

Hudson



October - December 2009



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 nearly 2,000 key employment decision-makers in these three markets.

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

The Hudson Report receives extensive media coverage and acknowledgment from politicians, 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.

Key findings



"HIRING EXPECTATIONS CONTINUE TO RISE AT AN ACCELERATING RATE. OVERALL, EXPECTATIONS ARE HIGHER THAN THEY WERE A YEAR AGO AND IT NOW SEEMS THAT THE 'GREEN SHOOTS' ARE HERE TO STAY."

MARK CARRIBAN, MANAGING DIRECTOR, ASIA, HUDSON

Hiring expectations are rising sharply and this survey of nearly 500 executives across key business sectors shows that 35% forecast headcount growth in Quarter Four (Q4) 2009, up from 22% in Q3.

KEY FINDINGS

- Hiring expectations are rising faster in Hong Kong than in the other markets surveyed in Asia;
- Across all the sectors surveyed, respondents say that talent development and improving staff retention are their key HR priorities for 2010;
- One-third of respondents say they would employ someone who has been out of work for more than a year;
- Where employers are prepared to hire the long-term unemployed, previous experience and track record are given as the principal reasons;
- Respondents in the Consumer, IT&T and Manufacturing & Industrial sectors are more confident about finding local talent for senior positions than those in Banking & Financial Services, Legal and Media/PR/Advertising.

Permanent hiring expectations



SHARP RISE IN EXPECTATIONS

Hiring expectations continue to rise and the growth rate is accelerating. Across all sectors, 35% of respondents plan to increase headcount, up from 22% in Q3. The proportion of respondents forecasting a decline in headcount is sharply down, from 12% in Q3 to just 3% this quarter. Expectations are rising more rapidly in Hong Kong than in the other markets surveyed in Asia.

Media/PR/Advertising

The Media/PR/Advertising sector reports both the highest expectations and the greatest increase: 69% say they will hire more staff, a very substantial rise from 28% the previous quarter. No respondents forecast staff cuts. Firms in this sector have retrenched large numbers of staff in recent quarters and are now hiring actively in anticipation of a rapid recovery in demand. Specialists such as strategy planners, CRM experts and media sales professionals with business development experience are especially sought after.

Banking & Financial Services

Respondents in the Banking & Financial Services sector are also very positive, with 43% anticipating headcount growth in Q4. This represents a large increase from 29% in Q3. Just 3% plan to shed staff, down from 18%. Although hiring activity is still focusing on back and middle office roles, recruitment for front office positions is growing again.

IT & T

In the IT&T sector, 38% of respondents expect to hire more

staff, compared with 23% the previous quarter. Recruitment plans that had been put on hold are being activated again and companies are hiring more staff. There is strong demand for IT professionals with both technical and business expertise, notably in areas such as Search Engine Optimisation (SEO) and online marketing.

Manufacturing & Industrial

Although the Manufacturing & Industrial sector sometimes lags behind other industries in terms of hiring activity, there is now a clear upward trend in hiring expectations. The proportion of respondents expecting to grow headcount has risen from 21% in Q3 to 29% this quarter. At 6%, this sector has the highest figure for anticipated staff reductions but it is just half the level reported in the previous quarter. Candidates with experience in sales, merchandising, procurement and quality assurance are in demand.

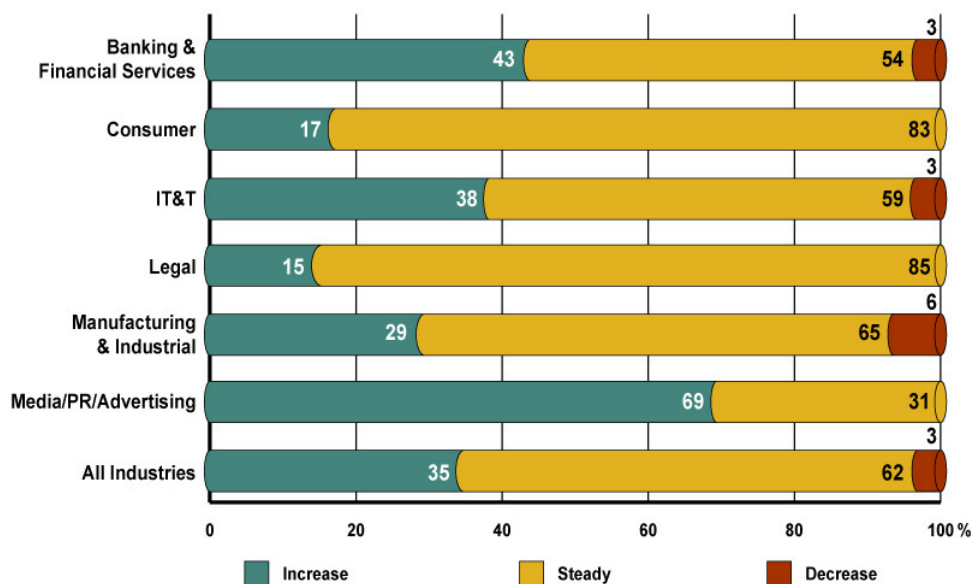
Consumer

After a long period of low expectations, the Consumer sector is also seeing a significant rise: 17% expect to boost recruitment, compared with 11% in Q3. There are no expectations of staff reductions. The greatest demand is for sales professionals.

Legal

Among Legal firms, 15% of respondents forecast an increase in hiring this quarter, while no-one anticipates a decline. The major international law firms are still cautious about hiring but there is some activity in the areas of corporate finance, litigation and insolvency.

Permanent hiring expectations in Hong Kong



Source: The Hudson Report, Hong Kong - Q4 2009

Permanent hiring expectations over time



MIXED PICTURE YEAR-ON-YEAR

Overall, the proportion of respondents forecasting headcount growth has risen from 32% in Q4 2008 to 35% this quarter. However, there are some differences between the sectors surveyed. Three sectors (Media/PR/Advertising, Banking & Financial Services and IT&T) report a rise in expectations year-on-year, while the other three (Legal, Consumer and Manufacturing & Industrial) show a fall. The Q4 2008 survey was conducted just before the collapse of Lehman Brothers, which had a major impact on all sectors. Some industries have recovered more quickly than others but overall there is a clear upward trend in expectations.

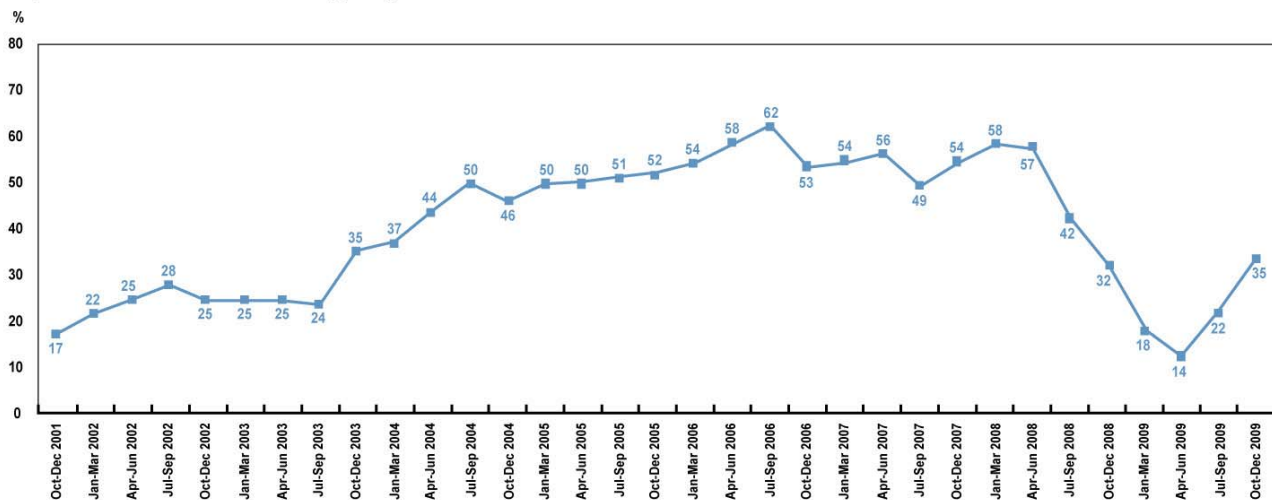
The Media/PR/Advertising sector has experienced by far the greatest growth in expectations since Q4 2008. The 18% who anticipated growth a year ago compares with 69% now. This sector was experiencing a severe downturn at the end of 2008, when many clients had already spent their marketing budgets

for the year on Olympic campaigns. Hiring has now bounced back as firms prepare for an upturn in all sectors.

The Banking & Financial Services sector reports a solid rise in hiring expectations over the past year, with the proportion planning to hire more staff growing from 25% in Q4 2008 to 43% this quarter. Employers were already affected by the credit crunch and were shedding staff and freezing hiring plans. The recovery in this sector is now well-established.

The proportion of respondents in the Manufacturing & Industrial sector planning to grow headcount has fallen from 43% in Q4 2008 to 29% now. As noted, this sector sometimes lags behind other industries in terms of hiring and expectations fell more slowly in 2008. However, the basic market dynamics are changing, as the effect of new labour compliance laws is starting to be felt. Some companies are now focusing more on growth in other markets, such as Indonesia and Vietnam, which means that hiring in Hong Kong is less aggressive.

Expectations to hire over time - Hong Kong



Source: The Hudson Report, Hong Kong - Q4 2009

HR priorities for 2010



TALENT DEVELOPMENT AND STAFF RETENTION ARE TOP PRIORITIES

Overall, respondents regard talent development and improving staff retention as their organisation's main HR priorities for 2010. These issues are mentioned by 22% and 19% respectively. At 16% and 14% respectively, organisation development and reviewing compensation and benefits are also seen as significant.

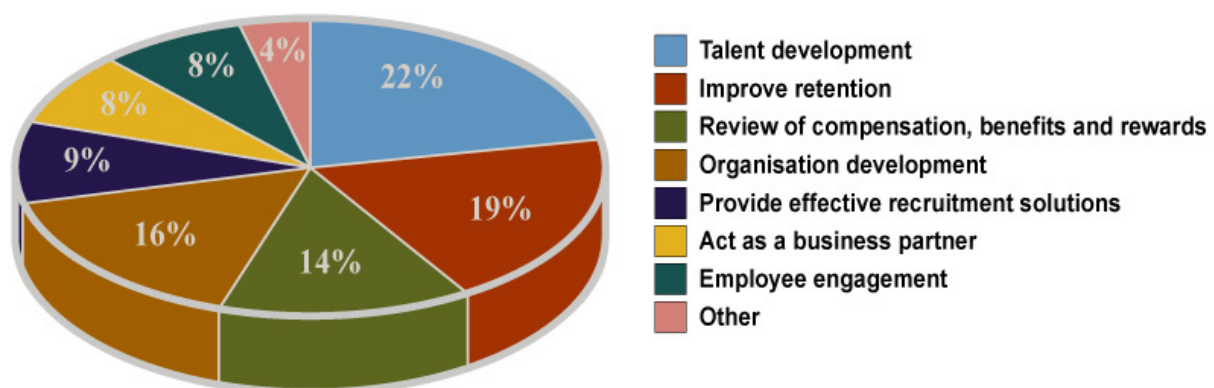
The IT&T sector has the highest proportion of respondents who say talent development and providing effective recruitment solutions are key priorities – 34% and 21% respectively. Both figures are much higher than for any other sector. At 6%, IT&T also has the lowest proportion mentioning organisation development. These figures suggest that employers in this sector are focusing on attracting and retaining staff with the required skills and experience as the rapid economic recovery persuades clients to invest in technology again.

Talent development and improving retention are seen as almost equally vital in the Banking & Financial Services sector, where they are mentioned by 23% and 22% respectively. Hiring expectations are growing fast in this sector and talented candidates have an increasing range of options. Banks are therefore working to develop and retain key staff.

At 21%, the Consumer sector has the highest proportion of respondents citing organisation development, which is concerned with the effective deployment and use of staff. Many companies have shed staff or decided not to replace those leaving and they are now seeking to structure their operations to enable employees to handle the workload as efficiently as possible.

In the Manufacturing & Industrial sector, 16% see reviewing compensation and benefits as their top priority – more than for any other sector. Substantial bonuses are not a traditional benefit in this sector, so companies try to ensure that compensation levels are adequate to retain staff.

Organisations' HR priorities in 2010



Source: The Hudson Report, Hong Kong - Q4 2009

Hiring the long-term unemployed



ONE-THIRD WOULD HIRE LONG-TERM UNEMPLOYED

Respondents were asked if they would be willing to hire someone who has been out of work for more than a year or an extended period of time. One-third of respondents across all sectors – 33% – say they would be prepared to do so. Just 20% say they would not, with 47% giving a 'maybe' response. However there are significant differences between the sectors in their reactions to this issue.

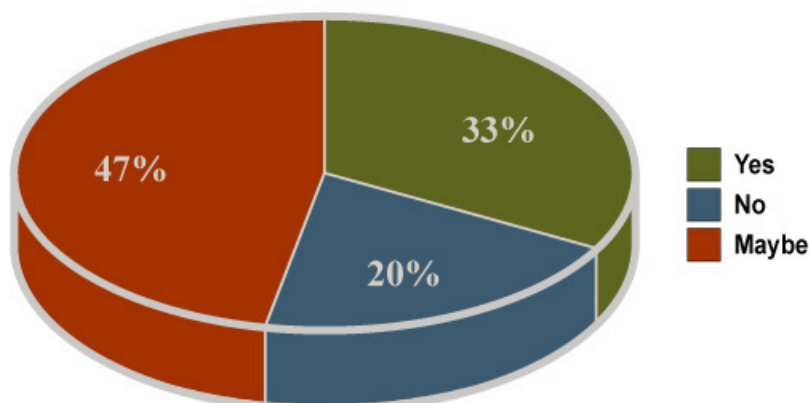
Respondents in the Manufacturing & Industrial and Media/PR/Advertising sectors are by far the most open to hiring candidates who have not worked for an extended period: 49% and 46% respectively give a positive response. In both sectors, employers will consider candidates with hard to find specialist skills and relevant experience, despite a recent substantial period of unemployment. At just 3%, Media/PR/

Advertising firms are the least likely to answer 'no' to this question.

In the IT&T sector, nearly twice as many respondents say they would not hire a long-term unemployed candidate as those who would. The figures are 31% and 16% respectively. This is a business in which it is vital for professionals to be fully aware of new technology and other developments and employers are concerned that candidates who have been out of work for an extended period will not be in touch with current trends.

At 28%, the Banking & Financial Services sector has a slightly higher proportion of respondents who give a negative response than those who are willing to hire unemployed candidates (26%). Banks appear to be more open minded about hiring but still give higher priority to candidates with the most up-to-date experience.

Willingness to employ a candidate who has been out of work for a year/extended period of time



Source: The Hudson Report, Hong Kong - Q4 2009

Reasons for hiring long-term unemployed



TRACK RECORD IS KEY REASON FOR HIRING

Those respondents prepared to hire a candidate who has been out of work for a long period give a variety of reasons for doing so. The most common reason is the candidate's previous experience & track record, mentioned by 38% of respondents across all sectors. Specialist/niche skills are also seen as important, with 30% citing this factor. Stopping work to obtain a higher qualification and recommendations from previous employers are mentioned by 15% and 13% respectively. There are, however, significant differences between the sectors in their responses to this question.

The IT&T sector has the highest proportion of respondents who give previous experience & track record as a reason for employing the long-term unemployed – 53%. Candidates are frequently hired on the basis of their experience in specific technologies and the calibre of the clients with whom they have worked. Employers therefore view the candidate's track record as vital. At 27%, this sector also has the highest proportion of respondents who mention stopping work to obtain a higher qualification. Keeping skills up-to-date and

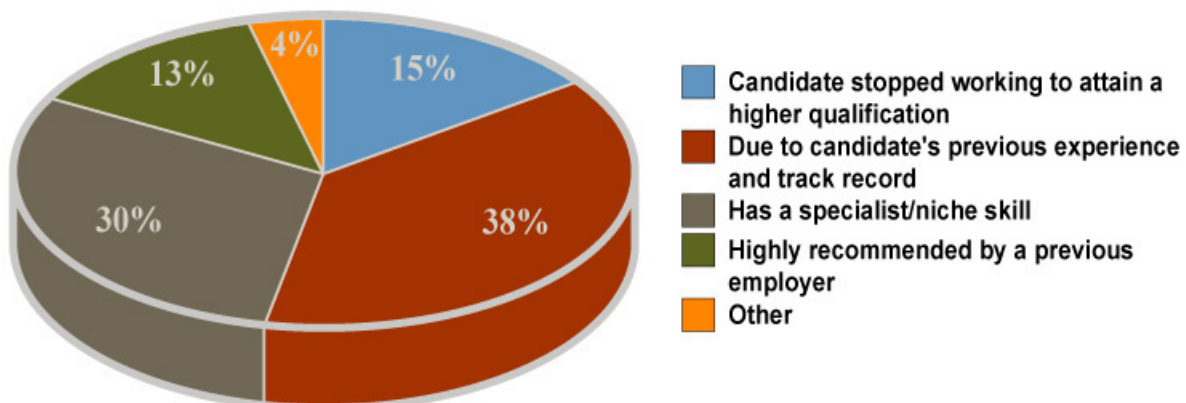
learning about new technologies are seen as very valuable.

The Consumer sector also sees previous experience & track record as a valid reason for hiring a candidate after a period of unemployment: 52% mention this factor. Candidates with experience in managing certain channels or with in-depth knowledge of specific brands remain sought after even if they have been out of work for some time.

Legal firms are the most likely to see specialist skills as a reason for hiring unemployed candidates, by a substantial margin. This factor is cited by 41%. Law is very much a knowledge-based business and demand for candidates with strong skills in such areas as corporate finance, M&A and insolvency is usually strong.

A large proportion of respondents in Media/PR/Advertising firms give previous experience and specialist skills as reasons – 33% and 28% respectively. But this sector also has the highest proportion saying that a recommendation from a previous employer is an important factor – 20%. This is a fairly closely-knit industry where good personal relationships are important and employers seek candidates with a proven ability to build those relationships.

Reason(s) to employ a candidate who has been out of work for a year/extended period of time



Source: The Hudson Report, Hong Kong - Q4 2009

Ability to find local talent



HARDER TO FIND LOCAL TALENT FOR TOP POSITIONS

Respondents were asked how confident they are about finding local talent for positions at five different levels: C-Level, Senior Management, Middle Management, Junior Professional and Support Staff. The responses show that the more senior the role, the more difficult it is to find local candidates with the requisite skills and experience.

Across all the sectors surveyed, 32% of respondents are very confident or confident about filling C-Level positions with local candidates, while a slightly higher proportion (33%) are fairly confident or not confident. The corresponding figures for the next level down, Senior Management, are 46% and 19% respectively, showing that it is much easier to recruit local candidates for this type of role. This trend continues through the various levels covered and 84% say they are very confident or confident about finding local staff for support roles. Just 6% say they are fairly confident or not confident.

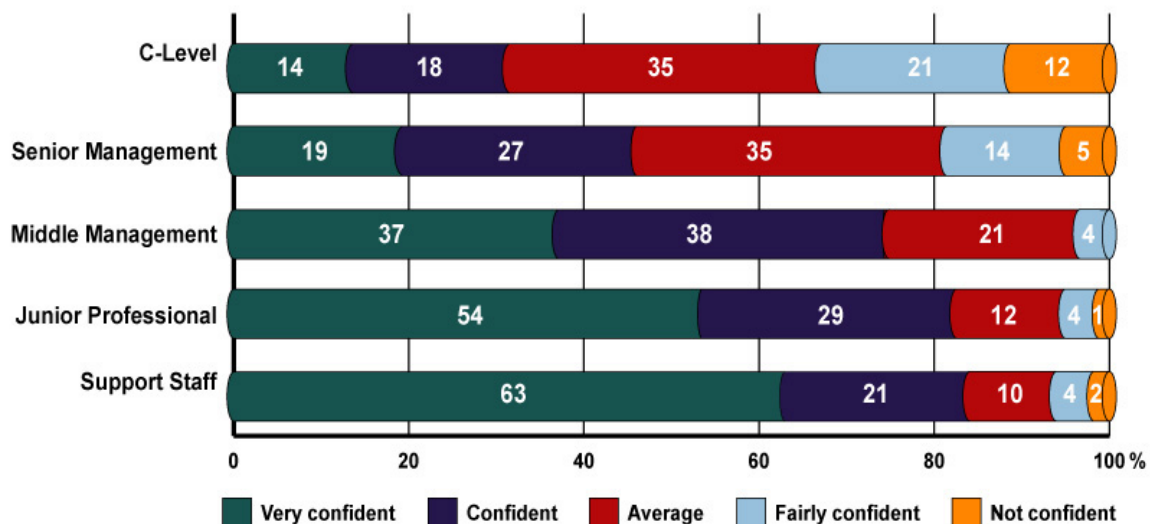
However, there are some significant differences between the sectors in how confident they feel about finding local talent. For both C-Level and Senior Management roles, respondents

in the Banking & Financial Services, Legal and Media/PR/Advertising sectors are much less confident about finding local talent than their counterparts in the Consumer, IT&T and Manufacturing & Industrial sectors.

In some cases the differences are very marked. In the Consumer sector, 59% of respondents are very confident or confident about finding candidates for C-Level roles, while just 11% are fairly confident or not confident. By contrast, no respondents in the Media/PR/Advertising sector are very confident or confident, while a very high 72% say they are fairly confident or not confident. For Senior Management roles, 71% of respondents in the Consumer sector say they are very confident or confident, while the corresponding figure for Media/PR/Advertising is only 28%.

It is clear that employers in certain sectors, such as Consumer and Manufacturing & Industrial, value local experience and knowledge when recruiting staff, including positions at a senior level. Employers in such areas as Banking & Financial Services, Legal and Media/PR/Advertising, on the other hand, tend to seek candidates with international experience for senior positions.

Confidence in finding local talent at various levels



Source: The Hudson Report, Hong Kong - Q4 2009

Contacts

ASIA

Mike Game

CEO, Asia

Tel: (852) 2528 1191

mike.game@hudson.com

CHINA

Mark Carriban

Managing Director, Asia

Tel: (852) 2528 1191

mark.carriban@hudson.com

HONG KONG

Mark Carriban

Managing Director, Asia

Tel: (852) 2528 1191

mark.carriban@hudson.com

SINGAPORE

Gina McLellan

Country Manager, Singapore

Tel: (65) 6339 0355

gina.mclellan@hudson.com

HUDSON.COM