



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.

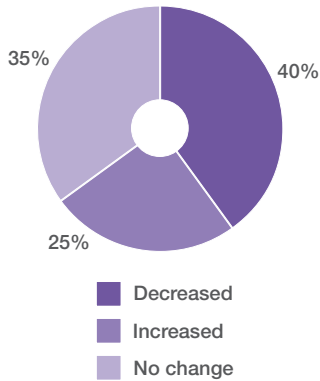
SECTOR TRENDS – HUMAN RESOURCES

- With the impact of the economic crisis affecting all aspects of the Hong Kong market, Human Resource professionals were materially impacted in the first half of 2009. Investment in Human Resource related programs were reduced and the result has been a notable decline in the number of full-time opportunities for generalist practitioners and specialists. As the market stabilises in the second half of 2009, many companies are taking the opportunity to restructure their HR departments to align with a changing business environment, and offer a strategic and business oriented function.
- Most companies remain conservative in regards to recruitment and budgets for new headcount in most organisations remains tight. The demand for in-house recruitment roles has been most dramatically affected. While the level of generalist roles has been in decline, excellent candidates with strong experience in talent management, leadership development and organisation development remain highly regarded in the market.
- There is continued demand for human resources specialists in learning and development and compensation and benefits, with a real shortage of candidates with the required depth of specialist experience. Given the levels of business restructuring and redundancy in the financial services sector, learning and development has become a particular focus for companies now looking at staff retention strategies to maintain talent. Candidates with skills in performance management, talent development, and succession planning remain highly sought after.
- There has been a shift in hiring activity to contracting as employers are targeting specialists in areas for project based roles, particularly in the financial services sector. Sound strategic level human resources consulting skills are required to help companies throughout their business transformation programs and to manage an ever changing environment.
- Salary levels remain flat across the board with modest increases for specialist skills.
- With strong competition amongst candidates, job seekers are often more flexible when negotiating remuneration as they recognise the reality of the current climate.

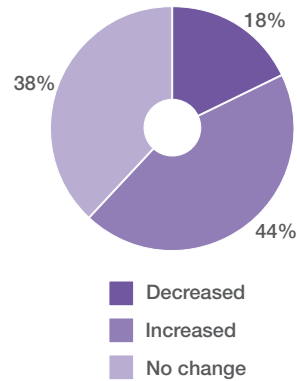


MARKET RESEARCH RESULTS

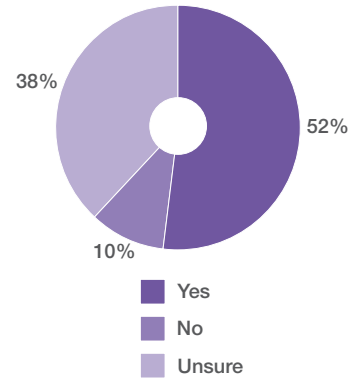
Over the last six months, how has your headcount been impacted by the global economic downturn?



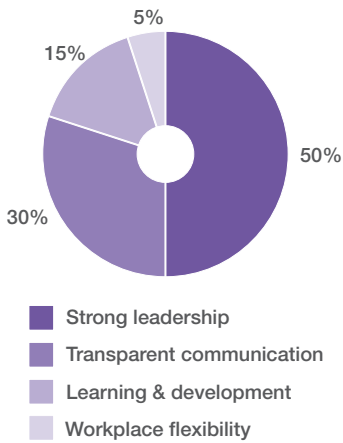
In the next 12 months, how do you see your headcount being impacted?



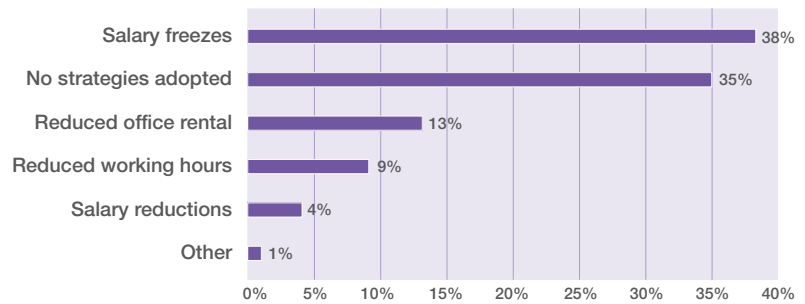
Do you anticipate business conditions will start to improve by the end of 2009?



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



What strategies has your organisation implemented to avoid job cuts?





SALARY TABLE

| Role | Company Size | Experience | HK\$'000 |
|---|--------------|--------------|------------------|
| BANKING & FINANCE | | | |
| Human Resources Officer/Coordinator | All | 3–5 years | 250–400 |
| Training & Development Officer | All | 3–5 years | 250–400 |
| Payroll Specialist | All | 5–8 years | 300–500 |
| In-house Recruitment Specialist | All | 5–8 years | 350–700 |
| Human Resources Advisor/Assistant HR Manager | All | 5–8 years | 400–600 |
| Learning & Development Advisor | All | 5–8 years | 400–700 |
| Global Mobility Specialist | All | 5–8 years | 500–700 |
| HRIS Specialist | All | 5–8 years | 500–800 |
| Payroll Manager | All | 5–8 years | 500–800 |
| Compensation & Benefits Specialist | All | 5–8 years | 500–800 |
| In-house Recruitment Manager | All | 8–10 years | 700–1 million |
| Learning & Development Manager | All | 8–10 years | 700–1 million+ |
| Global Mobility Manager | All | 8–10 years | 800–1.2 million |
| Human Resources Manager/Business Partner | Medium | 8–10 years | 600–900 |
| Human Resources Manager/Business Partner | Large | 10–12 years | 800–1.2 million |
| Compensation & Benefits Manager/Head | Large | 10–12+ years | 900–1.3 million+ |
| Head of Resourcing | All | 12–15+ years | 1.2 million+ |
| Vice President/Director Learning & Development/ Organisational Development | All | 12–15+ years | 1.2–1.5 million+ |
| Human Resources Director/Business Partner | Medium | 12–15+ years | 1.3–1.5 million |
| Human Resources Director/Business Partner | Large | 15+ years | 1.5 million+ |
| COMMERCE & INDUSTRY | | | |
| Human Resources Officer/Coordinator | All | 3–5 years | 200–350 |
| Training & Development Officer | All | 3–5 years | 200–350 |
| Compensation & Benefits Specialist | All | 5+ years | 300–600 |
| Human Resources Advisor/Assistant HR Manager | All | 5–8 years | 350–600 |
| In-house Recruitment Specialist | All | 5–8 years | 350–600 |
| Learning & Development Advisor | All | 5–8 years | 400–600 |
| Human Resources Manager – HK | All | 5–8 years | 450–700 |
| In-house Recruitment Manager | All | 8–10 years | 600–900 |
| Learning & Development Manager | All | 8–10 years | 600–800 |
| Compensation & Benefits Manager | All | 8–10 years | 700–1.1 million+ |
| Human Resources Director – HK | All | 12–15+ years | 800–1.2 million |
| Vice President/Director Learning & Development/ Organisational Development | All | 12–15+ years | 900–1.2 million+ |
| Head of Resourcing | All | 15+ years | 1 million+ |
| Regional Human Resources Director | All | 15+ years | 1.2–1.5 million+ |

Please note:

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



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