



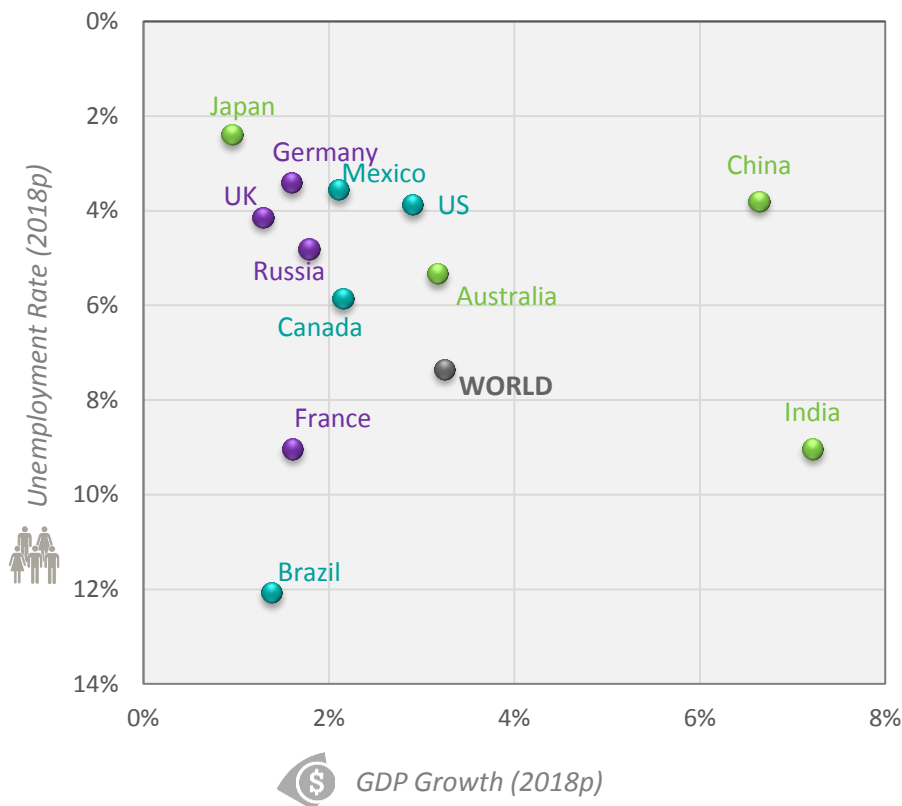
GLOBAL TALENT MARKET QUARTERLY

FOURTH QUARTER | 2018

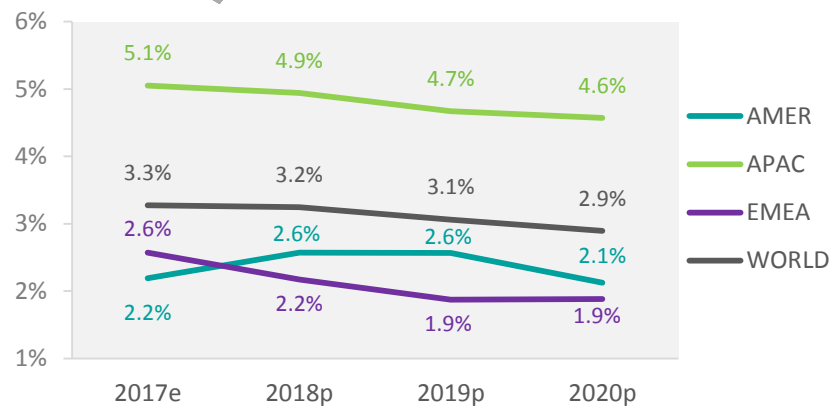
KELLY[®]

Heading into 2019, global economic growth is forecast to continue to cool slightly to 3.1%. Several factors are weighing on the global growth outlook, including financial volatility and ongoing trade tensions, particularly between the world's two largest economies, the US and China. Despite the moderation in economic growth, labor markets across the globe remain tight as demand for skilled workers persists.

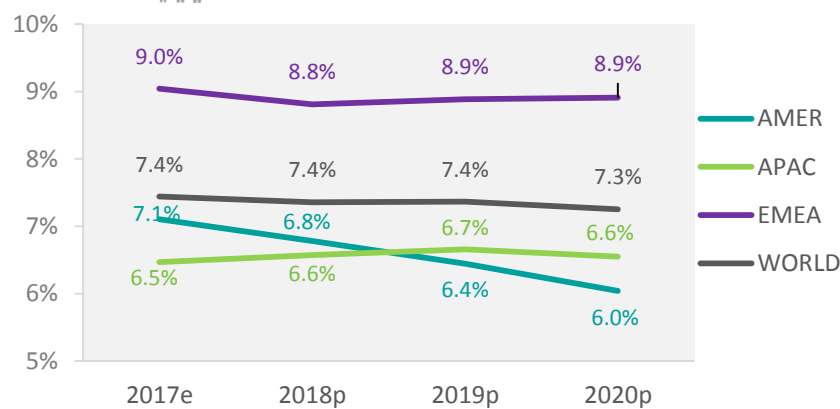
GLOBAL ECONOMIC & LABOR MARKET SNAPSHOT



GDP Growth

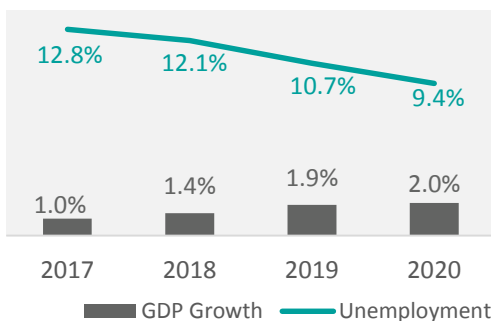


Unemployment Rate



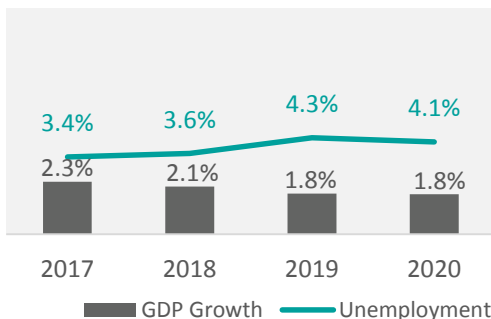
The US economy has been propped up by federal stimulus in 2018, boosting the region's economic performance, but growth is expected to moderate in 2019 and beyond. Demand for labor remains robust, with low and/or falling unemployment rates in many markets.

BRAZIL



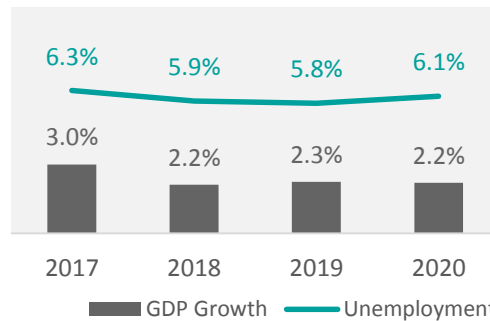
Although Brazil's outlook calls for acceleration in GDP growth and falling unemployment in 2019, the forecast is clouded by uncertainties surrounding the incoming government and its policies.

MEXICO



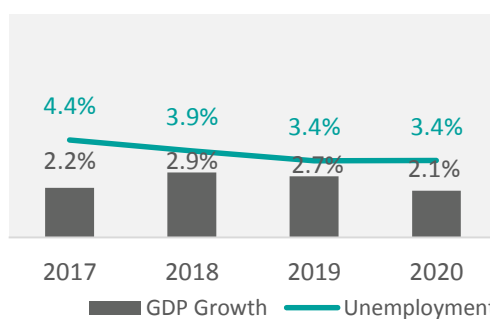
Growth in Mexico is expected to moderate in 2019, with policy uncertainties constraining investments. However, higher oil prices and anticipated increases in auto production will help boost the economy.

CANADA



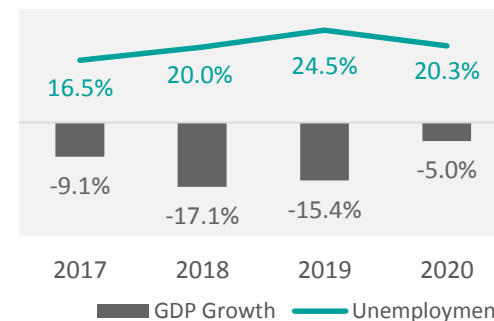
The Canadian economy is projected to remain solid in the short term. In November 2018, the gain of 94,000 jobs was the country's largest ever, and the unemployment rate also reached a historic low.

US



The US economy got a boost from the 2018 stimulus, the effects of which will gradually wear off in 2019. Labor market conditions remain extremely robust as employers continue to generate demand.

COUNTRY SPOTLIGHT
VENEZUELA

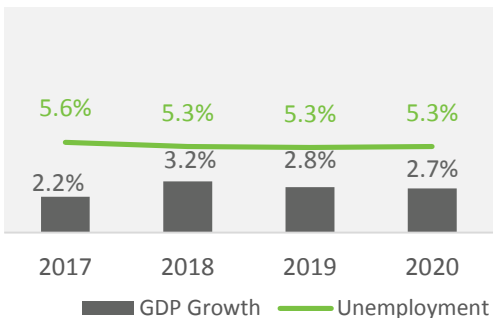


The Venezuelan economy has been in recession since 2014, and the crisis continued to deepen in 2018 with contraction reaching well into the double digits. One of the most pressing issues is extreme consumer price hyperinflation, which IHS Markit estimates may reach an unheard of three million percent year-over-year in 2019. Oil production, a critical component of the country's economy and the main source of government's revenue, fell by more than 25% through the first ten months of 2018.

The labor market is in a similar plight, with unemployment projected to climb to nearly 25% in 2019. International data suggest that the country also is experiencing population exodus to Colombia, Peru and other countries, despite denials by the Venezuelan government.

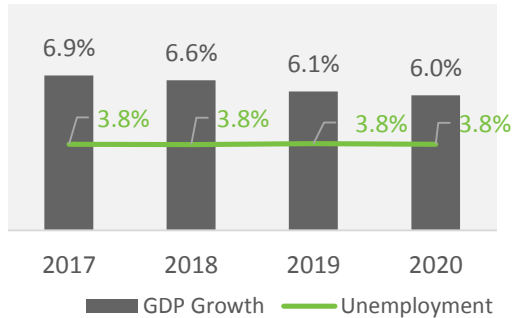
APAC still leads the world in GDP expansion, thanks largely to outsize growth in China and India, but a cooldown across major economies is tempering the regional outlook somewhat for 2019. Labor market conditions are forecast to remain stable.

AUSTRALIA



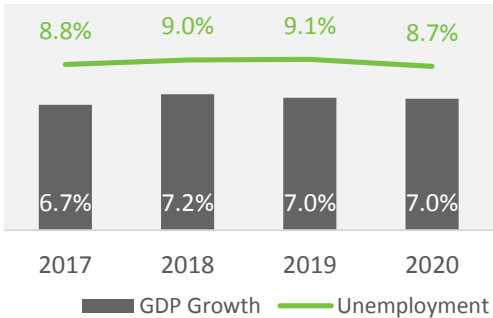
After a strong 2018, GDP growth in Australia is expected to slow in 2019 due to weaker exports and consumption activity. Unemployment has edged down, but so has the labor force participation rate.

CHINA



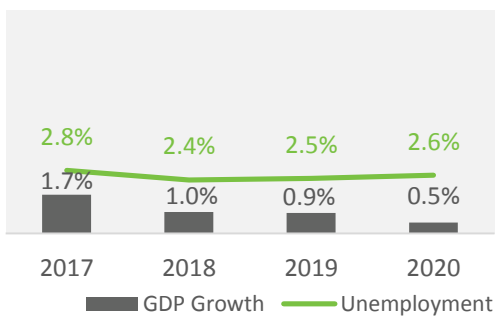
Additional tariffs on Chinese exports to the US are scheduled to come into effect in 2019, but fiscal and monetary stimulus policies are expected to mitigate some of the negative impacts on the economy.

INDIA



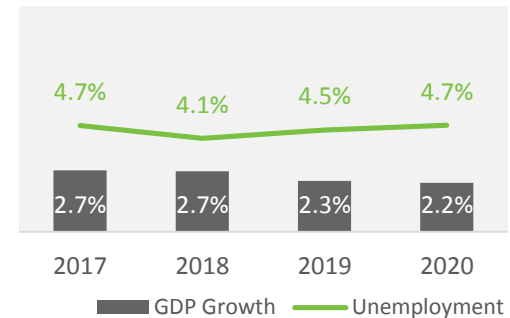
While economic growth was subdued in 2017, stronger public and consumer activity returned in 2018 and is expected to continue—albeit at a somewhat slower pace—over the short term.

JAPAN



Natural disasters and softer external demand have slowed economic growth to 1% in 2018; a similar growth rate is projected in 2019. Unemployment has edged lower, further tightening the labor market.

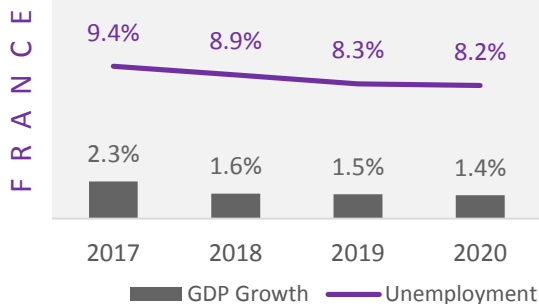
COUNTRY SPOTLIGHT
NEW ZEALAND



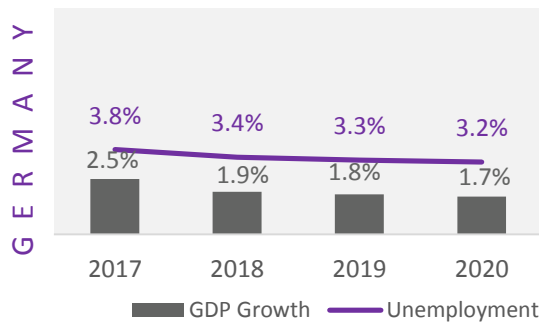
Economic growth in New Zealand is projected to slow in 2019, as investment activity weakens and reconstruction following the earthquakes in the Canterbury and Kaikoura regions winds down. However, healthy domestic demand and public sector infrastructure spending should help to prop up GDP growth.

The New Zealand labor market has absorbed a significant number of migrants who came to fill the surplus construction jobs in the wake of the earthquakes. New Zealand's unemployment rate has seen steady declines in recent years, and fell sharply during the September 2018 quarter. As reconstruction activity slows and building sector hiring tapers off, however, unemployment is expected to begin to rise.

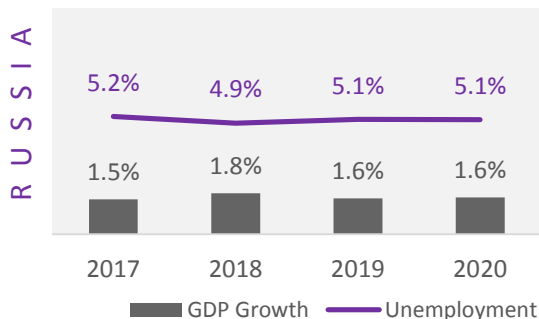
Many major European economies have seen lower growth in 2018, with the forecast for continued sluggishness in 2019 amid risks from trade skirmishes, fiscal uncertainties, and the looming Brexit process. Labor markets, however, have remained both tight and relatively resilient.



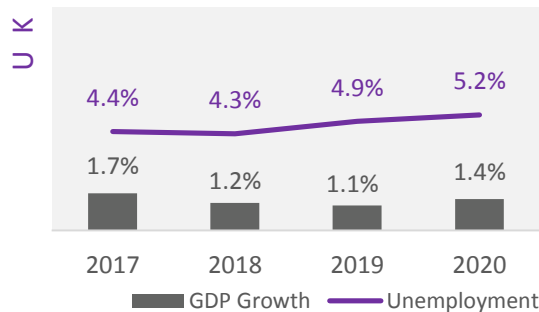
France’s economic growth slowed in 2018, and the outlook calls for a similar performance in 2019— however, risks both internal and external (protests, Brexit, trade wars, fiscal challenges) abound.



Despite persistent robust domestic demand, the external environment has been weighing down German GDP growth in 2018 and into 2019. The labor market remains healthy.

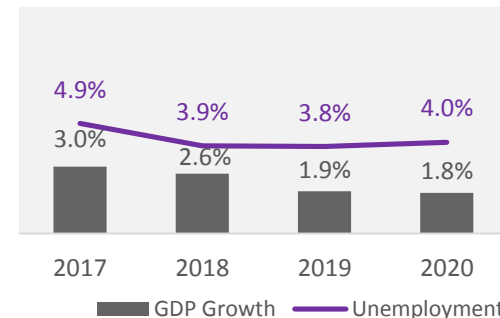


Russian economic growth is expected to remain moderate through the short term, boosted by increased government spending and net exports. The labor market picture is likewise stable.



Business and consumer uncertainty remain elevated as the Brexit date approaches, making the GDP outlook for 2019 subdued. Unemployment has been lower than expected in the second half of 2018.

COUNTRY SPOTLIGHT
NETHERLANDS



The Dutch economy typically has been one of the strongest in the Eurozone, a trend that is expected to continue. However, the outlook is for a slight cooldown in the short term, with GDP growth rates projected to slip below 2% in 2019, as risks both external and internal weigh on the economy. Rising inflation rates have begun to negatively affect domestic consumption, while the export-oriented nature of the economy is vulnerable to trade shocks.

The Dutch labor market has tightened significantly in recent years, as the unemployment rate has fallen below 4%. Employers are reporting difficulties in filling open positions, particularly in construction, science and engineering, IT, and teaching.

Newly elected governments in Italy, South Australia, and Ontario, Canada announced they would roll back previously passed labor laws. The new Italian laws restrict the use of temporary work; the South Australia government would repeal the labor hire licensing requirement law; and in Ontario, the legislation would remove the equal pay for equal work stipulation for temporary and permanent employees.

CANADA

Ontario's newly elected provincial government announced it will introduce legislation that would repeal many of the provisions of the Fair Workplaces, Better Jobs Act of 2017 (Bill 148). A key provision of Bill 148 that would be repealed is equal pay for equal work on the basis of employment status and temporary help agency status.

UNITED STATES

Identical bills were introduced in both the US House and Senate that would essentially create a nationwide ban on employee post-employment non-complete clauses. Since 2016, eight US states have enacted laws restricting the use of non-compete clauses, and five more have proposed legislation that either prohibits or restricts non-compete agreements to some extent.

ECUADOR

Regulations for part-time work contracts were enacted in June 2018. Provisions include ensuring that the contract must always be in writing, as well as stipulations regarding pay, vacation time, and social security coverage.

FINLAND

Under new legislation regarding variable-hours or “zero-hours” employment contracts that took effect in June 2018, employers must state and substantiate that their need for labor is indeed variable in order to engage in such contracts. The law also introduces new regulations on working hours and sick leave.

FRANCE

In July 2018, the French Labour Code was amended to permit contracts of indefinite duration (contrat à durée indéterminée interimaire or CDI) between temporary employment agencies and employees. CDI contracts had been allowed in France beginning in 2015 only for a trial period until the end of 2018.

ITALY

A new law passed in July 2018 rolls back reforms introduced under the Jobs Act of 2015. The new law, which took effect on November 1, reduces the permitted length of fixed-term employment contracts and the number of renewals permitted, sets parameters for reasons for entering into a fixed-term or temporary agency contract for longer than 12 months, and sets out a new cap for fixed term or temporary agency workers as a percentage of the workforce.

SOUTH KOREA

New amendments to the Labour Standards Act came into effect in May 2018. The new provisions include more generous paid annual leave entitlements, expanded childcare and fertility treatment leave, greater protection for victims of workplace sexual harassment, and a mandate for disability awareness training.

AUSTRALIA

The Victorian government passed a Labour Hire Licensing Act in June 2018. The legislation mirrors a similar law in Queensland that requires labor hire firms to be licensed. In South Australia, the new government that took office in March 2018 announced it would introduce legislation to repeal the state's Labour Hire Licensing Act, which was passed in 2017 and came into effect in March 2018.

GLOBAL TALENT SPOTLIGHT: SKILLS MISMATCHES

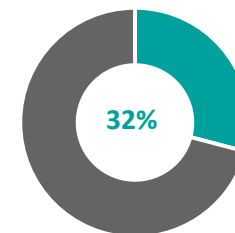
THE MATCH GAME

In an ideal world, people are employed in jobs that capitalize on their unique educational backgrounds, skills, and competencies, but data from the OECD shows that many people around the globe are not so well-suited to their jobs.

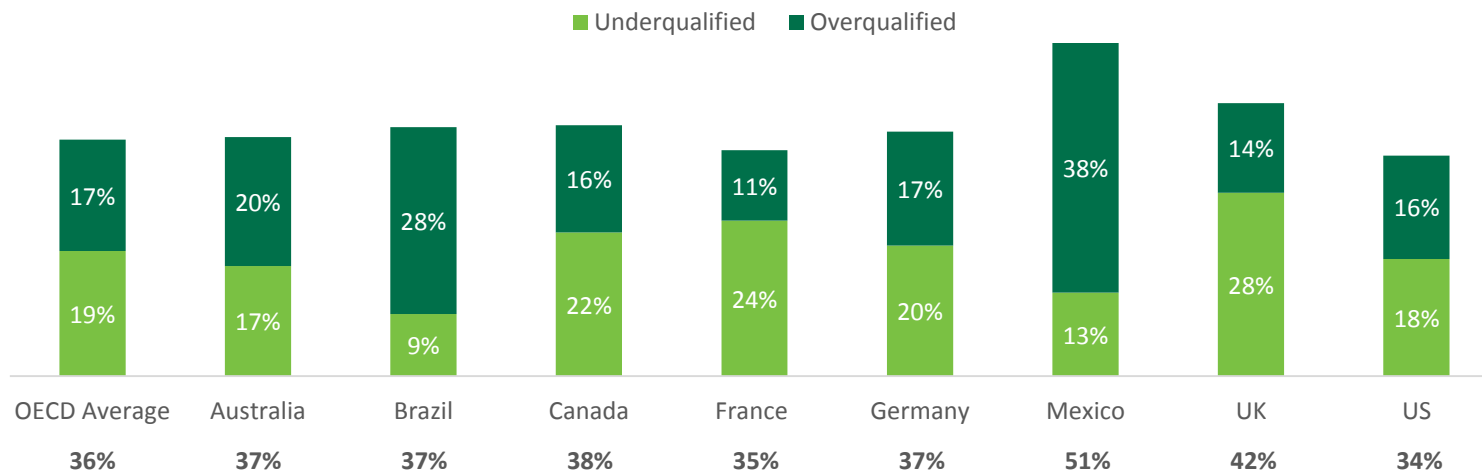
Around a third of workers in OECD countries are mismatched by field of study; that is, their educational background is not aligned with their current job. In addition to field of study mismatches, just over 36% of workers on average across OECD countries are mismatched in terms of their jobs and qualifications; nearly 20% are underqualified, while around 17% are overqualified for their current position. The US trends lower than average, with just over one-third of workers either over- or under-qualified for their jobs, but in Mexico, more than half of all workers are mismatched. In Mexico and Brazil, the number of overqualified workers outnumber those who are underqualified by around three-to-one. In Canada, France, and the UK, the proportion of underqualified workers is larger than those who are overqualified for their jobs.

Research has shown that all types of mismatches can have negative consequences for both workers and employers, including lower satisfaction and engagement and higher turnover rates, as well as wage penalties, particularly for overqualified workers.

FIELD OF STUDY
MISMATCHES,
OECD AVERAGE



QUALIFICATION MISMATCHES



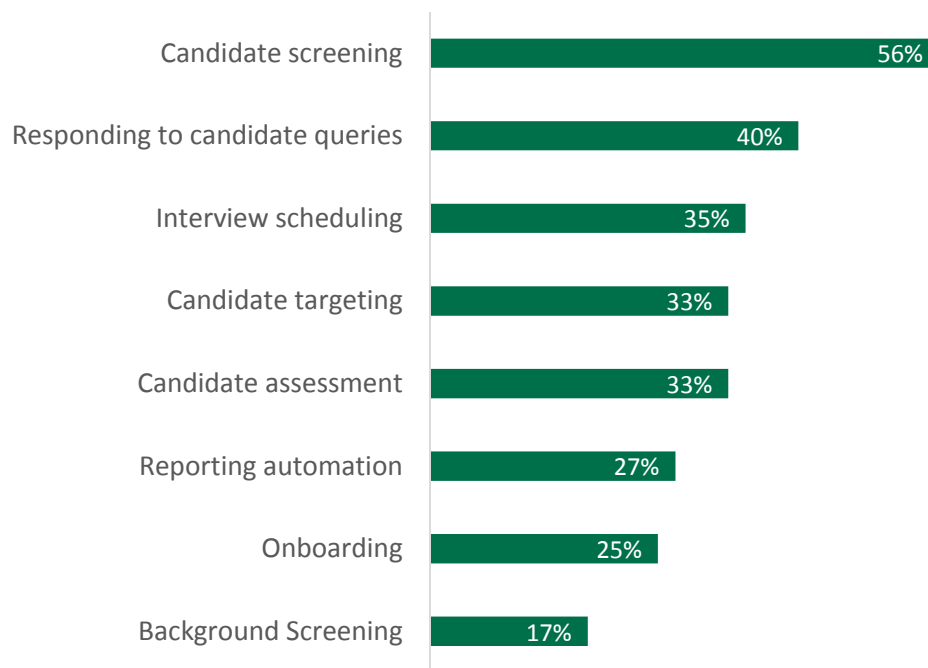
WORKFORCE SOLUTIONS SPOTLIGHT: AI IN HR

THE AI REVOLUTION COMES TO TALENT

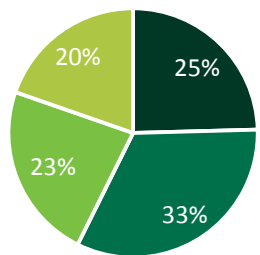
Artificial intelligence has the potential to transform the way business is being conducted in multiple ways, and talent acquisition and management is no exception. Talent professionals are just beginning to create and understand the role of AI in HR processes, one which will continue to evolve as technologies progress.

A survey by HRO Today found that nearly 60% of companies are not yet using AI in their HR practices; of those that plan to incorporate AI in HR, more than six in ten (62%) say that implementation is still more than one year off. Companies that are using AI in HR processes have not had much experience: 58% have been doing so for less than a year. A little more than a third of companies are using a partner for AI capabilities, 28% are developing those capabilities in-house, and 37% are taking a hybrid internal and external approach. Candidate screening is the most common application of AI in HR.

TOP WAYS AI IS BEING USED IN HR

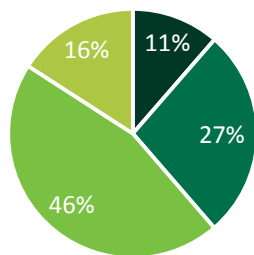


HOW LONG AI HAS BEEN USED IN HR PROCESSES



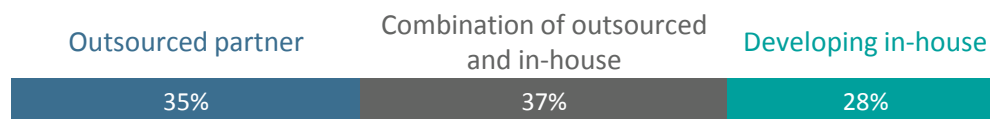
- Less than six months
- One to two years

PLANNED IMPLEMENTATION OF AI IN HR PROCESSES



- Six to twelve months
- More than two years

SOURCE OF AI CAPABILITIES



ABOUT KELLY SERVICES®

As a global leader in providing workforce solutions, Kelly Services, Inc. (Nasdaq:KELYA) (Nasdaq:KELYB) and its subsidiaries offer a comprehensive array of outsourcing and consulting services as well as world-class staffing on a temporary, temporary-to-hire, and direct-hire basis. Kelly® directly employs nearly 500,000 people around the world in addition to having a role in connecting thousands more with work through its global network of talent suppliers and partners. Revenue in 2017 was \$5.4 billion. Visit www.kellyservices.com and connect with us on [Facebook](#), [LinkedIn](#), and [Twitter](#).

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