

Hudson



April – June 2009



# The Hudson Report

Hiring and HR Trends  
HONG KONG

# Introduction



*The Hudson Report* is a quarterly survey of forward-looking employer hiring expectations. The report in Asia covers China (Beijing and Shanghai), Japan, Hong Kong 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 in February this year by Hudson consultants.

*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.

## HUDSON

Hudson (NASDAQ: HHGP) is a leading provider of permanent recruitment, contract professionals and talent management services worldwide. From single placements to total outsourced solutions, Hudson helps clients achieve greater organisational performance by assessing, recruiting, developing and engaging the best and brightest people for their businesses. The company employs more than 3,000 professionals serving clients and candidates in more than 20 countries. More information is available at [www.hudson.com](http://www.hudson.com).

# Key Findings



*“HIRING EXPECTATIONS ARE NOW AT AN ELEVEN YEAR LOW. FOR THE FIRST TIME, THE HUDSON REPORT SHOWS THAT MORE EMPLOYERS PLAN TO REDUCE HEADCOUNT THAN TO INCREASE IT.”*

**MARK CARRIBAN, MANAGING DIRECTOR, ASIA, HUDSON**

Hiring expectations have fallen again this quarter. In this survey of 612 executives across key business sectors, 14% plan to increase hiring in Quarter Two (Q2) 2009, compared with 18% in Q1 2009. The proportion forecasting reduced headcount has doubled, from 11% in Q1 2009 to 22% this quarter.

- Hiring expectations in Hong Kong are lower than in the other markets surveyed in Asia and are at their lowest since *The Hudson Report* started tracking the market in Q4 1998;

- Across all sectors, 51% of respondents have implemented initiatives to cut HR-related costs in the last six months;
- Headcount reduction and lower bonus payments are the most widely adopted cost-cutting measures;
- Employers are still using a range of channels to find candidates, with direct recruitment and recruitment consultancies being the most popular;
- Companies see open communication and CEO messages as the most effective ways of maintaining staff morale in tough economic conditions.

# Permanent hiring expectations



## HIRING EXPECTATIONS LOWEST IN HONG KONG

Hiring expectations continue to fall. Across all sectors, 14% of respondents say they will hire more staff this quarter, while 22% plan to reduce headcount. These figures compare with 18% and 11% respectively in Q1 2009. For the fourth consecutive quarter, expectations in Hong Kong are lower than in the other markets surveyed in Asia.

### Legal

In the Legal sector, respondents mostly forecast hiring this quarter in areas where there have been lateral moves or internal transfers. There is some demand for specialists in Litigation, Employment and Corporate Restructuring. Recruitment for Capital Markets, M&A and US Securities roles has fallen sharply.

### Manufacturing

Expectations are falling sharply in the Manufacturing sector, where 17% of respondents plan to hire more, down from 28% in Q1 2009, and 29% say they will reduce headcount this quarter. FMCG manufacturing has been less affected by the downturn than luxury goods and there appears to be a sentiment that conditions may improve in Q3 and Q4 this year.

### Consumer

At 80%, the Consumer sector has the highest proportion of respondents who expect hiring to remain steady. Just 5% forecast a decline, a much lower figure than for any other sector. Many companies are taking a cautious approach to

hiring, though there is still some demand for talented candidates with managerial skills.

### Banking & Financial Services

In the Banking & Financial Services sector, 12% of respondents say they will grow headcount this quarter, down from 16% in Q1 2009. Twice as many (24%) say there will be a reduction. The global banking downturn is having a dramatic effect on recruitment and many banks are implementing far-reaching restructuring plans. Professionals with expertise in areas such as Risk and Compliance are still sought after.

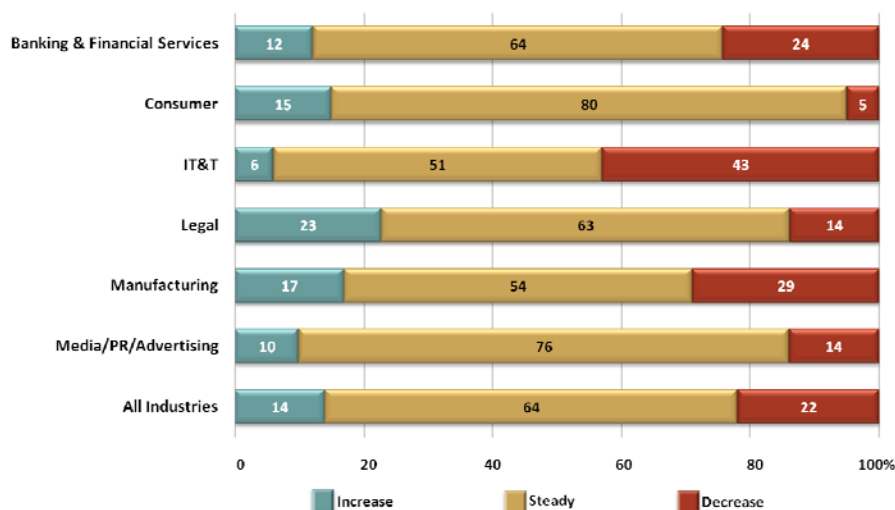
### Media/PR/Advertising

Among Media/PR/Advertising firms, 10% plan to increase hiring in Q2 2009, compared with an exceptionally low 5% in the previous quarter. The proportion of respondents expecting to reduce headcount has fallen from 23% to 14% this quarter. A general shift away from TV and print advertising is boosting demand for professionals in areas that are seen as more cost-effective, including PR and CRM. Demand for interactive media specialists also remains relatively strong.

### IT & T

The IT&T sector reports the lowest hiring expectations and the steepest decline. Just 6% of firms say they will increase hiring, down from 20% in Q1 2009. As in previous quarters, IT for financial services is the hardest hit. However, employers are still hiring for projects in other areas, particularly for projects that will help companies reduce costs, including Software as a Service (SAAS) and outsourcing.

Permanent hiring expectations in Hong Kong



Source: The Hudson Report, Hong Kong - Q2 2009

# Permanent hiring expectations over time



## EXPECTATIONS AT ELEVEN YEAR LOW

After a further substantial fall year-on-year, hiring expectations are at their lowest since *The Hudson Report* started tracking the Hong Kong employment market in Q4 1998. In Q2 2008, 57% of respondents across all sectors expected to increase hiring. The figure this quarter is just 14%. The proportion of respondents forecasting a headcount reduction has jumped from 1% to 22%.

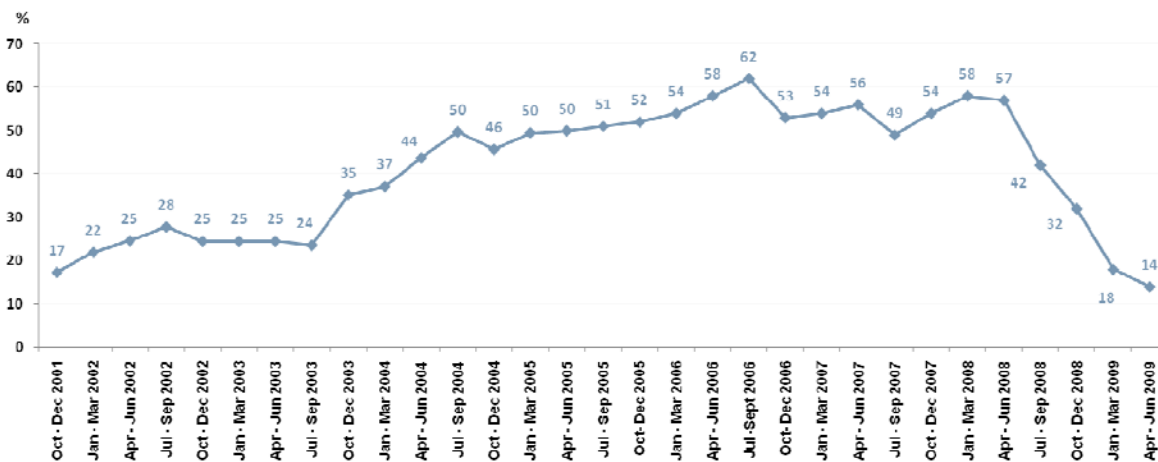
IT&T companies report the sharpest year-on-year fall in expectations, from 77% in Q2 2008 to 6% this quarter. The proportion of respondents forecasting a decline has risen from 2% to 43% over the same period, a much greater increase than for any other sector. IT vendors are heavily dependent

on clients in investment banking and have been severely affected by the financial sector downturn.

Expectations have also fallen sharply in the Legal sector over the past year: 73% of respondents expected to increase hiring in Q2 2008, compared with just 23% this quarter. The proportion forecasting reduced headcount has grown from zero to 14%. A year ago, many firms were actively recruiting lawyers with experience in M&A, Corporate and Capital Markets, to meet demand from China for company listings. This demand has now largely disappeared.

Media/PR/Advertising firms report a year-on-year fall in hiring expectations from 56% in Q2 2008 to 10% this quarter. The first half of 2008 was generally buoyant as the Beijing Olympics had a very positive effect on this sector. Fewer resources are now available for marketing campaigns.

Expectations to hire over time - Hong Kong



Source: The Hudson Report, Hong Kong - Q2 2009

# Cost-cutting initiatives



## FIFTY PERCENT OF EMPLOYERS HAVE CUT COSTS

Respondents were asked if their organisation had implemented HR-related cost-cutting initiatives in the last six months. Overall, the response was evenly divided: 51% said that their organisation had done so, 49% of respondents revealed they had not.

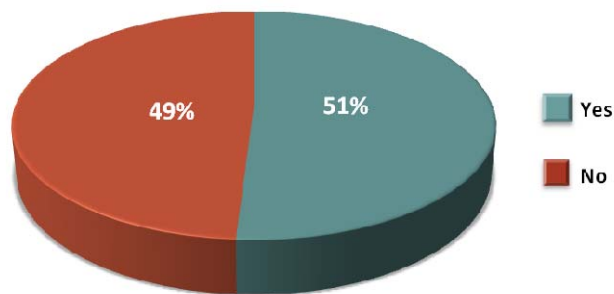
Respondents in the Banking & Financial Services sector are the most likely to have implemented HR-related cost-cutting measures, with 58% saying they have done so. Many banks

are seeking to repair their balance sheets by cutting costs and high staff costs are seen as an obvious target.

The Legal and Media/PR/Advertising sectors also have a relatively high proportion of respondents who say they have cut HR costs – 55% in both cases. Hiring expectations in both sectors are rising this quarter so employers appear to be seeking to cut costs while retaining talented staff.

In the Consumer, IT&T and Manufacturing sectors, fewer than half of those surveyed say they have implemented HR-related cost-cutting measures in the last six months – 47%, 47% and 48% respectively.

Organisations that have implemented cost-cutting initiatives



Source: The Hudson Report, Hong Kong - Q2 2009

# Key cost-cutting measures



## HEADCOUNT REDUCTION IS THE MOST COMMON INITIATIVE

A reduction in headcount is the most widely adopted initiative to cut HR-related costs. Across all sectors, 43% of respondents say they have implemented this measure in the last six months. Reducing bonus payments is also seen as important, with 29% of respondents reporting that they have done so.

Companies in the IT&T sector are the most likely to have cut costs by reducing headcount, with 65% giving this response. By contrast, just 10% and 3% respectively say they have reduced bonus payments and salaries, a much lower proportion than in any other sector.

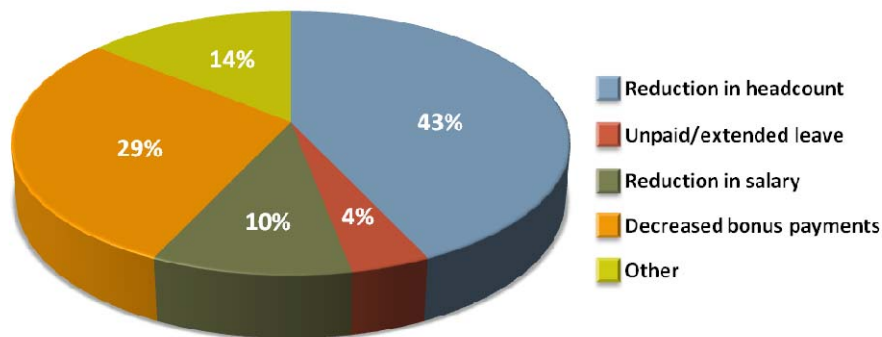
The Consumer sector appears to be focusing on cutting HR costs without reducing staff numbers wherever possible. Just 23% of respondents say they have reduced headcount, much lower than in the other sectors surveyed. But 36% say that

bonus payments have been cut, the highest figure reported by any sector.

Legal is the only other sector where lower bonus payments have been implemented as widely as headcount reductions; 29% of respondents say they have implemented both measures. Unpaid/extended leave and salary reductions have also been implemented by a high proportion of respondents – 21% in both cases. These figures reflect the difficulty of finding good candidates and the high levels of remuneration in this sector.

Other HR-related cost-cutting measures have also been implemented. These include tighter control of travel and entertainment expenses, reduction in overtime work, cuts in training budgets and smaller office accommodation. These 'other' measures are seen as particularly important in the Consumer, Media/PR/Advertising and IT&T sectors, where they have been implemented by 23%, 20% and 19% respectively.

Cost-cutting initiatives implemented by organisations



Source: The Hudson Report, Hong Kong - Q2 2009

# Recruitment methods



## WIDE RANGE OF HIRING METHODS

Respondents have used a variety of methods for recruiting new staff during the last six months. Across all sectors, the most commonly used methods are direct recruitment channels, recruitment consultancies and employee referrals: 29%, 22% and 20% respectively report that they have used these channels. Hong Kong has a higher proportion of respondents using direct recruitment than the other markets surveyed.

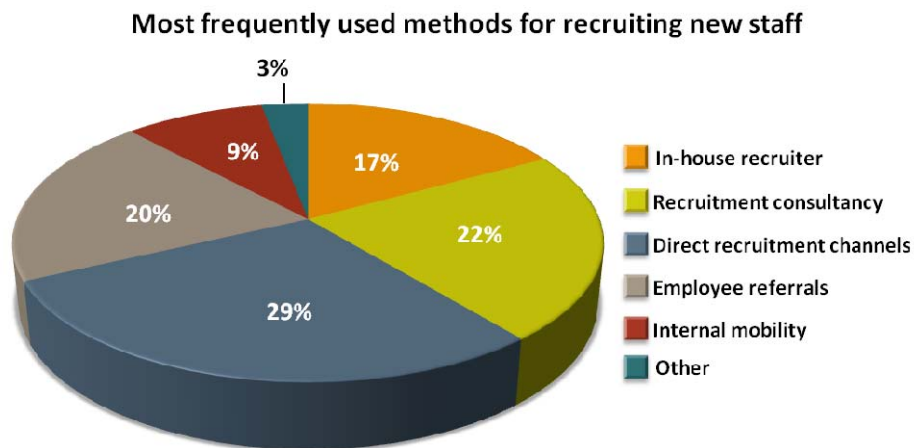
Direct recruitment is widely used in the Manufacturing and Consumer sectors, with 46% and 32% respectively mentioning this method. Both industries make extensive use of direct advertising to find candidates.

Recruitment consultancies are seen as the most important channel in the IT&T, Banking & Financial Services and Legal sectors, where they are cited by 26%, 25% and 25% of

respondents respectively. Consultancies are widely used by companies in these sectors to find high quality candidates with specific skills and experience.

Legal firms make much greater use of employee referrals and internal mobility than those in any other sector, with 31% of respondents saying they have used these methods in the last six months. International firms see internal transfers as a valuable means of retaining talented staff from offices in other countries, rather than making them redundant.

Firms in the Media/PR/Advertising sector are the most likely to use in-house recruiters: 25% mention this method. Employee referrals are also important, being cited by 21%. This tends to be a close-knit business where many candidates are already known to existing agency staff.



Source: The Hudson Report, Hong Kong - Q2 2009

# Maintaining staff morale



## OPEN COMMUNICATION IS KEY TO GOOD MORALE

Companies are taking a variety of measures to maintain staff morale in today's tough economic climate. Encouraging open communication between managers and staff is seen as the most important. Across all sectors, this strategy is mentioned by 26% of respondents. Reinforcement messages from the CEO or senior management are also seen as valuable, with 21% citing this approach.

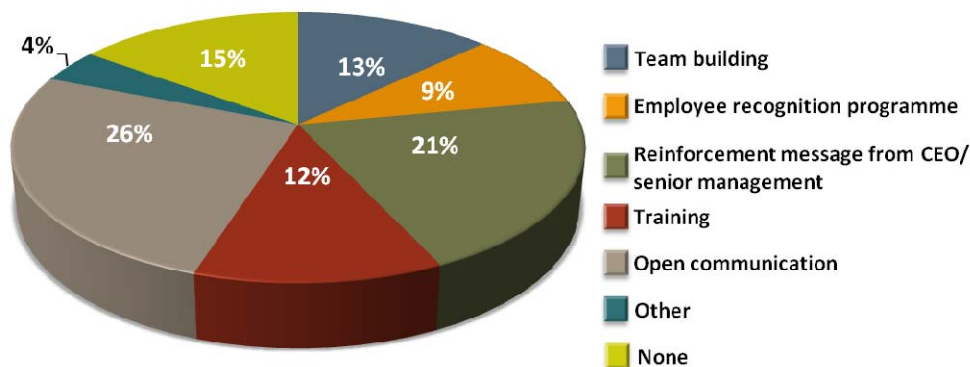
At 15%, Hong Kong has a higher proportion of respondents saying that their company has not taken any steps to maintain staff morale than the other markets surveyed in Asia. Companies in the Consumer, Media/PR/Advertising and Manufacturing sectors are the least likely to have implemented any such measures.

Encouraging open communication is seen as especially valuable in the Manufacturing and Legal sectors, where it is mentioned by 34% and 33% respectively.

Many respondents in the Banking & Financial Services sector are focusing on reinforcement messages from the CEO or senior management, with 26% giving this response. This sector was the first to be affected by the downturn and there has been extensive publicity about potential failures. Reinforcement messages are seen as an effective means of alleviating anxiety in turbulent times.

Hong Kong has the lowest proportion of respondents using training as a means of maintaining staff morale – it is mentioned by just 12% across all sectors. However, Consumer, IT&T and Legal firms attach some importance to training, which is cited by 16% in each sector.

Initiatives to boost staff morale



Source: The Hudson Report, Hong Kong - Q2 2009

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