Perspectives on the Staffing Industry

Berlin - CIETT Congress

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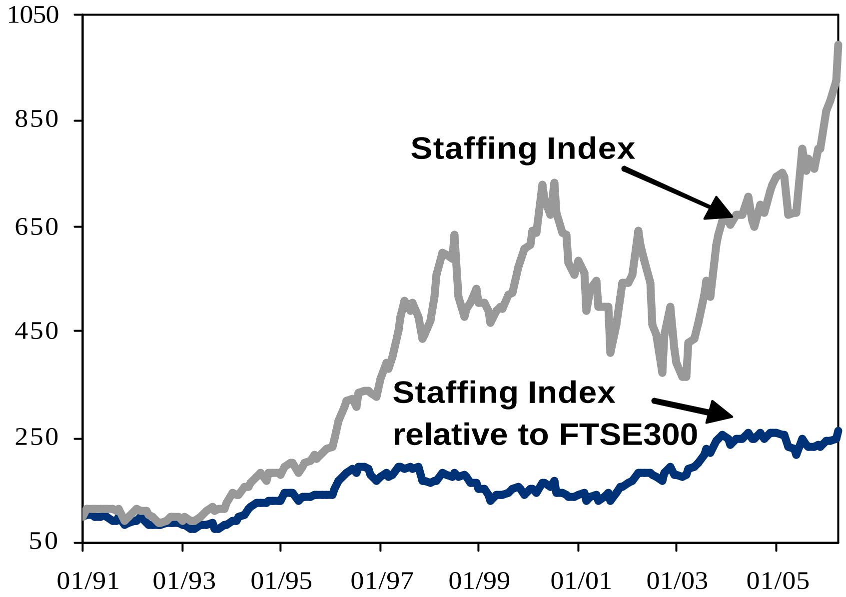
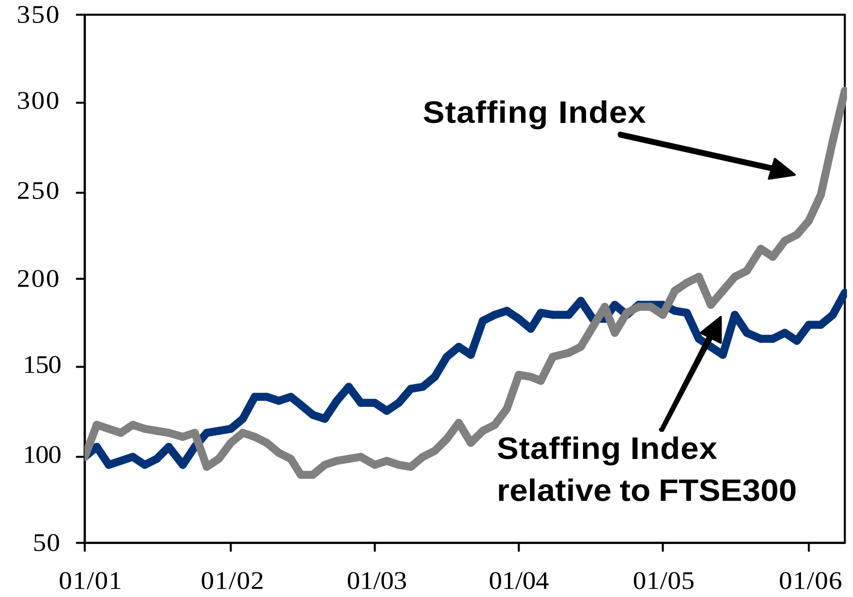
Key points

- The staffing industry gains momentum in world labour markets
- Industry in the sweet spot of the cycle
- Long term developments: deregulation, demography & perception
- Consolidation to continue, but industry to remain fragmented

What do the financial markets say?



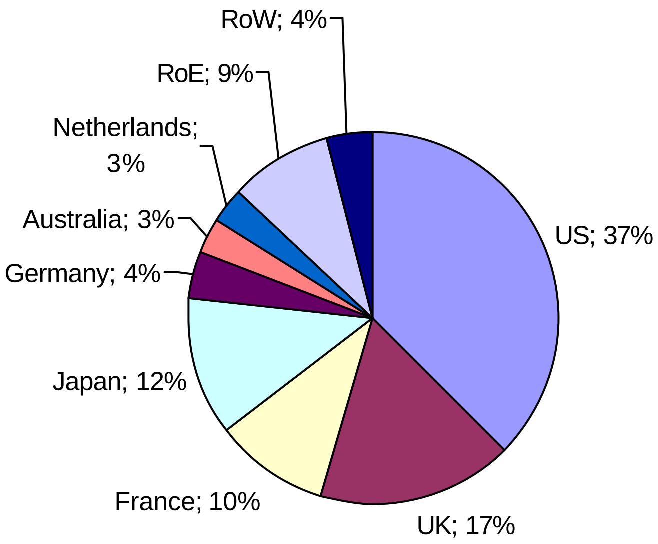


- Financial markets have positive expectations on cyclical impact
- Recognition of favourable long term outlook in high valuation
- Staffing shares seen as 'growth cyclicals'

Note: Staffing Index consists of Adecco, Manpower, Kelly Services, Randstad Holding and Robert Half International; non market cap weighted
Source: Bloomberg, ING estimates

Market still predominantly in developed world

Worldwide staffing market in 2005 € 191 bn



Penetration rates (%) 2005F	
UK	3.5
Netherlands	3.2
France	2.5
US	2.0
Belgium	1.8
Germany	0.9
Japan	0.9
Spain	0.8
Italy	0.7

- Growth rates different by country dependant on penetration
- ING Wholesale Banking staffing markets can grow 6-10% long term

Source: CIETT, Randstad, ING estimates

The staffing industry gains momentum in world labour markets

Companies will increasingly turn to staffing

- Global competition drives need for flexibility

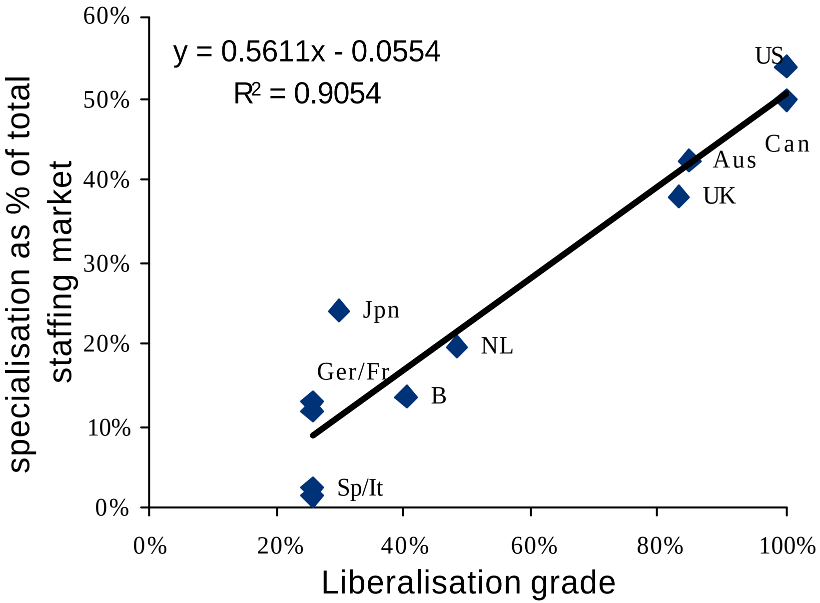
  - Changing skill sets requires companies to hire more expertise
  - Workforce to demand different needs from employers
  - Outsourcing of staffing, recruitment and other HR to continue

Candidate perception to staffing changing

- Many candidates still see staffing as last resort job opportunity
- Some candidates do want to work on a temporary basis
- Scarcity to change relationship with staffing employers

Flexibility, economy & staffing

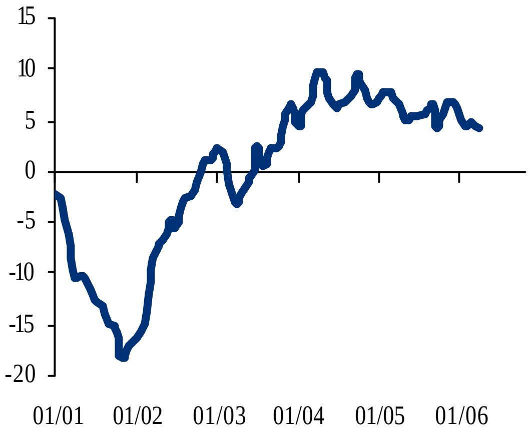
- Flexible labor markets reduce unemployment and increase growth
- Deregulation continues to be important growth driver
- Development staffing dependant on overall flexibility



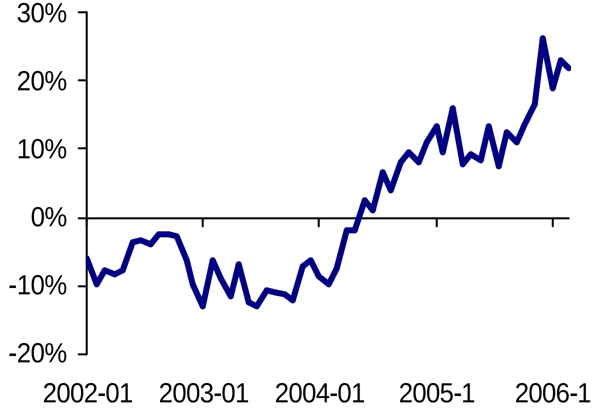
Industry in the sweet spot in the cycle

Volume continues to grow at high levels

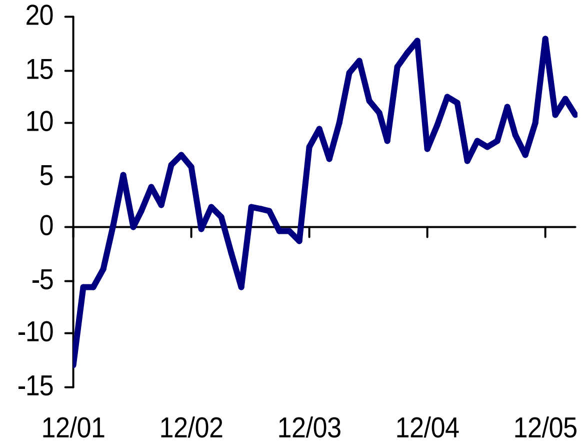
US Help Supply YoY %chg



Dutch Staffing YoY %chg



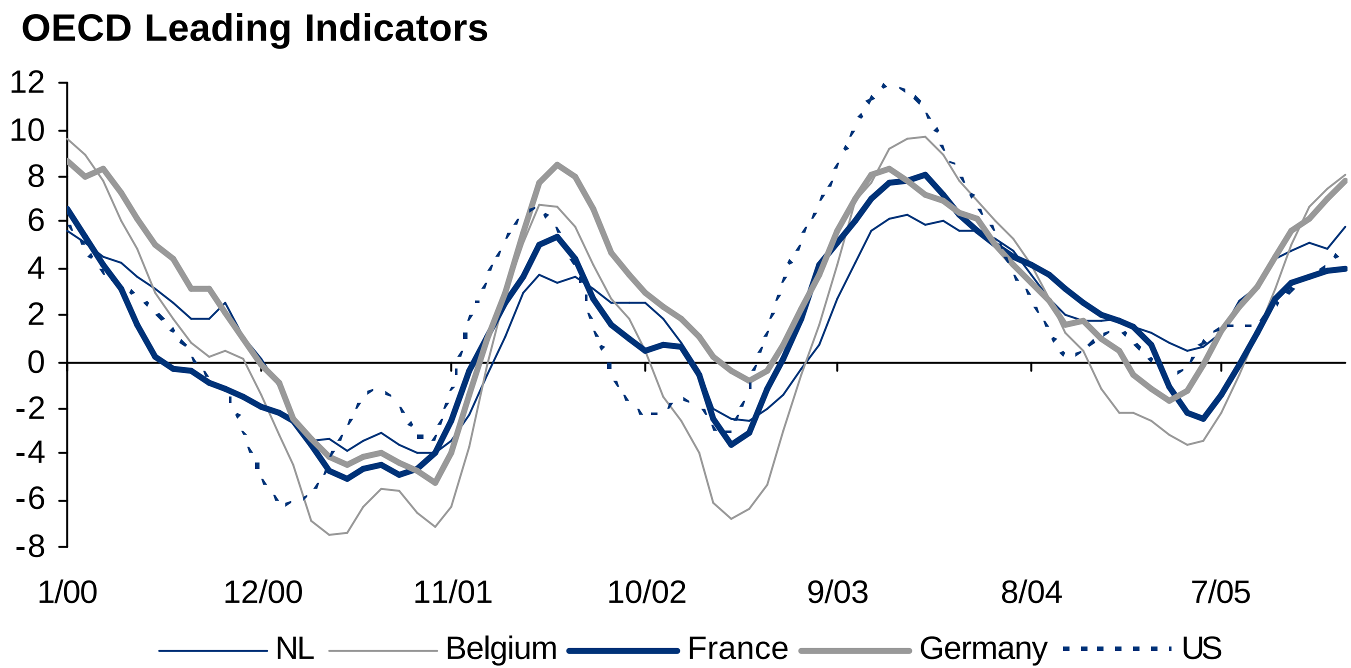
Belgian Staffing YoY %chg



- Continued momentum in many markets
- Industry in 'mid-cycle'
- Specialist/professional staffing outgrows traditional staffing

Source: BLS, Federgon, ABU, ING estimates

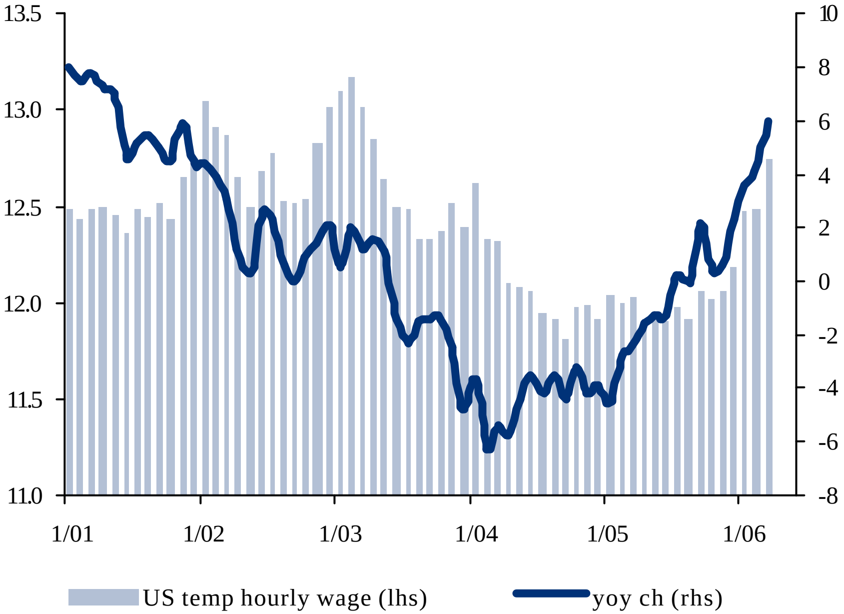
Indicators point to continued strength

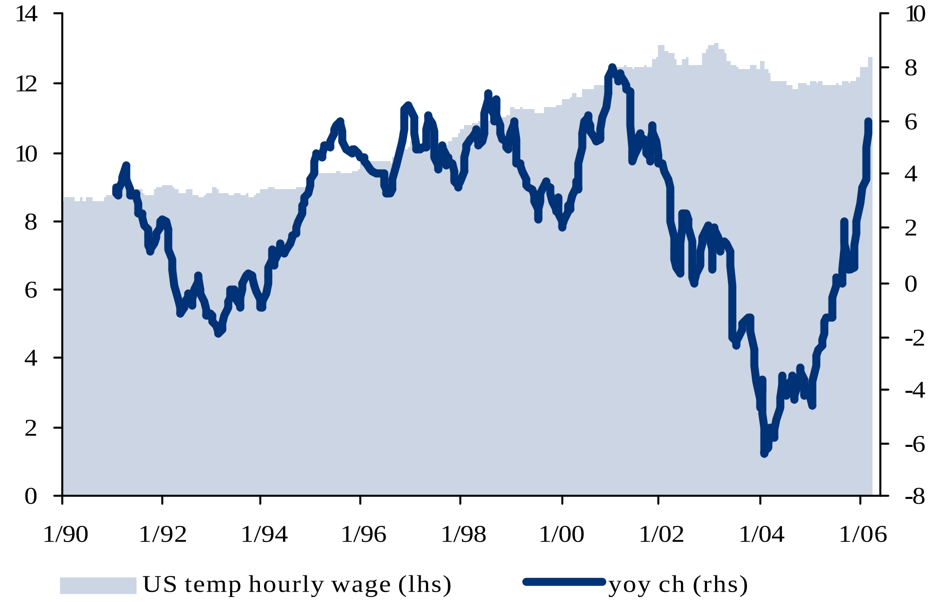


- ING Wholesale Banking: cycle can last at least two more years

Source: Datastream, OECD, ING estimates

Wage rates and gross margin to improve next





- ‘Spot rates’ of labor outgrowing permanent wage rates in US

Source: BLS, ING estimates

The sweet spot: pleasures of the mid-cycle

- Quality of top line increases
- Costs decrease relative and some absolute
- Strong improvements in profitability

Returns for investors

- Staffing industry highly cash generative
- Balance sheets have strengthened
- Corporate governance & shareholder activism
- Pressure to return cash to shareholders

Long term developments: deregulation, demography, & perception

Deregulation of staffing industry

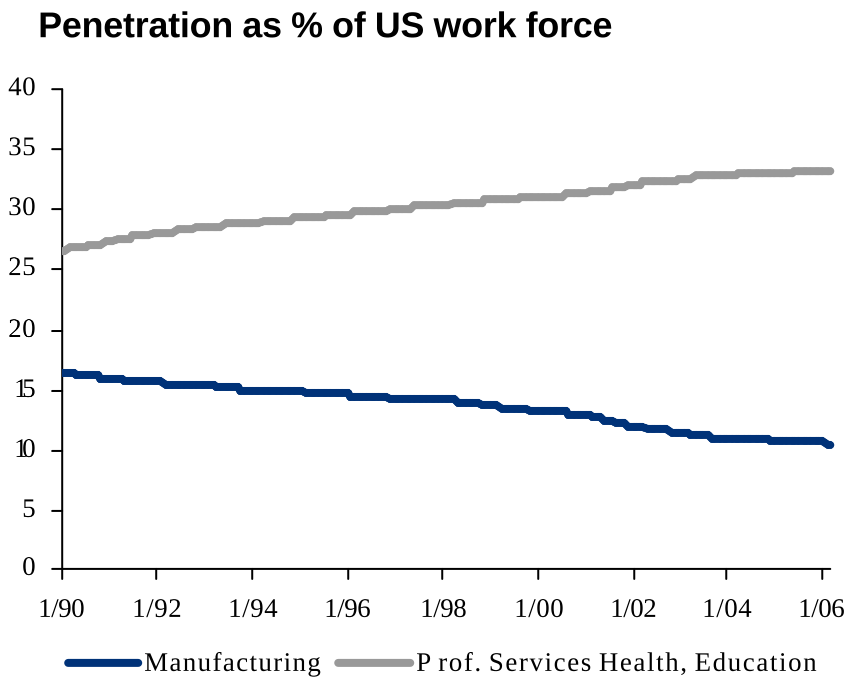
- Positive changes in regulation in the industry recently
- Some (potential) negatives as well
- Higher penetration needs further deregulation

Demographic trends will have large impact

- ‘War for talent’ as baby boom generation retires
- Traditional candidate pool shrinking in developed world
- To attract candidates, flex work to become more attractive
- Agencies to focus on new candidates/ geographies/ services
- Permanent placement to benefit from higher job volatility
- Job security vs. unemployment?

› Agencies that adapt will continue to grow despite changes

Office economy vs. off shoring



- US & Europe world to focus on ‘knowledge and office economy’
- Production and manufacturing to move off shore
- Staffing industry developing rapidly in Emerging Markets

Source: BLS, ING estimates

Perception remains an issue

- The ‘employer of last resort’ perception needs to change
- Public and employer relations key to improvement
  - Unions
  - Political powers
  - Increasing professionalism in the industry
  - HR Solutions

Consolidation to continue, but industry to remain fragmented

Factors in consolidation

- Key issue: continued segmentation of the industry
- Scale
- Different business models
- Price & timing
- Low barriers to entry and many companies active

Industry consolidation to continue, but to remain fragmented

- Consolidation in fragmented markets for scale
- Leading staffing firms to focus on niches and HR solutions
- Expansion into new geographies
- No landscape changing mergers

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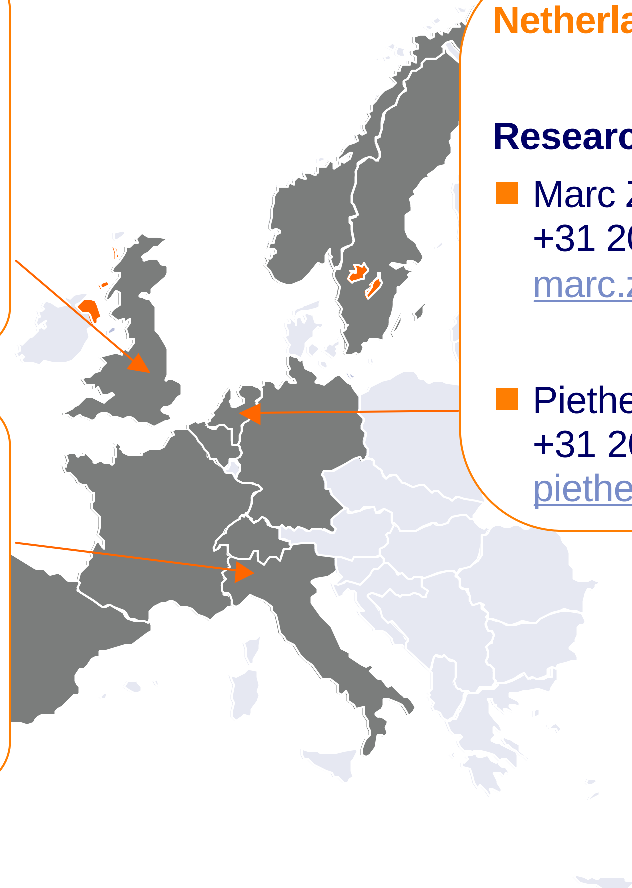

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