



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.

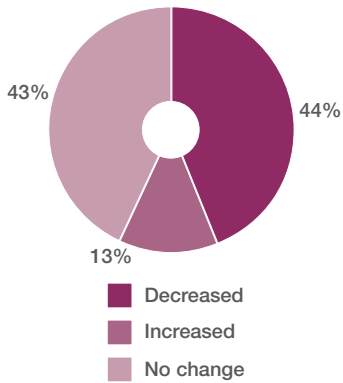
SECTOR TRENDS – RETAIL & SOURCING

- Hong Kong's retail sector has been heavily impacted by the global economic downturn. Hiring activity remains subdued in the aftermath of store closures, shelved expansion plans and the weak trading results of major brands. The position is different in mainland China, where major retail brands continue their expansion. As a result, we have seen opportunities for Hong Kong candidates willing to commute or be based across the border.
- The demand from global retail, manufacturing and trading companies for sourcing skills remains but have dropped when compared to 2007/8. 'Direct buying' offices have been reasonably consistent in their recruitment activity, and there has been increased pressure on many Asian-based sourcing offices to increase volumes and drive down supply chain costs.
- Trading conditions in the retail sector remain fragile because of low consumer and business confidence. Senior management appointments have been relatively scarce and most organisations are concentrating their hiring activity on mid level or replacement roles. At this stage this has not translated into an increase in contracting roles outside of usual seasonal demands.
- Salaries have remained static for the year to date. Base salary components are either flat or slightly down, and bonuses have shrunk significantly. Instead of reducing salaries, some companies have chosen alternative employment cost reductions, such as options for a shorter working week. With the significant impact of large scale redundancies in the Hong Kong retail sector, some companies have asked employees to consider a reduction in salary to protect jobs. Where there are entitlements for bonuses, most are provided on a discretionary basis and at reduced levels to reflect the decline in company profits.
- Candidates are being more flexible in relation to salary packages in the current market and this can be seen as an opportunity for some employers. People who are unemployed will show more flexibility in their salary expectations while those who remain in secure employment are remaining steadfast in maintaining current packages and conditions. Few employees will change jobs in the current climate unless the new role is more secure with the opportunity for career growth or an increase in salary package.

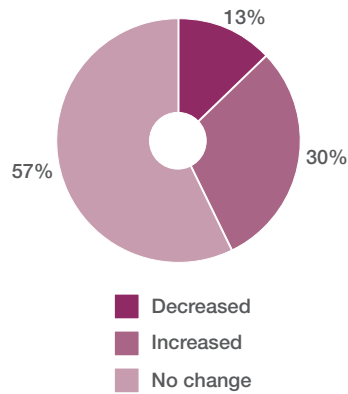


MARKET RESEARCH RESULTS

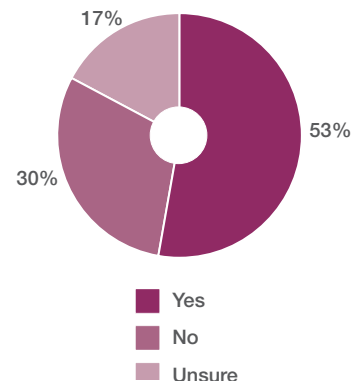
Over the last six months, how has your headcount been impacted by the global economic downturn?



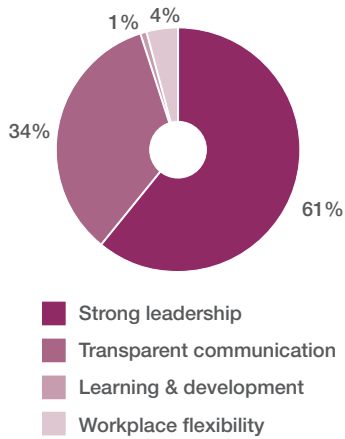
In the next 12 months, how do you see your headcount being impacted?



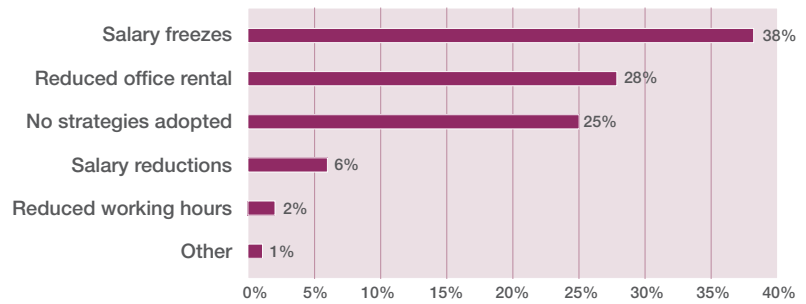
Do you anticipate business conditions will start to improve by the end of 2009?



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	Experience	HK\$'000
RETAIL OPERATIONS		
Retail Operations Manager	7+ years	900–1.2 million
Country General Manager	8+ years	1.1–1.6 million
Regional Retail Operations Manager	8+ years	1.6–2 million
Regional General Manager	10+ years	2–2.5 million
STORE MANAGEMENT		
Visual Merchandiser	3–5 years	150–260
Visual Merchandising Manager	5–7 years	280–500
Store Supervisor	3–5 years	300–400
Store Manager	5–7 years	400–550
BUYING, MERCHANDISING & SOURCING		
Merchandiser	3–5 years	250–350
Assistant Manager	4–6 years	350–450
Manager	6–8 years	500–800
General/Divisional Manager	8–10 years	800–1.2 million
Director/Vice President	10+ years	1–1.8 million
PRODUCT MANAGEMENT		
Product Manager	3–6 years	400–550
Category Controller	6–8 years	550–800
Product Director	10+ years	800–1.2 million
SUPPLY CHAIN & LOGISTICS		
Assistant Manager	2–5 years	250–500
Manager	5–8 years	500–800
Country Manager	8–10 years	800–1.2 million
Regional Director/Vice President	12+ years	1.2–1.8 million
WAREHOUSING, DISTRIBUTION & INVENTORY		
Inventory Controller	4–6 years	350–450
Distribution Manager	5–7 years	450–600
Regional Distribution Manager	8–10 years	600–900
MANUFACTURING & PRODUCTION		
Material Planning & Control Manager	5+ years	300–550
Production Manager	6–8 years	400–700
Factory/Plant Manager	8–10 years	700–1 million
General Manager	12+ years	1–1.8 million
QUALITY, COMPLIANCE & TECHNICAL SERVICES		
Product Technologists	3–6 years	200–450
Manager	6–8 years	450–600
Senior Manager	8–10 years	650–850
Director	12+ years	900–1.3 million
DESIGN & PRODUCT DEVELOPMENT		
Designer	2–5 years	150–250
Senior Designer	5–7 years	300–550
Manager	7–10 years	450–650
Senior Manager	10+ years	600–900
Chief Designer	8+ years	600–900
Director	12+ years	900–1.5 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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