

Hudson



The Hudson Report

Hiring and HR Trends

Hong Kong

From great people to great performance®

October - December 2008

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 nearly 3,000 key employment decision-makers in these four markets.

Participants in this survey are primarily executives at multinational 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.

Key Findings

"Expectations to hire have dropped the most in Hong Kong out of the countries surveyed and are at a five-year low. However, the proportion of employers who are looking to cut headcount is still low."

Mark Carriban, Managing Director, Asia, Hudson

Hiring expectations have fallen this quarter. In this survey of 862 executives in key business sectors, 32% expect to increase hiring in Quarter Four (Q4) 2008, compared with 42% in Q3.

- Hiring expectations in Hong Kong have fallen the most in Asia this quarter from 42% - 32%;
- Employment expectations are at a 5-year low and

are now at the same levels as in Q4 2003;

- Despite falling hiring expectations, most respondents are optimistic about their company's performance in 2009, with 57% saying it will be good;
- Across all sectors, 40% of respondents say that the level of work-related stress is relatively higher than last year and a further 6% say it is significantly higher;
- Hong Kong's position as a gateway to China is the single most important factor in attracting overseas talent to work in Hong Kong, while the low tax regime and Asia's economic strength are also seen as major attractions.

Permanent hiring expectations

Growing Caution About Hiring

Respondents are becoming more cautious about hiring expectations. Overall, 32% say they will hire more staff in Q4, compared with 42% the previous quarter. However, just 3% of respondents expect to reduce staff levels.

Legal

The Legal sector has the highest expectations, with 54% of respondents planning to grow headcount and none forecasting a reduction. Demand for lawyers with several years' experience in M&A and IPO remains strong and banks that have not been severely affected by the credit crunch, notably from China, are still recruiting for in-house positions.

Manufacturing

Manufacturing companies report a substantial increase in expectations: 43% forecast increased hiring, up from 35% in Q3. Much of this demand is for specific skills, particularly in the areas of quality management, logistics and international compliance.

Consumer

Expectations are also rising in the Consumer sector, where 34% of respondents say they will grow headcount, compared with 31% the previous quarter. Continuing expansion in Macao is boosting demand for staff in hospitality and real estate, while many FMCG companies are recruiting sales professionals.

Permanent hiring expectations (Continued)

IT & T

Among IT&T firms, 34% of respondents forecast increased hiring, down from 45% in Q3. Many companies and banks have put on hold or cut their infrastructure requirements. The result is a reduced workload for many IT companies.

Banking & Financial Services

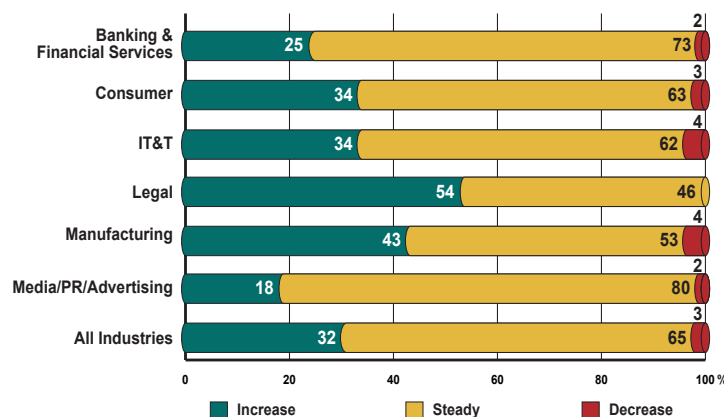
In the Banking & Financial Services sector, the proportion of respondents forecasting headcount growth has fallen to 25%, from 47% in Q3. This is partly due to the decline in M&A activity. However, 73% say that hiring expectations remain steady. This suggests that Hong Kong has been

less affected by the subprime crisis than other global financial centres. Recruitment for front office roles is lower than in recent quarters. More recent developments hint at a challenging 12 months ahead.

Media/PR/Advertising

The Media/PR/Advertising sectors also reports falling expectations, with 18% of respondents saying they will hire more and 80% reporting recruitment will remain steady. Marketing budgets are often the first to be cut in a downturn. However, demand for professionals with digital and interactive media experience remains strong.

Permanent hiring expectations in Hong Kong



Permanent hiring expectations over time

Expectations at a Five-Year Low

Hiring expectations have declined over the past year and are now at the same levels as in Q4 2003. The 32% of respondents in all sectors who expect to increase hiring this quarter compares with 54% in Q4 2007. Despite the economic slowdown, the proportion of employers who will cut staff is still small.

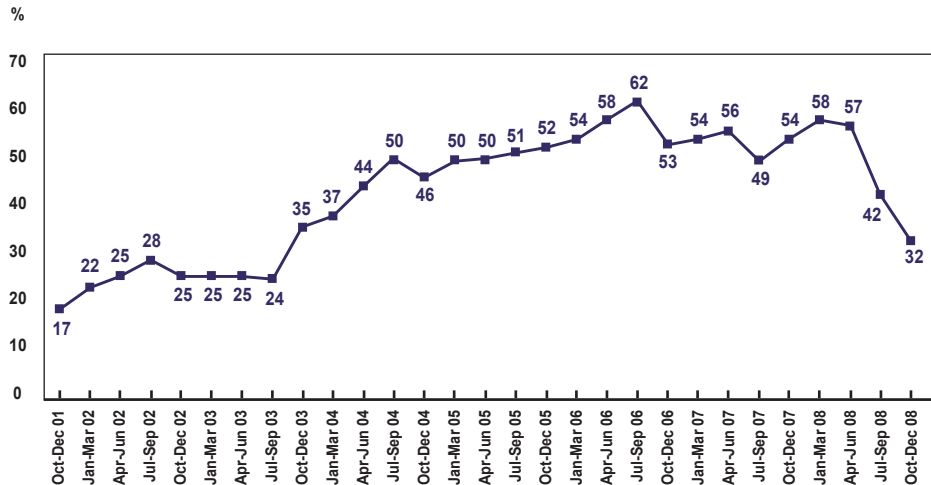
The Consumer sector reports the smallest year-on-year fall in expectations, from 37% in Q4 2007 to 34% this quarter. Consumer spending has remained steady for the past year and is only now starting to level off.

The decline in expectations in the Manufacturing sector is also fairly small: the 43% of respondents planning to increase hiring compares with 48% a year ago. Some companies are recruiting quality and compliance professionals, with the aim of remaining competitive in an increasingly tough market.

Expectations in the Banking & Financial Services sector have fallen from their high level in Q4 2007, when the market was much stronger. As noted, Hong Kong appears more resilient than many other financial capitals and there is still recruitment activity among second tier banks with less global exposure.

Permanent hiring expectations over time (Continued)

Expectations to hire - 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 company performance expectations, work-related stress and what attracts overseas employees to work in Hong Kong.

Anticipated company performance

Some Optimism for 2009

Despite falling employment expectations, respondents appear optimistic about their company's performance in 2009. Across all sectors, 57% anticipate that their company's performance will be good in 2009. Only 5% expect performance to be poor.

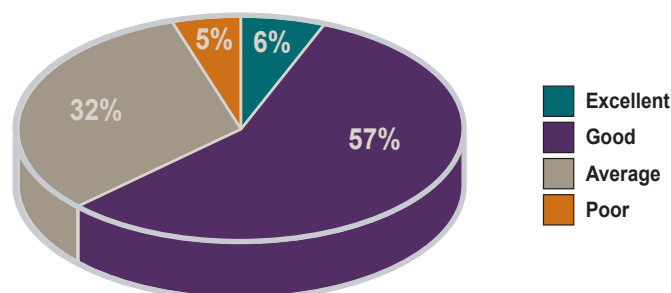
Respondents in the Legal sector are the most optimistic, with 67% anticipating good performance and a further 13% saying it will be excellent. Both are higher figures than for any other sector. Combined with the sector's high employment expectations, this suggests that most legal

firms are currently in a strong position.

Media/PR/Advertising firms also express a degree of confidence about the future: 65% expect their company's performance to be good, despite the relatively low level of hiring expectations. Many agencies expect their workload to grow as clients develop digital media communications strategies.

2009 appears unlikely to be a buoyant year for the Banking & Financial Services sector as the credit crunch continues to be felt. Yet the sector remains optimistic and 58% say that performance will be good.

Anticipated company performance in 2009



Work-related stress

Stress Levels Still Growing

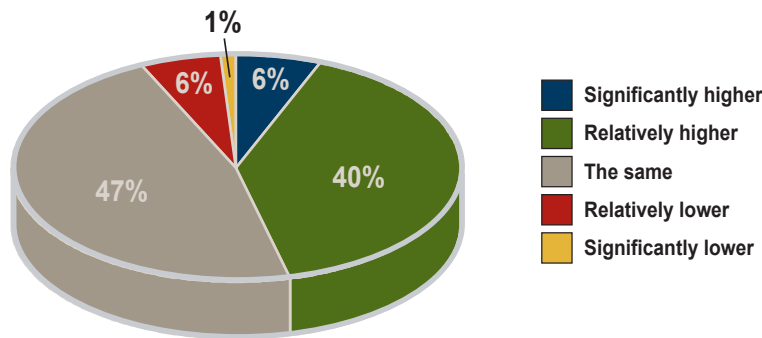
Employers were asked if they have seen any change in the level of work-related stress among employees over the past year. Across all sectors, 40% say that work-related stress is relatively higher and a further 6% say it is significantly higher. Just 1% say that stress is significantly lower and 6% that it is relatively lower.

The rate of increase may be slowing, however. When this question was previously asked, in Q2 2007, 42% said that stress was relatively higher and 8% significantly higher.

The Legal sector reports by far the lowest increase in work-related stress. No respondents state that stress is significantly higher and just 13% say it is relatively higher. This may be due to the fact that the record levels of M&A activity in 2007 have fallen dramatically.

The greatest increase in work-related stress is in the Manufacturing sector: 58% say it is relatively higher and 5% significantly higher. Many employees in manufacturing companies are facing increased regulation and tougher compliance requirements as well as unfavourable market conditions.

Change in level of work-related stress



Causes of stress

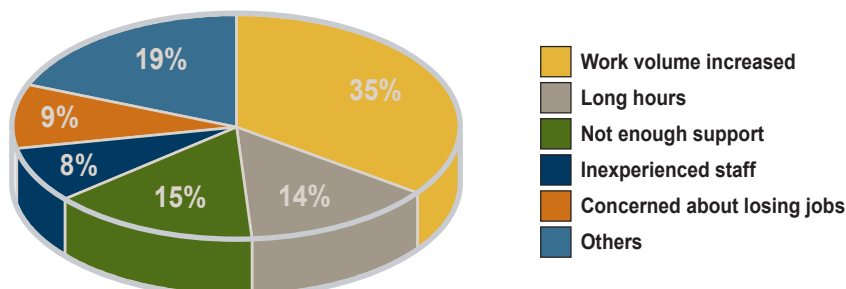
Volume Of Work Is Principal Cause

An increase in the volume of work is seen as the main reason for stress, by a significant margin. Across all sectors, 35% of respondents mention this as a cause of stress, more than twice as much as for any other cause. This is a lower proportion, however, than for any other market surveyed in Asia.

Work volume is seen as particularly severe in the Media/PR/Advertising sectors, where it is mentioned by 37%. Stress is often caused by staff having to meet tight deadlines for clients. This sector also has the highest proportion of respondents saying that stress is caused by inadequate support, at 24%.

Overall, a lack of support is also seen as a significant cause

Causes of work-related stress



Causes of stress (Continued)

of stress, being cited by 15% of respondents. It is a major issue in the Legal sector, where 23% raise this concern. Some firms have reduced the level of support provided by associates.

The proportion of respondents identifying concern about job losses as a cause of stress is relatively low – just 9%

across all sectors. The Banking & Financial Services sector is most concerned about potential job cuts, with 15% mentioning this issue.

Other possible causes, cited by 19% of respondents, include the impact of mergers, the US economic slowdown and increased pressure from clients.

Attracting talent to Hong Kong

Candidates Drawn to China, Low Tax And Buoyant Asian Economy

Respondents were asked what they see as the main factors attracting overseas employees to work in Hong Kong. Its position as a gateway to China is the single most important factor, being mentioned by 22%. The low tax regime and Asia's current economic strength are also seen as attractive: they are cited by 18% and 17% respectively.

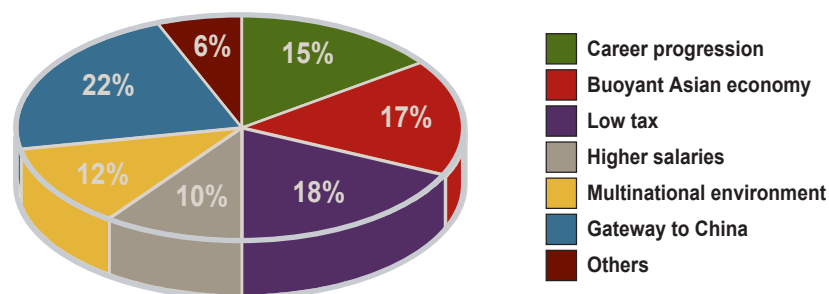
The position of Hong Kong in relation to China is most important in the Manufacturing sector, where it is mentioned by 28% of respondents. CEPA, the free trade agreement

with China, makes Hong Kong an attractive location.

Low tax rates are seen as the most important factors in the Legal and IT&T sectors, with 34% and 27% respectively giving this response. Employees in both sectors have highly valued specialist skills that are in demand around the world. They are therefore in a position to move to favourable tax regimes when seeking work.

Respondents in the Banking & Financial Services sector regard the buoyant Asian economy as the single most important factor: 22% put it first. The difficulties currently being experienced in other financial centres mean that Hong Kong is widely seen as a relatively safe haven.

What attracts employees to work in Hong Kong



This survey was conducted before the most recent events in the global financial markets. Hence the findings may have been affected, especially in the Banking & Financial Services sector.

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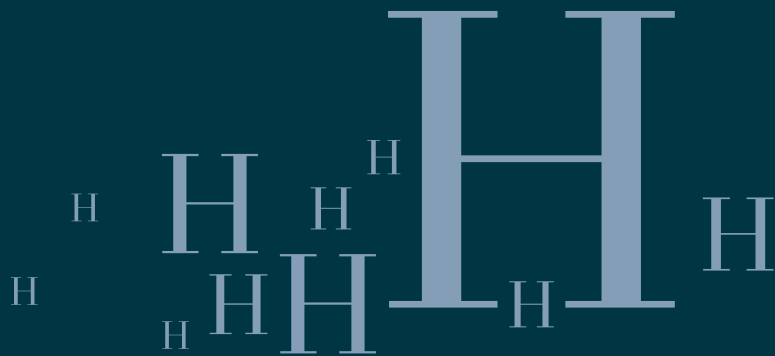
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