The world of work

MILWAUKEE

To see how the nature of work is changing around the world, look at the evolving strategy of a global employment provider

"CORPORATE America is not bulimic any more." In the 1990s firms indulged in a "feeding frenzy on employees", only to spew out many of their new recruits when the economy soured. During the recent boom years, however, most companies have had a "good, balanced diet of people coming in."

So says Jeff Joerres, the boss of Manpower, one of the world's leading employment-services firms. He should know: Manpower is a big supplier of temporary workers, the demand for which rises and falls with the business cycle. The company's share price has long been regarded as a bellwether of investors' expectations for the American economy. After climbing to $77 in December 2006 from a low of $27 in October 2002, Manpower's share price fell ominously to $55 by the summer, before rallying to a new high later in the year.

These brighter prospects for America's corporate health may be due in part to that improved jobs diet, which Mr Joerres speculates was caused indirectly by the millennial panic over the so-called Y2K computer bug. Having upgraded their information systems, firms are much better at matching employment to demand, "We used to get orders in anticipation of demand. Now firms don't rely on gut instinct, they look at a screen," says Mr Joerres. So any slowdown in America is unlikely to lead to a surge in redundancies of the sort that once weighed the economy down further.

Indeed, 2007 is getting off to a good start. Manpower's latest employment survey shows firms in most of Europe and Asia are planning to increase their hiring compared with the first quarter of 2006, while the American jobs market is "continuing to plug along at a steady pace."

Yet less should be read into Manpower's share price than in the past. With only about 13% of its revenues now coming from America, the company is far less exposed to the business cycle there. Moreover, as providing temps increasingly becomes a low-margin commodity business, it has to look for better prospects. That has led Manpower to alter its strategy to try to profit from dramatic changes under way in the world's labour markets. These include outsourcing, ageing populations and an increasingly severe shortage of talent, even in places like China.

Workers of the world unite

Manpower was founded in 1948 when two Milwaukee lawyers, spurred by their failure to find extra administrative help for an urgent legal brief, started a business to provide temporary staff. Today, as is clear from the many national flags that fly, somewhat incongruously, United Nations-style outside its otherwise nondescript headquarters off a suburban Milwaukee highway, the firm is truly global. It has 27,000 full-time employees working in 4,400 offices in 73 countries. It is from those countries that a picture of the changing world of work emerges.

Start with France, Manpower's biggest market and source of around one-third of its revenues. This was the third foreign country it entered in the 1950s (after Canada and Britain). France's notoriously burdensome labour regulations deter hiring full-time workers and ensures a strong demand for staff on short-term contracts.

The Italian market has been booming too since a ban on the use of temporary workers was lifted in 1997. Japan is also hot, thanks to legal changes that have allowed greater use of temporary workers, especially in light manufacturing.

For many of Manpower's bigger multinational clients, the number of temporary employees, ranging from those on short-term contracts to consultants, can represent around a fifth of the workforce. Overall, temps make up about 1-3% of the total in most countries. Manpower expects this to rise to around 3% almost everywhere as the trend in hiring more temps extends from big firms to middle-sized companies.

Yet little of Manpower's business in China involves temporary workers. China represents the most extreme example of the change in strategy since Mr Joerres took charge in April 1999- Despite the growth in temporary employment, profits had been flat for three years. The company had also lost its place as the world's biggest employment firm to Adecco, a European rival formed in 1996 by the merger of Adia Interim of Switzerland and Ecco of France.

There was speculation that if things did not improve fast, shareholders would push for the firm to sell itself-not for the first time. From 1976 to 1986 it was owned by Parker Pen before later being sold to Britain's much smaller Blue Arrow. That was an unhappy marriage and the firm became independent again in 1991.

Mr Joerres decided to stop pursuing growth as an end in itself and instead to seek higher margins. This has meant becoming a comprehensive employment-services firm. Traditional temp work now accounts for 70% of profits, down from 96% when Mr Joerres took charge. He expects its share to be 50% within five years. Manpower still expects its temping business to grow, but not as fast as other areas.

One of those areas is placing permanent employees. Manpower came late to this business, in 2001, but now has 2,000 staff dedicated to permanent recruitment, which provides about 10% of revenues. This proportion could increase substantially if what it calls "total recruitment outsourcing" takes off, which so far it is doing only slowly. An example of this business is that Manpower manages all hiring for' the Australian defence force, recruiting about 9,000 people a year at all levels.

To boost growth in other areas, Manpower bought Right Management in 2004. This firm specialises in employment services like outplacement, succession planning and coaching. It also advises compa- >>

nies on human-resources strategy.

The outplacement business has changed a lot. A decade ago, people expected to work for the same firm until they got a gold watch at retirement; much of the job was to help people cope with the trauma of no longer being needed. Today, that takes little time because nobody expects a job for life any more. Now people want help in thinking about what to do next and quick access to a large number of potential employers. Manpower is acutely aware of the threat to this business posed by online social networking sites. So it will be no surprise if it buys one.

Manpower, through Right, is also benefiting from a boom in demand for coaching. This used to be provided only as part of the service to help people find new jobs. Increasingly it is being offered to employees who are staying put and hoping for promotion. The change came about in part from the feedback from interviews with employees who were leaving. Many made comments along the lines of: "Why did I have to wait until I got fired to get this?"

To boost its margins on temps, the company has ventured into the recruitment of more specialists. In 2000 it bought Elan, which provides skilled workers to information-technology companies. The following year it bought Jefferson Wells, a specialist accounting-staff firm-a purchase that was to prove spectacularly well-timed, just before America's Sarbanes-Oxley act caused a surge in demand for staff to work on internal audits.

Specialist work is a big step up from providing temporary clerks to help with such things as the payroll. Nearly three-quarters of the people supplied by Jefferson have post-graduate qualifications and an average of 18 years' experience. Much the same is true of Elan's IT workers.

Shanghaied

Skills are becoming increasing valuable everywhere. In China, Manpower recently formed a partnership with the government in Shanghai to identify shortages of skills and plan how to fill them. One idea is to design suitable training. In particular, the firm is helping to spot people with entrepreneurial flair.

A Manpower survey last year of 32,000 employers in 26 countries found that 29% would have hired more professional staff if candidates had had the necessary skills. This talent shortage is expected to get far more severe in the coming decade.

Two big fronts in this battle will be China and India, where multinationals are under pressure to scale up fast. In their haste they are making many bad recruitment decisions. Unskilled workers may be abundant, but two out of five firms report difficulties in finding suitable senior managers in China. There are also increasingly severe shortages in sales, marketing, technology and human resources, where salaries are rising at up to 25% a year.

And once people have been hired, the attrition rate can be expensively high-particularly for the most talented. This owes as much to the lack of training and career-development opportunities as to salaries. Increasingly, Chinese firms can get ahead of multinationals in the contest for local talent, not least by offering people faster promotion. Four years ago, Manpower worked mostly with multinationals in China; now it also does lots of work with local firms.

A further opportunity is to help multinationals with an increasingly popular "China plus one" strategy: hedging the political and logistical risks associated with being in China by having related operations in a nearby country. Companies may place factories in Vietnam, call centres in the Philippines or higher-security technology operations in Singapore.

The labour market is arguably even more complex in India, where, for example, Infosys, a leading services outsourcing firm, reportedly receives 1.3m job applications a year, most of them wholly unsuitable. Manpower found itself in a similar position, especially when trying to fill offshoring jobs that require European languages. It set up teams of 20 people in branch offices to shift through applications. Thousands of candidates apply, but only 3-7% of them have the right skills.

As for career development, the leading Indian firms, such as Infosys, have been addressing the skills gap and high turnover rates by establishing in-house universities. Following their example, Manpower has launched its Global Learning Centre, which will eventually be accessible for students through some 3,000 internet cafes in India.

The grey workforce

In the longer run, a shortage of talent-exacerbated by demographic trends-is likely to create growing demand for older workers. Japan, Australia and Italy are expected to lead the way in embracing them. Manpower has formed a partnership with the American Association of Retired People to try to come up with ideas to see how it could operate in this field.

Training methods will be needed to teach older people to use computers. Offices may need to be redesigned for the less agile. In Asia in particular, training will be needed to help older workers cope with having a boss far younger than they are-hitherto culturally unthinkable.

One task will be to change older people's expectations of how to remain in the workforce, says Mr Joerres. Manpower is not good at cost-effectively providing the odd hour here and there. It is much better at placing people in work for concentrated stints, such as the first two weeks of each month. "We know how to do that; we don't know how to do an hour every Tuesday," says Mr Joerres.

The demand for greater flexibility will grow. Wal-Mart, for instance, has begun implementing a new computerised scheduling system to move its more than 1m workers to new types of shifts. The world's biggest retailer wants shifts to be based on the number of shoppers in its stores. So workers would come and go in groups during busy and slack times of the day.

Will Manpower succeed in its ambition to grow in line with the changing patterns of work? Some observers remain unconvinced. One concern is the Right acquisition, which even Mr Joerres admits was made at a high price. Moreover, Right's recent results have been disappointing. Even so, by sending staff a clear signal that their business is no longer just about providing temps, "within the firm it has been the biggest catalyst", insists Mr Joerres.

Mr Joerres is confident that Manpower can double its profits in five years, even without further acquisitions. But Adecco is finally getting back on track after, an accounting scandal and a power struggle between its founders. It too will be broadening its range of services and it will be imitating Manpower's efforts at innovation by establishing its own research centre. When it comes to filling jobs, there will be plenty of competition in the changing world of work. •

Fonte: The Economist, v.382, n.8510, p. 57-58, 6 jan. 2006.