

ENGINEERING & MANUFACTURING
HONG KONG AND CHINA

SALARY SURVEY 07/08

Michael Page
INTERNATIONAL

WELCOME

Welcome to the Michael Page Engineering & Manufacturing Salary Survey for 2007/2008.

The survey provides employers and candidates with useful insights into employment conditions, business confidence levels and recruitment trends.

Our commentary is based on both quantitative and qualitative research across Hong Kong and China.

We wish to thank everyone who contributed to this year's survey and trust you find it helpful and informative. We welcome your feedback and encourage you to contact us for further information or specific market advice.

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INTRODUCTION

High levels of business confidence and positive economic growth in China are changing the regional footprint of engineering and manufacturing companies. In particular, we are seeing a shift in activity and growth from Hong Kong to Southern China as companies relocate or expand operations to capitalise on the buoyant Chinese market.

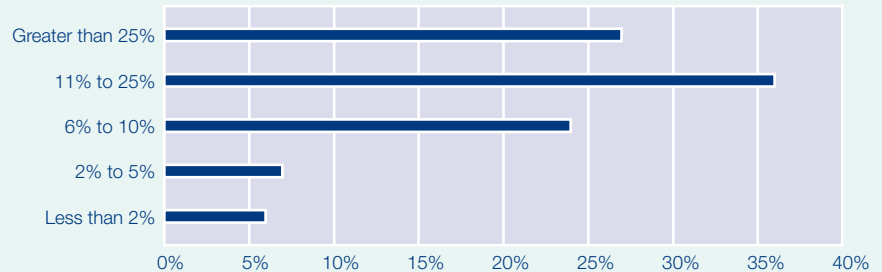
There is a trend in companies setting up or expanding operations in cities like Shenzhen, Dongguan, Guangzhou, Shanghai and Beijing to service the growing market in China for manufactured goods. This is fuelling demand for engineering and manufacturing professionals across various sectors such as electronics, plastics, consumer durables and automotive.

This rapid growth is creating intense competition for candidates. Employers in Southern China are targeting candidates from both Hong Kong and mainland China to meet their ambitious growth plans and candidates willing to commute have a wealth of employment opportunities. Many Hong Kong residents are commuting to Southern China to remain in the sector.

The end result is that while the Hong Kong market continues to demand engineering & manufacturing professionals, the greater employment growth is in China, particularly Southern China. The majority of roles remaining in Hong Kong are senior positions with extensive regional travel required. We predict recruitment activity in China to continue to increase over the next 12 months creating strong competition amongst employers.

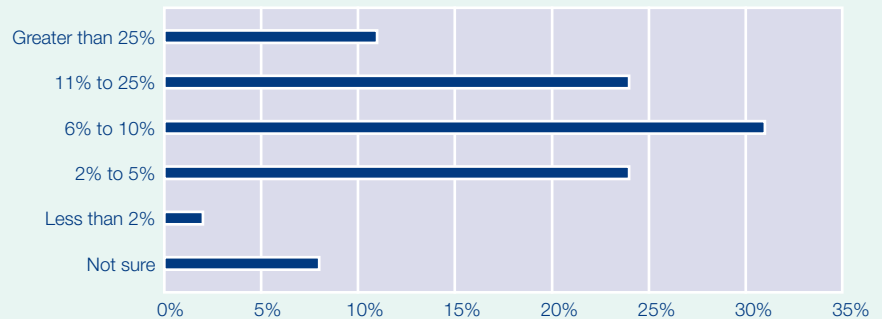
PERCENTAGE OF SALARY GIVEN FOR MOST RECENT BONUS

Three-quarters of respondents had a bonus component as part of their salary package. When asked about their last bonus payment, 27% reported a payment greater than 25% of their base salary.



WHAT PERCENTAGE INCREASE WOULD YOU EXPECT WITH YOUR NEXT SALARY REVIEW?

The majority of respondents were optimistic in terms of salary expectations, with almost one-quarter expecting a rise of between 11% and 25%.



NATIONAL EMPLOYMENT SURVEY

The National Employment Survey is conducted on an annual basis and measures employment conditions, business confidence levels and recruitment trends. The survey for 2007 was completed by 1454 employees and 503 employers from a variety of professional sectors in Hong Kong and China.

A selection of key findings is listed throughout this publication. The survey results, which form the quantitative component of the broader research project, are supplemented with qualitative insight derived from our extensive involvement with white collar employers and job seekers across Hong Kong and China.

KEY FINDINGS FROM THIS STUDY:

Employer Trends

- 98% of employers surveyed predicted their staff numbers would remain constant or increase in the next 12 months, an increase of 40% from our last survey.
- At 32% and 25% respectively, organic growth and new projects were listed as the main areas of focus for employers in the year ahead.
- Over the past 12 months, 65% of companies experienced difficulty in retaining staff.
- 84% of companies see staff retention as another important focus for the next 12 months.
- When asked which retention strategies employers would consider over the next year, career promotion, training and development and bonus schemes were the three most common responses.

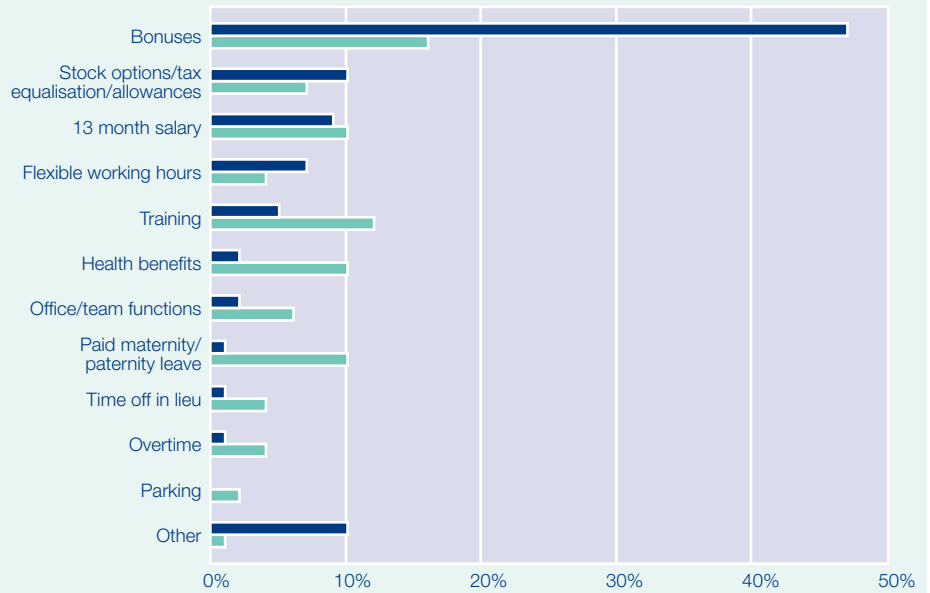
Employee Trends

- 47% of respondents cited career advancement as the primary motivator for their last job change. Only 7% nominated more money as the main reason.
- 76% of respondents rated their company's training and career development opportunities as average or below average.
- Half of the respondents surveyed have worked overseas and of those 76% would consider doing it again.
- When asked what their salary expectations were for the year ahead, one third of the respondents expected a salary increase greater than 11%.
- Close to half of the respondents surveyed expect a bonus of 11% to 25% of their salary, with one third of respondents seeking a minimum of 25%.

ACTUAL INCENTIVES VS PREFERRED INCENTIVES

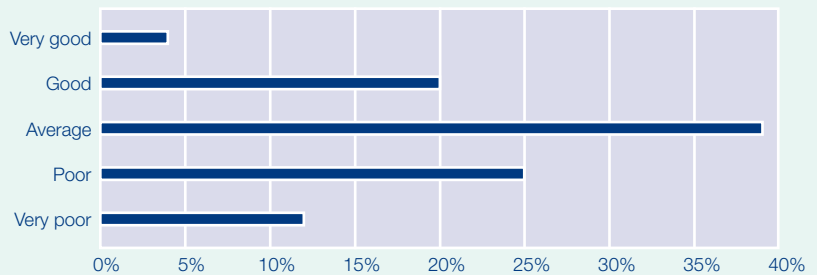
The survey showed there was disparity between the incentives employees wanted and those that their employers were providing. Bonuses and stock options/tax allowances were the most preferred incentives by employees.

■ Preferred incentive
■ Actual incentive



HOW WOULD YOU RATE YOUR COMPANY'S TRAINING AND CAREER DEVELOPMENT OPPORTUNITIES?

76% of respondents rated their company's training and career development opportunities as average or below average.



ENGINEERING & MANUFACTURING

HONG KONG MARKET REVIEW

The engineering and manufacturing industry in Hong Kong is facing significant challenges. The increasing number of large manufacturing companies either setting up or expanding their operations in Southern China is leading to a decrease in engineering and manufacturing roles in Hong Kong. Operational costs in Hong Kong are also significantly higher than China, driving local companies to reduce their headcount in Hong Kong.

With manufacturing contributing to only a fraction of the Hong Kong economy and given the growth in mainland China, engineering and manufacturing candidates will need to consider being stationed in Southern China to secure positions into the future. This means candidates may have to relocate to Southern China or commute there from Hong Kong. Those candidates willing to do so will have a much broader range of job opportunities.

There remains a small number of light manufacturing and assembly operations in Hong Kong which will continue to demand staff, but these positions are hotly contested. The majority of roles are senior positions in the areas of technical development, R&D and manufacturing and require extensive regional travel. We have seen a decline in manufacturing, plant management, engineering management and product development engineering roles in Hong Kong over the past 12 months.

There is strong competition for Hong Kong based roles among candidates due to the higher standard of living and lower tax rates. However, some candidates are still being lured to Southern China with greater job choice and the benefits of a growing economy. Employers are using sign-on bonuses, allowances and non-financial benefits to encourage these candidates to stay in Hong Kong, particularly those in senior management positions.

TOP FIVE ROLES IN DEMAND

- Quality Assurance Manager
- General Manager
- Manufacturing Engineering Manager
- Project Engineer
- Program Engineering Manager

EMPLOYMENT FORECAST

We expect the employment market for engineering and manufacturing professionals in Hong Kong to remain stable over the next 12 months. Despite a decrease in staff numbers across some operations, there remains a demand for senior management positions in Hong Kong as well as light manufacturing and assembly operation staff.

Given the tight labour market and intense competition for candidates, our prediction is for a 10% to 15% salary increase across the board over the next 12 months.

ENGINEERING & MANUFACTURING SALARY TABLE

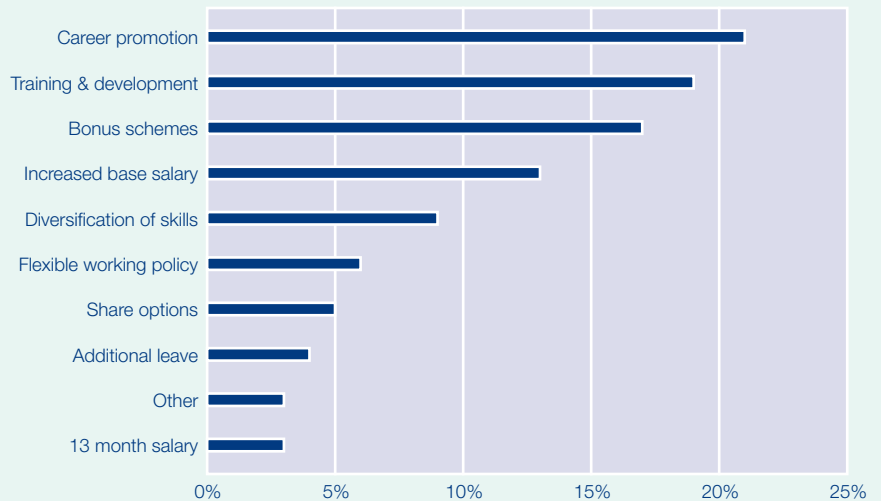
Role	Experience	Salary HK\$'000
ENGINEERING		
Director/VP	15+ years	900–1.5 million
Manager	10+ years	700–1 million
Assistant Manager	6–8+ years	500–650
Mech/Chem/Elec	4–7+ years	300–550
MANUFACTURING/OPERATIONS		
Chief Operations Officer	15–20+ years	1.2–1.8 million
Director/VP	15+ years	1–1.5 million
Plant/Factory Manager	10–12+ years	700–1.2 million
Production/Assembly Manager	7–10+ years	500–800 million
QUALITY & LEAN MANUFACTURING		
Quality Director/VP	15+ years	900–1.3 million
Quality Manager	6–10+ years	600–900
Continuous Improvement Director	15+ years	1–1.5 million
Six Sigma Leader	6–10+ years	500–750
PROJECTS		
Project/Program Director	8–15+ years	800–1.2 million
Project/Program Manager	5–8+ years	500–700

Notes:

1. The above table is based on basic salary, excluding bonus/incentive schemes.
2. 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.

WHICH RETENTION STRATEGIES DO YOU THINK YOUR COMPANY WILL CONSIDER OVER THE NEXT 12 MONTHS?

84% of companies see staff retention as an important focus for the year ahead. When asked which retention strategies they would consider over the next 12 months, career promotion and training & development were the most common responses.



ENGINEERING & MANUFACTURING

CHINA MARKET REVIEW

Despite working with some candidates and employers in North Eastern China over the past year, our major focus in this sector has been on Guangdong. The engineering and manufacturing employment market in Southern China is booming as a result of positive economic and business conditions in China which are driving companies to shift or expand their manufacturing operations to cities like Shenzhen, Dongguan and Guangzhou. This trend is extremely positive for candidates who can expect multiple job offers and attractive benefits.

The growing China market is boosting demand for professionals across various sectors such as electronics, plastics, consumer durables and automotive. Increased mainland manufacturing needs and the continued use of Guangdong as a major global manufacturing site are also contributing to the demand for candidates.

Those willing to work in China will have little difficulty securing a position, given the current economic climate. However, some barriers do exist for those moving from Hong Kong including higher income tax, language requirements and lower living standards. To maintain their current standard of living and take advantage of the booming job market in Southern China, some Hong Kong residents are accepting positions and commuting.

Employers are increasingly offering incentives such as attractive bonus structures, subsidised housing, allowances and family health plans to entice candidates. In terms of retention, employers need to offer long term career paths and training. This is reinforced by our survey results which show that 47% of employees

change jobs for career advancement and that 76% of employees rate their company's training and career development opportunities as average or below average.

In terms of skills in demand, candidates with quality assurance and technical skills are highly sought after. General managers with excellent communication skills who are capable of managing a mainland workforce whilst reporting to US and European Union senior management are also in high demand. Niche engineering roles are also becoming more common as manufacturing processes increase in complexity and the pressure to reduce costs increases.

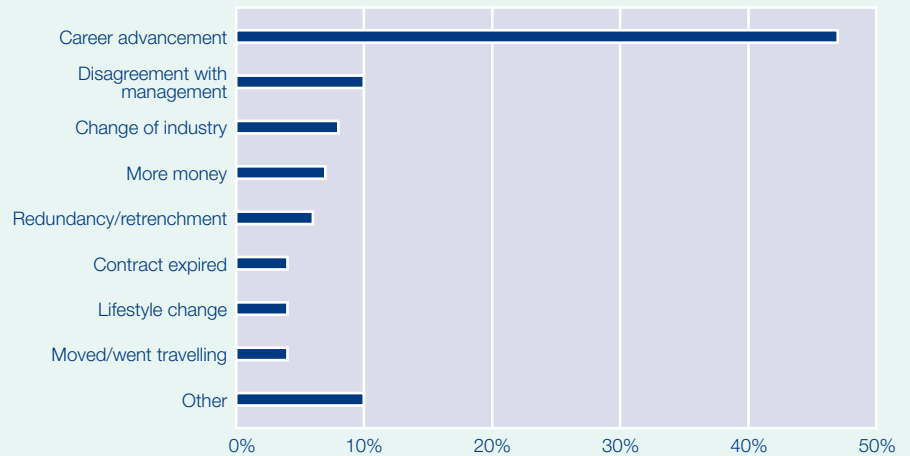
EMPLOYMENT FORECAST

We predict recruitment activity in the sector to continue to grow over the next 12 months as the economy further expands and demand for engineering and manufacturing professionals increases.

Average salary increases will be in the 10% to 20% range and slightly higher for specialist professionals and senior management positions. Employers will need to offer creative incentives to attract top talent such as travel assistance for those commuting from Hong Kong.

WHAT WAS THE MAIN REASON FOR YOUR LAST JOB CHANGE?

Almost half of respondents cited career advancement as the primary motivation for their last job change.



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