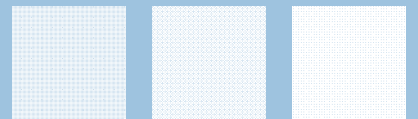




April – June 2010

# Hudson



# The Hudson Report

Hiring and HR Trends  
HONG KONG

FROM GREAT PEOPLE TO GREAT PERFORMANCE ®

# 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 1,600 key employment decision-makers in these three markets.

Participants in this survey are primarily executives at multi-national firms and were personally surveyed in March by Hudson consultants.

*The Hudson Report* receives extensive media coverage and acknowledgment from 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 approximately 2,000 professionals serving clients and candidates in more than 20 countries. More information is available at [hudson.com](http://hudson.com).

# Key findings



*"THE JOB MARKET RECOVERY REMAINS STRONG: THIS IS THE FOURTH CONSECUTIVE QUARTER OF RISING HIRING EXPECTATIONS. EMPLOYEE MORALE IS UP IN ALL SECTORS AND MOST EMPLOYERS ARE WILLING TO MAKE COUNTER OFFERS TO RETAIN KEY STAFF."*

**JAMES CARSS, GENERAL MANAGER – HONG KONG, HUDSON**

Hiring expectations are still rising. In this survey of over 500 executives across key business sectors, 59% forecast headcount growth in Quarter Two (Q2) 2010, up from 53% in the first quarter.

## KEY FINDINGS

- Expectations have risen sharply over the past year: the 59% who plan to increase hiring this quarter compares with 14% in Q2 2009;
- Leadership development programmes are widely seen as the most effective means of grooming local talent for senior positions;
- Two thirds of respondents across all sectors (67%) are willing to make a counter offer when an employee resigns to join another company;
- Increasing the employee's base salary is seen as by far the most important measure when making a counter offer;
- Employee morale has risen since the end of the economic downturn: overall, 41% of respondents say morale has improved while just 16% report a decline;
- Recruitment consultancies are the most widely used method of recruiting new staff, followed by in-house recruiter/direct recruitment channels and employee referrals.

# Permanent hiring expectations



## EXPECTATIONS STILL RISING

Overall hiring expectations continue to rise: this is the fourth consecutive quarter in which respondents say they will grow headcount. Across all sectors, 59% plan to hire more staff in Q2, up from 53% in Q1. Just 2% say they will reduce headcount, compared with 4% the previous quarter. These figures suggest that the recovery in Hong Kong's employment market remains solid.

### Banking & Financial Services

The Banking & Financial Services sector again reports the highest expectations. The 73% expecting to hire more staff this quarter is almost unchanged from Q1's 74%. Many respondents are increasingly confident and there is a growing feeling that the industry is returning to normality. Hiring activity is apparent throughout the front, mid and back-office areas, with an emphasis on recruitment for more senior positions.

### IT&T

Expectations are also high in the IT&T sector, with 63% of respondents planning to grow headcount in Q2. A number of leading financial institutions have moved their regional head offices to Hong Kong or expanded their operations, creating strong demand for financial IT professionals. Hiring sentiment in other areas of the IT sector remains steady, though some employers are moving non-banking IT roles out of Hong Kong.

### Manufacturing & Industrial

There is a very strong upward trend in expectations among Manufacturing & Industrial companies this quarter: 57% of respondents expect to hire more staff, compared with 39% in

Q1. The proportion forecasting layoffs has fallen sharply, from 6% to 1%. Much of the projected hiring is in response to growing demand from Europe and the US. Manufacturing companies are starting to hire expat candidates again but mostly on local terms.

### Media/PR/Advertising

Respondents in Media/PR/Advertising firms are also increasingly optimistic about hiring, with 54% forecasting headcount growth. This compares with 42% the previous quarter. Most of the open positions are for junior staff as employers focus on recruiting candidates at this level and grooming them for senior roles. The leading advertising agencies and brand consultancies are all expanding in the area of interactive media.

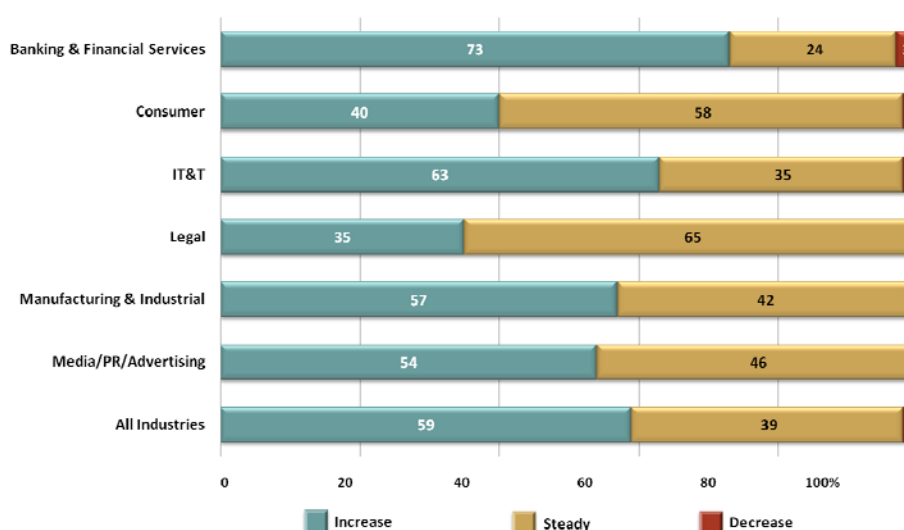
### Consumer

Expectations remain steady in the Consumer sector, where 40% of respondents expect to grow headcount this quarter, the same figure as in Q1. There is strong demand for professionals with experience in retail operations, particularly in the luxury goods segment.

### Legal

The Legal sector reports the steepest fall in expectations in Q2. The 35% of respondents forecasting an increase in hiring compares with 44% the previous quarter. However, no respondents anticipate staff cuts. A number of Legal firms hired aggressively in the first quarter, notably for IPO specialists, so demand is falling now.

Permanent hiring expectations in Hong Kong



Source: The Hudson Report, Hong Kong - Q2 2010

# Permanent hiring expectations over time

## MUCH HIGHER EXPECTATIONS YEAR-ON-YEAR

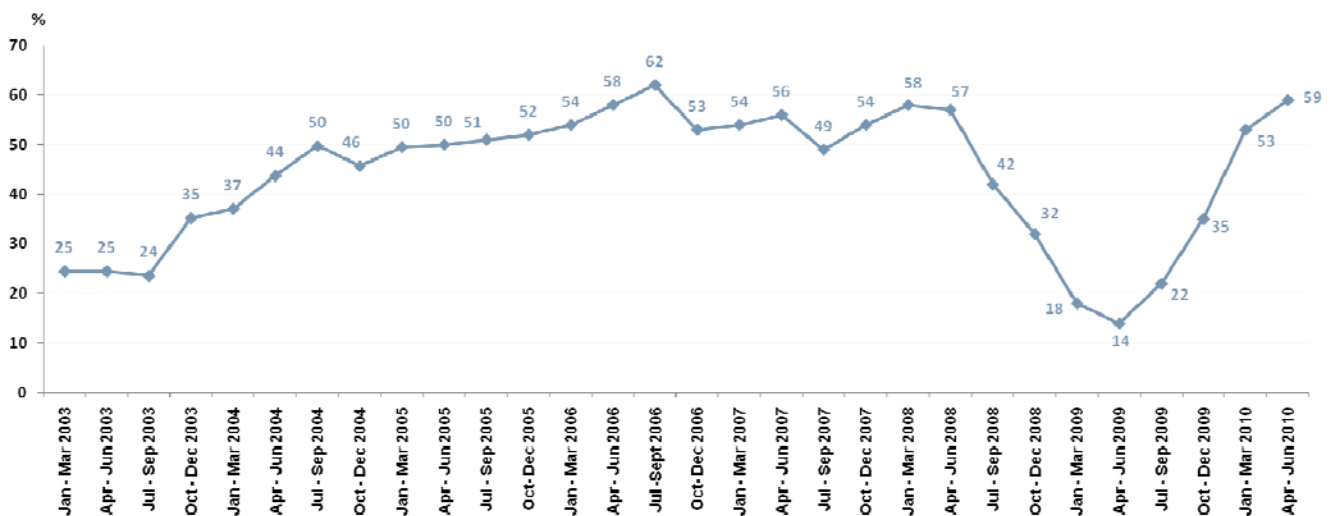
Expectations are much higher this quarter than they were a year ago, with respondents in every sector reporting an increase. Overall, 59% forecast headcount growth in Q2, a significant rise from 14% a year ago. The proportion of respondents expecting to reduce staff numbers has fallen equally dramatically, from 22% to just 2%.

The Banking & Financial Services sector reports the sharpest rise in expectations year-on-year, from just 12% planning to hire in Q2 2009 to 73% this quarter. For many institutions the second quarter of last year was the lowest point of the post-Lehman Brothers meltdown and the recovery since then has been faster and more durable than was widely anticipated. It is emphasised, however, that although expectations are growing rapidly, candidates can expect to face a more arduous hiring process.

Employers in the IT&T sector are also much more optimistic than they were a year ago, with the proportion expecting to grow headcount jumping from 6% to 63%. The proportion saying they will make staff cuts has plummeted from 43% to 2%. Much of the hiring in this sector is for financial IT projects and demand was very low in Q2 2009. Projects that were put on hold are now being implemented, creating strong demand for financial IT professionals.

Hiring expectations among Manufacturing & Industrial employers have risen from 17% to 57% over the past year. There is a strong sense that the employment market is returning to normal but companies have become more demanding when selecting candidates. Some of the increased demand in this sector is created by foreign companies establishing operations in Hong Kong, a further sign of market recovery.

Expectations to hire over time - Hong Kong



Source: The Hudson Report, Hong Kong - Q2 2010



# Developing internal local talent

## LEADERSHIP DEVELOPMENT PROGRAMMES ARE MOST POPULAR APPROACH

Respondents take a number of different approaches to developing internal local talent for senior positions, but leadership development programmes are the most widely used in every sector surveyed. Across all sectors, 62% of respondents say that their organisation provides such programmes. The next most popular initiative is cross-functional job progression, mentioned by 44%.

The IT&T sector has the highest proportion of respondents mentioning leadership development programmes and management trainee programmes – 82% and 50% respectively. Companies in this sector tend to recruit highly skilled technical professionals with specific skill sets and then focus on developing them for management roles.

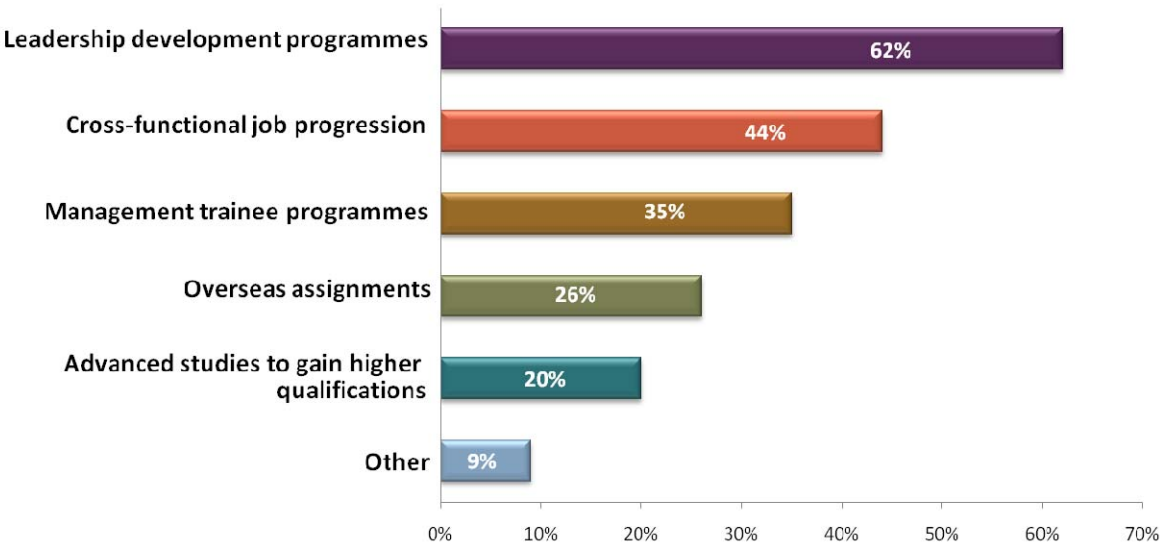
Respondents in the Consumer sector also place a strong emphasis on leadership development programmes, with 79%

mentioning this approach. FMCG companies are the most likely to encourage their management teams to share their experience and mentor more junior staff. Within the retail space, cross-functional job progression and overseas assignments are seen as effective ways of developing staff for brand management roles.

Cross-functional job progression is regarded as particularly important in the Banking & Financial Services sector: 52% of respondents say that their organisation takes this approach. Major financial institutions have a wide variety of departments and functions and it is necessary for potential senior managers to gain extensive experience.

In the Manufacturing & Industrial sector, cross-functional job progression and management trainee programmes are mentioned by 48% and 47% respectively. Companies in this sector see on-the-job training in such areas as procurement and supply chain management as valuable, as they require skills that are best learned internally.

Ways to develop internal local talent for senior positions



Source: The Hudson Report, Hong Kong - Q2 2010

Note: Figures do not add up to 100% as respondents could select more than one option.

# Counter offers



## TWO-THIRDS WILLING TO COUNTER OFFER

Across all the sectors surveyed, two-thirds of respondents (67%) say they are willing to make a counter offer when an employee resigns to join another company. This suggests that companies are slightly less willing to make counter offers than they were when this question was last asked, in Q4 2007. The figure then was 72%. There are significant differences between the sectors in terms of respondents' readiness to counter offer.

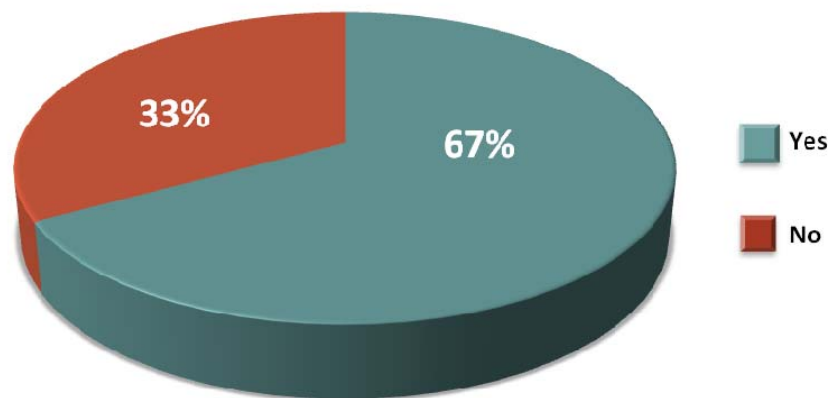
Respondents in the Banking & Financial Services sector are the most likely to make counter offers in an effort to dissuade employees from resigning: 78% say they would do so, up from 74% in Q4 2007. Financial institutions employ staff with a wide range of specialist skill sets and even in a challenging market environment candidates with these skills are in demand. Employers are therefore generally prepared to make counter offers to avoid the time-consuming process of finding replacements.

IT&T employers are also very keen to retain staff, with 72% saying they would counter offer, a slight rise from the Q4 2007 figure of 70%. As noted, respondents in this sector report a high level of hiring expectations this quarter, driven by the banking recovery and the resulting demand for financial IT specialists. Employers are trying to avoid losing professionals working on major banking projects.

The proportion of Media/PR/Advertising respondents who are willing to counter offer has fallen from 83% in Q4 2007 – a higher figure than for any other sector – to 58% this quarter. Firms in this sector are becoming more optimistic about employment prospects but are relaxed about finding the candidates they need.

Legal firms are by far the least likely to make counter offers to persuade staff to stay in their positions. Just 17% say they would do so. This is consistent with the Legal sector reporting both the lowest expectations and the steepest fall this quarter.

### Willingness to counter offer when an employee resigns



Source: The Hudson Report, Hong Kong - Q2 2010

# Counter offer measures



## HIGHER SALARY BY FAR THE MOST IMPORTANT MEASURE

Respondents who said that they were willing to make counter offers were also asked how they seek to dissuade staff from resigning. By a substantial margin, an increased base salary is seen as the most effective counter offer tactic, being mentioned by 82% of respondents across all sectors. It is also by far the most widely used measure in every sector surveyed. The next most effective measures are promotion and training & development, at 41% and 35% respectively.

Of these three counter offer tactics, training is the only one that has become significantly more popular since this question was last asked in Q4 2007, when it was mentioned by just 12% of respondents. The corresponding figures for salary increases and promotion were 77% and 43% respectively.

Perhaps unsurprisingly, the Banking & Financial Services sector has the highest proportion of respondents using salary increases to make counter offers – 86%. Many positions in

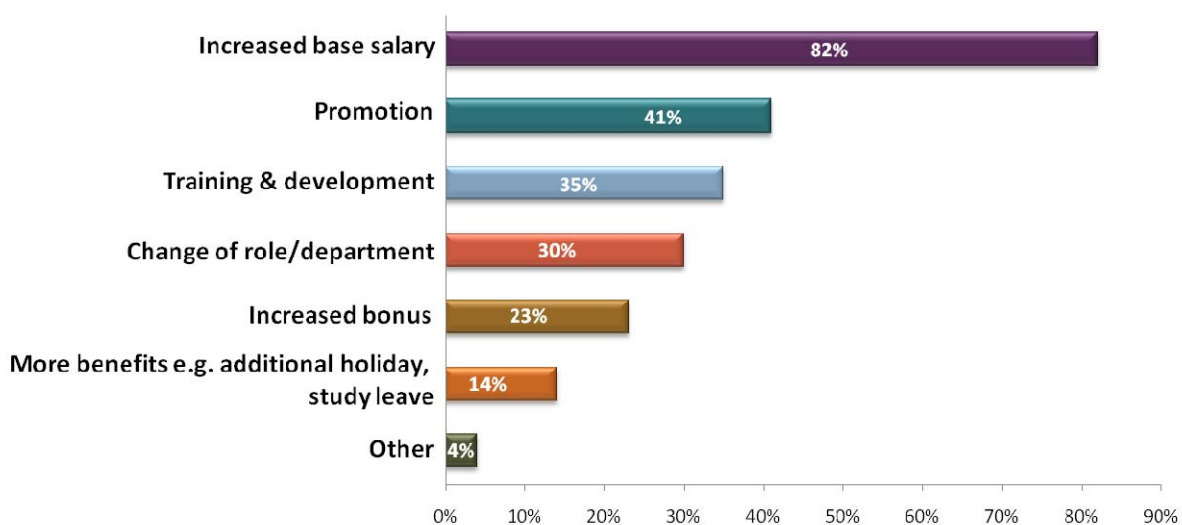
this industry are highly remunerated and attractive packages are used both to attract new candidates and retain existing employees.

Promotion is seen as a key measure in the Manufacturing & Industrial sector, with 60% giving this response. Many employees seek enhanced status and increased job responsibility, which leads to widespread title inflation.

Employers in the Consumer sector are the most likely to use training & development as a counter offer incentive: 56% cite this measure. Staff who aspire to retail and brand management roles frequently seek additional training opportunities.

The Legal sector has by far the highest proportion of respondents who include benefits such as extra holidays and study leave in their counter offers. At 50%, the figure is much higher than for any other sector. This is a sector in which many staff work under substantial pressure and value measures that enhance their work-life balance.

### Counter offers used to retain employees



Source: The Hudson Report, Hong Kong - Q2 2010

*Note: Figures do not add up to 100% as respondents could select more than one option.*



# Employee morale



## MORALE UP SINCE END OF DOWNTURN

Respondents in all sectors report that employee morale has risen since the end of the economic downturn. Overall, 41% say that morale has improved significantly or slightly, compared with just 16% who say that it has declined significantly or slightly.

Morale appears to be particularly high in Legal firms, with 27% of respondents reporting that it has improved significantly, a much higher figure than for any other sector. A further 30% report a slight improvement and just 4% say that morale has declined, the lowest figure for the sectors surveyed. The Legal sector has the lowest hiring expectations this quarter but these figures suggest that those currently working for legal firms now feel secure in their positions.

The IT&T sector also reports a relatively high level of staff morale: 10% say that morale has improved significantly since the end of the downturn and a further 53% say that there has been a slight improvement. These figures are consistent with

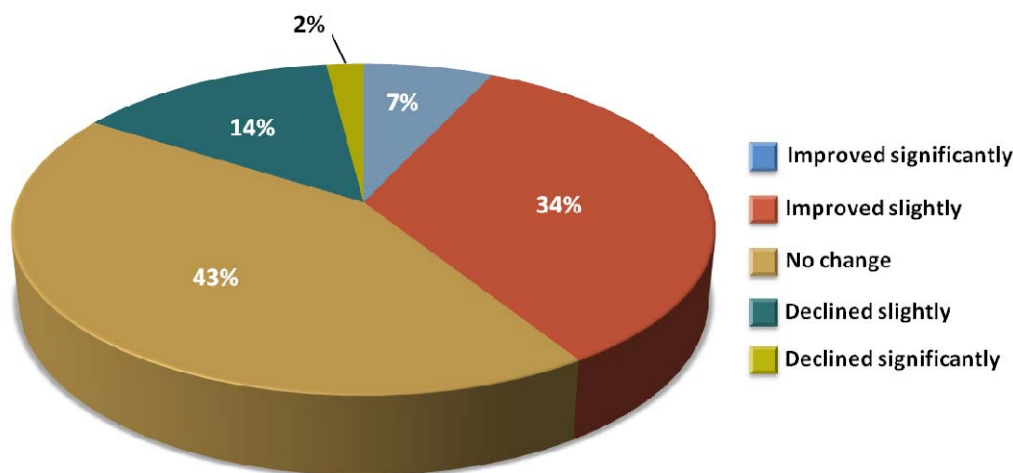
the high expectations reported by respondents in this sector.

Among Consumer companies, 9% of respondents report a significant improvement in morale and a further 30% say that it has improved slightly. No-one reports a significant decline in morale. The improvement in staff morale appears to be more marked in the retail space than in FMCG companies, and is particularly apparent in the luxury goods segment.

Although 37% of respondents in Banking & Financial Services say that morale has improved – 33% slightly and 4% significantly – this sector also has by far the highest proportion of respondents reporting a decline: 26% say that morale has declined slightly and a further 6% significantly. Although the banking sector is recovering rapidly, it is still more difficult to obtain a new position than before the downturn and this is reflected in the figures for employee morale.

The smallest impact on morale is apparent in the Media/PR/Advertising sector, where 62% of respondents report no change at all. In addition, no respondents say that morale has improved or declined significantly.

Change in employee morale since end of economic downturn



Source: The Hudson Report, Hong Kong - Q2 2010

# Recruitment methods



## RECRUITMENT CONSULTANCIES ARE MOST POPULAR METHOD

Respondents have used a number of methods for recruiting new staff in the last six months. Across all sectors, the use of recruitment consultancies is the approach most frequently adopted, being mentioned by 72% of respondents. In-house recruiter/direct recruitment channels and employee referrals are also widely used methods: they are cited by 69% and 67% of respondents respectively.

There has been a significant switch in the relative importance of recruitment consultancies and in-house recruiter/direct recruitment channels since this question was last asked, in Q2 2009. The responses then were 42% and 89% respectively. This suggests that employers are recognising the value that recruitment consultancies can add to the hiring process in tough economic conditions.

In addition to recruitment consultancies, employee referrals have also become much more popular as a recruitment tool. The 67% mentioning this approach this quarter represents a substantial rise from 38% in Q2 2009. Companies are often happy to rely on existing employees to recommend candidates, as they have an in-depth understanding of the job and what is required.

The IT&T and Banking & Financial Services sectors have the

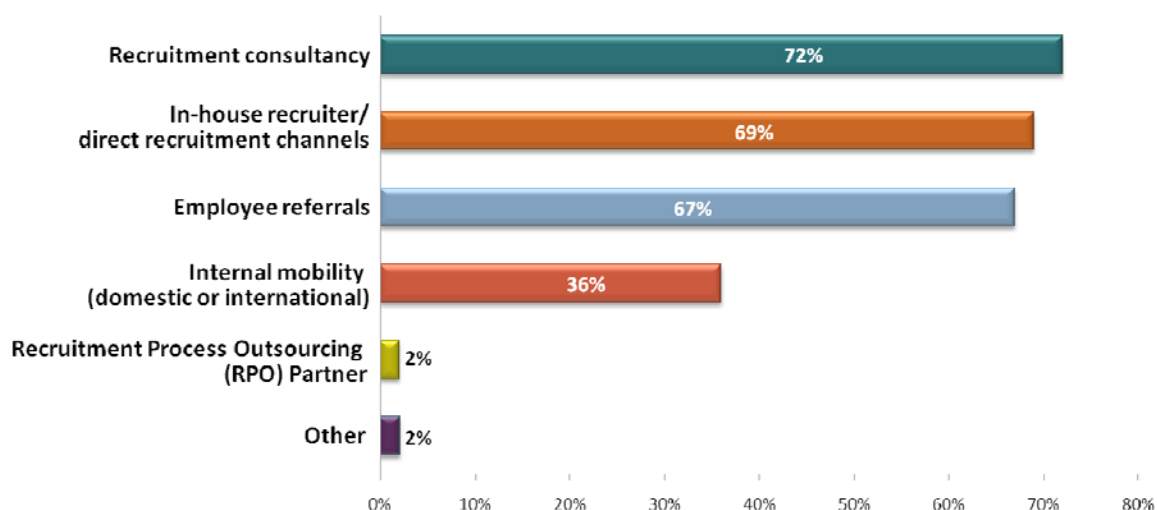
highest proportion of respondents who use recruitment consultancies: 82% and 78% respectively. Employers in both sectors frequently use consultancies to find candidates with specialist skills for senior positions.

In-house recruiter/direct recruitment channels are the most popular method in the Consumer sector, with 85% of respondents giving this response, a higher figure than for the other sectors. These channels are especially widely used by FMCG companies. However, this sector also has the third highest proportion of respondents who say they use recruitment consultancies – 72%.

Recruitment in Manufacturing & Industrial companies is split fairly evenly between recruitment consultancies, in-house recruiter/direct recruitment channels and employee referrals. These methods are mentioned by 66%, 63% and 59% respectively. This sector reports a substantial rise in hiring expectations this quarter and employers are using a range of methods to find the staff they need.

Law firms are the most likely to use internal mobility, either domestic or international, as a channel for recruiting staff. Nearly half the respondents surveyed (48%) say they take this approach. A number of major international law firms are moving staff to Hong Kong from regions that have been harder hit by the economic downturn.

**Most frequently methods used for recruiting new staff in last six months**



Source: The Hudson Report, Hong Kong - Q2 2010

*Note: Figures do not add up to 100% as respondents could select more than one option.*

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