



The Ambition Report: Job Market Trends

Mid Year 2009 • Hong Kong

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

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Introduction

During April and May 2009, Ambition conducted a survey amongst its client organisations focusing on Recruitment Market Trends in the second quarter of 2009.

660 Hong Kong based executives were surveyed. This comprised an even spread of accounting/audit, sales & marketing and human resources professionals from 180 companies across 8 industry sectors. The industry sectors were:

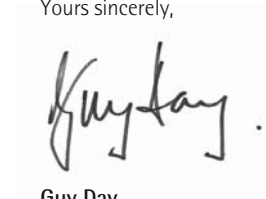
- Banking & Financial Services
- FMCG, Consumer & Retail
- Media
- Manufacturing
- Healthcare
- Travel & Hospitality
- Property & Real Estate
- Professional Services

The survey focuses on three core areas:

1. Business Performance and Market Outlook
2. Hiring Trends
3. Compensation

We hope that you find the results of this survey interesting. Should you have any questions then please do not hesitate to contact me personally.

Yours sincerely,



Guy Day
Managing Director, Asia
Ambition

Business Performance

In Hong Kong, 53% of respondents said their business performance in the first quarter was within their expectation and, encouragingly, 20.9% performed better than expected. Included in those companies performing better than expected were FMCG and retail companies, healthcare and perhaps surprisingly banking & financial services.

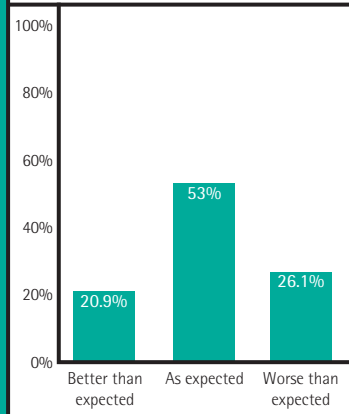
Lower end consumer products and healthcare are generally more robust sectors during a downturn and this has proved to be the case in Hong Kong in the first quarter of 2009. The surprise appearance of financial services has been reinforced by subsequent earnings results and generally improved sentiment across the banking sector.

Although the banking & financial services sector's fortunes appeared to be slowly improving, it is still a reasonably fragile market and hiring within the banking sector is a fraction of what it was 12 to 18 months ago.

Among those 26.1% of respondents whose business performance worsened, most were from manufacturing, property & real estate, travel & hospitality and media. This should come as no great surprise with these sectors being heavily buffeted by the global turmoil.

If we look at each of these four sectors in order, they have all been feeling the pain. Exports from Asia have collapsed, property sales and values have come under severe pressure even though there have been some exceptions to the rule. Consumers are curbing discretionary spend and advertisers are spending substantially less in print media with a considerable shift to online. The financial performance of these companies has inevitably flowed through to hiring which can best be described as sporadic with a more common trend towards downsizing or headcount freezes.

How did your company perform during Q1 2009?



“Although the business environment is currently challenging, it was generally felt that we were at or weren't too far off a bottom.”

Market Outlook

When asked about the outlook for business performance, 37.8% of respondents predicted their business would contract during the remainder of 2009 but 36.1% felt they would maintain 2008 performance levels. 26.1% of respondents were more confident and expected growth in the next two quarters. The majority of companies anticipating growth were in FMCG, retail and healthcare.

Although the business environment is currently challenging, it was generally felt that we were at or weren't too far off a bottom. The majority anticipated there will be an upturn and some form of market recovery in 2010, and 22.2% were confident this would happen in the last quarter of 2009.

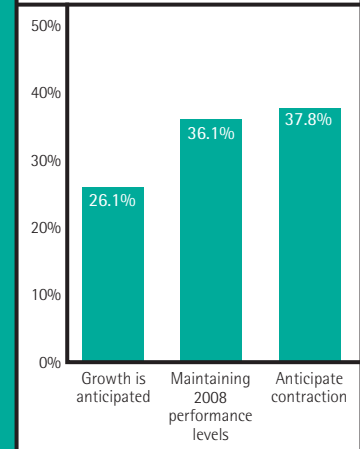
Ambition found that there is considerably more optimism in the recruitment market at mid-year versus Q1 2009. We believe recruitment sentiment has bottomed out and that most of our client organisations are now looking to their people strategies with a view to capitalising on future growth as opposed to grappling with their employment cost base. That said, the consensus is that 2009 will be a very tough year indeed and it won't be until 2010 that we see any form of recovery.

40.4% had no solid plans to expand across the different functions of their organisation. However, those that were expanding expected sales/business development and marketing to lead the way followed by accounting and other support functions such as human resources and IT.

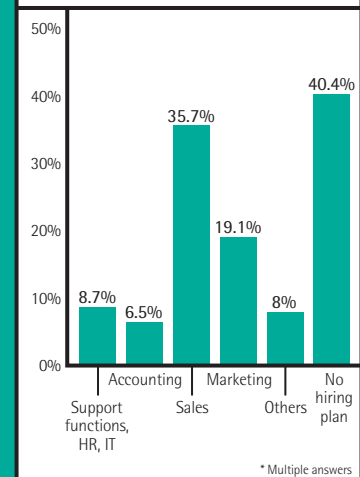
In difficult economic conditions organisations focus on ways to maintain or grow revenue as well as cut costs so this explains why companies are still open to hiring front line sales people. Marketing budgets have been slashed but there is still spend going into digital media so this would account for marketing recruitment faring reasonably well. Indeed Ambition's Sales & Marketing job flow is strong relative to the finance world.

Traditionally, support functions and any other pure cost centres come in for greater scrutiny but the demands placed on accounting functions in the current climate are greater than ever so now is not the time to be significantly under resourced.

What is the outlook for your business for the remainder of 2009?



Which functions within your business do you see expanding in 2009? *



“Even though the unemployment rate has continued to climb, half of our respondents said they will hire people in Q2 2009.”

Hiring Trends

Hiring Challenges

Over the next 12 months, the top three challenges organisations were most likely to face when recruiting were:

1. Budget constraints
2. Obtaining headcount approval
3. Uncertainty in the business outlook

Other difficulties included the lack of qualified candidates, increased turnover and too many applicants to screen through. Some respondents cited that high calibre candidates are reluctant to change jobs and others stressed the need to manage candidates' salary expectations.

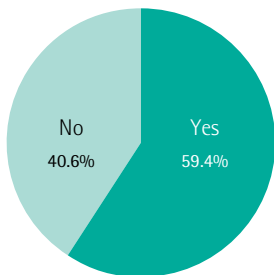
Although we have seen the candidate pool increase substantially in the last 6 to 9 months, specialised positions remain very difficult to recruit. There are some excellent people who have become available in the market and the assumption that out of work candidates are lower calibre is fundamentally flawed in many instances. In 2009, Ambition has placed a good number of candidates who are out of work due to redundancy. Some represent very reasonable value for money as their salary expectations may be lower than if they were in a job. There is also the added attraction to hiring them as they can start immediately and might even consider contract roles.

Hiring Overseas Candidates

The main concern for the 40.6% of respondents who wouldn't consider hiring overseas candidates even if they couldn't identify a suitable one locally, surrounded budget limitations and the lack of Chinese language skills if the role needed to cover the China market. However, 59.4% were receptive to overseas candidates but largely for senior positions only and where candidates were willing to work on local package terms.

In the vast majority of instances organisations will favour a candidate based locally. It is just far simpler logistically and is often cheaper. That is an ideal scenario and more senior positions are extremely challenging to fill in the local market. Furthermore, as a general rule, the more senior the role, the less critical the need for Chinese languages. They tend to be desirable as opposed to mandatory. The Banking & Financial Services sector is far more open to overseas candidates than companies in commerce and industry.

Would you consider hiring overseas candidates if you can't identify a suitable one locally?



Contracting Staff

Contracting staff have become a popular alternative to control fixed costs. 42.4% of respondents were willing to consider hiring contracting staff and 20% even intended to maintain their headcount numbers for contracting/temporary staff. It was surprising to see that 37.6% of those surveyed were unwilling to consider contracting/temporary staff and, to a large extent, we put this down to a lack of familiarity with the concept. We felt that those who had used it successfully before would almost always be willing to use it again.

Contracting is an active market at present. As companies realised the full extent of the financial crisis and its spillover into the real economy in Q4 2008 and Q1 this year, contract staff were very exposed and often laid off ahead of permanent employees. However, now we have seen the worst of company downsizing, businesses are once again actively looking to hire contract staff as they represent a variable and not a fixed payroll cost. Offering fixed term contracts to out of work candidates can be an obvious choice as it represents an opportunity to 'try before you buy'.

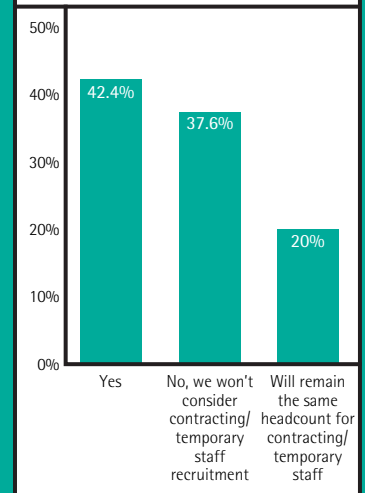
Hiring

Even though the unemployment rate has continued to climb, half of our respondents said they will hire people in Q2 2009 across most sectors.

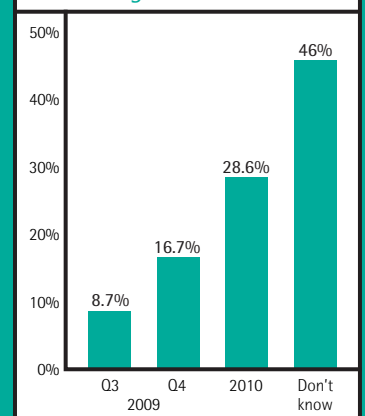
Among those who didn't hire new staff in Q2, 25.4% expected hiring activity in the next two quarters with 28.6% saying they had hired again in 2010. 46% couldn't make a forecast due to limited visibility.

Despite a challenging recruitment market, there is a surprising amount of activity out there. We are at, or moving towards, the end of the redundancy cycle and companies are now looking at up-skilling. Sadly this is replacement recruitment and not new headcount so this is why the unemployment rate will continue to climb. Although there are clearly instances of companies hiring new headcount, it's not the norm and we're probably another 6 months away from entering the final phase of the cycle which is the return to more buoyant conditions and a genuine trend of new headcount being created. However, there are definite exceptions to this rule, but they are in the minority.

In the next 12 months, do you expect to use contracting / temporary staff?



If your company didn't hire in Q2, when do you think you will hire again?



Compensation

Salary and Annual Bonus

Overall, nearly 60% of respondents' companies did not give a salary increase for 2009 but 72.4% still received annual bonuses for the 2008 financial year. Those who have been lucky enough to command a salary hike will mostly receive up to a 5% pay rise. Few companies offered more than a 5% increment but we still found evidence of some companies bucking the trend. Despite the odd generous company offering better than average pay increases, bonuses have taken a beating with most for the 2008 financial year with the range being down from 5% to 50% and on average 20% to 30%. Only a small proportion of respondents received bonuses comparable to last year.

Salary increments for new staff joining companies fell within the 5% to 10% category.

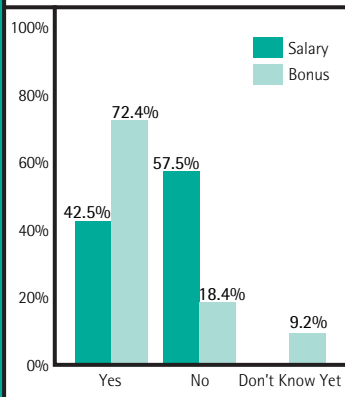
Cost Control Measures

Companies also introduced cost saving initiatives. 43.4% gave no pay increases and 33.3% reduced headcount. 6.1% offered sabbaticals for employees and either mandatory or voluntary unpaid leave. Other possible measures, as cited by the rest of respondents, included salary reductions, headcount freezes, cost control on travel and entertainment expenses as well as curbs on other operating costs.

Anyone receiving a base salary increase in 2009 should count themselves very lucky indeed. With so many organisations cutting headcount (and often salaries) the gloomy situation has had a dramatic effect on retention rates. Those candidates who are gainfully employed have largely kept their heads down and stayed focused on doing the best job possible to secure their employment. Those who have switched jobs have done so only with the security of an attractive pay rise. Candidates who have moved because they fear for their job have taken similar salaries and often less than before.

Few organisations have been willing to flex their muscles and pay above the market rate unless there is a very good reason. The period from November to the end of March was one of the most dramatic fall offs in hiring that the recruitment industry has ever experienced and it will be some time before we return to the heady days of hefty pay increases. That said, Ambition does predict this issue plaguing the recruitment sector again when demand picks up. We have a structural issue in Asia where at certain levels, notably more senior roles it is incredibly hard to find the right mix of skills and experience.

Did you give your staff salary increments for 2009 and an annual bonus for 2008?



Have you conducted any cost saving initiatives in the following areas? *

