

Hudson



The Hudson Report

Hiring and HR Trends

Hong Kong

April – June 2008

From great people to great performanceSM

Introduction



The Hudson Report is a quarterly survey of forward-looking employer hiring expectations. The Report in Asia covers Japan, Hong Kong, Shanghai and Singapore and now combines the expectations of over 2,600 key employment decision-makers in these four markets.

Participants in this survey are primarily executives at multi-national firms and were personally surveyed by Hudson consultants familiar with them and their industry sectors.

The Hudson Report receives extensive media coverage and acknowledgment from politicians,

commentators and business leaders. In the years since its release in Asia in 1998, The Hudson Report has established a reputation as a key business and economic indicator, based on the premise that the expectation to increase or decrease staffing levels reflects employers' optimism about their markets.

In total, The Hudson Report now combines the expectations of almost 6,000 employment decision-makers in Asia Pacific from all major industries across a range of organisational sizes.

From great people to great performanceSM

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Key Findings

“Hiring expectations remain high and few respondents believe that a recession is imminent, despite a downturn in the global economy. Recruiting the right talent and retention are still seen as the most critical HR challenges.”

Gina McLellan, Hong Kong Country Manager,
Hudson

Hiring expectations are steady and are still at a high level. In this survey of 740 executives in key business sectors, 57% expect to increase hiring in Quarter Two (Q2) 2008, compared with 58% the previous quarter.

- Expectations are also steady year-on-year: the 57% forecasting headcount growth this quarter compares with 56% in Q2 2007;

- Across all sectors, an overwhelming 80% of respondents do not expect Hong Kong to experience a recession in the next six months;
- Of those respondents who forecast a recession, 64% expect their business to be affected, a lower figure than for any other market surveyed in Asia;
- Freezing headcount is by far the most likely response to a recession, with 84% of respondents across all sectors saying this is the course they would take;
- Hiring the right staff and retaining talent are seen as the most critical HR challenges, being cited by 45% and 37% of respondents respectively.

Permanent hiring expectations

Expectations Remain High

Hiring expectations remain at a high level, with 57% of respondents across all sectors expecting to hire more staff in Q2. This is a very marginal fall from 58% the previous quarter, the smallest decline in expectations of all the markets surveyed in Asia.

IT & T

The IT&T sector reports the highest expectations: 77% of respondents plan to grow headcount this quarter. Much of the demand for IT professionals comes from the banking sector, particularly in the area of risk management. Demand remains strong for technical staff with financial experience.

Legal

Expectations are rising sharply in the Legal sector, where 73% say they will increase hiring, up from 65% in Q1. Many firms are expanding to meet growing demand in China and are looking for lawyers with experience in M&A, Corporate and Capital Markets.

Banking & Financial Services

The Banking & Financial Services sector remains steady, with 59% forecasting headcount growth, almost the same as 60% the previous quarter. Despite some turbulence in global financial markets, the Hong Kong banking sector is still positive and

banks are competing for talent across the board, in the areas of sales, product development and operations.

Media/PR/Advertising

Media/PR/Advertising firms report the sharpest rise in expectations, from 43% in Q1 to 56% this quarter. Many firms finalised their 2008 budgets after the Q1 survey and now have definite plans to grow headcount. Much of the increased demand is for account manager roles.

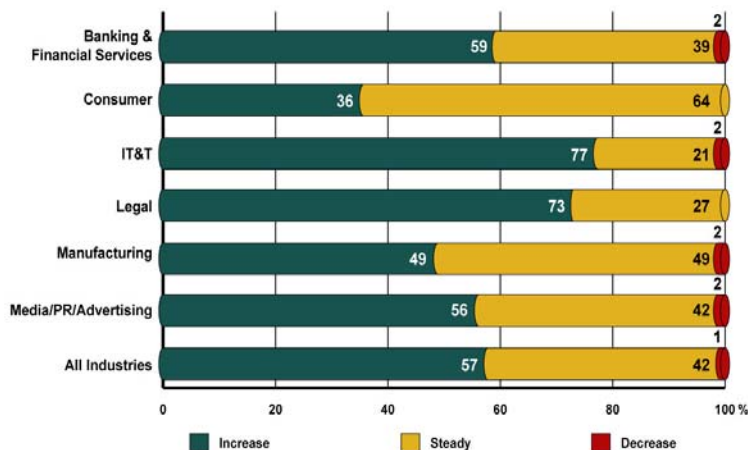
Manufacturing

Expectations are also rising in the Manufacturing sector: 49% of respondents expect to hire more staff, compared with 46% in Q1. Some companies are creating distribution hubs in Hong Kong and Southern China and are seeking logistics and supply chain professionals. Quality assurance professionals are also in demand.

Consumer

Consumer companies report the lowest hiring expectations, with 36% of respondents forecasting increased recruitment. There has been consistent employment growth in this sector for over two years and many companies are now consolidating. FMCG companies are still recruiting sales roles and there is strong demand for hospitality staff in Macau.

Permanent hiring expectations in Hong Kong



Permanent hiring expectations over time

Expectations Steady Over Longer Term

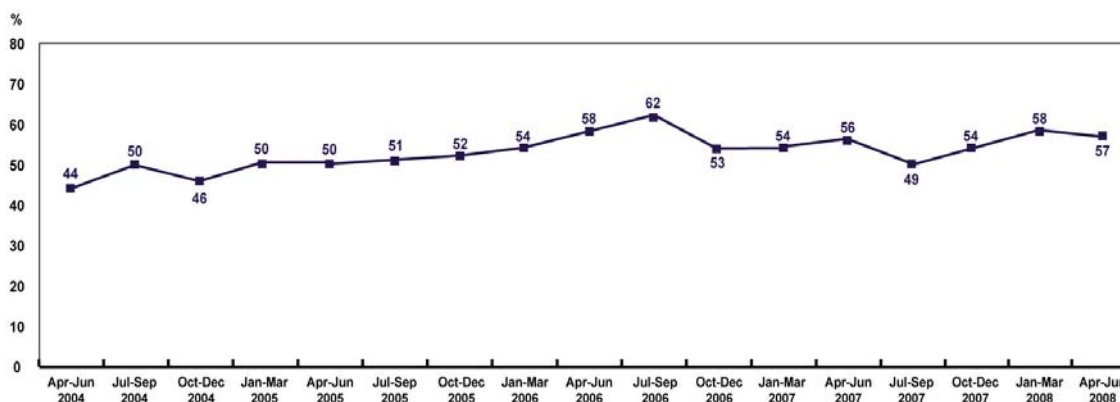
Expectations have also remained steady at a high level over the past year. Across all sectors, 57% of respondents expect to grow headcount this quarter, compared with 56% in Q2 2007. With the exception of Q1 2008, expectations remain higher than at any time since Q3 2006.

The IT&T sector reports the highest year-on-year growth in hiring expectations. Much of the demand for IT professionals is for banking projects.

Hiring expectations in the Legal sector have risen significantly year-on-year. The 73% forecasting increased recruitment this quarter compares with 60% a year earlier. Many organisations are finding it difficult to recruit the staff they need.

The Manufacturing sector reports the largest decline in expectations over the past year, from 57% who said they would recruit more staff in Q2 2007, to 49% this quarter. Uncertainty in major export markets around the world appears to be having an impact on this sector.

Permanent increased hiring expectations over time in Hong Kong



Each quarter, apart from asking about hiring expectations, we select survey topics that indicate how businesses expect to cope with their environment. This quarter we asked about the likelihood of recession and the potential impact on hiring plans, and about critical HR challenges.

Is a recession imminent?

Recession Appears Very Unlikely

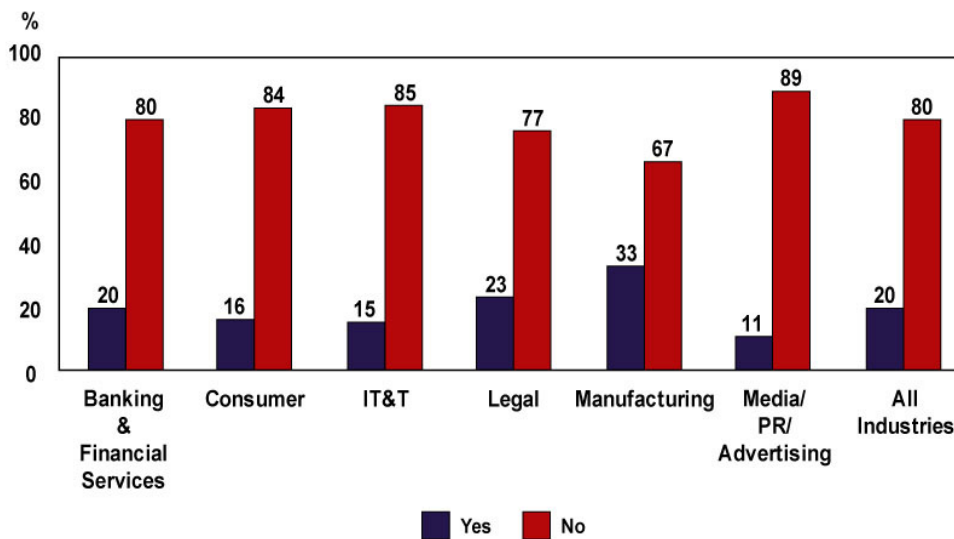
Across all sectors, an overwhelming 80% of respondents believe that Hong Kong will not experience a recession in the next six months. This is the second highest figure for the markets surveyed in Asia, after China.

One-third of respondents in the Manufacturing sector - 33% - believe that a recession is imminent, a higher proportion than in any other sector. Many companies are affected by US economic performance and are cautious about the current outlook.

The only other sector with a higher than average number of respondents forecasting a recession is Legal, at 23%.

Respondents in the Media/PR/Advertising sector are the most optimistic about the economy: only 11% anticipate a recession in the next six months. There is a widespread view that China's economic buoyancy in general and the Beijing Olympics in particular will cushion the effect of any economic downturn.

Hong Kong likely to experience a recession in the next 6 months



Which industries would be affected?

Two-thirds Of Those Who Forecast Recession Think They Will Be Affected

The respondents who expect Hong Kong to experience a recession in the next six months were also asked if they anticipate an impact in their industry. Overall, 64% think they will be affected if there is a recession. This is lower than for any other market in Asia, suggesting that respondents do not expect any recession to be too severe.

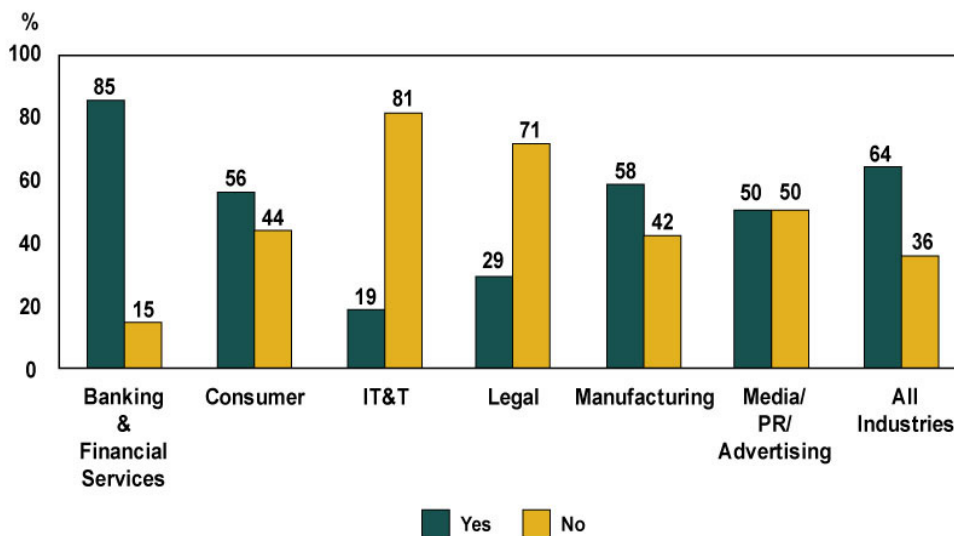
At 85%, the Banking & Financial Services sector has by far the highest proportion of respondents who think their business will be affected. Globally, the financial sector has been hit harder than any other

sector by current problems and banks feel they would be severely affected by any further deterioration.

The Manufacturing sector also has a high proportion of respondents who expect their industry to be hit if there is a recession – 58%. Export-dependent companies are concerned that they will be hit by a continuing downturn in the US and other markets.

A large majority of respondents in the IT&T sector do not expect that their business will be affected by a recession. Less than one-fifth - 19% - anticipate any impact. Most companies expect further growth this year and they believe that the major financial IT projects now being implemented will not be curtailed.

Recession likely to affect your industry



Impact on hiring plans

Big Variations Between Sectors

Across all sectors, 40% of respondents anticipate that their company's hiring plans will be affected if there is a recession. However, there are significant variations between the sectors in their response to this question.

In the Legal sector, 67% of respondents say that their hiring plans would be affected by a recession, a much higher proportion than in any other sector. This is particularly relevant for the major international law firms, whose business is sensitive to the state of the global economy.

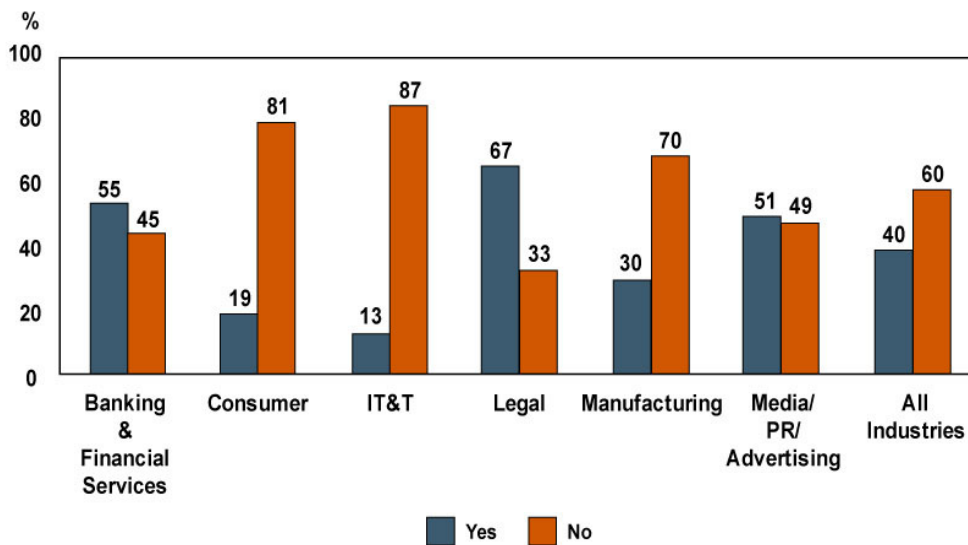
The Banking & Financial Services sector also has a

high proportion of respondents who would change their hiring plans in the event of a recession, at 55%. Banks are aware that their business can be rapidly affected by any decline in financial confidence.

Just 13% of respondents in the IT&T sector say that a recession would affect their hiring plans. Large IT projects are usually developed and implemented over a long period and hiring for them is unlikely to be affected by a short-term downturn.

Respondents in the Consumer and Manufacturing sectors also believe that their hiring plans are unlikely to be affected by a recession.

Effect on hiring in the next 6 months



Action in the event of a recession

Freezing Headcount Is The Most Likely Response

Respondents who say that a recession would affect their company's hiring plans were also asked how their organisation's HR policies would be changed. By a substantial margin, freezing headcount is the HR policy that companies are most likely to implement in the event of a recession. Overall, 84% mention this policy.

The IT&T, Consumer and Legal sectors have the highest proportion of respondents saying they would freeze headcount, at 93%, 90% and 90% respectively.

Freezing salaries is seen as the second most appropriate response to a recession. Across all sectors, 23% say they would take this approach. Most companies would prefer to freeze salaries than cut staff.

Effect on company HR policies in the next 6 months

Industry	Freeze headcount	Freeze salaries	Cut staff	Other	Cut training
Banking & Financial Services	84%	18%	19%	13%	5%
Consumer	90%	24%	5%	14%	10%
IT&T	93%	71%	57%	0%	7%
Legal	90%	15%	5%	0%	35%
Manufacturing	73%	17%	10%	13%	3%
Media/PR/Advertising	79%	50%	14%	11%	18%
All Industries	84%	23%	18%	12%	8%

Critical HR challenges

Recruitment And Retention Are Still the Main Challenges

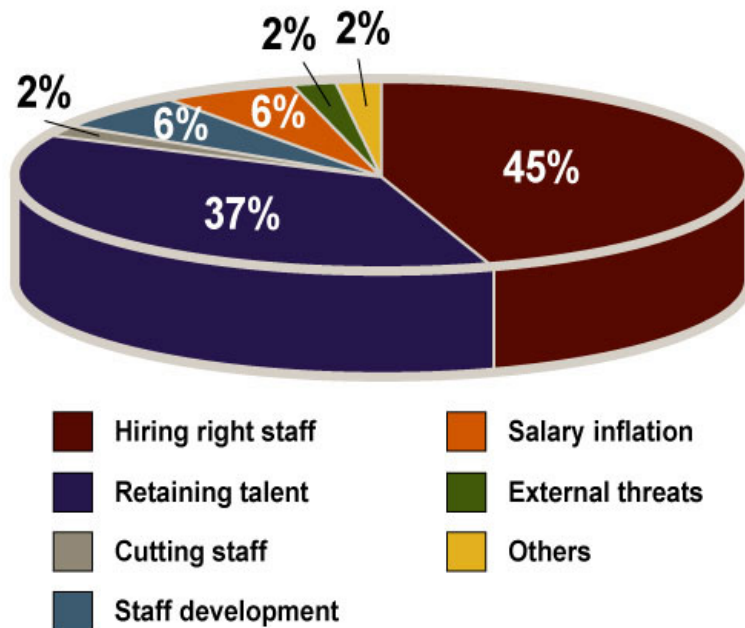
Hiring the right staff and retaining talent are still seen as by far the most critical challenges in the next six months. Across all sectors, 45% of respondents say that recruitment is the biggest challenge, while 37% put retaining talent second. No other HR challenge is ranked as the most critical by more than 6% of respondents.

Just 2% of respondents say that cutting staff is the

most critical challenge. The strong emphasis on recruitment and retention suggests that most employers are still busy and confident about future performance.

Hiring the right staff is seen as a particularly critical challenge in the Legal sector, with 63% of respondents citing this issue. Most top tier firms have very specific requirements in terms of academic record and experience and are reluctant to make compromises to recruit staff.

Critical HR challenges in the next 6 months



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