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## Private employment services sector adapting to change in the face of a global pandemic

by Denis Pennel

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**With economies and labour markets plunged into freefall by the Covid-19 pandemic, 2020 is not a year that any of us will forget in a hurry.** [The World Employment Confederation \(WEC\) Economic Report 2022](#) (covering 2020 data), released this month, provides valuable insights into the pandemic's impact on the sector and the role its services have played in supporting the recovery.

**Unsurprisingly, the pandemic brought a halt to the positive annual growth that the industry had enjoyed in recent years.** Latest full-year data collected by the World Employment Confederation show that total turnover contracted 9% in 2020 across most of its five service segments, against the backdrop of a global contraction in GDP of 3.1% (International Monetary Fund).

**With entire sectors closed for much of the year in order to contain the pandemic, the services sector was especially affected.** This had a severe impact on the agency work segment where services represent the major share of the private employment services sector's activity and turnover fell 10% globally in 2020. Similarly, turnover from direct recruitment fell by 16.3%, and MSP and RPO contracted by 3.3% and 10.3% respectively. Career management services by contrast, grew in 2020 due to their countercyclical nature, with services such as outplacement much in demand in transitioning laid off personnel into new employment.

**Despite this challenging context, the private employment services industry, focused more than ever on making a clear and positive contribution in supporting people, businesses and employment markets.** The sector placed more than 58 million people in labour markets globally in 2020 and played a crucial role in mitigating the impact of the crisis by providing training opportunities, facilitating job transitions, fostering inclusiveness, and providing supplementary access to social benefits. This role was particularly needed in the healthcare sector, which, thanks to agency work, was appropriately staffed and equipped to weather the crisis.

**Covid-19 was a global pandemic and our 2020 Economic Report bears this out. Declines in agency work and direct recruitment are recorded across nearly all geographies – mostly in the double-digit range:** US agency work and direct recruitment turnover was down 12% and 29% respectively; UK markets contracted by 9% and 38% and Germany, France and the Netherlands fared similarly. The only agency work market to have grown in 2020 when looking at revenues, is Japan - the second largest market after the US - which grew by 1.9%. This is attributable in part to rising salaries of agency workers due to regulatory changes, which in turn resulted in an inflation of agencies' fees.


**Not only did the number of people placed in jobs by the agency work sector fall in 2020, but the global penetration rate fell slightly too – from 1.6% in 2019 to 1.5% in 2020. This reflects the highly cyclical nature of the sector.** However, this works both ways of course - so while the flexibility provided by agency work acts as a shock absorber to businesses needing to scale-down operations quickly in the face of an economic downturn, the sector also expands more rapidly than the overall labour market once conditions improve and they need to hire more workers. Data being received for 2021 shows agency work markets experiencing a remarkable recovery and back to pre-crisis levels by the end of the year.

**The picture for other service offerings across the regions is more mixed. Declines in the global MSP market were primarily driven by the Europe, Middle East and Africa region and the Americas, while the smaller Asia Pacific region expanded in 2020.** Growth in outplacement was seen across all large markets in 2020, with the US market experiencing particularly strong advances and driving much of the positive evolution of the sector globally. RPO markets declined across all three regions and direct recruitment was the most impacted service in almost all countries.

**The 2020 global crisis also brought about a decrease in the number of private employment agencies across most markets.** Apart from China, which saw an increase in both the number of agencies and staff employed (16% and 15% respectively), the number of agencies operating around the world dropped by 3.9% in 2020 and the number of internal staff fell by 8.6%.

**So, how does the 2020 crisis compare to the 2008 global crisis? Our data shows that while the declines were more dramatic this time around, the bounce-back has been much steeper too.** Higher-frequency indicators for the private employment services sector show that as of the end of 2021, several of the largest markets were already back to pre-crisis levels in terms of activity and turnover.

**Inevitably, periods of crisis also bring opportunity. As we emerge from the two-year pandemic which has delivered significant economic and labour market disruptions, we see a world of work that has begun to reinvent itself.** The private employment services sector is well placed to seize these emerging opportunities and is confident that its future will be bright.

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