



EMPLOYMENT MARKET OVERVIEW

Staffing levels in white-collar markets are stabilising after the fall in hiring activity that commenced in the second half of 2008. Our annual employment survey, which this year includes responses from 250 senior managers from leading organisations in the corporate, financial services and public sectors in Hong Kong, reveals 51% of respondents believe their headcount will remain stable over the coming 12 months. A further 34% predict their staff numbers will increase, with only 15% saying more cuts are likely.

These figures substantiate the view that most white-collar employers have already made their deepest staff cuts and are now looking to increase or at least maintain headcount. Business confidence is also increasing and 63% of employers surveyed think trading conditions will improve further by the end of the 2009.

We have seen staffing levels stabilise in recent months as a sense of cautious optimism returns to the market. Most recruitment activity is for replacement hires but we are also seeing new jobs being created, particularly within new and established companies that are focused on business opportunities in mainland China. Multinationals are still recruiting in Hong Kong and activity levels are improving

in sectors such as financial services and consumer products. The frustration for job seekers is that many of the final hiring decisions are made outside of Hong Kong, in global headquarters located in the United States and Europe. This trend has prolonged the recruitment process and job seekers are having to wait longer for the final decision to be made.

Most demand is for permanent staff but there has been a slight increase in contract opportunities, primarily at the administrative level in accounting and for specialist technical skills in marketing, engineering, procurement and supply chain. People who accept contracts in the current market may be offered their roles on a permanent basis as business conditions improve. We respect that employers will want to retain these valuable skills to position themselves for growth during the upturn.

The retention of skills has remained an important consideration despite the deterioration in business conditions over the last 12 months. To avoid staff cuts many companies have pursued alternate strategies of payroll cost reduction. Our employment survey reveals 48% of companies have frozen salaries, 13% have reduced their office rental costs and 7% have reduced working hours.

While employers have been strategic in their approach to retention, many are operating under a misconception when it comes to the ease with which new staff can be recruited. The pool of active job seekers may have increased but in the majority of situations the most talented and well regarded professionals have been retained. These workers remain cautious about changing jobs despite early signs of market stabilisation. To attract them, employers need to offer competitive salaries and demonstrate the role is secure with the opportunity for career growth.

Our forecast for the next 12 months is for a steady increase in hiring activity rather than a sharp recovery. Employment tends to be a lagging indicator and jobs growth will only occur after sustained improvement in consumer and business confidence. The second half of the year is likely to see moderate improvement off a stable base, with new job creation a more realistic proposition for early 2010.

We anticipate salary levels will remain constant or increase marginally for people who remain in their roles. Those who change jobs can expect an average increase of 5-10% although the stability of the role and opportunity for progression are also key consideration points.

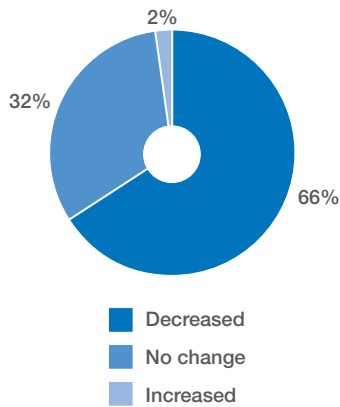
SECTOR TRENDS – FINANCIAL SERVICES

- While we are seeing positive signs, hiring activity has been subdued as the impact of the global financial crisis is still being felt in the financial services sector. The insurance and brokerage sectors have remained reasonably active since the beginning of 2009, while a sense of caution remains within the banking sector overall.
- There are areas of resilience in the market, with compliance and risk management roles remaining in high demand. As the banks face increased scrutiny, it is expected the level of compliance and reporting to regulators will increase. Finance candidates with outstanding technical skills remain in steady demand.
- Most banking and financial services organisations made the bulk of their permanent headcount reductions in the second half of 2008 and quarter one 2009. Hiring activity for full-time staff has remained flat throughout the first half of 2009 but a level of cautious optimism appears to be returning.
- On a positive note, we are beginning to see an increase in contract roles which may indicate the market has leveled out. As an early indicator to improved business conditions, employers will meet increasing workloads with a contingent workforce. This is evident with the banking sector looking to contracting roles to undertake integration projects and as a work around to their headcount issues.
- Salaries have remained static for the year to date. Base salary components are generally flat with few increases. Bonuses have either shrunk significantly, not been paid, or have been deferred in the form of cash and stock. Contrary to the above, we have seen some situations where financial institutions have increased base salaries to compensate for forecast lower year-end bonuses to ensure that total packages allow them to retain their best people. Despite this, candidates looking for employment in the banking and financial services sectors will find that salary packages have been negatively impacted over the last 12 months. Most candidates do have realistic expectations and candidates not working are prepared to be flexible and even willing to take salary reductions of up to 10%.

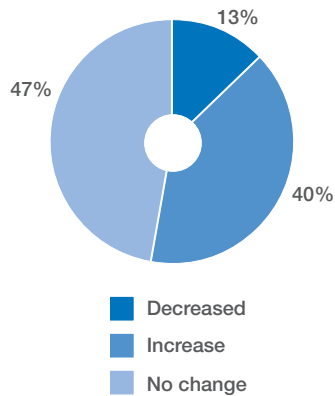


MARKET RESEARCH RESULTS

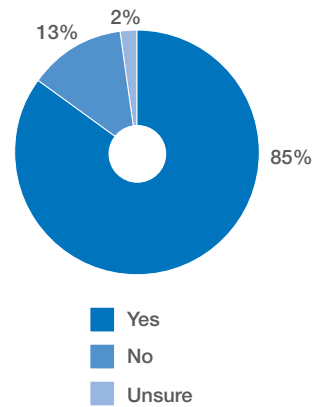
Over the last six months, how has your headcount been impacted by the global economic downturn?



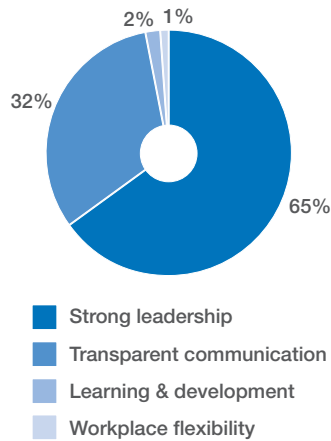
In the next 12 months, how do you see your headcount being impacted?



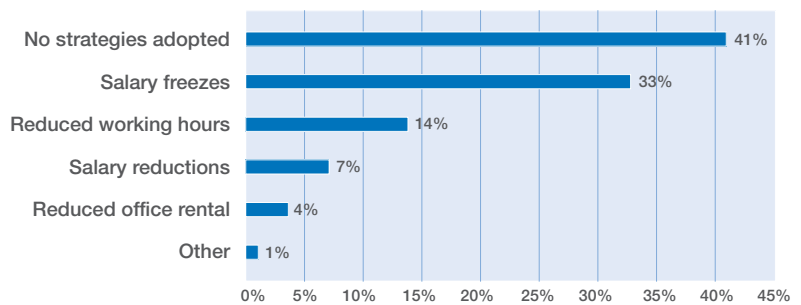
Do you anticipate business conditions will start to improve by the end of 2009?



What employee engagement strategies are proving most effective in the current environment?



What strategies has your organisation implemented to avoid job cuts?





SALARY TABLES

BACK & MIDDLE OFFICE

Experience	HK\$'000
INTERNAL AUDIT – FINANCIAL	
1–3 years	300–500
3–5 years	500–600
5–7years	600–850
7+ years	850+
INTERNAL AUDIT – IT	
1–3 years	240–400
3–5 years	400–600
5–7years	600–840
7+ years	840+
FINANCIAL/MANAGEMENT ACCOUNTING	
1–3 years	240–400
3–5 years	400–600
5–7years	600–850
7+ years	850+
PRODUCT CONTROL & MIDDLE OFFICE	
1–3 years	300–420
3–5 years	420–700
5–7years	700–1 million
7+ years	1 million+
OPERATIONS/SETTLEMENTS	
1–3 years	240–325
3–5 years	325–540
5–7years	540–840
7+ years	840+
COMPLIANCE	
1–3 years	300–600
3–5 years	600–900
5–7years	900–1.2 million
7+ years	1.2 million+
MARKET RISK MANAGEMENT	
1–3 years	300–600
3–5 years	600–745
5–7years	700–1.1 million
7+ years	1.1 million+

ASSET & FUNDS MANAGEMENT

Experience	HK\$'000
INTERNAL AUDIT – FINANCIAL	
1–3 years	300–500
3–5 years	500–600
5–7years	600–850
7+ years	850+
INTERNAL AUDIT – IT	
1–3 years	240–400
3–5 years	400–600
5–7years	600–840
7+ years	840+
FINANCIAL/MANAGEMENT ACCOUNTING	
1–3 years	240–400
3–5 years	400–600
5–7years	600–850
7+ years	850+
PRODUCT CONTROL & MIDDLE OFFICE	
1–3 years	300–420
3–5 years	420–700
5–7years	700–1 million
7+ years	1 million+
OPERATIONS & SETTLEMENTS	
1–3 years	200–300
3–5 years	300–450
5–7years	450–820
7+ years	820+
COMPLIANCE	
1–3 years	300–600
3–5 years	600–900
5–7years	900–1.2 million
7+ years	1.2 million+

Please note:

- Salaries indicated are based on an annual basic salary, excluding bonus/incentive schemes.
- Market rates are becoming much less uniform. While we have taken great care, these salary ranges can only be approximate guides, as there are often specific circumstances relating to individual companies. Please call us for additional information.



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