout the world, with operations in Southern and Northern Europe, the Americas, Asia-Pacific and the Middle East and generated revenue of \$19 billion worldwide. It operates through a network of approximately 2,800 offices in 80 countries and territories. Manpower Group's revenue comes from outside the U.S. The company's largest markets are France (24% of total revenues), the United States (16% of total revenues), and United Kingdom (11% of revenues) [3]. The company's recruitment service includes permanent, temporary and contract recruitment of professionals, as well as administrative and industrial positions. It offers various assessment services; career management; training and development services; and outsourcing services related to human resources functions primarily in the areas of large-scale recruiting and workforce-intensive initiatives.

The below section provides the Annual revenue comparison for the above listed firms [4-6] (Table 1 and Figure 1):

Annual Revenue			
	2016	2015	2014
Adecco	\$22.71	\$22.01	\$22
Randstad	\$22.52	\$20.93	\$18.78
Manpower	\$19.65	\$19.33	\$20.76

Table 1: Last three years annual revenue.

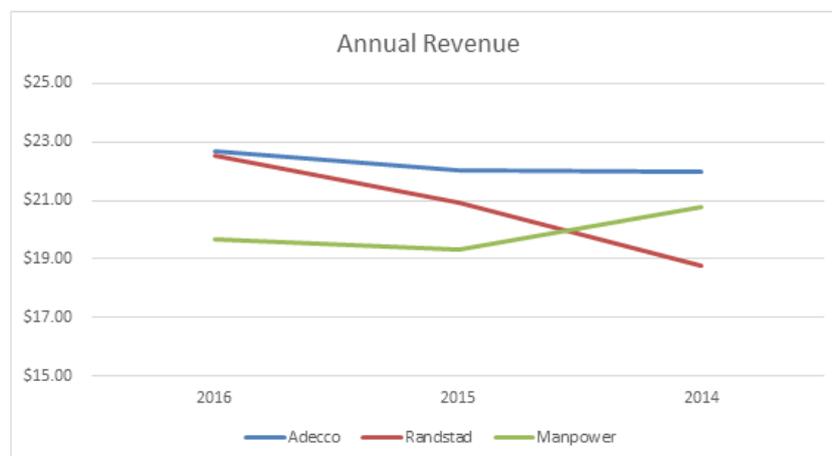


Figure 1: Annual revenue.

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The above chart depicts the firm's revenue; Adecco has maintained the revenue \$22 since 2014 with little change around 3% increase in the revenue in 2016. Randstad has generated significant revenue since 2014 with change 20% increase in the revenue in 2016. Manpower has lowered their revenue in 2016 around 5% decrease compared to 2014. The following graphs depict the quarterly performance of the three competitors (Figures 2-4).

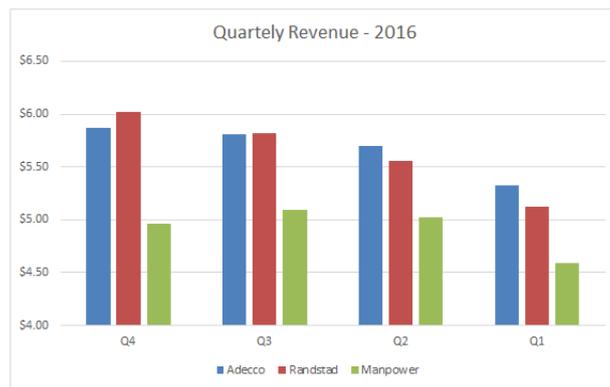


Figure 2: Quarterly revenue – 2016.

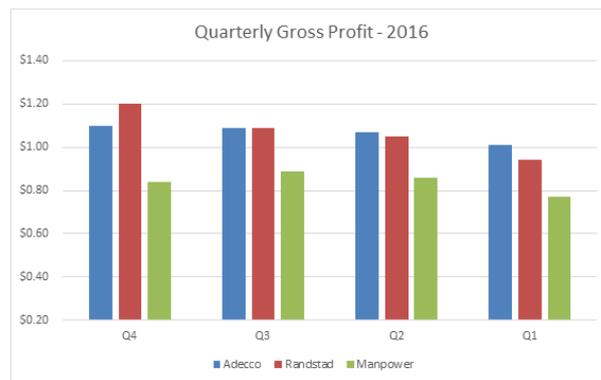


Figure 3: Quarterly gross profit – 2016.

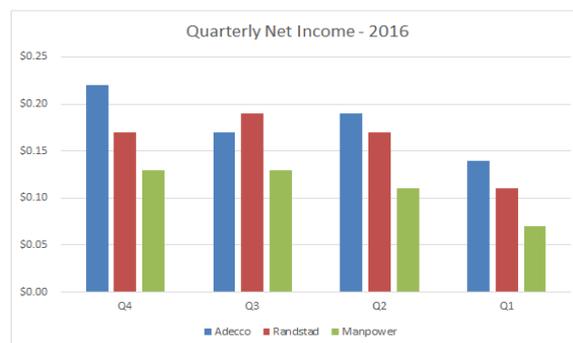


Figure 4: Quarterly net income – 2016.



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III. INDUSTRY TRENDS

The following is a brief overview of four of the key industry trends for firms in the business services industry who are competing globally.

3.1. Emerging Market Growth

Because the business services industry strictly serves other businesses, the industry is growing quickly in emerging markets, namely China and India. As business development increases in each market, business services following shortly behind. Because of this tremendous growth opportunity, many industry leaders are collaborating and partnering with overseas companies or increasing their foreign direct investment to serve global markets.

3.2. Increasing Global Engagement/Mergers and Acquisitions

In the business services industry, mergers and acquisitions are an every-growing trend. This is especially true in cases in which a service provider wishes to expand into untapped global markets. Global M&A are a great way to gain market share and market intelligence in new global markets. A key example is when Ria Money Transfer, the third-largest global money transfer company acquired IME Sdn Bhd, a leading Malaysian-based money transfer provider and certain affiliated companies in 2015.

3.3. Offshoring

Manufacturing is no longer the only industry to offshore some of its less-complicated jobs. To increase efficiency and maintain or minimize labor costs, many business services firms are shifting back-end process-type jobs offshore to emerging markets where labor is more affordable. Firms are tending to keep their high-skill, more complex jobs within the firm's country of origin because human capital within emerging markets is relatively lower skilled comparative to the labor pool in developed markets.

3.4. Technological Developments

Like all other industries, business services have been heavily impacted by recent and continuing technological developments [7]. A few examples across the types of business services are:

- **Logistics:**
 - 1) Firms rely on new technologies and coordinated processes to expedite goods distribution.
 - 2) RFID devices track and manage incoming and outgoing shipments.
- **Security:** To reduce errors and increase efficiency, voice control software allows a computer to coordinate workers through audible commands.
- **Staffing:** Due to increased usage of online websites like monster.com and indeed.com, companies require less and less personnel staffing solutions providers.

IV. INDUSTRY FUTURE OUTLOOK

In this section, we will narrow our analysis and outline the future outlook of employment services. Employment services are among the fastest growing industries in the US and globally. According to US Bureau of Labour Statistics, the employment services industry was expected to gain 1.6 million new jobs. Also, it was anticipated that there will be about 46% growth in the wage and salary employment in the employment services over the period of 2004-2014, a growth that is 3 times more than the projected growth of all industries combined (about 14% growth). This growth is anticipated for both full- and part-time, temporary, jobs. However, it is expected that firms will focus more on hiring temporary employees with specialized skills in order to continue to seek new ways to make their staffing pattern more responsive to changes in demand. Also, temporary employment will help the companies to reduce costs and provide more specialized/integrated services. The relationship between employers and employment services is anticipated to



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further increase upon the development of more regulated mechanisms that allow outside agencies to perform preliminary screening of candidates, and the growing acceptance of executive recruitment services.

V. CONCLUSION

This paper provided the study of the major players in employment services industry. We did the financial analysis and focused on the industry concentration of each of these firms. Due to increasing complexities of employee-related laws and regulations and the need to control costs, reduce risks, and provide better services, a continuous growth is anticipated to occur for the employment services/professional employer organizations. The discussion on the Industry Trends and Future outlook of employment services industry.

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