



Human capital management (HCM)

Global Business Services Index 2026



HCM: Digital platforms drive sector growth, automation protects squeezed recruiter margins



Sub-sectors:

Recruitment solutions

Third-party service providers specialising in permanent recruitment services

Staffing solutions

Providers of temporary or contract staff as needed

Sector performance summary

The human capital management sector is facing a cyclical slowdown, with weaker results driven mainly by a decline in staffing services. Many corporate employers are taking a cautious stance, cutting back on high-fee permanent recruitment and reducing temporary staffing as demand from healthcare settles back to pre-pandemic levels.

Recruiter-led models are under pressure from high wage inflation and strong margin squeeze, with growth coming from tech and finance segments. Digital matching platforms and mobile-first services are capturing resilient blue-collar demand. To protect baseline margins, organisations are closing physical branches, automating candidate screening, and offshoring back-office work to keep rising overheads under control.

Momentum drivers and pressure points

 Digital sourcing adoption Advanced matching platforms capture high-volume blue-collar and small-business hiring demand	 Permanent placement pauses Macroeconomic caution prompts corporate clients to freeze high-fee, permanent executive appointments
 Prepaid cash models Subscription-based employer packages and prepaid billing generate highly predictable, upfront cash flows	 Weekly payroll demands High working-capital intensity of funding weekly contractor payrolls strains staffing agency cash conversion
 Operational headcount reductions Leaner staffing structures and automated candidate screening significantly lower internal operating expenses	 Legislated wage inflation Pay-transparency directives and rising temp-worker pay rates compress gross profit margins



Sub-Sector Overview

Recruitment solutions



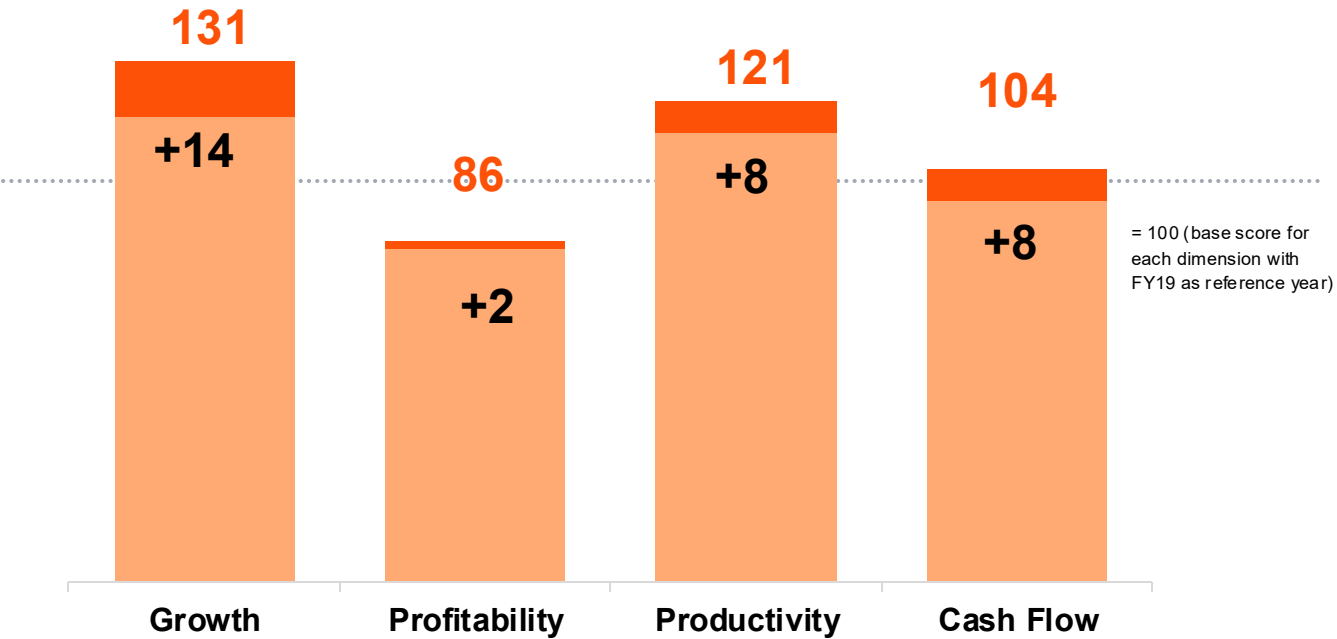
Third-party service providers specialising in permanent recruitment services

Staffing solutions



Providers of learning and upskilling services, excluding institutes and universities

110 +8
year-on-year
GBSI Sub-sector Score



Digital models outperformed while recruiter-led businesses faced cost pressure



Recruitment solutions



Firms are embedding proprietary AI portals to convert transactional fees into predictable subscription revenue

To break free from volatile, one-off contingency fees, forward-thinking agencies are launching "Talent-as-a-Service" (TaaS) models.

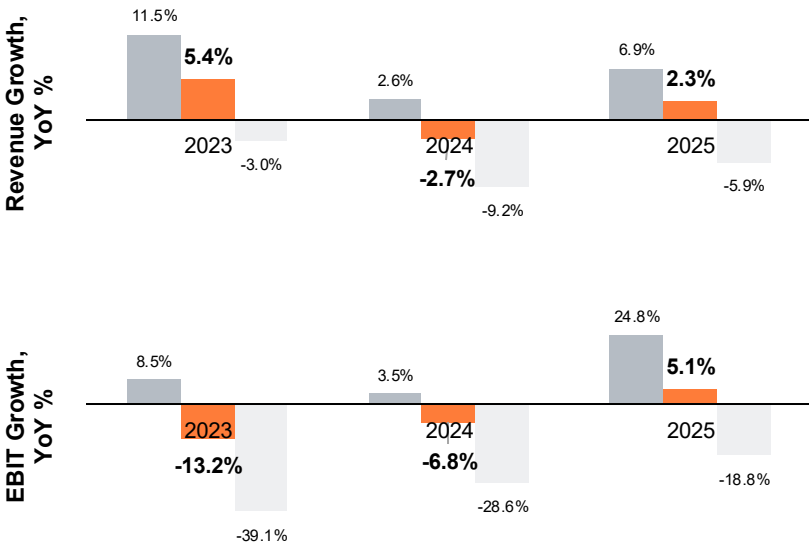
By embedding proprietary generative AI matching portals directly into client HR workflows, agencies are transitioning clients to monthly subscription-based pricing, locking in predictable, recurring cash streams and protecting agency margins. Partnerships are successfully shifting from transactional, high-friction sales to embedded, highly predictable software-and-service ecosystems.



Growth

131 +14

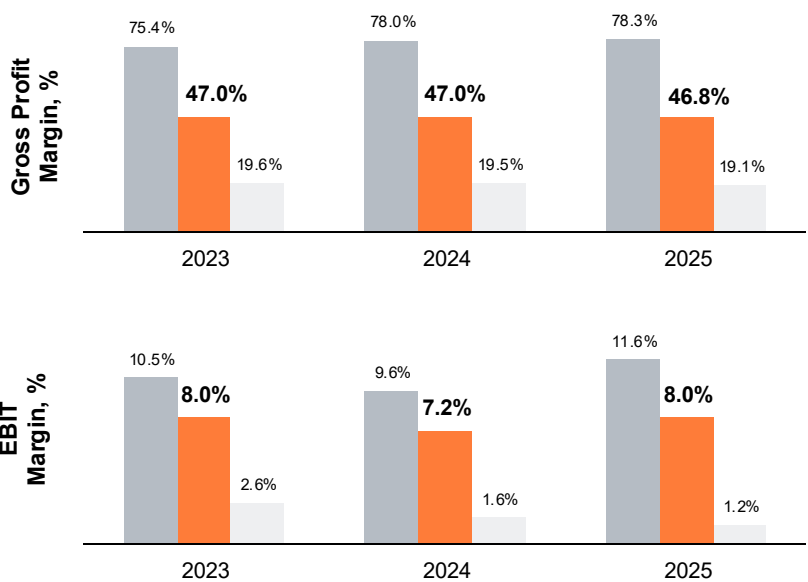
The sub-sector is beginning to recover after earlier declines, although conditions remain mixed. Digital matching platforms continue to support growth, while some firms have seen improving demand in the tech and finance segments. However, pressure persists as many organisations remain cautious on permanent, high-fee appointments. Mobile-first networks are helping offset this by expanding into small business and high-volume blue-collar hiring.



Profitability

86 +12

Average operating profitability rose across the group, even though gross margins dipped slightly. Gross margins narrowed as work shifted from higher-margin permanent placements to lower-margin temporary contracts. At the same time, EBIT margins improved because cuts in recruiter headcount and moving back-office shared services to lower-cost offshore centres protected operating performance.



Strategic automation lifted productivity; resilient cash flow strengthened capital flexibility



Recruitment solutions



Consolidating infrastructure and leveraging AI is helping companies improve workforce efficiency, while pre-pay models create upfront capital

Businesses are aggressively tackling the "time-to-fill" metric, which historically drained recruiter productivity and delayed cash collections. Businesses are deploying generative AI assistants to automate passive candidate outreach and run first-round technical screenings.

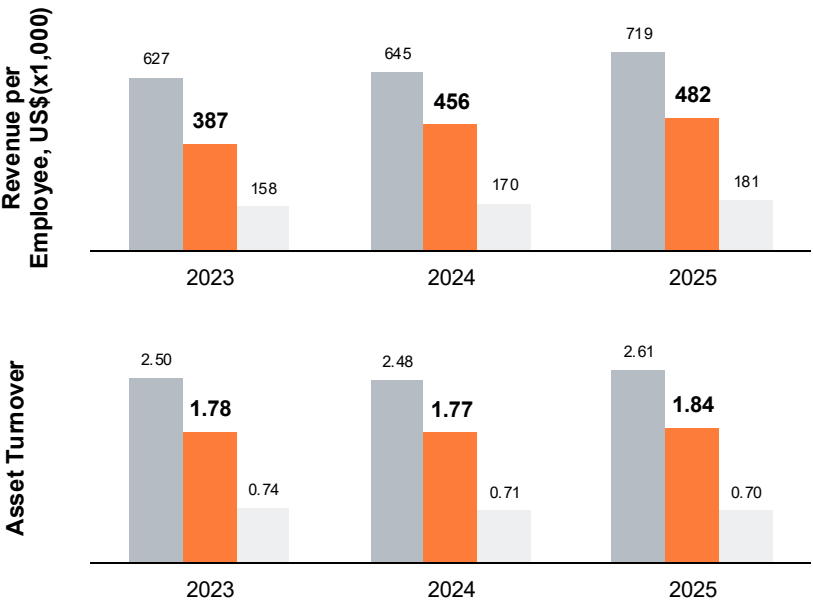
Through the rest of 2026, firms will continue to streamline hiring through AI-enabled workflow, better targeting of right candidates, and integration of multiple hiring platforms, to boost productivity with limited headcount.



Productivity

121 +8

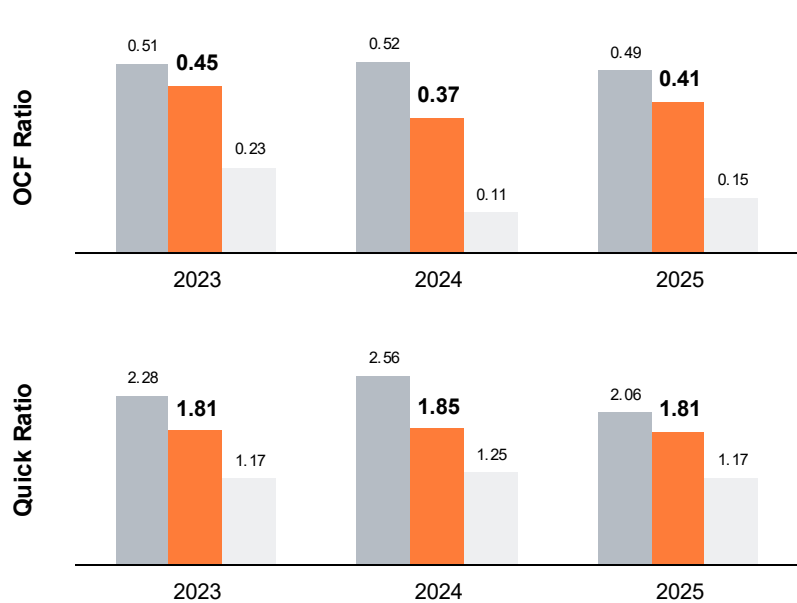
Employee productivity rose as the completion of technology changes allowed platforms to automate time-consuming sourcing and screening. Algorithm-based matching and automated interview tools increased candidate volumes without adding support staff. This smart use of digital tools, combined with tight control of headcount, lifted revenue per employee and improved asset efficiency.



Cash Flow

104 +8

Operating cash generation stayed strong, backed by predictable prepaid subscription income and capital-light platform models. This reliable cash flow meant the stronger platform leaders could comfortably fund their capital spending. As a result, balance sheet liquidity improved, giving companies the financial flexibility to carry out share buybacks and support selective collaborator buyouts.



Sub-Sector Overview

Recruitment solutions



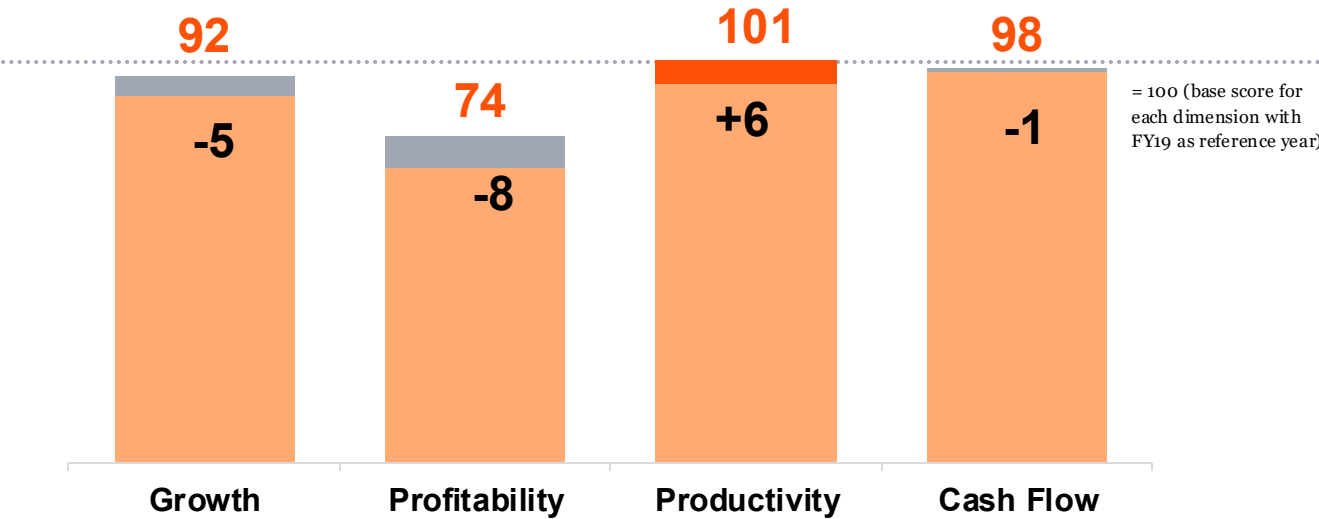
Third-party service providers specialising in permanent recruitment services

Staffing solutions



Providers of learning and upskilling services, excluding institutes and universities

91 **-2**
year-on-year
GBSI Sub-sector Score



Post pandemic normalisation squeezes staffing revenues, wage inflation constrains margins

Staffing solutions



Staffing players are utilising AI talent-pooling to sell premium, outcome-based project contracts.

During FY25, the steep decline in staffing rates and volumes severely compressed margins for staffing companies, especially those focusing on the healthcare sector. Entering 2026, staffing organisations deploy outcome-driven statement-of-work project contracts and blended workforce delivery to protect key client relationships

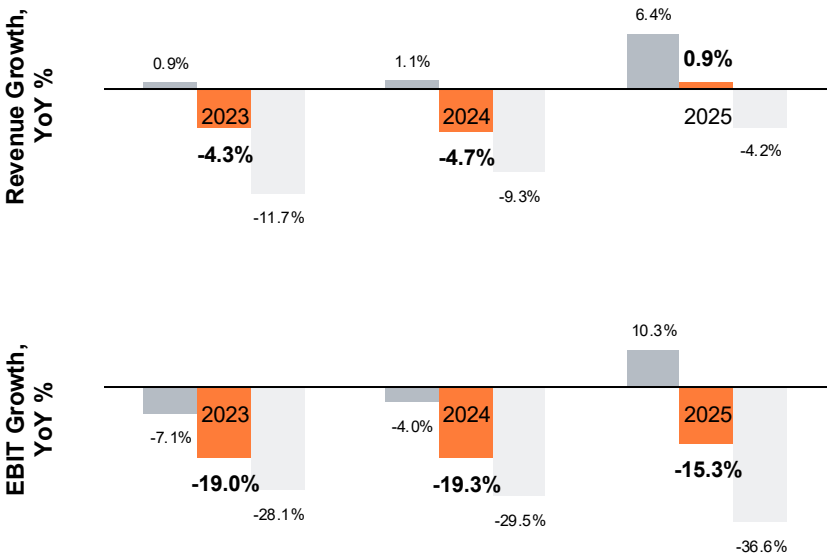
Agencies are maximising asset turnover and recruiter productivity by deploying generative AI to automate passive outreach and technical screenings, multiplying recruiter output and sharply reducing time-to-fill.



Growth

92 -5

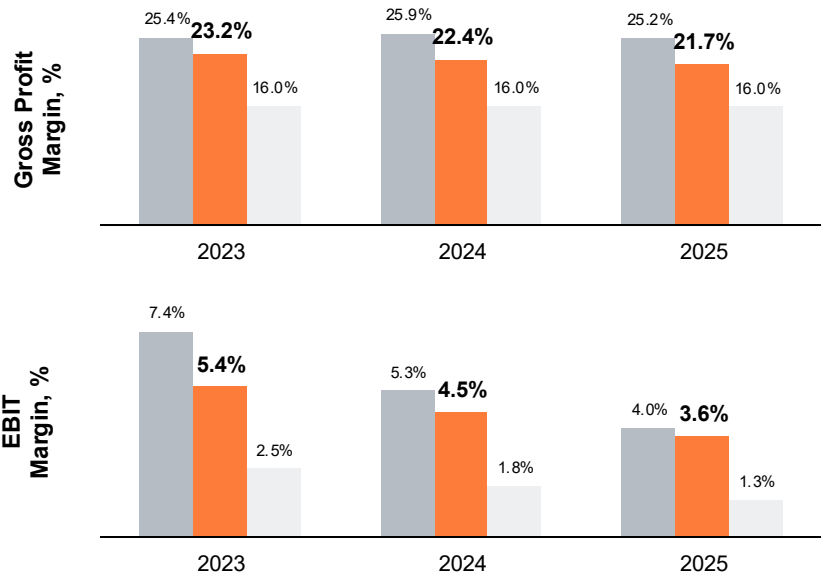
The overall growth drifted downward, impacted by the normalisation of pandemic-era healthcare travel staffing volumes, and industrial stagnation. Cautious corporate clients reduced their temporary headcount requirements, leaving providers reliant on short-term, strike-staffing contracts to generate revenue bumps. This cyclical cooling masked underlying organic growth in engineering and professional IT placements.



Profitability

74 -8

Profitability fell across the cohort as staffing firms faced rising wage and compliance costs in several markets, alongside growing client use of digital talent platforms that increased pricing transparency and capped agency margins. This combination of cost inflation and weaker pricing power compressed gross margins, while acquisition and integration costs linked to cross-border expansion further weighed on operating performance.



Back office optimisation shields staffing productivity, working capital demands strain liquidity



Staffing solutions



Agencies are implementing automated verification software to speed up invoicing and protect cash.

The primary bottleneck in temporary staffing remains the costly, high-risk delay between recruiting a contractor, verifying credentials, and getting them onsite.

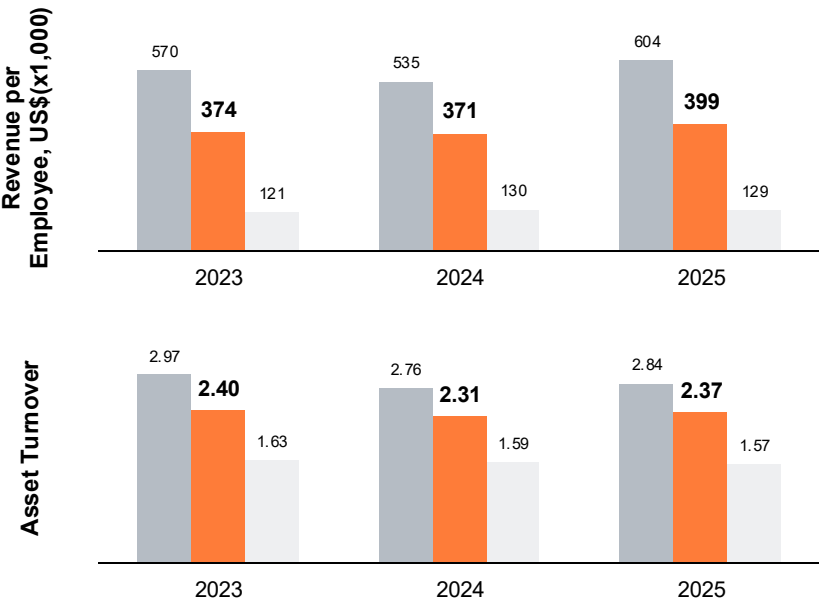
Firms are implementing AI-driven compliance and automated background-verification software to shorten onboarding times, allowing agencies to get contractors working faster, which accelerates client invoicing and eases weekly payroll cash-flow strains.



Productivity

101 +6

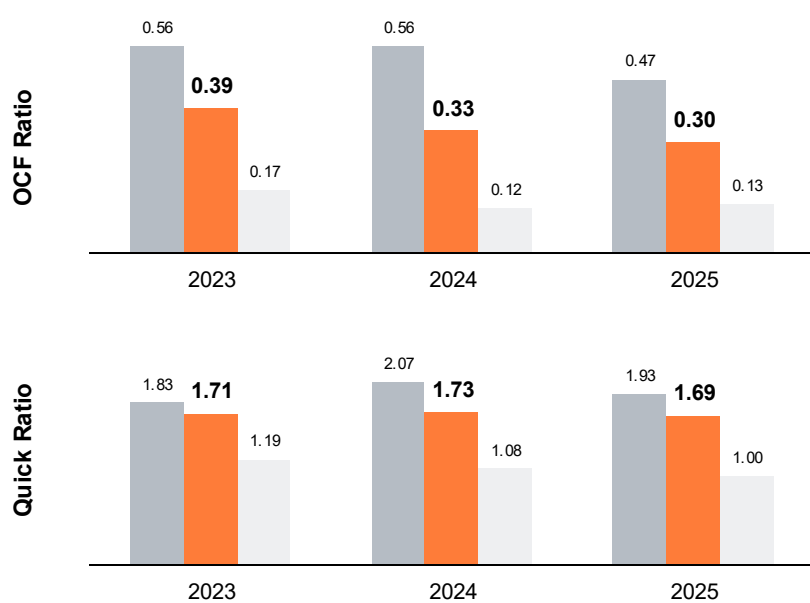
Workforce productivity improved as players consolidated physical branches and shifted back-office operations to low-cost global capability centres. By deploying automated credentialing platforms and digital onboarding workflows, agencies managed massive candidate pools with fewer administrative headcount. This strict overhead discipline successfully expanded revenue per employee and protected margins from rising salary costs.



Cash Flow

98 -1

Temporary staffing models heavily strained cash conversion. Agencies faced a constant cash drain because of weekly contractor payroll while waiting up to three months to collect from clients. This working-capital gap compressed quick ratios, forcing companies to rely on credit lines and limit spending to protect their liquidity.



Businesses focus on digital and AI-based matching & specialised skills to drive post-downturn success

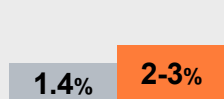
Future outlook

The sector is strategically repositioning, shifting from manual, volume-driven models to high-value, tech-enabled partnerships . While structural talent shortages in specialised fields sustain premium fees, the broader market is being permanently reshaped by digital disintermediation and automation .

Recruitment Solutions firms are capturing future growth by expanding self-service digital marketplaces and launching subscription-based employer packages, utilising generative AI matching to secure predictable, high-margin revenue .

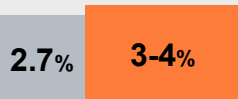
Staffing Solutions providers are moving toward outcome-driven statement-of-work (SOW) contracts in technical niches, using back-office automation and global capability centres to offset wage inflation and defend cash liquidity.

Avg. revenue growth*, YoY %



FY25 FY26e

Avg. EBIT Margin*



*Based on analyst estimates and company guidance of 10 leading players per sub-sector

Priorities for success

To grow as the job market begins to stabilise, staffing and recruitment firms are moving away from slow, manual processes and focusing on high-value, tech-driven partnerships.



Secure MSP partnerships: Focus on securing long-term Managed Service Provider (MSP) with enterprise clients, ensuring highly predictable, recurring revenue streams and deeper integration into corporate hiring infrastructures



Provide labour advisory: Move beyond transactional fulfilment to advise corporate clients on talent mapping, local compliance , and workforce mix strategies, building indispensable, long-term strategic B2B relationships



Deploy and expand AI sourcing: Integrate predictive AI matching and automated screening into workflows, and expand self-service marketplaces to slash corporate time-to-fill, bypassing AI-generated resume clutter to deliver talent shortlists



The next phase of growth appears to depend less on broad market recovery and more on relevance to current market demands, helping clients pursue efficiency through AI, and managing the rising economics of AI adoption

Laurie Priest, Partner, PwC US

Repositioning a staffing provider through strategy, operating model, and go-to-market design

Context

- The client, a global staffing solutions provider, was facing weakening financial performance, creating the need for a more explicit strategic direction
- The organisation was experiencing operational and commercial pain points and needed a more effective operating model to enable scalability and execution
- There was a clear opportunity to capture growth in high-demand industrial sectors across several key European and Asia-Pacific markets

Our approach

- Defined a renewed strategic direction for the client's business, identifying the sectors and areas of specialism
- Designed the supporting operating and delivery model, covering organisational structure, governance, decision rights, sales, recruitment, and incentive frameworks on a client-centric, vertical-first design
- Developed dedicated Go-to-Market strategies for two priority verticals, each covering sub-vertical prioritisation, customer focus, business cases, and implementation roadmaps

Impact delivered



Unified operating model across global markets

Established governance structures, decision rights, and a standardised delivery model across sales, recruitment, and incentives, creating greater consistency across the organisation



Organisation aligned to growth priorities

Established a clear focus on priority sectors and specialisms, directing investment and commercial effort towards the highest-value growth opportunities



Leadership equipped to execute transformation

Provided actionable go-to-market and implementation roadmaps, alongside hands-on workshops, enabling leadership teams to drive adoption and deliver measurable business outcomes



Key contacts

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I. Overview

- This report presents an outside-in view of the Business Services industry and the performance across 8 key sectors: (i) Built Environment Services, (ii) Business Process Outsourcing, (iii) Digital and Education Services, (iv) Human Capital Management, (v) Legal Services, (vi) Logistics and Distribution, (vii) Professional Services; and (viii) Testing, Inspection and Certification
- The performance of each sector is measured by the '**Sector Index Score**', which has been developed based on an analysis of key metrics for a sample set of companies. This score considers 4 key dimensions and 8 metrics (2 metrics in each dimension), as outlined below:
 - **Growth** – (i) Revenue; (ii) EBIT
 - **Profitability** – (i) Gross margin; (ii) EBIT margin.
 - **Productivity** – (i) Revenue per employee; (ii) Asset turnover
 - **Cash flow** – (i) OCF ratio; (ii) Quick ratio
- A sample of 74 companies has been considered for this sector, and they have been selected based on multiple factors including size, geographic presence/coverage, availability of information, etc
- The **Global Business Services Index** is based on an aggregate of the 8 sector indices (considering a total sample of 438 companies)

II. Index calculations¹

- 1. Time period and baseline** – The index calculation is based on company data for FY23 to FY25 and FY19, the latter being considered as a baseline and assigned a score of 100
- 2. Metric scores**
 - Actual values for each metric were compared between FY19 and FY23 to derive a **ratio**
 - The ratios were aggregated across all 45 companies to arrive at an **aggregated ratio** (to avoid larger-sized companies skewing the results)
 - **Metric scores** are calculated by multiplying the aggregated ratio by 100
- 3. Dimension scores**
 - The dimension score is an **average of the metric scores** for metrics included in the respective dimension:
 - i.e., Dimension score (Growth) = Average [Metric score (Revenue), Metric score (EBIT)]
- 4. Sector scores**
 - The sector score is an **average of the dimension scores**:
 - i.e., Sector score = Average [Dimension score (Growth), Dimension score (Profitability), Dimension score (Productivity), Dimension score (Cash Flow)]
 - If the sector score >100, it outperformed against the FY19 benchmark
 - If the sector score = 100, results were at par with FY19
 - If the sector score <100, it underperformed against the FY19 benchmark

III. Future outlook

- The FY26 outlook is based on analyst reports and company guidance for 10 leading companies in every sub-sector, selected on the basis of revenue, scale and availability of information
- Revenue growth and EBIT margin estimates were reviewed and aggregated to develop an indicative sector-level outlook

IV. Key sources

- The key sources referred to throughout the report include the following:
 - Company websites and annual reports
 - Analyst reports
 - Databases such as S&P Capital IQ, Bloomberg, EMIS
 - Company registrar portals such as Companies House (UK), Securities and Exchange Commission (US)

1. The scores for the 2023 and 2024 index were recalculated due to changes in sample size and the incorporation of revised financial figures of included companies

Thank you