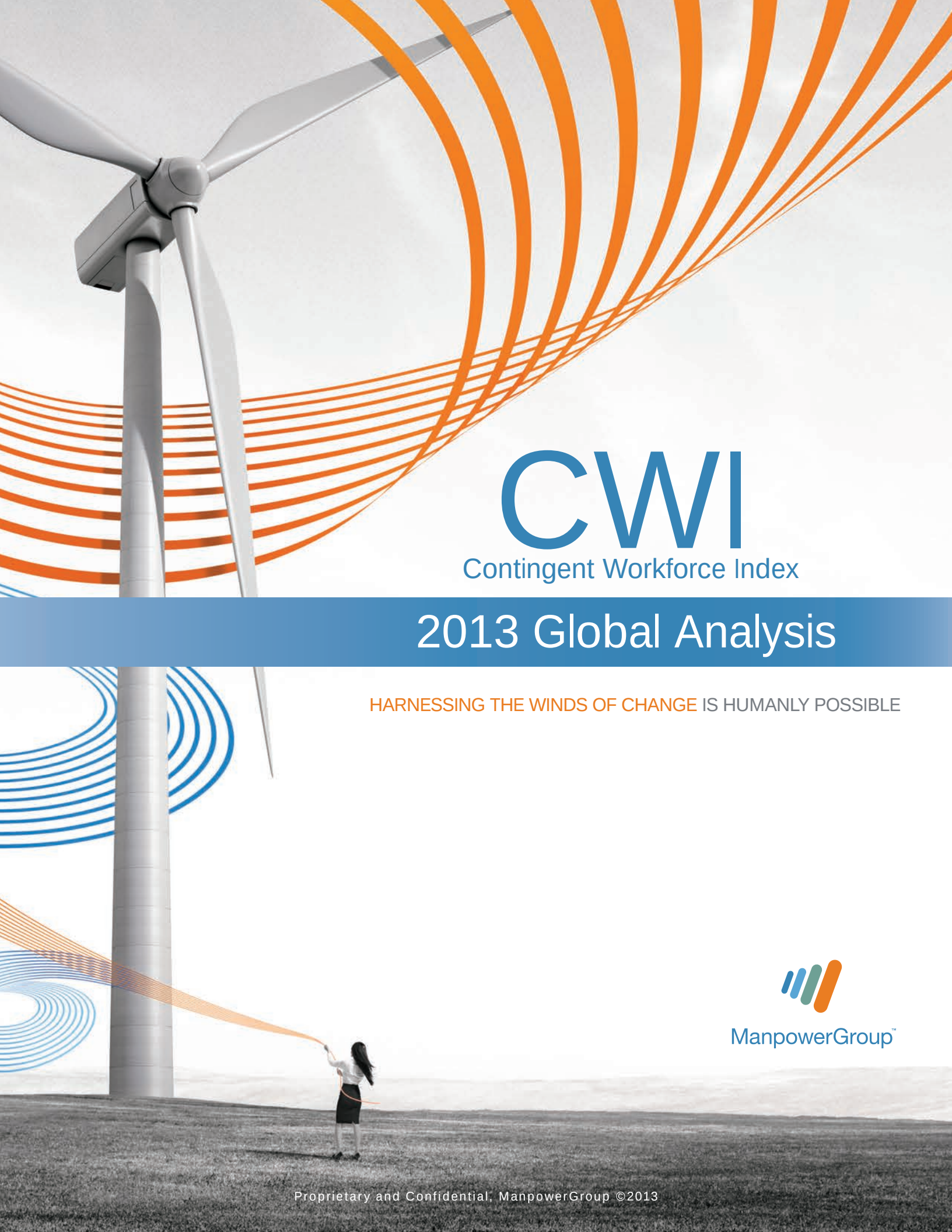

CWI

Contingent Workforce Index

2013 Global Analysis

HARNESSING THE WINDS OF CHANGE IS HUMANLY POSSIBLE

ManpowerGroup™

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INTRODUCTION

THE CONTINGENT WORKFORCE INDEX

The Contingent Workforce Index (CWI) is a relative comparison of local labor markets around the globe that measures the likelihood of identifying and accessing workers to supplement an organization's full-time workforce. The numerical value assigned to each of the countries composing the index ranks them in descending order based on the availability, cost, regulation, and productivity of contingent workers.

The CWI is comprised of 36 calculated and weighted statistical data points summarized by the following categories:

Each data point is derived from an authority source and then calculated and weighted using proprietary formulas to reflect the distinct nature of the contingent workforce. As new statistics become available and prove to have correlative relationships with the global contingent workforce, they are either added to the index or replace data points where relevance is less significant.

By definition, this index is used to provide a relative measure of the potential benefit of contingent workforce engagement in countries around the world.

Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

In order to enhance the CWI's value to users, it comprises actual and relative underlying data points that are factored into the calculation of the availability, cost, regulation, and productivity of contingent workers in each country.

Because the CWI attributes each data point to the calculation of these four critical characteristics, TAPFIN's proprietary formulas determine a relative ranking of 75* countries based on each characteristic, along with the more comprehensive CWI ranking.

Similar to how the GDP can be used as an economic indicator for a country, the CWI is intended to serve as a workforce indicator for both short- and long-term strategies related to contingent workforce procurement, including, but not limited to, capacity planning, recruitment strategy, program expansion, budget and forecasting, cost-savings initiatives, restructuring, and merger/acquisition diligence.

**The CWI provides analysis and ranking of every country ManpowerGroup has operations in, excluding Guadeloupe, Martinique, Monaco, New Caledonia, and Reunion which were excluded as a result of inconsistent sources to track comparative data.*

Contingent Workforce

For the purpose of this index, TAPFIN has measured all non-traditional workers, thus applying the general definition of contingent workforce as any population of part-time, temporary, or contract labor, excluding all permanent staff.

The CWI measures a country's receptiveness toward the practice of engaging contingent labor and assesses the extent to which a country's contingent workforce may meet the needs of an employer.

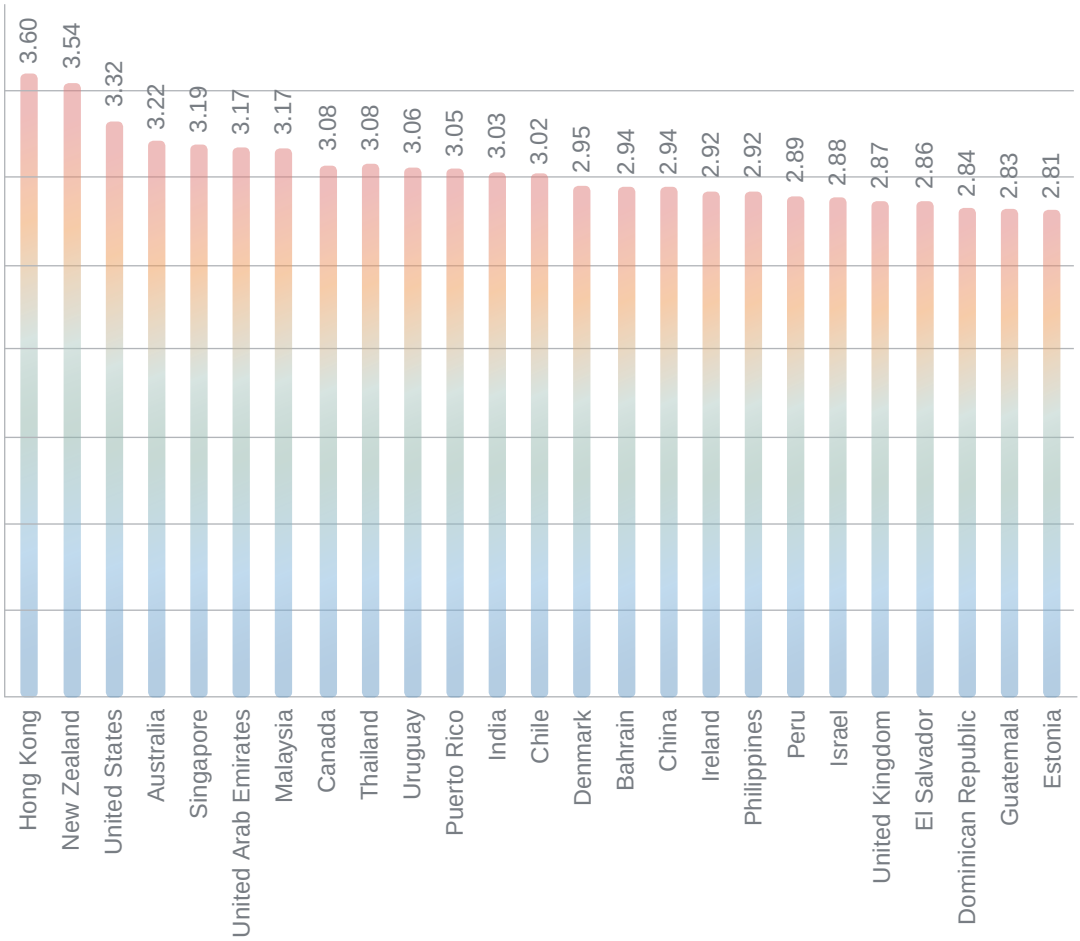
The underlying logic makes a refined assumption that countries with a predilection for contingent labor in the broadest sense will have a similar sentiment in support of a contingent workforce delivered by temporary staffing firms.

2013 CONTINGENT WORKFORCE INDEX

The CWI gauges the health of a country's workforce based on the value and comparison of statistics related to contingent workers within specified parameters. It is intended to serve as an indicator, primarily by delivering a relative assessment of labor, market, and regulatory conditions.

2013 CWI RANKINGS

Top 25 Markets for Contingent Workforce Engagement



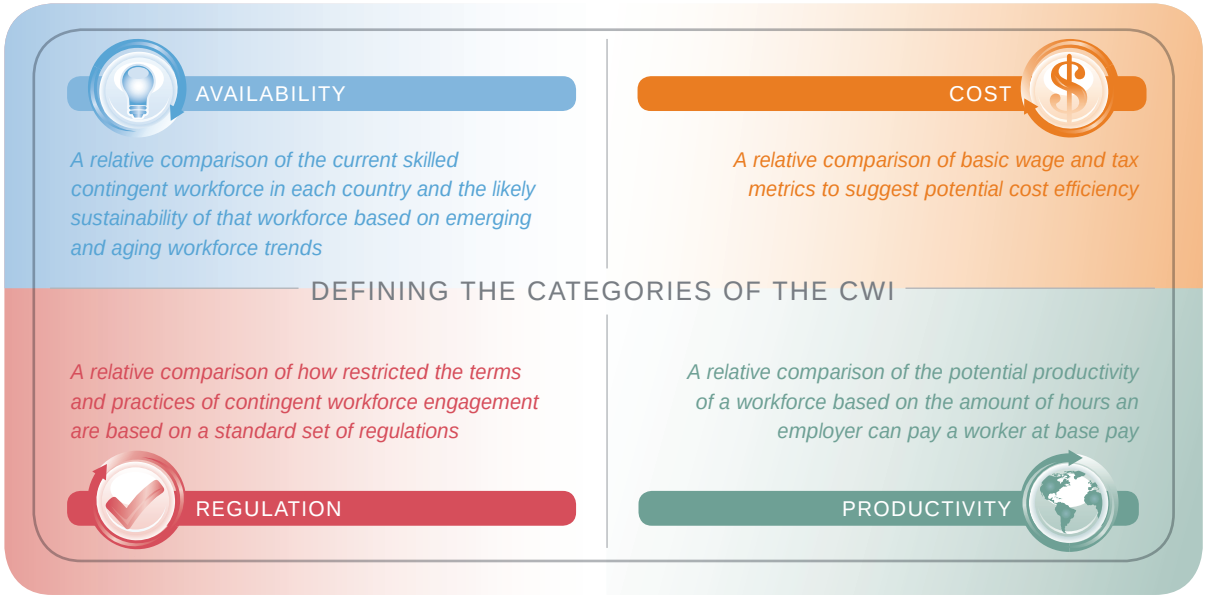
Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

INTERPRETING THE CWI

Comprehensive assessment and analysis of workforce statistics, economic factors, labor regulations, cost considerations and growth trends in 75 countries identified the Top 25 Markets for Contingent Workforce Engagement which represent:

- More skilled and professional workers
- Lower relative cost (associated with when to engage contingent workers)
- Higher productivity based on hours worked, paid leave, and overtime restrictions
- Relatively less geopolitical concerns

Analysis of data collected globally indicates that the factors used to establish this ranking will yield top market performers that support higher volumes of contingent hiring with more cost efficiency based on quality and productivity.



NOTE: See page 19 for a detailed definition of measurement factors.

The Contingent Workforce Index is designed to allow for the rankings to be based on custom weighting of the total category scores for Availability, Cost, Regulation, and Productivity depending on an organization's strategic priorities. However, for the purpose of this summary, we have assumed an equal value of the weighting for each of the four categories. Custom analysis of specific characteristics can be procured through your TAPFIN representative.

GLOBAL PERSPECTIVE OF CWI RANKINGS

Below is an alphabetized list of the countries included in the CWI and their ranking based on the factors assessed.

COUNTRY	RANKING	COUNTRY	RANKING	COUNTRY	RANKING
Argentina	2.23	Guatemala	2.83	Philippines	2.92
Australia	3.22	Honduras	2.35	Poland	2.68
Austria	2.68	Hong Kong	3.60	Portugal	2.43
Bahrain	2.94	Hungary	2.37	Puerto Rico	3.05
Belarus	2.22	India	3.03	Romania	2.38
Belgium	2.35	Ireland	2.92	Russia	2.20
Bolivia	2.11	Israel	2.88	Serbia	2.42
Brazil	2.09	Italy	2.03	Singapore	3.19
Bulgaria	2.70	Japan	2.78	Slovakia	2.42
Canada	3.08	Kazakhstan	2.81	Slovenia	2.45
Chile	3.02	Korea	2.58	South Africa	2.80
China	2.94	Latvia	2.58	Spain	2.30
Colombia	2.46	Lithuania	2.41	Sweden	2.36
Costa Rica	2.55	Luxembourg	2.36	Switzerland	2.64
Croatia	2.55	Macau	2.58	Taiwan	2.58
Czech Republic	2.50	Malaysia	3.17	Thailand	3.08
Denmark	2.95	Mexico	2.40	Tunisia	2.49
Dominican Republic	2.84	Morocco	2.13	Turkey	2.70
Ecuador	2.01	Netherlands	2.61	Ukraine	2.34
El Salvador	2.86	New Zealand	3.54	United Arab Emirates	3.17
Estonia	2.81	Nicaragua	2.53	United Kingdom	2.87
Finland	2.70	Norway	2.55	United States	3.32
France	2.01	Panama	2.75	Uruguay	3.06
Germany	2.25	Paraguay	2.57	Venezuela	1.87
Greece	2.22	Peru	2.89	Vietnam	2.58

TAPFIN scores and ranks each of these countries specifically for:

- Availability of contingent workers
- Cost of engaging those workers
- Regulation of that workforce engagement
- Productivity of those workers

The CWI ranking above reflects a cumulative index ranking based on equal weighting of the Workforce Availability, Cost, Regulation, and Productivity.

Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

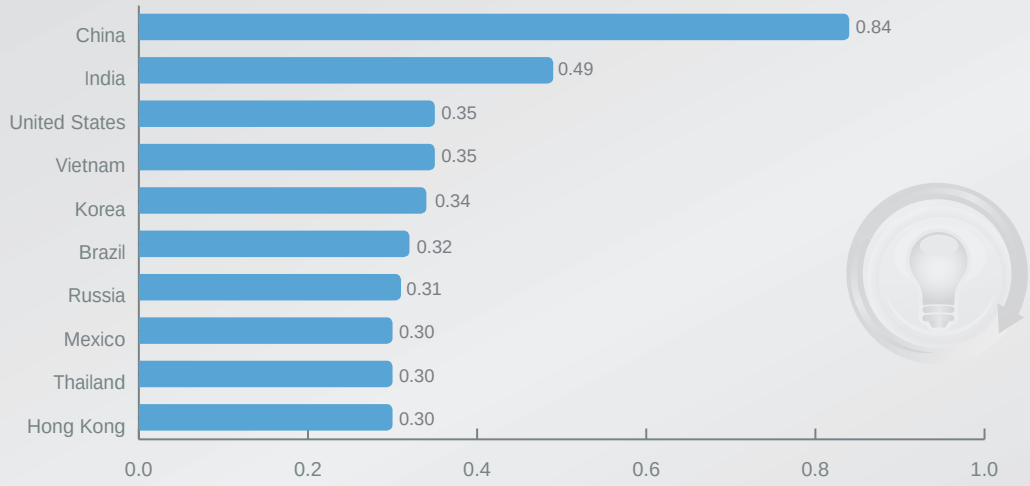
STRATEGIC OVERVIEW OF WORKFORCE AVAILABILITY RANKINGS

Because the size of the contingent workforce is the single largest variable accounted for in the CWI, the total number of workers has substantial impact on the Availability and CWI rankings, resulting in a number of similarities in the list of top performers – most notably, China and India.

While the extraction for salaried employees from those particular markets substantially levels the playing field in comparing their workforces to those of other countries, they still maintain an advantage in this category, due to the sheer volume of workers in the workforce.

2013 CWI AVAILABILITY RANKINGS

TOP TEN MARKETS FOR CONTINGENT WORKFORCE AVAILABILITY



Calculation of the Contingent Workforce Availability Rankings is based on the following statistics: total labor force, unemployment rate, workforce mix (salaried vs hourly), skill classification, higher education and training, skill category, labor classification, literacy rate, tertiary enrollment, and age dependency ratio.

MAIN FACTORS INFLUENCING WORKFORCE AVAILABILITY RANKING:

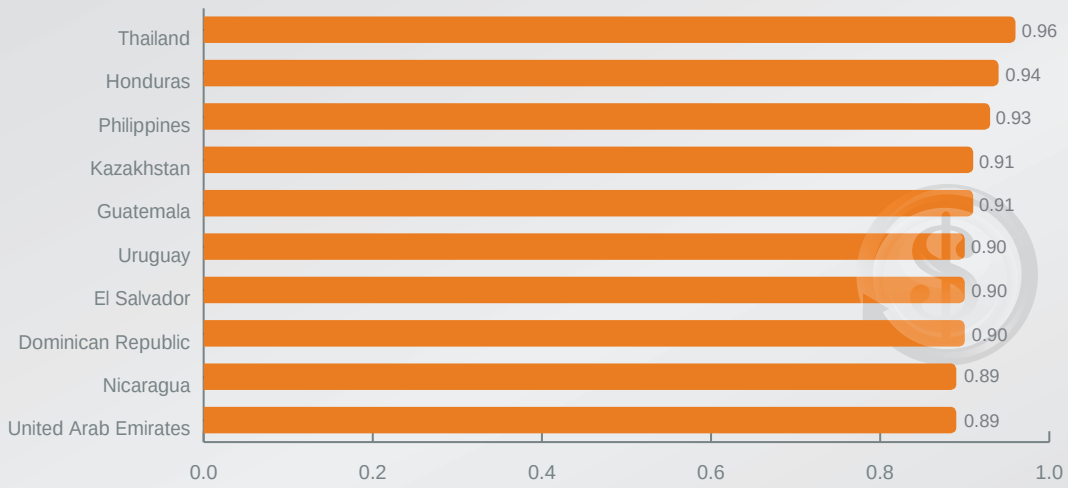
- Size of Local Contingent Workforce
- Gap between Age Dependency and Emerging Workforce
- Gap between Age Dependency and Tertiary Enrollment

STRATEGIC OVERVIEW OF WORKFORCE COST RANKINGS

The data points used to calculate the relative cost of contingent labor in these markets are based on various wages paid to workers in each country, resulting in those nations with the lowest wage thresholds ranking the highest on the CWI index for cost efficiency. Because the index does not account for various rate computation requirements, there are a number of variables that can impact the relative cost efficiency in any given market—particularly in Asia, where a number of other factors can influence the hourly rates of any given worker. The average cost of labor and average manufacturing costs include a number of those variables in their calculations, providing a baseline for comparison to rank each market with a degree of accuracy.

2013 CWI COST RANKINGS

TOP TEN MARKETS FOR CONTINGENT WORKFORCE COST



Calculation of the Contingent Workforce Cost Rankings is based on the following statistics: minimum wage, average manufacturing wage, average IT wage, average cost of labor, employer taxes.

MAIN FACTORS INFLUENCING WORKFORCE COST RANKING:

- Countries below average minimum wage (<$5.50/hour) had substantially lower employer taxes and average hourly labor costs
- Countries with no minimum wage were found to have higher costs in almost every aspect of contingent workforce engagement

Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

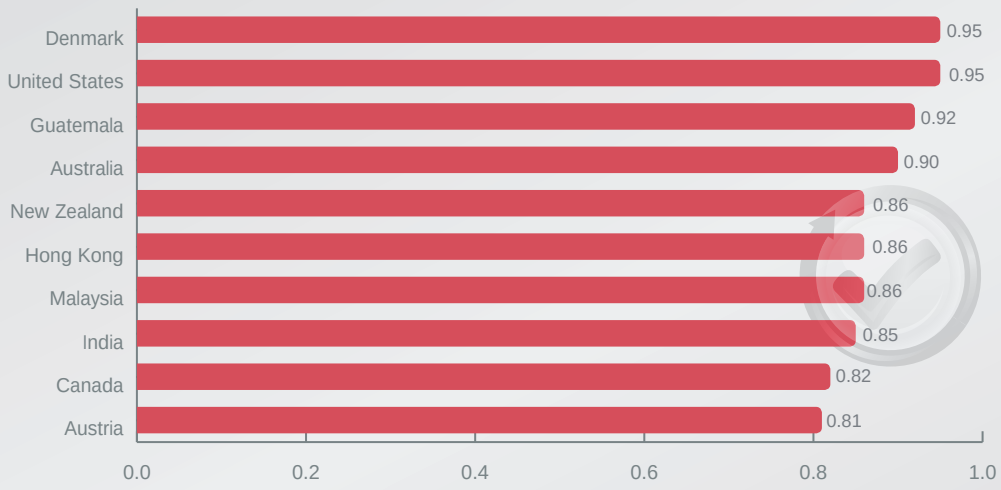
STRATEGIC OVERVIEW OF WORKFORCE REGULATIONS RANKINGS

Despite an abundance of workforce regulations that impact contingent workforce engagement, the CWI is based on those that most influence the process and cost of engaging workers locally. Comprehensive analysis indicates that parity, contract duration limits, notice periods, and severance restrict use and impact cost more than any other workforce regulations.

Because this targeted subset of regulations was used to determine the CWI scores, those countries with the highest rankings offer the most workforce flexibility through contingent workforce engagement.

2013 CWI REGULATIONS RANKINGS

TOP TEN MARKETS FOR CONTINGENT WORKFORCE REGULATIONS



Calculation of the Contingent Workforce Regulation Rankings is based on the following statistics: subcontracting legality, restrictions on fixed term contracts, pay parity, benefit parity, maximum contract duration limit — 1 term, maximum contract duration limit — total, notice period for termination, severance requirements, overtime premiums.

MAIN FACTORS INFLUENCING WORKFORCE REGULATIONS RANKING:

- Lack of Contract Duration Limits
- Lack of Pay and Benefit Parity

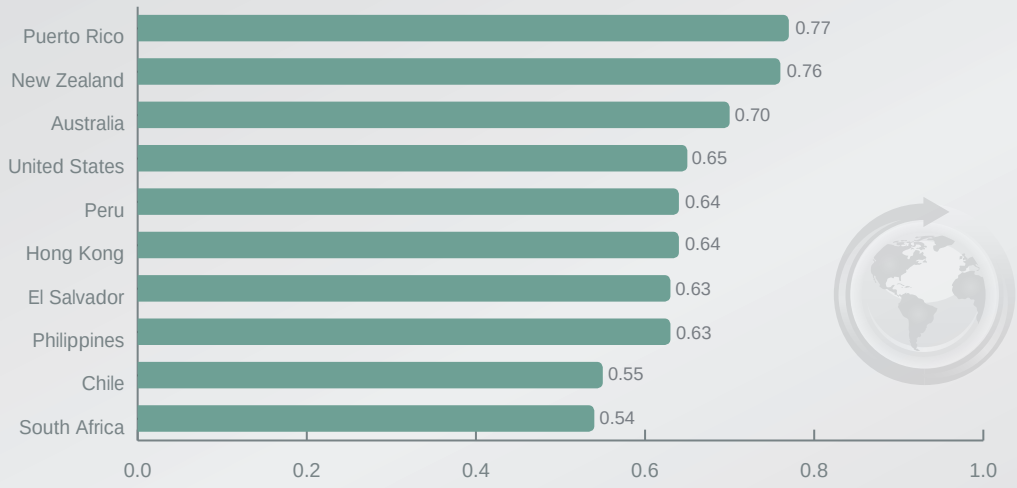
STRATEGIC OVERVIEW OF WORKFORCE PRODUCTIVITY RANKINGS

Workforce productivity accounts for the ability to leverage a worker within each country over the length of a contract. Going beyond the productivity output, the comparison of the number of hours in a workday, days in a workweek, allowed overtime, and paid time off allows for a more relevant view of the value derived from each contractor.

Comprehensive assessment of the impact that these factors has on overall productivity indicates that restrictions on the hours in a workday or workweek, coupled with limitations on annual overtime, carry the most inhibitive considerations when comparing these markets.

2013 CWI PRODUCTIVITY RANKINGS

TOP TEN MARKETS FOR CONTINGENT WORKFORCE PRODUCTIVITY



Calculation of the Contingent Workforce Productivity Rankings is based on the following statistics: public holidays, days of paid leave, maximum annual overtime, maximum working day/week, standard hours in workday, labor market efficiency, technological readiness, institutions and infrastructure.

MAIN FACTORS INFLUENCING WORKFORCE PRODUCTIVITY RANKING:

- Hours/Days per Workweek
- Paid Leave
- Public Holidays

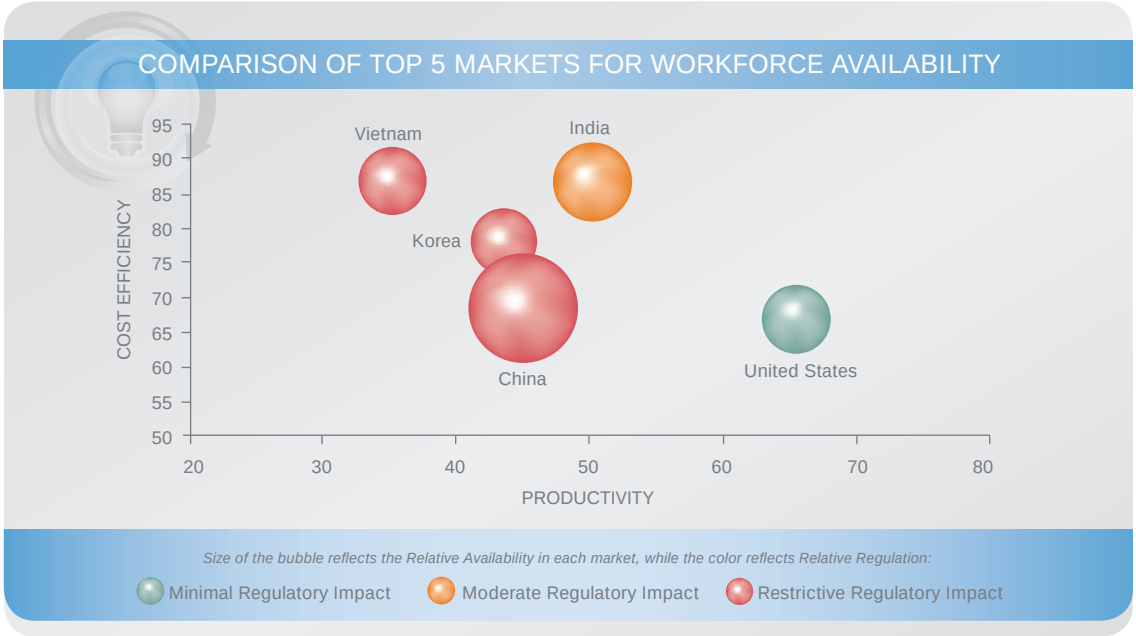
Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

THE RELATIONSHIP BETWEEN CONTINGENT WORKFORCE AVAILABILITY, COST, REGULATION, & PRODUCTIVITY VARIES BY MARKET *

In the comparison of the top five markets ranked for contingent workforce availability, the majority of the highest ranking countries are in the Asia Pacific. These countries generally demonstrate higher cost efficiency along with availability but tend to have lower productivity and more restrictive labor regulations.

The one exception in this example is the United States. Although one of the highest ranked countries for contingent workforce availability and minimal regulation, it is far less cost efficient than many of the top performing markets on the Index.

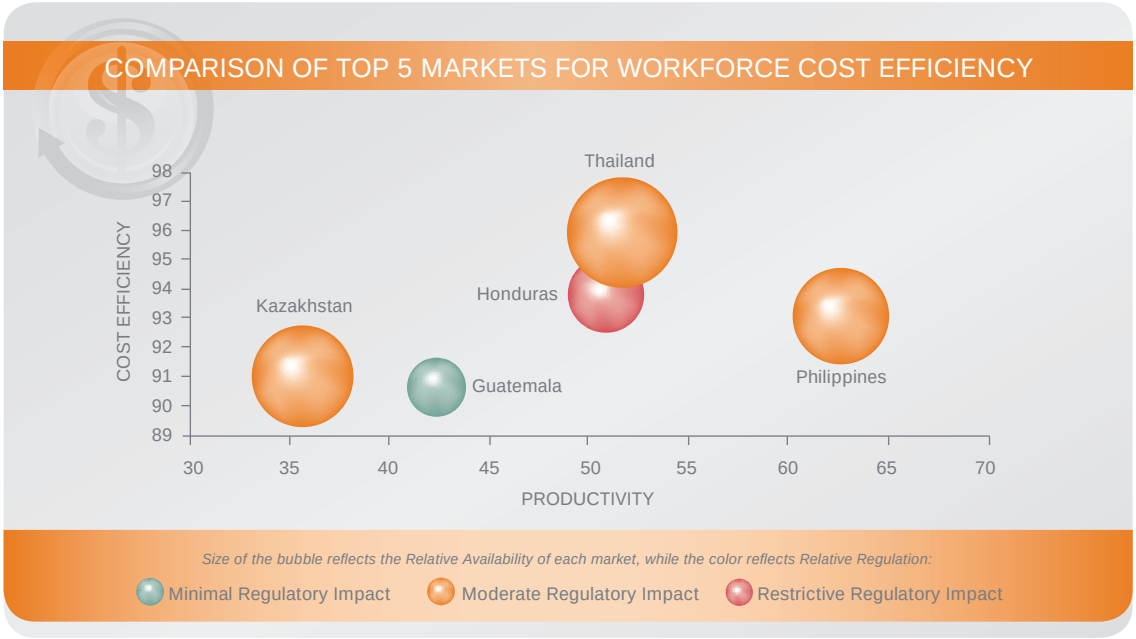
**NOTE: The size of each bubble in each chart is relative to the markets depicted in each view and cannot be compared to other comparative views.*



Overall, India outperforms the other four markets as the only country to be in the top two countries in each category.

In the comparison of the top five markets ranked for cost efficiency, Asia Pacific countries continue to show higher workforce availability when compared to other emerging markets. While similar in cost efficiency and availability, however, there are notable differences in Productivity, particularly between Thailand and the Philippines.

Conversely, while still among the most cost-efficient countries, Honduras and Guatemala have lower workforce availability, moderate productivity, and drastically different regulatory environments with Honduras being highly restricted and Guatemala being relatively flexible.

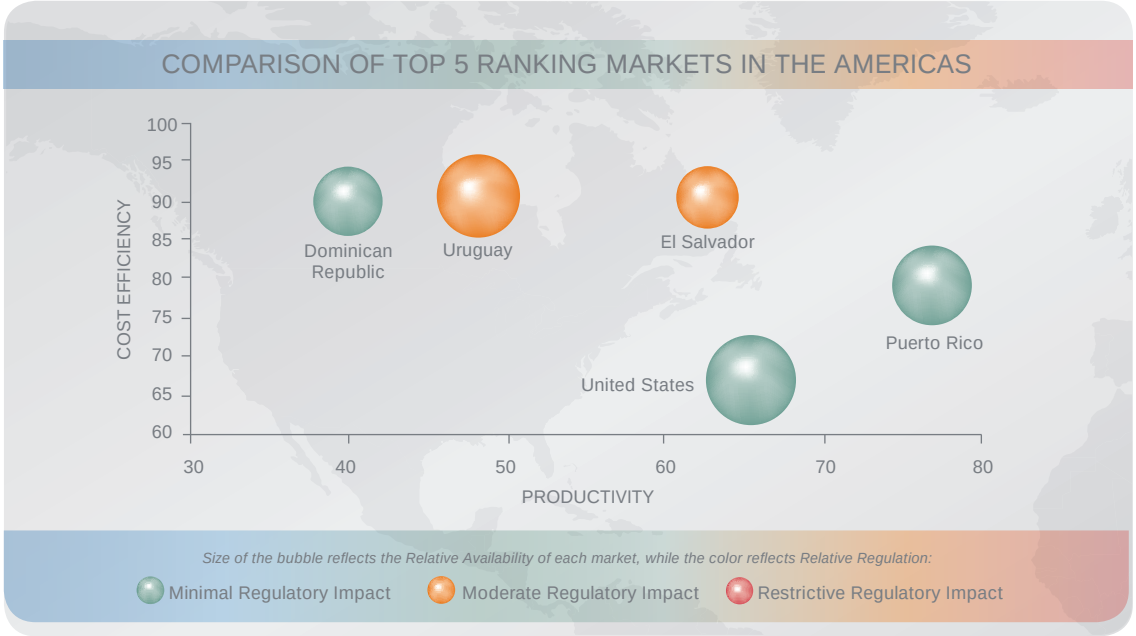


Overall, Thailand outperforms the other four markets as it consistently ranks in the top two countries in each category.

Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

WORKFORCE REGULATIONS OFTEN FAVORABLE IN THE AMERICAS

Although Workforce Availability is generally higher in North America, South and Central America have a number of countries with skilled workforce availability, cost efficiency, minimal to moderate regulations, and high productivity. It is important to note that, while moderate in impact compared to other countries, the local regulations of Latin America are often complex particularly when it comes to worker classification and engagement parameters.

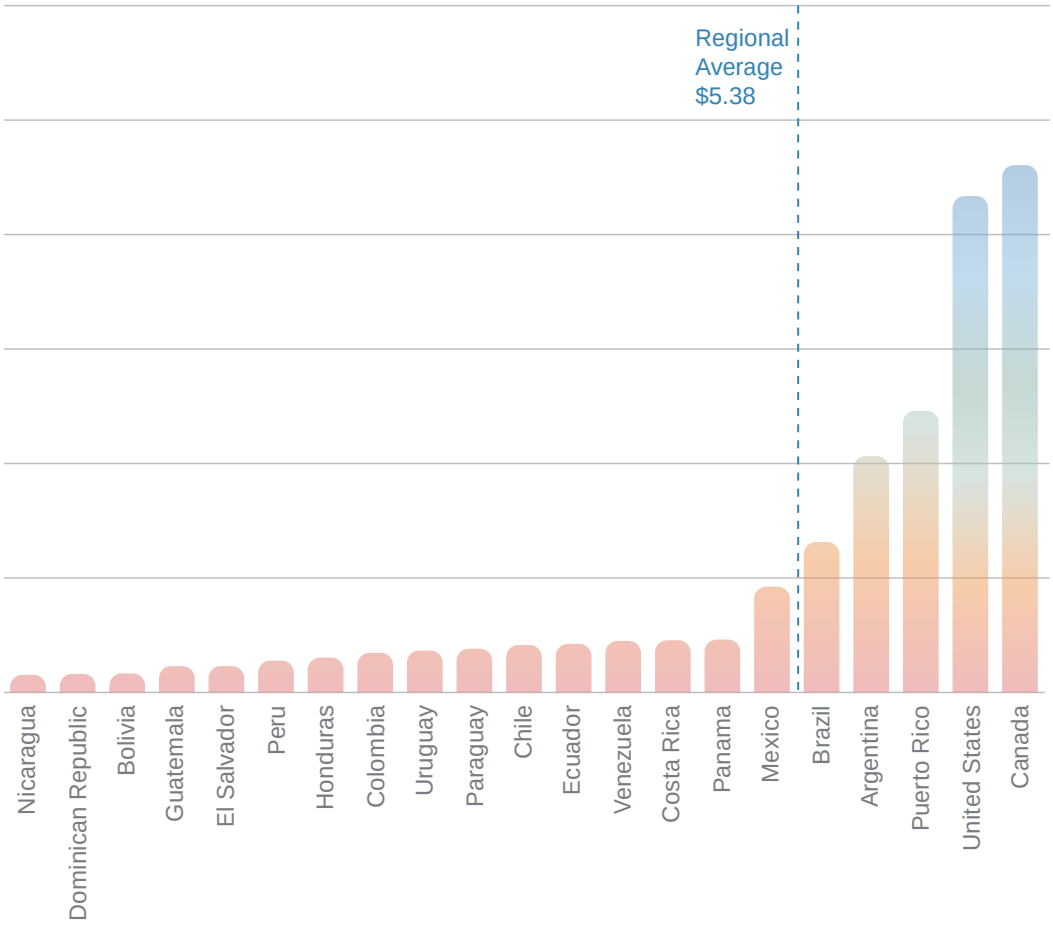


The United States stands out for having a substantially larger contingent workforce availability, minimal regulatory impact, and relatively high productivity.

When evaluating the top markets ranked by the CWI, key countries such as Canada, Argentina, Brazil, and Mexico are noticeably absent. In fact, the United States is the only mature staffing market to rank in the Top 5 regionally. In general, the reason for this is the stringent regulation and productivity scores of these other countries, which reduced the overall CWI score despite the larger size of their workforce.

Higher manufacturing wages in the more mature markets is one of the primary reasons for their absence on top markets ranked in the Americas. While the United States had higher availability and favorable regulatory conditions, Canada, Argentina, Brazil, and Mexico didn't rank highly enough in the other three categories to counter balance their relatively higher cost compared to other countries in Latin America. In fact, strict regulations, in combination with manufacturing wages, substantially reduced how major markets like Canada, Brazil, and Argentina compared to smaller markets with lower costs and less regulation.

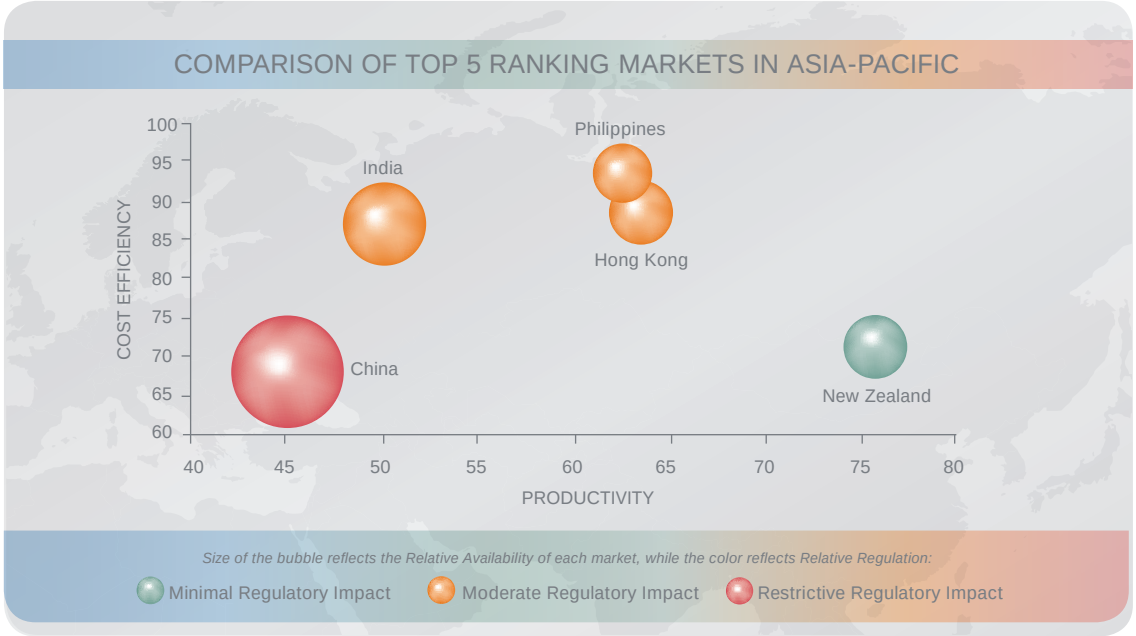
REGIONAL OVERVIEW OF MANUFACTURING WAGES



Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

MODERATE TO RESTRICTIVE REGULATIONS ARE COMMON IN THE ASIA-PACIFIC

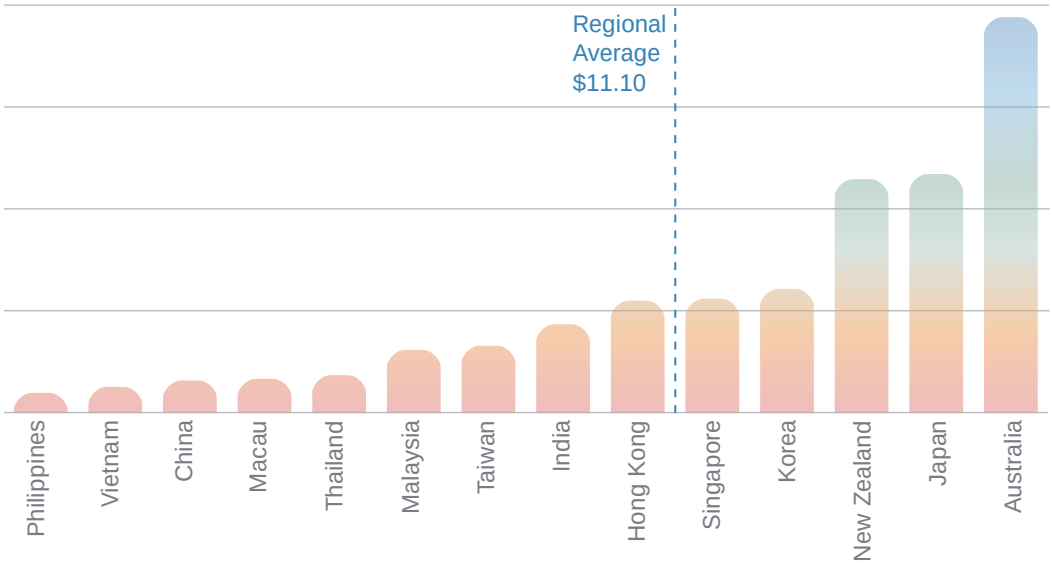
In the comparison of the top five ranking markets by contingent workforce index in the Asia-Pacific, there is substantial variance in the regulatory impacts of each market. China clearly has the largest contingent workforce shown, but the restrictive regulations have a huge impact on the cost efficiency and potential productivity. While they have a smaller workforce availability, the Philippines and Hong Kong continue to rank higher in cost efficiently and productivity.



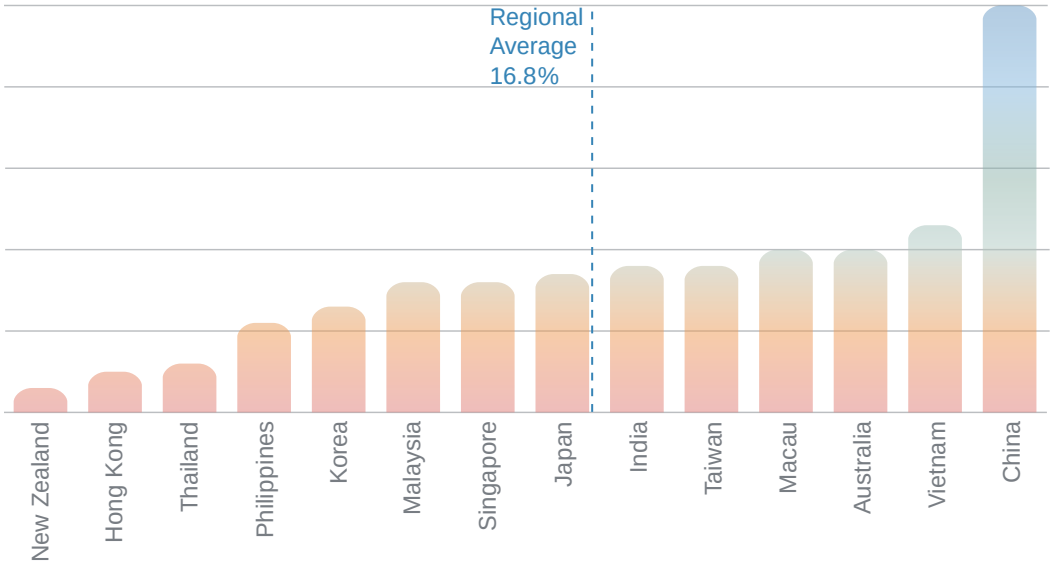
CWI rankings clearly demonstrate that the most cost efficient and productive markets in the Asia-Pacific region are smaller in size; however, the region's overall performance for workforce availability remains quite high due to China and India representing slighter more than 50% of the world's workers.

While the region has some common regulatory dynamics, there is substantial variance in productivity and cost efficiency that impacts how each country performs on the Index. Most notably is the higher cost of labor in Australia, and the higher tax burden in China, that distinguishes them from the general cost trends in the region.

REGIONAL OVERVIEW OF AVERAGE LABOR COST



REGIONAL OVERVIEW OF AGGREGATED TAX RANGES



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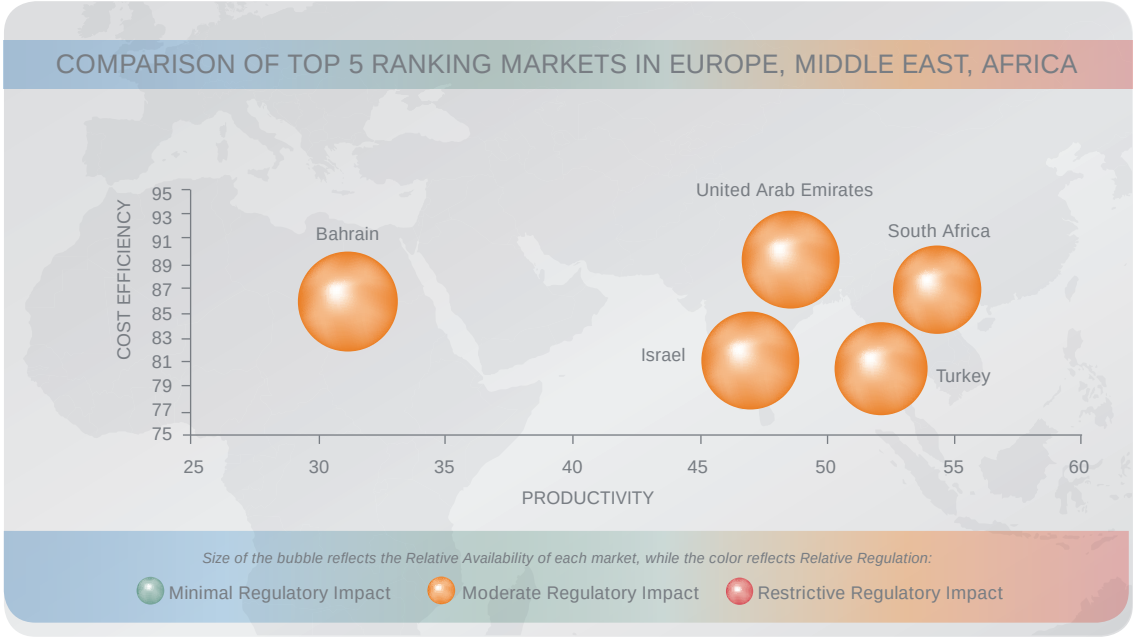
WORKFORCE REGULATIONS ARE MORE CONSISTENT IN EUROPE THAN IN ANY OTHER REGION

In the comparison of the top five ranking markets by contingent workforce index in EMEA, the markets are all shown to have relatively moderate workforce regulations. While there are many standard regulations as a result of common legislation in the European Union, each country does maintain unique labor laws that mandate how contingent workers are to be engaged.

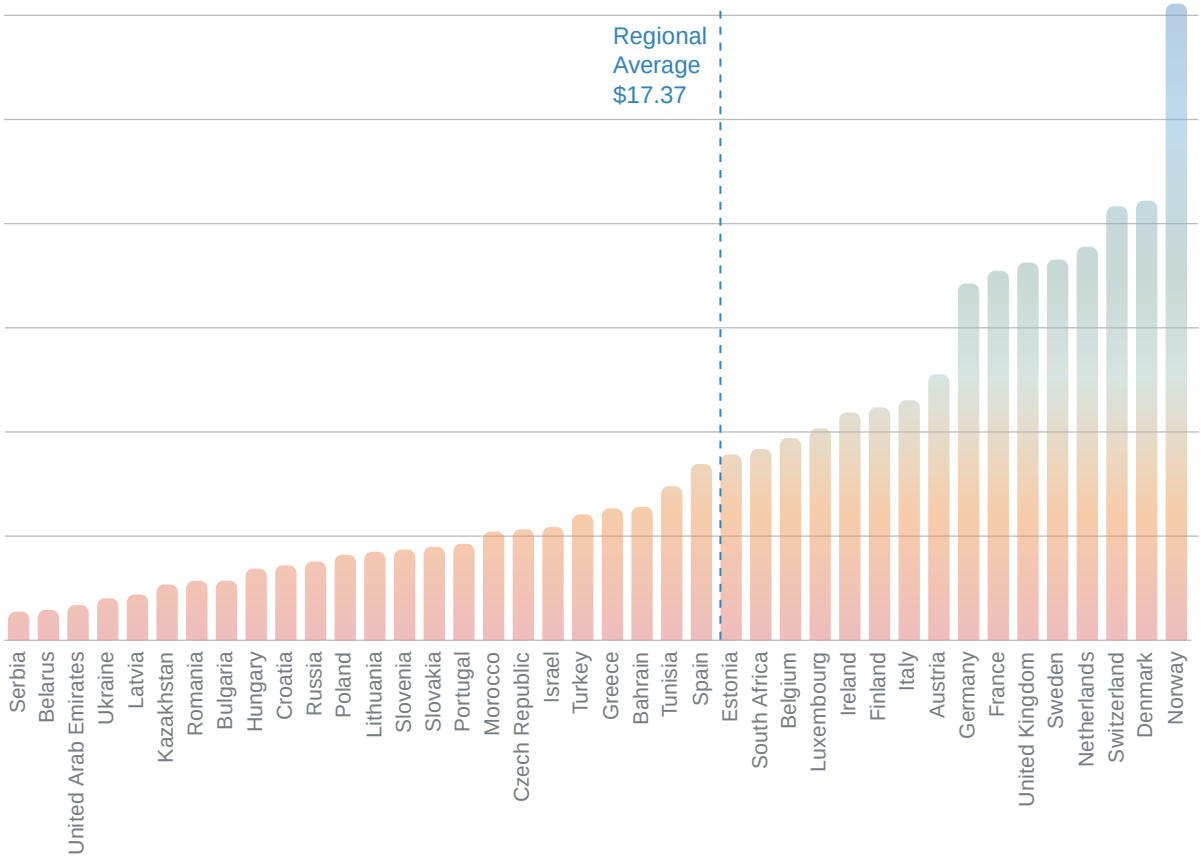
These top five markets are comparable for contingent workforce availability, with a similar volume of workers in each country. Of course, there are other conditions to consider related to the political and economic environments when evaluating local workforce strategies in these countries.



Although United Arab Emirates is the second largest market aside from Bahrain, it outperforms the other four markets as the only country to be in the top two countries in each category.

When evaluating the top markets ranked by the CWI, key countries such as the United Kingdom, France, and Germany are noticeably absent. Although these more mature markets perform well from a workforce availability standpoint and are comparable by workforce regulation, these key countries tend to have higher costs associated with wages and tax requirements for employers.

REGIONAL OVERVIEW OF AVERAGE LABOR COST



Sources: The primary data sources for this index are all based on December 2012 statistics from the Ministries of Labour for the 75 countries within the scope, the Central Intelligence Agency (U.S.), Trading Economics, and internal data collected as part of ManpowerGroup Solutions global reporting effort (Annual Data Survey, Manpower Employment Outlook Survey, Talent Shortage Survey).

CONTINGENT WORKFORCE INDEX— DEFINITION OF MEASUREMENT FACTORS

In the CWI, a number of measurement factors are used to determine the numerical value in each category. The factors are:

AVAILABILITY

A relative comparison of the current skilled contingent workforce in each country and the likely sustainability of that workforce based on emerging and aging workforce trends

- Total Labor Force
- Unemployment Rate
- Workforce Mix (Salaried vs Hourly)
- Skill Classification
- Higher Education and Training
- Skill Category
- Labor Classification
- Literacy Rate
- Tertiary Enrollment
- Age Dependency Ratio

COST

A relative comparison of basic wage and tax metrics to suggest potential cost efficiency

- Minimum Wage
- Average Manufacturing Wage
- Average IT Wage
- Average Cost of Labor
- Employer Taxes

REGULATION

A relative comparison of how restricted the terms and practices of contingent workforce engagement are based on a standard set of regulations

- Subcontracting Legality
- Restrictions on Fixed Term Contracts
- Pay Parity
- Benefit Parity
- Maximum Contract Duration Limit - 1 term
- Maximum Contract Duration Limit - Total
- Notice Period for Termination
- Severance Requirements
- Overtime Premiums

PRODUCTIVITY

A relative comparison of the potential productivity of a workforce based on the amount of hours an employer can pay a worker at base pay

- Public Holidays
- Days of Paid Leave
- Maximum Annual Overtime
- Maximum Working Day/Week
- Standard Hours in Workday
- Labor Market Efficiency
- Technological Readiness
- Institutions
- Infrastructure

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