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Building the future of work together

HR services industry shows significant future potential in supporting the post-Covid world of work

by Denis Pennel

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In 2021, HR services around the world were in greater demand than ever before. The industry placed 62 million people in work and grew by an impressive 22.8% on the previous year to generate an income of nearly €580bn.

Our recently published [Economic Report 2023](#), based on 2021 data, reveals that as the world emerged from the Covid-19 crisis, its 230,000 staffing companies around the globe served as an integration and employment engine on the labour market.

By offering the flexibility that both employees and hiring companies needed as they continued to navigate between crisis and recovery in the aftermath of the pandemic, the HR services sector placed 8% more people in jobs in 2021 compared with 2020, with most countries experiencing moderate to high growth.

Flexibility offered an important competitive advantage for the sector in 2021 and it was no surprise that the market for managed service providers (MSP) who offer the comprehensive management of flexible employees, grew 25.6% compared with the previous year. Talent scarcity and the increasing importance of Environmental, Social and corporate Governance norms have also driven growth in this market segment. Indeed, a key challenge emerging from the whole 2021 labour dynamic are the record high vacancy rates around the globe caused by a combination of changing worker priorities and the greening of our economies, where technology plays a greater role than previously.

If we turn to agency work, the largest segment of the private employment services industry, global turnover was up 13.7% to €417.5 bn in 2021. This represented a strong rebound on 2020 when the sector had experienced a 7% decline due to the shutdown of the tourism and HORECA sectors and remote working in industries such as finance and administration.

The 15 largest temporary agency work markets generated 92% of global sector revenues – most experiencing double-digit growth. The US, as the largest market, recorded 13.8% growth, the UK 15%, China and Italy both 32% Austria 24.6%, Spain 21%, India 20%, and Australia 18%. And the agency work penetration rate also improved to 1.88%, nine basis points up on the year before. The

penetration rate indicates the share of agency workers in the working age population and tends to be highly cyclical owing to the flexibility that agency work services afford labour markets. In an economic downturn the industry acts as a shock absorber to businesses needing to scale down operations while when the economy picks up the sector expands more rapidly than the overall labour market.

These positive trends also continued across other segments of the HR Services market in 2021. Direct recruitment grew 20.8% to €71bn with the 15 largest markets accounting for 94% of global turnover. The US grew 28% while both the UK and Ireland climbed an astonishing 50%. China recorded 34% growth while direct recruitment also saw double digit growth in New Zealand, India, Canada and South Korea. The Managed Service Providers (MSP) market grew a quarter, reaching a record high of €164bn, while Recruitment Process Outsourcing (RPO) rose 21.6% to €6.3bn.

By contrast, the career management industry, which had seen a 14% rally in 2020, shrank 20% in 2021 to €1.7bn. The outplacement services that had been so vital in transitioning laid off personnel to new opportunities during the pandemic, were inevitably in less demand in 2021 as the economy recovered, and the segment is now redefining itself and the services it offers.

Within the 2021 figures we see a number of regional differences: APAC rebounded strongly from the pandemic recording double-digit growth everywhere but Japan; while North America - which includes the USA, Canada and Mexico, - saw its performance impacted by the ban on agency work in Mexico; South America meanwhile recorded strong growth and continues to be dominated by the Brazilian market which accounts for over 60% of the private employment services industry's placement of people in the region; and Europe, home to over one-third of all private employment agencies, showed recovery from the pandemic and was responsible for placing around 44% of all people in jobs globally.

In short, the HR Services industry came of age in 2021 and demonstrated the pivotal role that it has to play in ensuring that no one gets left behind. Around the world, the industry helped people to find employment to suit their needs and supported companies to recruit and coach candidates into new professional pathways.

Our Economic Report 2023 suggests that there is significant further potential to be tapped as the sector continues to support people, companies and society in navigating the post-Covid world of work.

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