



HR Outsourcing
Market Forecast:
2009 - 2013

~ ~ ~

Market Assessment
November 2009

About NelsonHall

NelsonHall is a specialist BPO analyst company. NelsonHall provides buy-side and sell-side organizations with deeper research and analyses in front office, mid-office and back office BPO than any other research firm in the world. The company's subscription-based model provides subscribers with robust market analyses, case studies, vendor assessments, contract analyses, market reports and access to a content-rich BPO contracts database. The firm covers a wide range of industries including financial services, government and utilities sectors, and tracks worldwide and regional BPO activity. NelsonHall's home page is www.nelson-hall.com.

The company tracks business services activity. In particular, NelsonHall focuses on the following business services and process areas:

- Front-office document Management
- Middle office industry-specific processing services such as card processing services
- Back office support services such as HR services and finance & accounting services

NelsonHall provides information to its clients in a variety of forms, including within:

- NelsonHall's BPO subscription services, to assist organizations in identifying the most promising areas of BPO activity
- Workshops, to assist organizations in identifying the most appropriate areas of BPO for their organization
- Custom assessments, to assist buy-side organizations in benchmarking individual processes and to assist vendors in successfully taking BPO concepts to market.

For more details, contact:

U.S.:

Riverside Center
275 Grove Street
Suite 2-400
Newton MA 02466
Phone: (617) 663 5737

U.K.:

Atrium Court, The Ring
Bracknell
RG12 1BW
Phone: +44 (0)1344 393036

France:

NelsonHall
4 place Louis Armand
Tour de l'Horloge
75012 Paris
France
Phone: +33 1 72 76 26 54

Germany:

NelsonHall
Im Mediapark 8
50670 Köln
Germany
Phone: +49 (0)221 5540 545

gary.bragar@nelson-hall.com

Abstract

The purpose of this study is to provide vendors and users with a market forecast of the global HR outsourcing market by geography and service type.

The study complements the market assessments and analyses that are produced within NelsonHall's HR outsourcing subscription service, and is designed for:

- Marketing, sales and business managers developing strategies to target service opportunities within the HR outsourcing market
- Executives in purchasing organizations seeking an understanding of:
 - The HR outsourcing market
 - The segmentation of the HR outsourcing
 - Vendor market shares in HR outsourcing.
- Consultants advising clients on vendor selection
- Financial analysts specializing in the support services sector.

The term business process outsourcing (BPO) is defined as the outsourcing of business functions or processes. In order to qualify under this definition BPO contracts must involve the vendor taking responsibility for operational management of the business activity. For the purposes of this definition, IT services do not count as a business function.

Potential BPO activities include:

- Front-office services
 - Customer management services including billing services
 - Document management services
- Middle-office administration services
 - Industry-specific processing services e.g. card processing services
- Back-office support services
 - Finance & accounting services, including purchase-to-pay, order-to-cash, and record-to-report
 - HR Services including payroll services, HR administration services, managed recruitment services and training provision and administration
 - Services for procurement of indirect goods and services

Copyright © 2009 by NelsonHall. All rights reserved. Printed in the United Kingdom. No part of the publication may be reproduced or distributed in any form, or by any means, or stored in a database or retrieval system, without the prior written permission of the publisher.

The information provided in this report shall be used only by the employees of and within the current corporate structure of NelsonHall's clients, and will not be disclosed to any other organization or person including parent, subsidiary, or affiliated organization without prior written consent of NelsonHall.

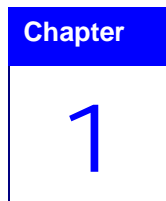
NelsonHall exercises its best efforts in preparation of the information provided in this report and believe the information contained herein to be accurate. However, NelsonHall shall have no liability for any loss or expense that may result from incompleteness or inaccuracy of the information provided.

List of Exhibits

HR Outsourcing Market Forecast by Service Type Global: 2009 – 2013	1
HR Outsourcing Market Forecast by Service Type North America: 2009 – 2013	2
HR Outsourcing Market Shares by Service Type United States: 2009 – 2013	3
HR Outsourcing Market Shares by Service Type Canada: 2009 – 2013.....	4
HR Outsourcing Market Forecast by Service Type EMEA: 2009 – 2013	5
HR Outsourcing Market Forecast by Service Type United Kingdom: 2009 – 2013.....	6
HR Outsourcing Market Forecast by Service Type France: 2009 – 2013	7
HR Outsourcing Market Forecast by Service Type Germany: 2009 – 2013	8
HR Outsourcing Market Forecast by Service Type Italy: 2009 – 2013.....	9
HR Outsourcing Market Forecast by Service Type Rest of EMEA: 2009 – 2013	10
HR Outsourcing Market Forecast by Service Type Asia Pacific: 2009 – 2013	11
HR Outsourcing Market Forecast by Service Type Latin America: 2009 – 2013.....	12
HR Outsourcing Market Forecast by Region: 2009 – 2013	13
Estimated HR Outsourcing Market Shares Global: 2008.....	14
Estimated HR Outsourcing Market Shares North America: 2008.....	15
Estimated HR Outsourcing Market Shares United States: 2008	16
Estimated HR Outsourcing Market Shares Canada: 2008.....	17
Estimated HR Outsourcing Market Shares EMEA: 2008.....	18
Estimated HR Outsourcing Market Shares United Kingdom: 2008.....	19
Estimated HR Outsourcing Market Shares France: 2008.....	20
Estimated HR Outsourcing Market Shares Germany: 2008	21
Estimated HR Outsourcing Market Shares Italy: 2008	22
Estimated HR Outsourcing Market Shares Rest of EMEA: 2008.....	23
Estimated HR Outsourcing Market Shares Asia Pacific: 2008.....	24
Estimated HR Outsourcing Market Shares Latin America: 2008.....	25
Multi-Process HR Outsourcing Market Forecast by Region: 2009 – 2013.....	26
Estimated Multi-Process HR Outsourcing Market Shares Global: 2008.....	27
Estimated Multi-Process HR Outsourcing Market Shares North America: 2008.....	28
Estimated Multi-Process HR Outsourcing Market Shares United States: 2008.....	29
Estimated Multi-Process HR Outsourcing Market Shares EMEA: 2008.....	30
Estimated Multi-Process HR Outsourcing Market Shares United Kingdom: 2008.....	31
Benefit Administration Services Market Forecast by Region: 2009 – 2013	32
Estimated Benefit Administration Services Market Shares Global: 2008	33
Estimated Benefit Administration Services Market Shares North America: 2008	34
Estimated Benefit Administration Services Market Shares United States: 2008.....	35
Estimated Benefit Administration Services Market Shares Canada: 2008	36
Estimated Benefit Administration Services Market Shares EMEA: 2008.....	37
Estimated Benefit Administration Services Market Shares United Kingdom: 2008.....	38

Estimated Benefit Administration Services Market Shares Germany: 2008	39
Estimated Benefit Administration Services Market Shares Asia Pacific: 2008	39
Payroll Services Market Forecast by Region: 2009 – 2013	40
Estimated Payroll Services Market Shares Global: 2008.....	41
Estimated Payroll Services Market Shares North America: 2008	42
Estimated Payroll Services Market Shares United States: 2008.....	43
Estimated Payroll Services Market Shares EMEA: 2008.....	44
Estimated Payroll Services Market Shares United Kingdom: 2008.....	45
Estimated Payroll BPO Market Shares France: 2008.....	46
Estimated Payroll Services Market Shares Germany: 2008	47
Estimated Payroll Services Market Shares Rest of EMEA: 2008.....	47
Estimated Payroll Services Market Shares Asia Pacific: 2008.....	48
RPO Market Forecast by Region: 2009 – 2013.....	49
Estimated RPO Market Shares Global: 2008.....	50
Estimated RPO Market Shares North America: 2008.....	51
Estimated RPO Market Shares United States: 2008	52
Estimated RPO Market Shares EMEA: 2008	53
Estimated RPO Market Shares United Kingdom: 2008	54
Estimated RPO Market Shares Asia Pacific: 2008.....	55
LBPO Market Forecast by Region: 2009 – 2013.....	56
Estimated LBPO Market Shares Global: 2008	57
Estimated LBPO Market Shares United States: 2008	58
Estimated LBPO Market Shares EMEA: 2008	59
Estimated LBPO Market Shares United Kingdom: 2008.....	59
Estimated LBPO Market Shares Asia Pacific: 2008	60
HR Outsourcing Market Forecast by Service Type Ireland: 2009 – 2013.....	61
HR Outsourcing Market Forecast by Service Type Switzerland & Austria: 2009 – 2013	62
HR Outsourcing Market Forecast by Service Type Eastern Europe: 2009 – 2013.....	62
HR Outsourcing Market Forecast by Service Type Benelux: 2009 – 2013.....	63
HR Outsourcing Market Forecast by Service Type Nordics & Finland: 2009 – 2013.....	63
HR Outsourcing Market Forecast by Service Type Spain & Portugal: 2009 – 2013	64
HR Outsourcing Market Forecast by Service Type Other Europe: 2009 – 2013	64
HR Outsourcing Market Forecast by Service Type Middle East: 2009 – 2013	65
HR Outsourcing Market Forecast by Service Type Africa: 2009 – 2013	65
HR Outsourcing Market Forecast by Service Type Australia & New Zealand: 2009 – 2013	66
HR Outsourcing Market Forecast by Service Type China: 2009 – 2013	67
HR Outsourcing Market Forecast by Service Type India: 2009 – 2013.....	67
HR Outsourcing Market Forecast by Service Type Japan: 2009 – 2013.....	68
HR Outsourcing Market Forecast by Service Type Other Asia: 2009 – 2013.....	68
HR Outsourcing Market Forecast by Service Type Argentina: 2009 – 2013	69
HR Outsourcing Market Forecast by Service Type Brazil: 2009 – 2013.....	70

HR Outsourcing Market Forecast by Service Type Mexico: 2009 – 201370
HR Outsourcing Market Forecast by Service Type Other Latin America: 2009 – 201371



Introduction

A

Objectives

The purpose of this study is to provide vendors and users with a view of the current and future market size of the global HR outsourcing marketplace by geography and market segment.

The study complements the market assessments and analyses that are produced within NelsonHall's HR outsourcing subscription program, and is designed for:

- ❑ Marketing, sales and business managers developing strategies to target service opportunities within the HR outsourcing market
- ❑ Executives in purchasing organizations seeking an understanding of:
 - ❑ HR outsourcing services market size & growth by geography
 - ❑ HR outsourcing services market segmentation
 - ❑ HR outsourcing services vendor market shares globally and by geography
- ❑ Consultants advising clients on vendor selection
- ❑ Financial analysts specializing in the support services sector.

B

Scope and Definitions

This study covers HR outsourcing in its entirety.

Business process outsourcing is defined as the outsourcing of business functions or processes. In order to qualify under this definition, BPO contracts must involve the vendor in taking responsibility for the delivery of the function concerned. For the purposes of this definition, stand-alone IT services do not count as a business function, though there may be a significant IT services component embedded within a wider business process outsourcing service.

This study investigates the market size and forecasts for the HR outsourcing market.

NelsonHall defines human resources outsourcing services as the operation of human resource processes for an organization by a third party supplier. These processes can include both mainstream service delivery processes such as payroll provision or training delivery or they may be administrative processes related to these mainstream processes such as training administration services. In some cases, the in-house personnel previously operating or administering the specific HR process transfer to the outsourcing supplier. However, this is not always the case.

In summary, HR outsourcing services is the total market for outsourced services within the HR function, combining all the HR process elements defined in the sections below.

NelsonHall does not include stand-alone consulting services associated with some HR processes within the company's definition of HR outsourcing services. For example, benefits consulting relating to the design of a retirement plan for an organization would not be included, unless this consulting was part of a wider arrangement where the supplier also provided administration services for the plan.

Within HR outsourcing services, HR processes can be outsourced as either:

- Single HR point services
- Multi - process HR BPO services.

Single HR point services

These services are defined as those provided by a third party supplier to another organization across a single HR process. Processes which can be managed in this manner include:

- Payroll Services
- Benefits Administration
- Recruiting Process Outsourcing
- Learning BPO

Payroll Services

Payroll services is the operation of an organization's payroll process by a third party supplier. Typically, this is provided either as a bureau service, or as a fully managed payroll service.

Bureau service: The third party processing of an organization's payroll, but the bulk of the service remains in-house. Bureau services contracts do not include the transfer of staff to the outsourcing supplier.

Fully managed service: The management by a third party of the whole of the payroll function within an organization, usually involving the transfer of staff to the supplier. Additional service elements within this type of contract include:

Benefits Administration

Benefits administration is the operation of an organization's employee benefits function by a third party supplier.

Recruiting Process Outsourcing

NelsonHall defines recruitment process outsourcing as the operation and/or administration of employee recruitment for organizations by a third party supplier.

Learning BPO

This is the operation of both the administration and the delivery of learning and training processes for an organization by a third party supplier.

Multi - Process HR Business Process Outsourcing ("HR BPO")

NelsonHall defines a further market within HR outsourcing relating to the provision of multi-process HR business process outsourcing services.

This is defined as the provision of more than one of these individual HR point processes by the same third party supplier in a longer term (typically 3-10 years) contractual relationship.

The third party supplier may subcontract some of the individual processes to other organizations, but the multi - process HR BPO provider is the prime contractor within the arrangement.

In addition to provision of services such as payroll services and benefits administration, either directly or indirectly, multi-process HR BPO typically involves the vendor in employee administration and support through provision of an HR portal, employee/manager self-service, and service center support. In conjunction with this role, the vendor is typically involved in the management of employee records and information and the provision of related business intelligence to the client organization.

Geographic Coverage

The geographic scope of the research is global, covering all regions:

- North America
 - United States
 - Canada
- EMEA
 - United Kingdom
 - France
 - Germany
 - Italy
 - Other EMEA
- Asia Pacific
- Latin America.

C

Methodology

Market sizing and forecasting for the study has been carried out using NelsonHall's primary and secondary research sources on the global business process outsourcing (BPO) market.

Market sizing has been estimated by examining current vendor revenues for HR outsourcing services, both by service type and by region.

Vendor revenue figures have been estimated using:

- ❑ Detailed interviews with senior level vendor executives
- ❑ Analysis of vendor contract activity
- ❑ Analysis of secondary research sources, including press releases, annual reports, and 10Ks from vendor organizations
- ❑ Analysis of published vendor data, including revenue information, and headcount figures.

Estimated vendor market shares have been calculated based on 2008 revenue data.

Market forecasts within this study have been estimated from:

- ❑ Analysis of NelsonHall's comprehensive library of both user and vendor based HR outsourcing and BPO studies
- ❑ Analysis of past contract activity within HR outsourcing using NelsonHall's contract database, which can be utilized as a reliable predictor for future market activity
- ❑ Detailed interviews with senior level vendor executives.

A key element within this study is NelsonHall's regular briefings with HR outsourcing and BPO vendor organizations. Within these interviews, NelsonHall ascertains:

- ❑ HR outsourcing services that vendors are offering, or planning to offer, including where possible current revenues and expected growth rates for these offerings
- ❑ Targeting of these services, by geography, industry and service type
- ❑ Approach to the provision of these HR outsourcing services.

These details, in combination with the further primary and secondary research mentioned above, can be used to estimate the overall shape of the HR outsourcing market now and in for the future.

Subcontracting

Vendor revenues have been quoted including all revenues from contracts, including those where services are subcontracted to other BPO vendor organizations.

Estimates

All vendor revenues quoted within this report are NelsonHall estimates, and have been rounded as appropriate. In addition, all estimates are for the latest published financial year at the time the report data was gathered.

Exchange Rates

All exchange rates used within this report are \$1.35 = €1 and \$1.5 = £1

D

Structure of the Report

The report is structured into the following chapters:

Chapter I: Introduction

Chapter II: HR Outsourcing Market Forecast by Service Type for:

- Global
- North America
- EMEA
- Asia Pacific
- Latin America

Chapter III: HR Outsourcing Market Forecast and Vendor Shares by Major Geography covering:

- HR Outsourcing Market Overview
 - Multi-process HR Outsourcing
 - Benefits Administration Services
 - Payroll Services
 - Recruiting Process Outsourcing
 - Learning BPO

Chapter IV: Appendix – HR Outsourcing Market Forecast – Other Geographies, including:

- Rest of EMEA
 - Ireland / Switzerland & Austria / Eastern Europe / Benelux / Nordics & Finland / Spain & Portugal / Other Europe / Middle East / Africa
- Asia Pacific
 - China / India / Japan / Other Asia
- Latin America
 - Argentina / Brazil / Mexico / Other Central & Latin America