



Recruitment Market Trends
Mid Year 2008

Commerce & Industry
Hong Kong

ambition

Contents

Introduction	Page 2
Market Overview	Page 4
Commentary on Specific Markets	Page 10
Accounting	
Internal Audit	
Sales and Marketing	
About Ambition	Page 12

Introduction

The first six months of 2008 have shown somewhat different trends as compared with the same period last year. Whilst our clients within the commercial sector remain upbeat and work flows appear perfectly satisfactory, there is considerably more uncertainty about the future.

In a snapshot, the outlook for Asia is positive yet cautious and visibility is somewhat limited which has created some concern within the ranks of 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 strong in most sectors. The impact of a US recession will have repercussions for our clients notably in the manufacturing sector as markets such as China rely so heavily on their exports being propped up by US consumer spending.

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 in 2008.

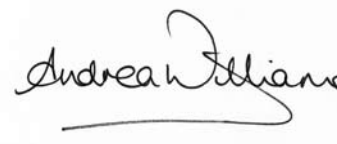
On a positive note, Hong Kong's GDP in the first quarter of 2008 was 7.1% compared with 5.5% for the same period last year which is still respectable in the context of other developed economies. Unemployment in Q1 2008 was at 3.4% and for the corresponding quarter last year was 4.3% so this is also under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

Skills shortages have not been alleviated and demand for talent remains a headache to employers. Indeed, many senior managers in Asia still place it at the top of their list of factors limiting growth. The only positive for our clients to take from all this is that salary inflation may be dampened slightly if demand for talent does retreat for a sustained period.

All in all, it has been an encouraging start to 2008. Underlying sentiment is still good and whilst hiring may not change significantly through the second half of this year, all the signs are there for a promising 2009 and beyond.

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 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 certainly 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 hiring decision.

The Bar Has Been Raised

In order to take on the cost of hiring a new headcount, 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 criteria but today any candidate falling below expectations in a hiring process 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 in sectors with a great reliance on the US market may seek to change employers in favour of safer havens. This is still playing out and it will be interesting to see if it has a significant impact in Hong Kong.

An Opportunity for Contractors

Whilst the commercial sector hasn't seen any real incidence of hiring freezes, managers increasingly choose to opt for interim measures on a 'try before you buy' basis. As a contractor's employment cost does not sit on an organisation's payroll nor does it impact headcount, outsourcing this to recruitment firms such as Ambition which has a capability in this area is an attractive option. Contracting is applicable up and down the experience scale and the accounting discipline is one of the most developed in this area. Candidates, especially at the senior end, are becoming more aware of this as a potential option when looking for new roles.

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 the financial markets particularly in the US and the UK. However, as of yet, we haven't seen any evidence of job losses within the commercial sector. Cost control will continue to be high on the list of priorities and so it is not inconceivable that we might experience some redundancies in more cyclical industry sectors, but signs do not yet point in that direction.



" In order to take on the cost of hiring a new headcount, organisations seek to justify this need by ensuring they hire a top grade candidate."

Market Overview

Bright Spots

Hong Kong is an important market for services companies which continue to be upbeat and the legal, management consultancy and accounting firms in particular continue to expand. The property sector has clearly been a beneficiary of late as commercial landlords have cashed in on major hikes on office and residential lettings.

* For commentary on the Banking & Financial Services markets, please see Ambition's report on this sector.

Uncertainty About Overseas Candidates

Hiring from overseas in the commercial sector has never been widely practiced and this has remained the case in early 2008. Requirements continue for Cantonese and/or Mandarin speakers who are, preferably, in the Hong Kong and China markets and searches overseas are a low priority, making up only 5 to 10% of our assignments. We are still seeing plenty of companies transferring staff internally from other markets and this is often a tactic used when a suitable external candidate cannot be sourced locally.

Returning Chinese candidates remain a target for organisations but middle and senior level candidates are not returning in sufficient quantities to have a serious impact on the market.

Skills Shortages Remain

Whilst there is more caution in the market generally, our clients continue to be plagued by the lack of available talent. Graduate and other training schemes have not increased dramatically versus a year ago when we reported this same issue and there seems to be no major shift in thinking towards this type of investment in people for the future. This seems short sighted but perhaps it is due to public companies being very cost conscious as they are measured heavily by bottom line returns.

Candidate Driven Market

Over the years since we have been producing our reports, we have referred to employer driven recruitment markets, such as in 2001/2002 (where there was a healthy candidate supply) and candidate driven markets such as 2006/2007 (with 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 may 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, there will be more caution on the part of candidates unless there is a very strong 'push' factor to leave their current employers.

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 6% but bonus pay-outs in the early part of 2008 have been reasonably good on the back of a broadly successful 2007. For a number of industry sectors, 2008 promises to be a respectable year so it appears unlikely that bonuses will drop significantly if at all. However, if caution and uncertainty intensifies in the Hong Kong market, it will inevitably put the brakes on generous pay increases other than for the top few per cent.

“ We forecast it to remain a candidate driven market as organisations look to upgrade staff for productivity gains. ”



Market Overview



Property Prices an Ongoing Headache

Last year we reported escalating costs to doing business in Hong Kong and highlighted 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 that have been 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 price levels and shows no obvious signs of abating, mainly due to the lack of new supply. We have seen a steady migration of organisations to lower cost locations including east of Hong Kong Island as well as companies moving to the Kowloon side in search of value. Rising property costs may see Hong Kong's business district extending beyond Central which could 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. The economic arguments of companies moving to Singapore have become less convincing in the last one to two years, but of late, Singapore office rentals appear to have cooled somewhat versus the frenetic increases experienced in 2007. It is therefore hard to predict how much Hong Kong may be impacted by further relocations to Singapore.

Singapore a Popular Alternative

The increased concern about pollution from candidates relocating to Hong Kong continues. Indeed, some executives are reluctant to entertain senior level appointments in Hong Kong for that very reason, particularly those with families. Furthermore, some executives already based in Hong Kong are taking proactive action and engineering a move to other locations for quality of life benefits. However, with increasing costs, Singapore is no longer regarded as a cheap place to live and work so salaries certainly don't stretch as far as they used to which has contributed to wage inflation in that market.

Recruiters Working Even Harder

As market conditions tighten and employers fight hard to retain their best staff, the incidence of job offers being declined, whether in favour of other opportunities or due to counter-offers by current employers, is increasing and this is hampering recruitment consultancies. The first half of 2008 has seen increasing evidence of this. Recruiters are also further impacted by protracted hiring processes as well as assignments being cancelled at a very late stage.

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 challenging but nonetheless busy year. Most organisations' profits are likely to display flatter growth or even a decline and this in turn may filter through to a curtailment in hiring. Whilst a drop in confidence is impacting large corporations, it may also trickle down to consumer spending even though interest rates are relatively low in Asia at the time of writing. Ambition's forecast is for conditions to remain relatively healthy yet somewhat uncertain for the remainder of 2008.



“ Ambition's forecast is for conditions to remain relatively healthy yet somewhat uncertain for the remainder of 2008. ”

Commentary on Specific Markets

Accounting



Whilst many corporations are voicing caution about general market conditions and how this may impact their recruitment plans, the first half of the year has been quite active. Although the levels of recruitment have not reached the high volumes of last year there continues to be a steady flow of demand for accounting professionals. This has been particularly so at the junior and middle management levels and whilst the senior market has not been as buoyant we have still undertaken a good number of executive assignments. Most notably, perhaps, has been the requirement for newly created senior posts for companies setting up in the region for the first time which perhaps signifies a continued confidence of overseas companies in the Asian market.

Internal Audit

Demand for internal auditors remains high as organisations continue to strengthen their controls in line with ever-stringent corporate governance requirements. Supply, however, remains low particularly for high performing individuals. Historically the Big 4 accounting firms have been the primary source of new talent moving to the commercial sector but during the early stages of 2008 the major accounting and audit firms have demonstrated a steely determination to retain their staff. Big 4 salaries remain high and in many cases qualified external auditors are commanding higher salaries than similarly experienced internal auditors in general industry. Unless the work flow of the Big 4 starts to recede we can expect these firms to continue to fight hard to retain their staff as some will continue to seek new roles to reduce the amount of hours they work.

Sales and Marketing

It was anticipated that 2008 might be a difficult year due to the international market turmoil, however, the first half of the year has had a positive start with a sustained level of recruitment activity and a minimal number of headcount freezes and redundancies.

We have seen a healthy amount of recruitment activity flowing on from 2007 across both business and consumer sectors, with FMCG and the retail world being particularly buoyant. This has extended beyond sales and marketing related positions to include specialisations such as buying managers, as well as merchandise planning and category manager roles.

The telecommunications sector is also actively hiring. We have seen ongoing recruitment and headcount growth driven by customer demand for a wide range of services and a fiercely competitive market. With numerous restructuring and management changes a great deal of activity has been seen for both replacement and new roles.

We have seen a notable slow down in marketing and communications recruitment in financial services, mostly with the investment banks, although we sense this drop in recruitment activity is only temporary as firms are being advised by senior management to hold off replacing headcount by putting in place general headcount freezes on any new recruitment. However in Asia business is strong and we have already seen a slight improvement in recruitment activity over the past month. Retail banks and insurance companies continue to recruit actively.

Recruitment in the media sector has been very active with online and traditional media owners and agencies hiring for sales, marketing and communications roles from the junior to senior end of the spectrum. As usual, there is a shortage of experienced sales professionals while PR agencies continue to struggle to recruit at all levels.



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.

Hong Kong • Singapore • London • Sydney • Melbourne • Brisbane

ambition

Asia

Hong Kong
1202 – 1205 Alexandra House
18 Chater Road
Central, Hong Kong
Tel (852) 3101 3066
Fax (852) 3101 3068

www.ambition.com.hk

Singapore
65 Chulia Street
#39-05/06 OCBC Centre
Singapore 049513
Tel (65) 6854 5600
Fax (65) 6854 5650

www.ambition.com.sg

Australia

Sydney
Level 8, 45 Clarence Street
Sydney, NSW 2000
Tel (61) 2 9249 5000
Fax (61) 2 9249 5050

Melbourne
Level 36, 140 William Street
Melbourne, VIC 3000
Tel (61) 3 8629 1000
Fax (61) 3 8629 1050

Brisbane
Level 7, 410 Queen Street
Brisbane, QLD 4000
Tel (61) 7 3211 9333
Fax (61) 7 3229 3939

www.ambition.com.au

United Kingdom

London (Witan Jardine)
13 Southampton Place
London WC1A 2AL
Tel (44) 20 7404 4004
Fax (44) 20 7404 2865

www.witanjardine.co.uk

(Witan Jardine is a subsidiary
of Ambition)