GLOBAL

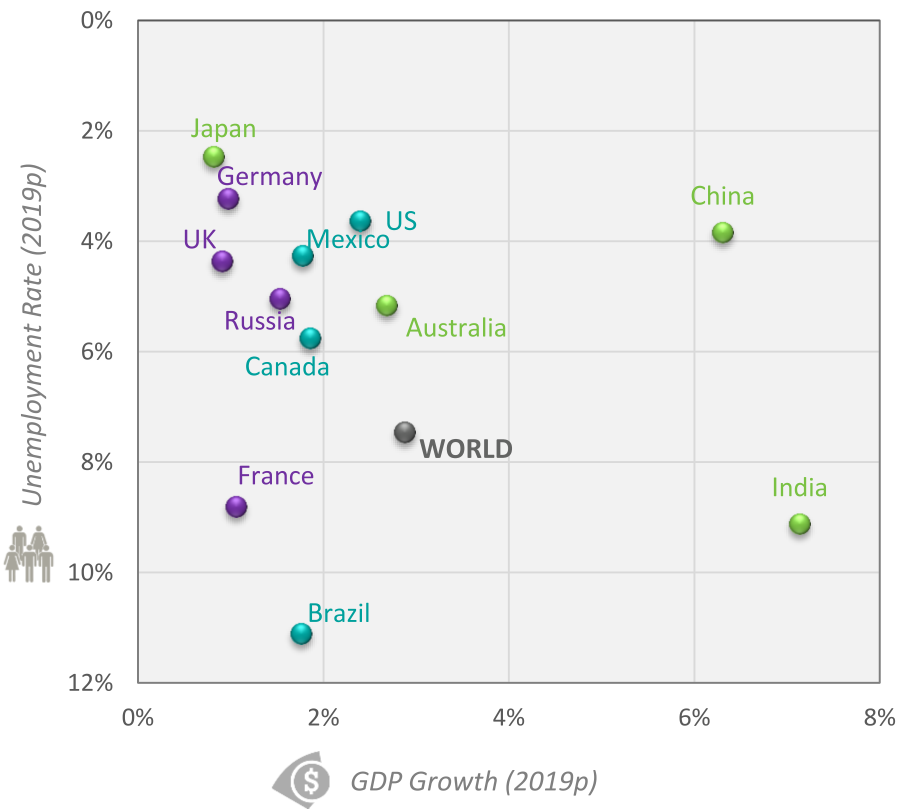
TALENT MARKET QUARTERLY

FIRST QUARTER | 2019

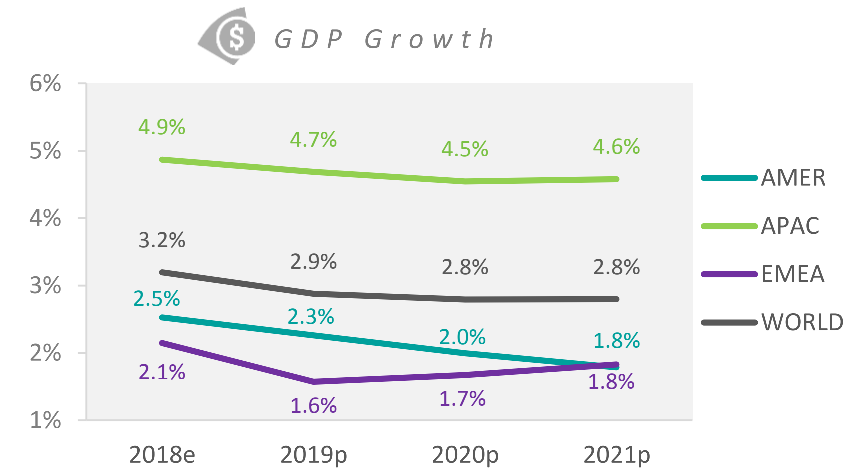
KELLY

The outlook for the global economy in 2019 is decidedly cooler across most major economies, with overall growth projected to slow from 3.2% in 2018 to 2.9%, largely driven by trade tensions and political uncertainty. On the labor force side, although there are risks related to lower participation rates and diminishing productivity, markets remain tight with unemployment in general projected to stay the course.

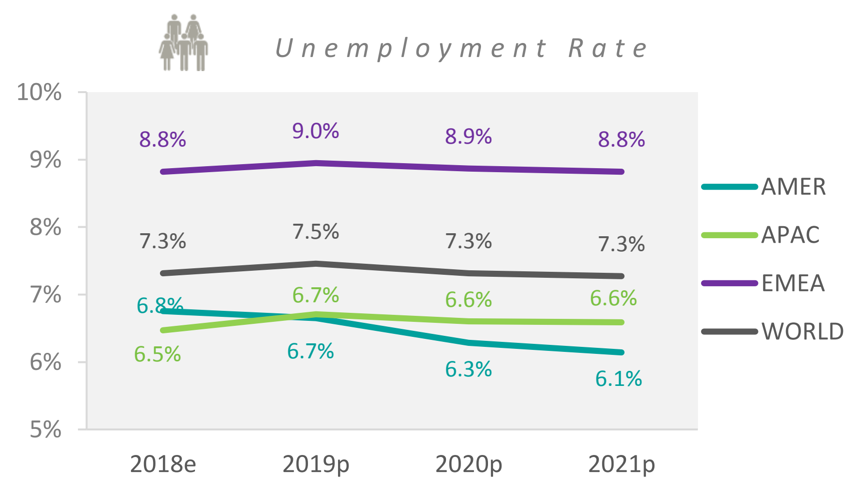
GLOBAL ECONOMIC & LABOR MARKET SNAPSHOT



GDP Growth



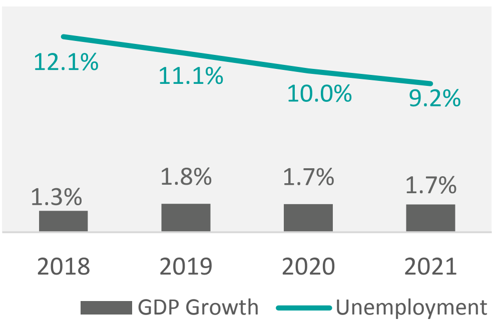
Unemployment Rate



Source: IHS Markit (March 2019). Annual average estimated/projected growth in real GDP and annual average estimated/projected unemployment rates.

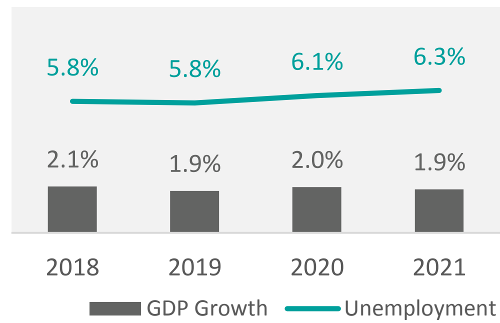
Although economic fundamentals in North America remain mostly strong, with slightly cooler growth and tight labor markets, South America is a mixed bag: Brazil is underperforming, while Argentina and Venezuela remain in recession and markets such as Peru and Chile are relatively healthy.

BRAZIL



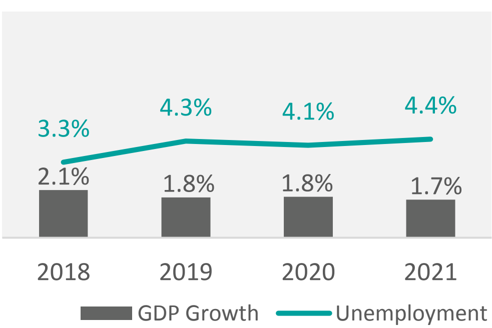
Following a historically severe recession in 2015/16, the Brazilian economy is seeing a very subdued rebound. GDP growth was just over 1% in 2017 and 2018, and is expected to edge up slightly in 2019.

CANADA



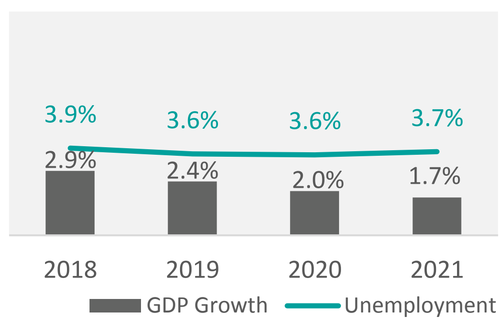
Canada's labor market is adding jobs at a robust pace to start 2019, even as the economy faces some headwinds. GDP growth is projected to remain in the 2% range over the short term.

MEXICO



Formal job creation in Mexico in 2018 was decent but softer than the previous year. The outlook for the mining, construction, and manufacturing sectors is weak, suggesting more tempered job growth.

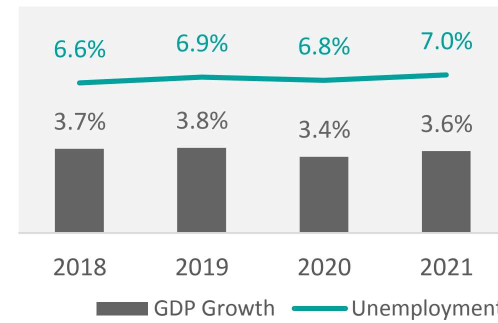
US



The US added nearly 2.7 million jobs in 2018, a remarkable performance considering the late-stage economic cycle. As the boost from fiscal stimulus fades, economic growth will begin to slow.

COUNTRY SPOTLIGHT

PERU



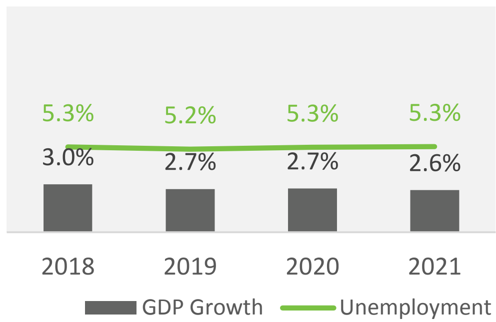
The Peruvian economy is strong compared to many of its regional peers, with GDP growth projected to edge up slightly to 3.8% in 2019. Renewed investment in the mining sector and an increase in construction and infrastructure activity (particularly the large-scale plans to fix roads and other structures damaged by the effects of El Niño-related storms in 2017), should help boost growth. Inflation, which had spiked in the aftermath of the storms, has also settled back down.

Job creation in Peru has been somewhat uneven, with the service and commerce sectors outpacing manufacturing and construction. Unemployment is expected to tick back up after a healthy 2018.

Sources: IHS Markit (March 2019)

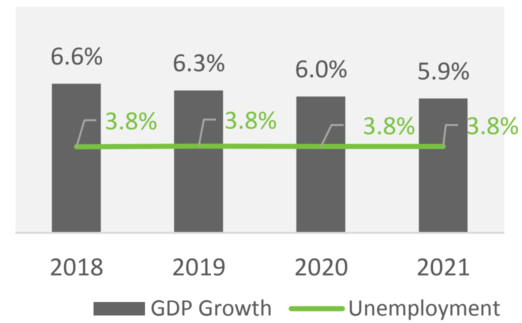
Led by China, the APAC region also is likely to see a slight economic cooldown in 2019. Despite the easing in trade and economic activity, most labor markets in APAC remain resilient with relatively stable unemployment rates.

AUSTRALIA



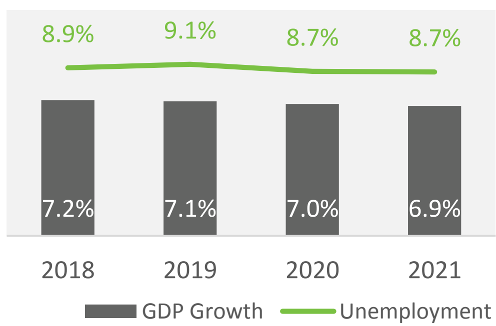
Australia's growth was strong at 3.0% in 2018, but is expected to moderate somewhat in 2019 as export growth and household consumption weaken. The labor market is still experiencing skills shortages.

CHINA



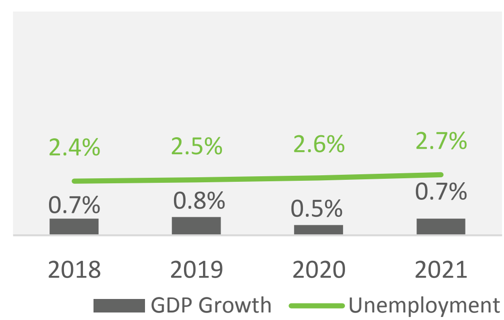
The Chinese economy remains on a gradual slowdown path, with GDP projected to grow 6.3% in 2019. The government will likely introduce monetary and fiscal stimulus to manage the slowdown.

INDIA



The outlook for India's economy is for continued strong growth in the 7% range. Modest fiscal stimulus measures will offset some headwinds, including lower investment and consumer spending.

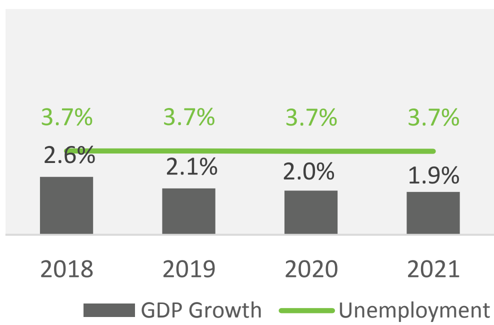
JAPAN



Japan's economic growth is projected to remain just under the 1% range in 2019 before slowing amid a weaker export climate. Sustained skills shortages continue in the labor market.

COUNTRY SPOTLIGHT

TAIWAN



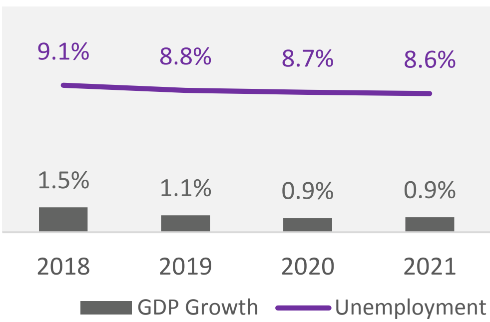
Taiwan maintains a complicated economic and political relationship with mainland China. The slowdown in the Chinese economy, along with a softening in the electronics sector, is helping to create a similar slowing effect on Taiwan's economy. GDP growth is projected to moderate to the 2% level in 2019 as the export environment remains subdued.

Despite the moderation in economic growth, labor market performance is projected to remain solid. Taiwan has a highly-skilled and highly-educated labor force. The government's economic revitalization program is targeting growth in emerging sectors such as biotech/ pharma, green energy, smart machinery, and the Internet of Things.

Sources: IHS Markit (March 2019); Taiwan Today

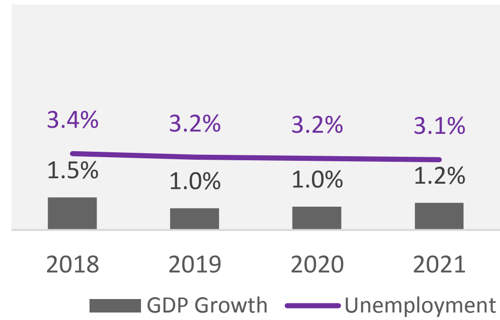
A weakening trade environment and business and political uncertainties—fueled in no small part by Brexit concerns—are dampening the outlook for economic growth across Europe in 2019. Nevertheless, labor markets remain tight with skills shortages abounding.

FRANCE



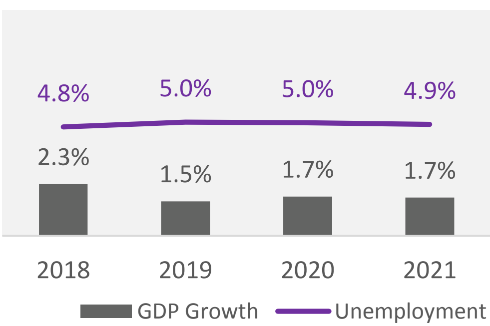
The French economy will grow slowly over the short term, constrained by external demand risks. The labor market also is expected to show marginal improvements, with unemployment easing.

GERMANY



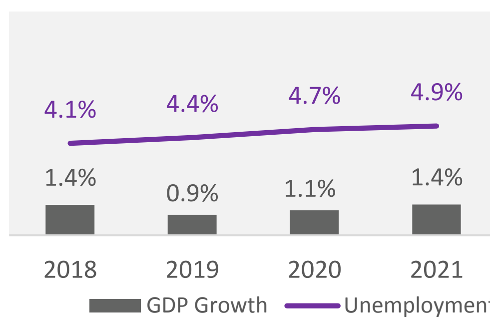
Despite ongoing domestic demand strength, the external environment is also projected to dampen German growth in 2019. Labor market conditions remain extremely and historically tight.

RUSSIA



After an unexpectedly strong performance in 2018, Russian economic growth is projected to moderate in 2019 amid weaker domestic demand. The unemployment rate is forecast to tick up slightly.

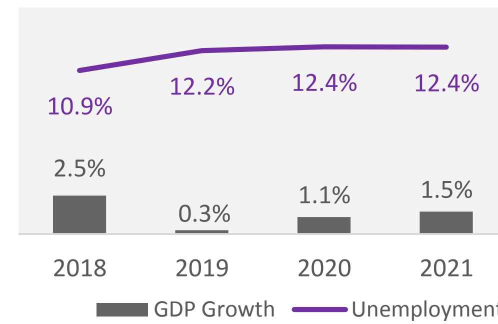
UK



Uncertainties surrounding the Brexit process are driving down confidence among businesses and consumers alike; UK economic growth is expected to come in at under 1% in 2019.

COUNTRY SPOTLIGHT

TURKEY



Turkey’s economic growth plunged in late 2018, as a currency crisis led to tightened economic policies. In addition, inflation, already high before the lira collapse, ballooned to 25% and beyond in the fourth quarter of 2018. As a result, the country faces recessionary conditions in the first part of 2019, with some recovery predicted for the second half of the year.

The manufacturing sector, a key component of the economy, has remained relatively resilient. However, inflation will temper domestic demand for products, and softer demand also is expected across European countries, testing the resiliency of the sector in 2019. Labor market conditions are also projected to weaken, including a spike in unemployment, in 2019.

Sources: IHS Markit (March 2019)

New labor regulations specific to contract and temporary workers have been introduced, including equal pay and conditions for part-time, contract, or temporary workers in Quebec, Canada; and the ability of contractors and other temporary workers in Poland to join labor unions.

CANADA

As of January 1, a new act in Quebec prohibits employers from paying part-time, contract or temporary workers less than full-time workers who are doing the same job. The same act also requires temporary agencies who place foreign workers to be licensed, and it gives employees the option to refuse to work more than two hours beyond their normal daily hours

UNITED STATES

The minimum wage rate increased (or will increase) in over 20 states in 2019. Nineteen states increased minimum wages on January 1, while new rates take effect at the end of March in Michigan and in July in Oregon and Washington DC. Additionally, some localities have higher minimum wage rates: for example, the $15 minimum wage is now in effect in New York City for businesses with at least 11 employees and for all fast-food workers.

COLOMBIA

Under a new decree that comes into effect in June 2019, companies are responsible for levying and paying social security contributions for any self-employed workers or contractors they use.

IRELAND

A new bill was passed that prohibits zero hours contracts, with exceptions for work that is done in emergency circumstances or short-term relief work to cover routine absences for the employer.

POLAND

As of January 1, workers employed on civil law contracts such as self-employed contractors, interns and volunteers, will become eligible to join or create trade unions. Contractors will also be entitled to certain protections stemming from union membership, such as protections against termination for participating in union activities.

UAE

The cabinet passed a resolution that provides equal labor market opportunities for workers with special needs/disabilities. Employers must ensure that their recruitment practices, working conditions and environment, compensation policies, and termination policies do not discriminate against workers with special needs and disabilities.

INDIA

The Indian labor ministry has proposed legislation that would introduce a consolidated mandatory licensing scheme for staffing companies. The new law would consolidate 13 separate existing licensing laws, and would eliminate the need for staffing companies to procure a license for every job where they provide labor.

SINGAPORE

New amendments to the Employment Act extend rights such as holiday and sick leave entitlements, rights on dismissal and contract termination, and salary payment rights to managers and executives above a certain salary threshold. The amendments also extend the definition of workers categorized as “vulnerable,” meaning that more workers will be entitled to other enhanced protections in areas such as hours of work, rest days, overtime payments and annual wage supplements.

Sources: SIA North America Legal Update; SIA Latin America Legal Update; SIA Europe Legal Update; SIA Middle East and Africa Legal Update; and SIA APAC Legal Update, Q4 2018; shrm.org

GLOBAL TALENT SPOTLIGHT: GLOBAL MOBILITY

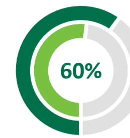
WORKING ABROAD IS LESS ATTRACTIVE

Workers' desire and willingness to relocate for their jobs depend on many things: personal and family obligations, political and economic conditions, demographics and life stages, and even technological advances. A new report from Boston Consulting Group found that globally, workers' attitudes about relocating have changed since BCG conducted a similar study in 2014.

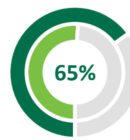
According to the new study, 57% of workers now say they would be willing to move to another country for work, down from 64% in 2014. Desire varies greatly by demographics, and also by country: more than 90% of workers in India and more than 70% of Brazilian workers say they would move for work; and men, workers without children, younger workers, and married workers are more interested in relocating. Willingness to work abroad has increased substantially since 2014 in a handful of countries, including the US and UK. However, willingness to move decreased by more than ten percentage points in 12 of the 50 largest countries in the survey.

57% of workers said in 2018 they would be willing to relocate to another country for work
64% in 2014

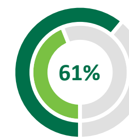
61% of men
53% of women



60% of non-parents
52% of parents



65% of married workers
51% of single workers



61% of 20-somethings
44% of those ages 60+

% WILLING TO MOVE TO ANOTHER COUNTRY FOR WORK

≤50%	>50%-60%	>60%-70%	>70%-80%	>80%-90%	≥90%
China ▼	Argentina	Canada ▼	Australia	Colombia	India ▲
Greece ▼	Germany ▲	Finland	Brazil ▲	Luxembourg	Venezuela ▲
Hungary ▼	Indonesia ▼	France ▼	Japan	Norway	
Poland ▼	Italy	Malaysia	Mexico	South Korea	
Russia	Netherlands ▼	Switzerland ▼	Philippines ▼		
	Portugal ▼	Thailand ▼	Singapore		
	US ▲	UK ▲			

Selected countries

CHANGE 2014-2018

▲ Increase of 10+ percentage points

▼ Decrease of 10+ percentage points

No arrow: change between +10 and -10 percentage points

Source: Decoding Global Talent 2018, Boston Consulting Group

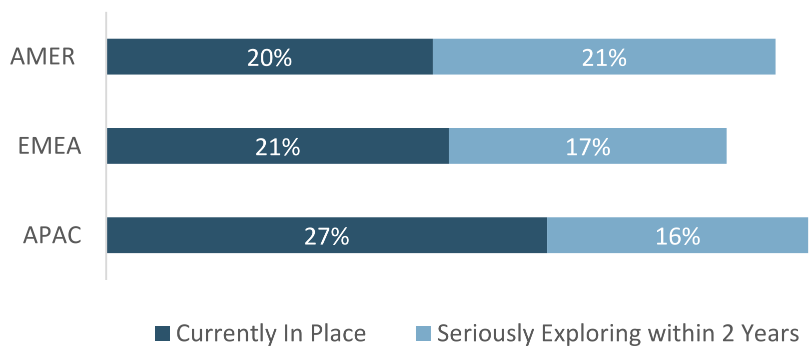
WORKFORCE SOLUTIONS SPOTLIGHT: DIRECT SOURCING

A DIRECT APPROACH TO CONTINGENT TALENT

As employers continue to look for more innovative, effective, and efficient ways to access and manage contingent talent, MSP models such as direct sourcing and hybrid (which combine multiple sourcing models) are seeing strong growth. A direct sourcing model provides organizations with an outsourced service that leverages the employer´s brand to identify, pool, and re-engage talent for contingent job opportunities.

Direct sourcing (sometimes called contingent RPO) currently is more prevalent outside the Americas, and is projected to continue to supplant traditional vendor neutral and master vendor MSP solutions as talent optimization and visibility become more critical to next generation MSP buyers.

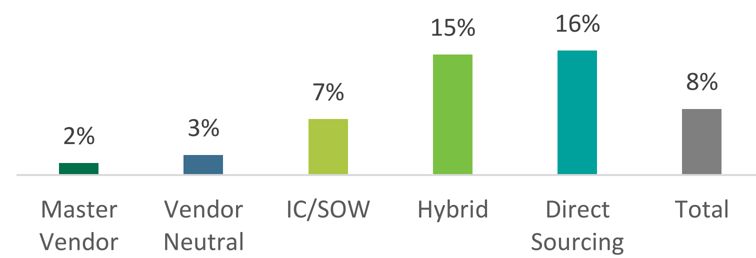
CONTINGENT RPO: WORKFORCE SOLUTIONS BUYER ADOPTION



Contingent RPO: An MSP model in which a supplier sources contingent labor through client-dedicated recruiters who use the client brand to attract candidates; candidate pools are owned by the client. (SIA)

MSP MODELS

Projected Growth Rate (CAGR 2016-21)



KEY DRIVERS FOR MSP ADOPTION

1 Sourcing — Needing help to find skilled contingent talent that is in short supply to fill specific roles

2 Compliance — Wanting to minimize organizational risk surrounding use of contingent talent

3 Visibility — Needing to have a comprehensive view of all of the contingent talent within an organization

"Kelly leverages its strong MSP capabilities, along with best-in-class technology and state-of-the-art talent attraction methodologies, to create pools of mission-critical contingent talent for its Direct Sourcing clients."
-- Keith Hensler, Kelly Services Direct Sourcing Product Manager

Sources: *Workforce Solutions Buyers Surveys 2018* and *The Lexicon*, SIA; *Next-Gen MSP*, Nelson Hall, 2017 and 2019

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.

A KELLY SERVICES REPORT

kellyservices.com