

Hudson



January – March 2010



# 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), Hong Kong and Singapore and combines the expectations of over 1,500 key employment decision-makers in these three markets.

Participants in this survey are primarily executives at multinational firms and were personally surveyed in November last year by Hudson consultants.

*The Hudson Report* receives extensive media coverage and acknowledgment from 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 nearly 2,500 professionals serving clients and candidates in more than 20 countries. More information is available at [hudson.com](http://hudson.com).

# Key findings



*“THIS QUARTER SEES THE LARGEST RISE IN EXPECTATIONS SINCE THE HUDSON REPORT SURVEY BEGAN. HONG KONG HAS HIGHER EXPECTATIONS THAN THE OTHER MARKETS SURVEYED IN ASIA AND MOST EMPLOYERS ARE INCREASINGLY OPTIMISTIC ABOUT PROSPECTS FOR 2010.”*

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

Hiring expectations continue to rise sharply this quarter. In this survey of over 500 executives across key business sectors, 53% expect to increase hiring in Quarter One (Q1) 2010, up from 35% in Q4 2009.

## KEY FINDINGS

- Hiring expectations in Hong Kong are both higher and rising faster than in the other markets surveyed;
- Across all sectors, 75% of respondents plan to pay discretionary year-end bonuses for 2009;
- The level of bonus payments is rising, with 46% of employers expecting to pay more than 10% of the employee's annual salary;
- Higher salaries and bonuses and mentoring and training programmes are seen as the most effective employee engagement initiatives;
- Overall, 78% of respondents forecast that their organisation's performance will be excellent or good in 2010, almost double the 2009 figure of 40%;
- Respondents in most sectors expect to have to pay higher starting salaries to attract the managerial talent they require.

# Permanent hiring expectations



## EXPECTATIONS STILL RISING SHARPLY

There is a high level of confidence in Hong Kong, as hiring expectations continue to rise rapidly: 53% of respondents across all sectors plan to grow headcount, up from 35% in Q4 2009. Hong Kong reports both the steepest rise and the highest expectations among the markets surveyed in Asia.

### Banking & Financial Services

Respondents in the Banking & Financial Services sector are the most optimistic about employment prospects, with 74% expecting to hire more staff this quarter - a very sharp rise from 43% in Q4. Much of the new hiring is for middle and back office positions, though there is also increasing demand for key front office roles.

### Legal

Expectations are also rising rapidly in the Legal sector: 44% of respondents forecast an increase in hiring, up from just 15% in the previous quarter. None of the respondents expect to make staff cuts. This substantial growth is largely driven by demand for litigation specialists and for lawyers with corporate finance experience, as IPO activity is growing again. In both areas, demand for Hong Kong-qualified lawyers is particularly strong.

### Media/PR/Advertising

Among Media/PR/Advertising firms, 42% of respondents say they will boost recruitment, while none of the participants surveyed forecast a reduction in headcount. Advertising and branding consultancies are actively recruiting for interactive

media roles, with the objective of grooming them for management positions.

### Consumer

Consumer companies are now expressing much greater optimism about hiring prospects, after being hit hard by the economic downturn. The 40% of respondents predicting headcount growth this quarter is more than double the Q4 figure of 17%. Just 1% say they will cut staff. Store managers and retail operations staff are particularly sought after.

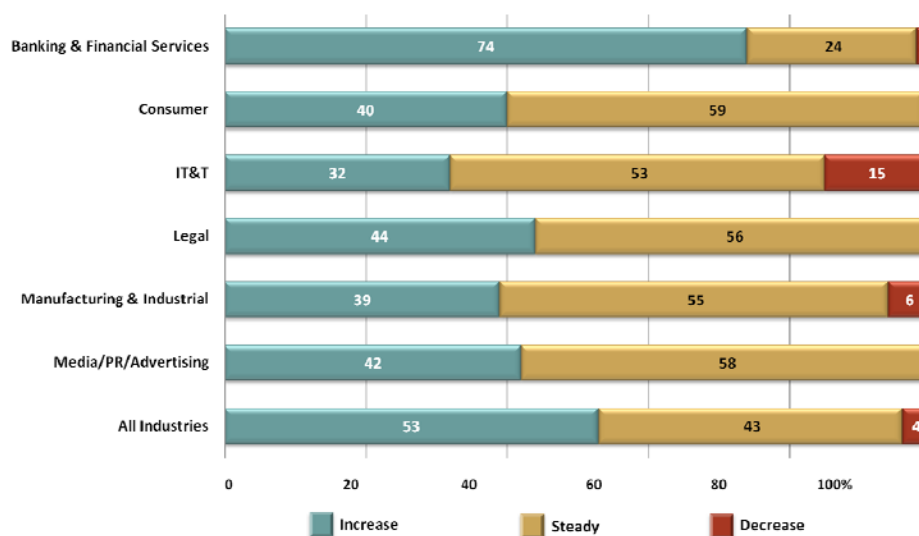
### Manufacturing & Industrial

There is a continuing upward trend in expectations in the Manufacturing & Industrial sector, where 39% plan to boost recruitment. This compares with 29% in the previous quarter. Most hiring activity is in the areas of engineering, merchandising, supply chain and procurement. Companies are starting to hire expatriate candidates again but mostly on local packages.

### IT&T

In the IT&T sector, 32% of respondents plan to grow headcount this quarter. Demand for financial sector IT specialists is growing strongly again in response to the banking recovery and much of this growth is reflected in the higher expectations reported by the Banking & Financial Services sector. The volume of IT business is largely dependent on the confidence of client companies and demand for commercial IT projects has not yet picked up as rapidly as in the financial sector. A recovery in non-financial IT is anticipated later in the year.

Permanent hiring expectations in Hong Kong



Source: The Hudson Report, Hong Kong - Q1 2010

# Permanent hiring expectations over time



## EXPECTATIONS UP ACROSS THE BOARD

A look at the year-on-year change in hiring expectations shows that confidence has risen sharply since Q1 2009. Expectations in all sectors are higher than this time last year, in some cases by a very substantial margin. Overall, 53% of respondents expect to increase hiring this quarter, up from just 18% a year ago. The proportion forecasting staff reductions has fallen from 11% to 4%.

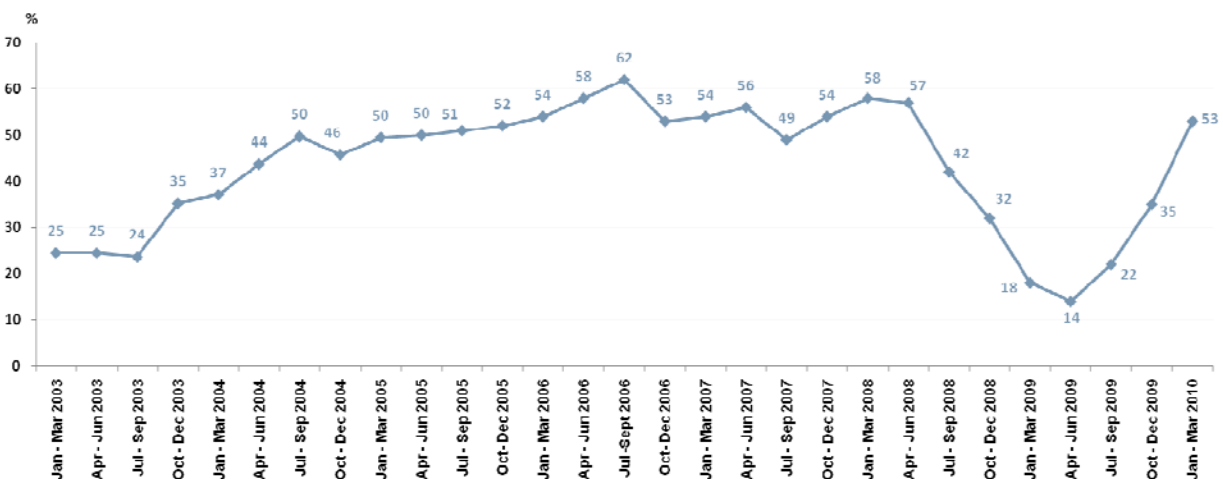
Expectations in the Banking & Financial Services sector have leapt from just 16% in Q1 2009 to a very high 74% this quarter. Most employers in this sector were experiencing significant problems a year ago, in the wake of the collapse of Lehman Brothers. Many firms are now recovering rapidly and the outlook is much more positive.

Employers in the Legal sector are also much more optimistic than they were a year ago. The proportion forecasting headcount growth has jumped from 17% to 44% and none of the respondents expect to reduce staff this quarter. This compares with 11% in Q1 2009. As noted, a resurgence in corporate finance activity is driving recruitment.

A year ago, just 14% of respondents in the Consumer sector expected to hire more staff, as consumers reacted rapidly to the downturn. Now that consumer confidence is growing again, 40% say they will boost headcount.

The longer term picture in the IT&T sector is generally optimistic: 32% of respondents plan to increase hiring this quarter, up from 20% in Q1 2009. Much of the hiring activity in this sector is driven by growing demand for financial sector IT projects.

Expectations to hire over time - Hong Kong



Source: The Hudson Report, Hong Kong - Q1 2010

# Year-end bonuses



## MOST EMPLOYERS ARE PAYING BONUSES

Across all sectors, 75% of respondents say that their organisation will pay discretionary year-end bonuses for 2009, while 25% do not plan to pay bonuses. This is approximately the same proportion as last year.

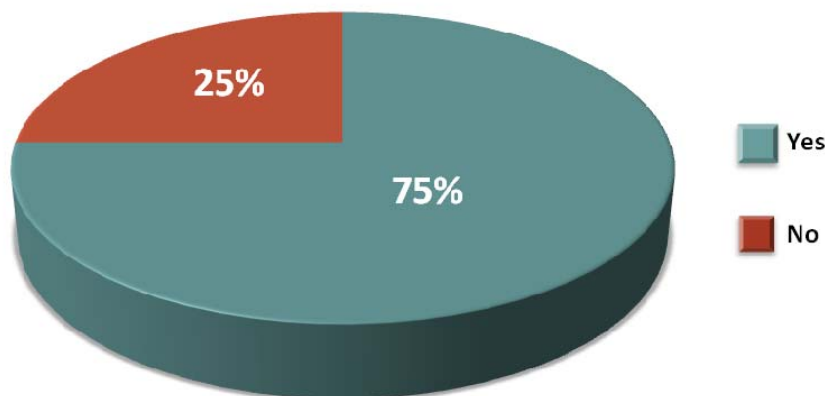
Employers in the Banking & Financial Services sector are the most likely to pay discretionary bonuses, with 85% saying they plan to do so. This is unsurprising as Banking is traditionally a bonus-driven business and the continuing economic recovery means that employers are striving to retain talented staff.

At 77%, the Consumer sector also has a high proportion of

respondents planning to pay discretionary bonuses for 2009. Consumer companies operating in the luxury goods sector are the most likely to pay bonuses, while those in FMCG tend to offer bonuses to sales rather than marketing staff.

Employers in the Legal and Media/PR/Advertising sectors are the least likely to make bonus payments: just 44% and 50% respectively say their organisation will do so. Neither sector has a strong tradition of paying bonuses. Legal firms tend to focus on rewarding professionals with high base salaries, and reserving bonuses for those who exceed their billing (billable hours) targets. Many failed to achieve those targets in 2009.

Organisations paying discretionary year-end bonus in 2009



Source: The Hudson Report, Hong Kong - Q1 2010

# Level of year-end bonuses



## BONUS PAYMENTS ARE RISING

Respondents whose organisations are paying year-end discretionary bonuses for 2009 were also asked about the level of bonus payments. In most sectors payments are likely to be higher than in the previous year, with some employers increasing bonuses significantly. Across all sectors, just 17% of respondents plan to pay 5% or less, compared with 22% at year-end 2008. At the other end of the scale, 46% expect to pay bonuses of more than 10%, while 16% will make bonus payments of more than 20%. The comparable figures for the previous year are 17% and 1% respectively.

As well as being the most likely to pay bonuses, employers in the Banking & Financial Services sector are also offering the highest levels. Two thirds – 66% – say they will pay bonuses of more than 10%, while 31% say that bonuses will be more than 20%. Both figures are much higher than for any other sector. This is also the only sector in which some respondents expect to make bonus payments of 31-40% or over 40%, cited by 9% and 10% of respondents respectively. These levels

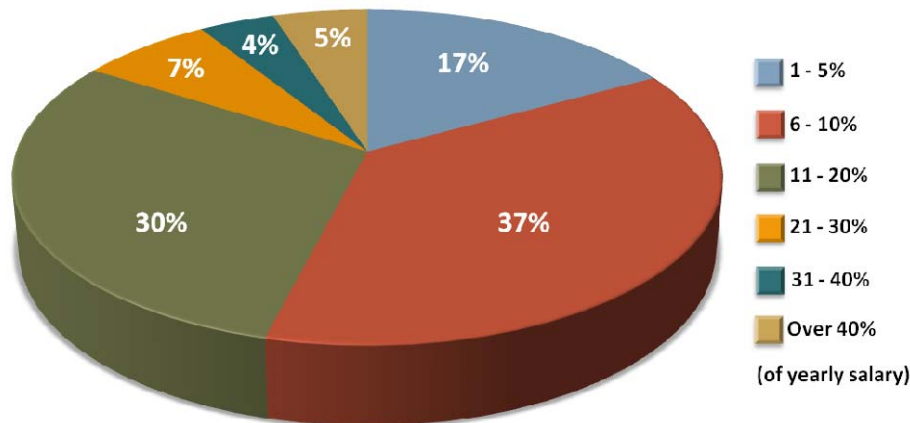
confirm the high priority that employers are giving to the retention of key staff.

Some Consumer companies also plan to make high bonus payments to key employees: 41% say bonus payments will be more than 10%, while 8% expect them to exceed 20%. As noted, the highest bonuses in this sector are likely to be paid to executives in luxury goods firms.

Bonus levels are relatively low in the Legal sector, with 38% of respondents saying they will be 5% or less and the same proportion selecting the 6-10% range. However, some lawyers will receive higher payments: 24% say that bonuses will be more than 10%. Specialists in litigation and corporate finance are the most likely to receive bonuses in this range.

Media/PR/Advertising firms are planning to make the lowest bonus payments, with 67% of respondents saying they will be in the 1-5% range and none forecasting bonus payments of more than 10%. Some managers are likely to receive a thirteenth month bonus, as a reward for winning new accounts.

Range of discretionary year-end bonus in 2009



Source: The Hudson Report, Hong Kong - Q1 2010

# Employee engagement and talent retention



## HIGHER SALARIES AND BONUSES ARE KEY MEASURES

In the light of rising employment expectations, respondents were asked about the measures their organisation is taking to drive employee engagement and retain top talent. Overall, increasing salaries and bonus payments is seen as the most important measure, with 30% giving this response, a higher figure than for the other markets surveyed in Asia.

Leadership, mentoring schemes and training programmes are also seen as important, being mentioned by 24%. Many companies regard such measures as valuable and cost-effective ways of developing and retaining key staff as the employment market continues to pick up.

Increasing salaries and bonuses is seen as particularly important in the IT&T sector, where it is mentioned by 37% of respondents. IT professionals with up-to-date and sought after skills can easily move to companies offering higher pay.

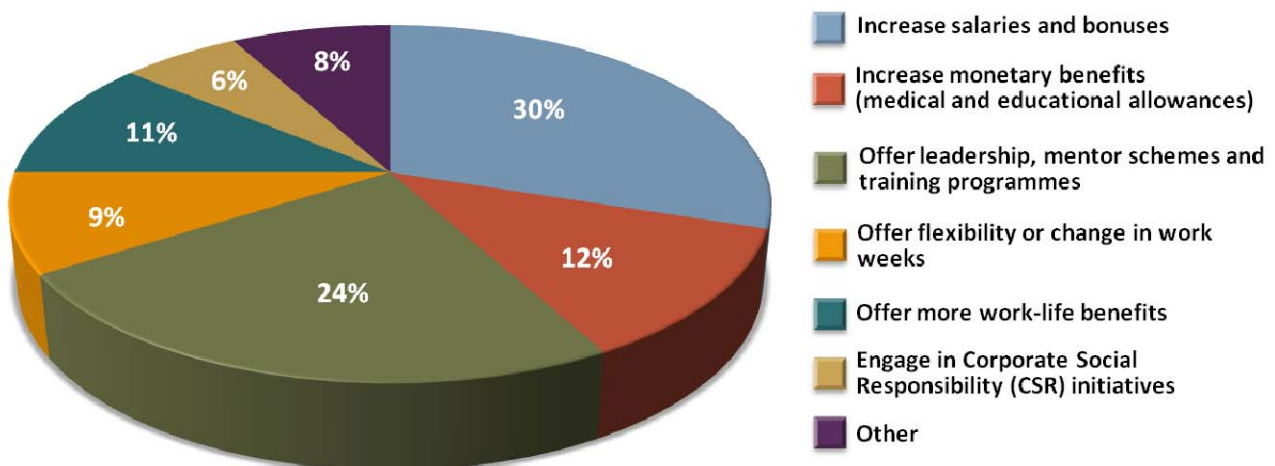
The Media/PR/Advertising and Consumer sectors give the

highest priority to mentoring and training programmes: 33% and 28% respectively give this response. Many PR and Advertising firms are now nurturing in-house talent for senior positions and mentoring initiatives play a key role. Consumer companies take a long-term approach to employment and retain staff by offering them development paths.

Legal firms give high priority to increasing monetary benefits such as medical and educational allowances, with 19% mentioning them, more than for any other sector. This contrasts with the relatively low proportion of respondents citing increased salaries and bonuses – 24%, the same as Consumer and lower than any other sector. Legal professionals are already likely to be well remunerated and tend to look for other benefits.

At 15%, the Banking & Financial Services sector has the highest proportion mentioning work-life benefits as a strategy for employee engagement. Achieving an effective work-life balance is increasingly seen as a top priority in this business.

## Measures to drive employee engagement and retain top talent



Source: The Hudson Report, Hong Kong - Q1 2010

# Company performance in 2010



## HIGH LEVEL OF OPTIMISM

Respondents in all sectors are much more optimistic about how their organisations are likely to perform in 2010 than when this question was asked a year ago. Overall, 78% of respondents forecast excellent or good performance in 2010, while just 1% think performance will be poor. The corresponding figures for Q1 2009 were 40% and 9% respectively. Manufacturing & Industrial is the only sector in which any respondents forecast poor performance in 2010, while respondents in every sector forecast poor performance in 2009.

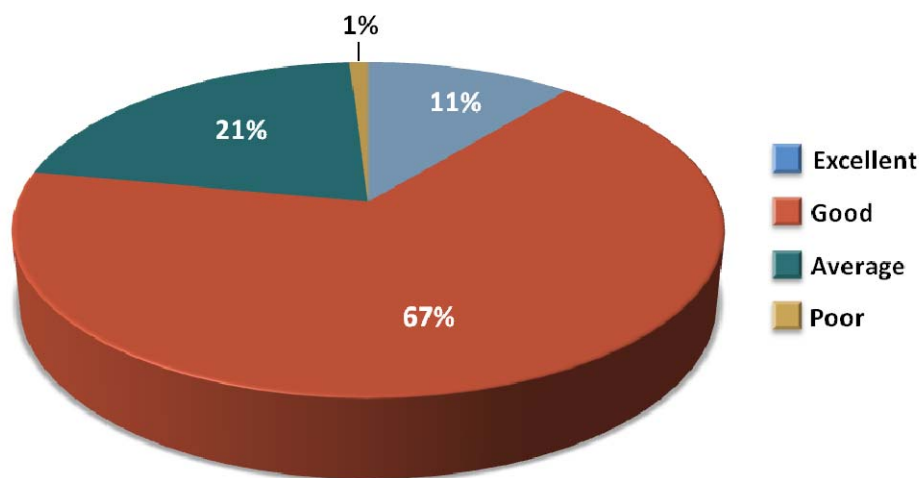
The Banking & Financial Services sector is especially bullish about performance in 2010, with 86% of respondents forecasting excellent or good performance in 2010. This figure is substantially higher than the 41% given a year ago, confirming the continuing strength of the recovery in this sector.

The Consumer sector reports a substantial increase in confidence since last year: 13% of respondents forecast excellent performance, up from 5%, and 69% expect their company to perform well, up from 25%. Consumer spending dropped rapidly during the downturn but is now growing again.

Respondents in the Legal sector tend to take a fairly cautious view. None of the respondents predict that their organisation's performance will be either excellent or poor, though 72% say it will be good. It can take six months or so for improvements in the wider economy to become visible in the Legal sector.

Manufacturing & Industrial companies are the least confident about this year: 7% forecast excellent performance and 52% forecast good performance. These figures represent comparatively small increases from 2% and 50% in 2009. Some companies were severely affected by the downturn and are anticipating a slow recovery.

## Anticipated company performance in 2010



Source: The Hudson Report, Hong Kong - Q1 2010

# Salaries for new managerial hires



## CANDIDATES EXPECTING HIGHER SALARIES

Respondents were asked what salary increase they expect to pay to attract new managerial hires. Overall, most respondents expect to have to pay significant increases to attract the managerial talent they require. Just 19% of respondents expect to pay no increment at all, down from 33% in Q1 2009, while 32% say they will have to pay more than 10%, nearly three times as many as the 11% who gave this response a year ago. Despite these changes over the past year, respondents in Hong Kong still expect to pay smaller increases than their counterparts in the other Asian markets surveyed.

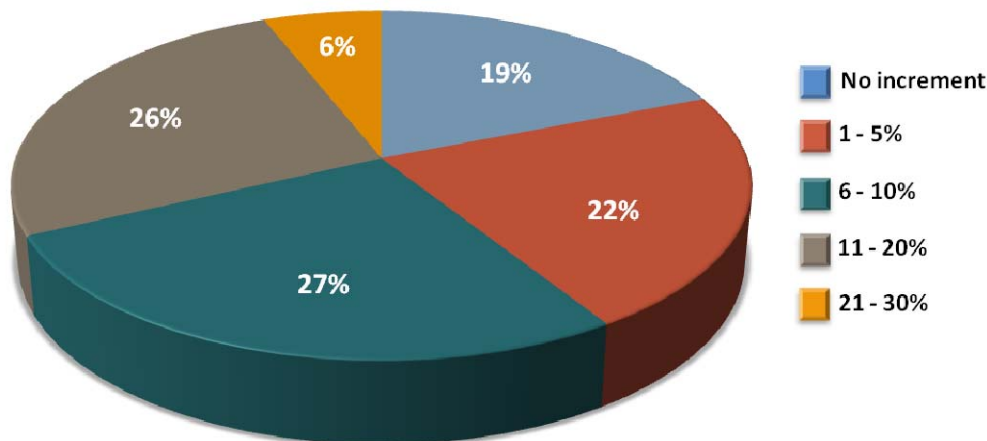
Banking & Financial Services employers expect to pay the highest rises to attract candidates for managerial positions: 52% say increases will be more than 10% and 13% expect rises to be more than 20%. No other sector has any respondents forecasting significant rises of more than 20%. Banks are determined to remain competitive in an increasingly buoyant market.

Expectations for new managerial salaries are rising steeply in the Consumer sector, where 32% forecast increases of more than 10%. This compares with just 7% a year earlier. This jump in starting salary levels reflects the growing expectations in this sector.

At 66%, the Legal sector has by far the highest proportion of respondents who do not expect to pay any increment at all. Many firms use a Post Qualified Years of Experience (PQE) salary scale from which they cannot deviate significantly without an adverse effect on comparative salaries. However, 22% of respondents also say they expect to offer increases of more than 10% to new hires. This is necessary to attract candidates in areas where demand is strong, such as corporate finance.

Projected rises are still relatively low in the Manufacturing & Industrial sector. Just 9% expect to pay rises of more than 10%, while 64% say they will pay no increments or 5% or less. Candidates with international exposure, experience in multinationals and language skills can generally expect larger increases.

## Average pay increase to attract new managerial hires



Source: The Hudson Report, Hong Kong - Q1 2010

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