



Recruitment Market Trends Mid Year 2008

Banking & Financial Services
Hong Kong

ambition

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Introduction

The first six months of 2008 have shown quite different trends as compared with the same period last year. Whilst in 2007, there were extremely buoyant conditions and very little uncertainty about the future, the opposite can be said of 2008.

Overall, the outlook for Asia is positive yet cautious and visibility is somewhat limited which has created some concern with business leaders. The global credit crisis, stock market volatility and negative sentiment within the financial services sector generally has contributed to a slowing in hiring activity, even if it is fair to say that demand is still relatively steady in sectors outside investment banking. Add to this the possibility of a US recession and you can understand that caution.

Recruitment is a confidence industry and with a more conservative market, the pace of hiring decisions has slowed but the volumes have remained as high as last year. Whereas this time last year an average middle management assignment might have taken 4 to 6 weeks to complete, it is closer to 8 weeks or more in 2008.

The cooling global economy has prompted debate surrounding Asia's insulation from the rest of the world, or it being 'decoupled', as it remains such a high growth region for many companies. Whilst the latter is true, it is hard to imagine that Asia won't be impacted especially in the light of rising oil prices and economies like Hong Kong being heavily reliant on the investment banking sector.

On a positive note, Hong Kong's GDP in the first quarter of 2008 was 7.1% compared with 5.5% for the same period last year which is still a respectable in the context of other developed economies. Unemployment in Q1 2008 was at 3.4% and for the corresponding quarter last year was 4.3% so this also under control and remains at historic lows.

Despite a certain amount of gloom surrounding the world economy, skills shortages have not been alleviated and the demand for talent remains at sufficiently high levels for this to continue to plague employers. In fact, many senior managers in Asia still place it at the top of their list of factors inhibiting business growth.

There is something positive for our clients to take from all this and that is salary inflation may be dampened slightly if demand does decrease for a sustained period.

Should you have any questions then please do not hesitate to contact me personally at Andrea.Williams@ambition.com.hk or (852) 3103 4320 or your usual Ambition contact.

We wish you the very best for the remainder of 2008.



Andrea Williams
Managing Director – Hong Kong
Ambition



Market Overview



Longer Hiring Processes

As mentioned, recruitment is a confidence industry so it is inevitably hampered in uncertain times. The lengths of hiring processes have, in many instances, doubled as more stakeholders wish or need to be involved and 'sign offs' are required from an overseas headquarters. There are numerous examples of where relatively junior positions have required video or telephone conference calls with very senior executives in corporate headquarters before an approval will be given. Whilst this may be perceived as overkill it is a sign of the times. There is also a sense of procrastination generally in the market – from candidates and employers – as more time is taken to arrive at a recruiting decision.

The Bar Has Been Raised

In order to take on the cost of hiring a new employee, organisations seek to justify this need by ensuring they hire a top grade candidate. Whilst standards weren't low this time last year, confidence was high and growth curves were steeper with the urgency to recruit new talent being greater. At that stage, our clients were willing to compromise on more but today any candidate falling below expectations will be passed over and the search will continue.

A Less Liquid Candidate Market

Twelve months ago, we were still in an upswinging market and all levels of candidates were keen to take advantage of the buoyant conditions to boost career prospects as well as salaries. As of the middle of 2008, it is evident that candidates are willing to take far fewer risks and are adopting a 'wait and see' attitude. However, those working for institutions with significant exposure to US subprime issues may make the move to organisations perceived to be safer havens.

Headcount Freezes

It is fair to say that in 2008 we have experienced far more hiring freezes than we have in the past two to three years. However, this has tended to be limited to the investment banks which have suffered more than other sectors of the financial services industry. Sometimes temporary in nature, hiring freezes can be incredibly frustrating to hiring managers and often cannot be circumnavigated unless the position is a 'replacement hire'.

An Opportunity for Contractors

Tied into the previous point, hiring managers increasingly turn to temporary or contract staff as these costs do not sit on their payroll, nor do they impact total headcount figures. Contracting is applicable up and down the experience scale and is most developed within the accounting space. Ambition's contracting business has seen a definite increase in demand through the first half of 2008.

No Widespread Redundancies

Over the last 6 to 12 months, newspaper headlines have focused on job losses in certain markets and we expect this to continue, notably in markets such as the US and the UK. However, as of yet, we haven't seen any evidence of significant job losses within the disciplines Ambition recruits in Asia. However, the banking front office arena has suffered casualties, but the very best of these people have been able to find positions with other institutions in most cases. Cost control will continue to be high on the list of CEO's priorities and so it is reasonable to expect selective redundancies extending into other disciplines.

Financial Services Bright Spots

There is no question that investment banking hiring is down versus a year ago but there are some more encouraging signs out in the market. Life insurance companies continue to perform admirably in Asia and the funds management sector has taken up some of the slack for financial recruiters. Both segments have historically been less visible or attractive to the best candidates when compared to top tier investment banks but there is an increasing interest in these industries as they grow rapidly across Asia and show strong signs of continued growth.

Less Inclination to Recruit from Overseas

Again contrasting to the first half of 2007, it is becoming more difficult for Ambition to place candidates from overseas. Part of the reason is, again, simply caution. Another is the additional cost involved as well as the increasing incidence of redeploying employees to Asia from other financial centres where job losses are likely to be more substantial. There is still interest in international candidates however, but volume of opportunity may decline further for the second half of 2008.



Market Overview



Skills Shortages Remain

Whilst there is significantly less demand in the investment banking sector in particular, there is still a lack of available talent in the region. Generally, graduate and other training schemes have not improved dramatically over a year ago, when we reported the same issues, however, there does seem to be more of a shift in thinking towards investment in people for the future. This can include increasing graduate intake schemes as well as implementing talent retention and employer of choice strategies.

Candidate Driven Market Remains

Over the years that we have been producing our reports, we have referred to employer driven markets such as in 2001/2002 (when there was healthy candidate supply) and candidate driven markets such as 2006/2007 (acute candidate shortages). Whilst there is concern around a global slow down, we are not yet clear on how deep it will be and how long it will last, but we don't anticipate a return to the conditions of 1997/1998 or 2001/2002 therefore we expect demand for the very best candidates to continue. Indeed, we forecast it to remain a candidate driven market as organisations look to upgrade staff for productivity gains. However, candidates will exercise more caution when looking to move in order to make sure they get the best possible opportunity for today and for the future.

Best Candidates = Healthy Pay Rises

Whilst pay increases have cooled a little this year, this cannot be said for the most sought after candidates who have continued to command increases of well over 10%. The average pay review for employees this year has been circa 4% to 6% and bonus pay outs in the early part of 2008 have been reasonably good on the back of a broadly successful 2007 in Asia. On the whole bonuses were as expected by employees and some, especially in the investment banks, expected no increase or even a decrease from the 2006 bonus levels.

Property Prices an Ongoing Headache

Last year we reported escalating costs in doing business in Hong Kong in particular highlighting staffing and property costs as the largest problems. The latter especially is more acute than a year ago and we have seen a number of companies face the fact that they are unable to digest rental increases, many of which are up 100% in prime locations. 'A grade' office space in central Hong Kong has now reached unprecedented levels and shows no obvious sign of abating, mainly due to the lack of new supply. We have seen a steady migration of organisations to lower cost locations including, for the first time, several investment banks moving to Kowloon where all their businesses can be under the same roof. Rising property costs may see Hong Kong's business district extending beyond central which may be a positive trend for rental prices as companies seek to control their cost bases.

We have also commented previously on the merit of relocating offices to Singapore for cost reasons. Of late, Singapore office rentals appear to have cooled somewhat versus the frenetic increases experienced in 2007. We have probably now witnessed most of the moves of the companies who have relocated their regional headquarters, or large scale back office hubs, to Singapore.



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Market Overview



Recruiters Working Even Harder

The incidence of job offers being declined in favour of other opportunities has been a major challenge for recruitment consultancies and hiring companies alike for the last few years. There is still evidence of this with an increasing incidence of companies 'buying back' employees who try to resign. Recruiters have been further impacted by protracted hiring processes and even assignments being cancelled at a very late stage, thus adding to the frustration we all share when trying to find the best person for a particular role.

Senior Executives – Hong Kong or Singapore?

The increasing level of pollution in Hong Kong has been a major concern for candidates thinking of relocating to Hong Kong. We have seen a number of senior level executives taking a more proactive stance on this and engineering a move away from Hong Kong to Singapore (and other international locations) for family or quality of life reasons.

When Might Conditions Improve?

We tend to judge the road ahead by looking at our existing pipeline of work. So with job numbers being modestly up versus a year ago we can say that 2008 looks set to be a more challenging but nonetheless busy year. Most organisations' profits are likely to display flatter growth and some may decline and this in turn will filter through to a curtailment in hiring levels. Whilst a drop in confidence is impacting large corporations, it will also impact consumer spending, even though interest rates are relatively low in Asia at the time of writing. Our forecast is for conditions to remain relatively healthy yet somewhat uncertain for the remainder of 2008.

Commentary on Specific Markets Accounting

The first half of the year has been remained steady in the financial services accounting arena, especially for those businesses outside of investment banking such as insurance, asset management, retail banking, etc. as they continue to build local and regional teams.

Not surprisingly, there has been less movement at the senior end of the market especially as demand from investment banks has dropped. This is not quite the case in the product control area which continues to grow. The wholesale banking sector has seen steady demand for talent in the regulatory reporting field as well as in the general accounting/financial control roles. Technical accounting specialists are also in demand across the full range of financial services companies as employers look to bring this expertise to the local market rather than relying on head office for support. As more investment and wholesale banks grow their alternative investments teams candidates with accounting skills in private equity, distressed debt or real estate funds are highly sought after.

The insurance industry continues to boom as individual wealth management and the pension funds industries continue to take hold across Asia. The demand from this area has been constant for the first half of 2008 and we see this set to continue as this business line continues to grow across our region. However, it remains difficult for these companies to attract the best quality talent as candidates perceive it as a second choice to the more lucrative banking industry. If market conditions persist, then we could well start to see a change in this sentiment.

Internal Audit

As we report every year, there has been a healthy demand for internal auditors across all sectors within financial services and this year appears no different to the others. This is especially true in the wholesale banking/commercial banking space. Demand continues as the travel component of these roles is high thus driving constant turnover as candidates seek roles that allow them more time with friends and family. Another factor influencing these turnover rates is the fact that many companies are now building up their Operational Risk functions and this is a popular alternative career choice for internal auditors. There remains, as always, a shortage of audit candidates with product knowledge and experience.



Commentary on Specific Markets Operations



As expected the investment banking sector has been hit hard and the volume of work for operations staff has decreased in line with the downturn in business activity. However, similar to the accounting area, levels of recruiting activity remain at a comparatively steady level. During the first half of 2008 there has been various cost-cutting and restructuring initiatives across the middle office and operations departments resulting in lay-offs and redundancies. However, needs have remained for equities settlement and corporate actions professionals at the junior and mid-level. Where we have seen a definite increase in demand is for candidates with fund administration and fund operations backgrounds for asset management and fund services companies which have continued to expand steadily in Asia.

As a result of mergers/ takeovers and longer term focused investments in infrastructure as well as the process, systems and change initiatives in the middle and back offices, we have seen an increase in demand for project managers particularly for those with product knowledge and previous systems based project experience. However, there has been a slight decrease in hiring activity for candidates in roles that directly support revenue generators, such as trade or sales support roles or client servicing for example.

Anecdotally, the underlying sentiment is, that while the market has softened, Asia is the main market in the global economy that can provide real opportunity for growth and profit making and hence companies will continue to invest in this region. Due to this we have seen a marked increase in the volume of candidates applying for Asia based roles from overseas markets.

" The investment banking sector has been hit hard and the volume of work for operations staff has decreased."

Marketing and Communications

Shortages of candidates with brand management, corporate communications, internal communications skills and experience in financial services remain. Chinese languages skills are often a must and the combination of fluency in English and Chinese is always challenging to find.

Recruitment in marketing and communications in financial services has slowed considerably since the end of last year; however, there are signs of this coming back and there is increasingly a strong sense of urgency and commitment from clients. Candidates in financial services have been less proactive in their job search, reacting to current market conditions, but they are extremely positive about opportunities to make moves that will advance careers and offer good financial upside. Candidates are demanding salary increments (15-20% minimum) in order to entice them to leave their current employer to join a new company in less buoyant market conditions. They do not want to be the last in, first out.

The biggest recruitment challenge continues to be finding multi-lingual candidates with requisite level of experience in banking and financial services. The candidate pool opens significantly if clients are willing to consider candidates from agency backgrounds with relevant banking client exposure and/or candidates from insurance backgrounds.



About Ambition



Ambition is an Australian-listed recruitment firm specialising in a select number of disciplines, including accounting & finance, operations and sales & marketing. Our coverage includes Hong Kong, Singapore, Australia and Britain.

Did you know?

- Our Hong Kong business has been in operation since 2001 and we employ around 40 people.
- We are not obsessed with being the biggest recruitment company but we are determined to be the best.
- We have carefully built a team who believe in our values: Passion, Respect, Integrity, Teamwork and Excellence.
- A significant proportion of our clients and candidates are introduced to us via personal recommendation.
- We believe it is our job to select a short-list and our client's job to select the candidate. To this end, we always focus on quality, not quantity.
- Our senior management team believes in being visible with clients and candidates.

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