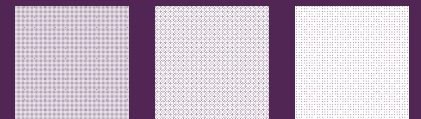




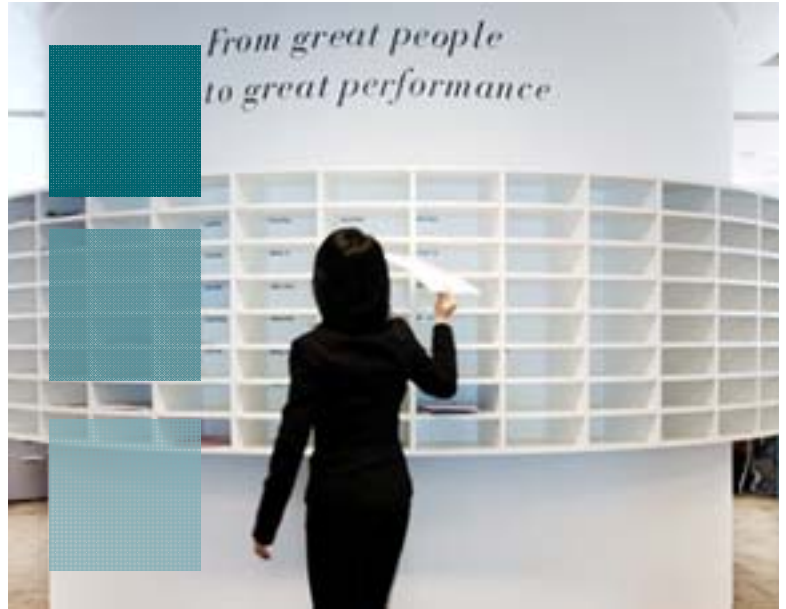
Hudson



The Hudson Report

Hiring and HR Trends
ASIA

Introduction



The Hudson Report is a quarterly survey of forward-looking employer hiring expectations. The report in Asia covers China (Beijing and Shanghai), Japan, Hong Kong and Singapore and now combines the expectations of nearly 3,000 key employment decision-makers in these four markets.

Participants in this survey are primarily executives at multi-national firms and were personally surveyed in February 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 more than 3,000 professionals serving clients and candidates in more than 20 countries. More information is available at www.hudson.com.

Key Findings



“HIRING EXPECTATIONS CONTINUE TO FALL IN ALL THE COUNTRIES SURVEYED BUT LESS STEEPLY THAN IN THE PREVIOUS QUARTER. MANY EMPLOYERS ARE IMPLEMENTING INITIATIVES TO REDUCE HR-RELATED COSTS.”

MIKE GAME, CEO, ASIA, HUDSON

This survey for Quarter Two (Q2) 2009 shows that hiring expectations continue to fall in all four markets. Key findings include:

- China again reports the highest expectations, with 30% forecasting headcount growth this quarter but the proportion of respondents expecting to cut staff has risen from 8% in Q1 2009 to 21% this quarter;
- Expectations to hire in Hong Kong are lowest since *The Hudson Report* began in Q4 1998, having fallen to 14% this quarter;
- Japan reports the steepest decline in hiring expectations compared to the previous quarter; 22% expect to increase hiring, down from 31% in Q1 2009;
- Expectations in Singapore are falling less sharply than in recent quarters: 20% say they will grow headcount in Q2 2009 compared with 23% the previous quarter;
- Around half of the employers surveyed in all four markets have cut HR-related costs in the last six months;
- Reducing headcount is the most widely implemented cost-cutting initiative, followed by lower bonus payments;
- Employers continue to use a range of channels to recruit the staff they want; recruitment consultancies are widely used across all markets;
- Companies in all markets are taking measures to maintain staff morale in challenging economic conditions, with open communication between managers and staff and reinforcement messages from the CEO or senior management being the most popular.

Permanent hiring expectations



HIRING EXPECTATIONS FALL FURTHER

Respondents in all four markets report a further decline in hiring expectations this quarter, though the fall is not as steep as in Q1 2009. As in the last three quarters, China has the highest expectations and Hong Kong the lowest. Expectations are falling fastest in Japan.

China

Expectations in China have fallen for the third consecutive quarter: 30% of respondents plan to increase hiring, compared with 34% in Q1 2009. The proportion expecting to cut headcount has risen from 8% to 21% within the same period.

The Consumer sector is the most optimistic, with 41% saying they will hire more staff. The steep decline in the Banking & Financial Services sector in Q1 2009 appears to be levelling off. The 27% of respondents forecasting headcount growth is only slightly less than the previous quarter's 29%. More than half – 53% – say hiring will remain steady, a higher figure than for any other sector.

Hong Kong

Hong Kong reports the lowest expectations since *The Hudson Report* started tracking the market in Q4 1998. Overall, 14% of respondents expect to hire more staff, a much lower figure than the 22% who plan to cut headcount.

The global downturn is having a dramatic effect on Banking & Financial Services: just 12% plan to grow headcount this quarter, while twice as many – 24% – will cut staff. The lowest expectations are reported by the IT&T sector, where only 6% forecast hiring growth, down from 20% in Q1 2009. IT for financial services has been hard hit but companies are still

hiring for Software as a Service (SAAS) and outsourcing projects.

Japan

For the first time, more respondents expect to reduce staff levels than increase them. Twenty-five percent will cut headcount, while 22% say they will increase hiring – down from 31% in Q1 2009. IT&T firms report the highest expectations, with 31% forecasting increased hiring. Much of the demand is in the areas of mobile telecoms, infrastructure and enterprise software.

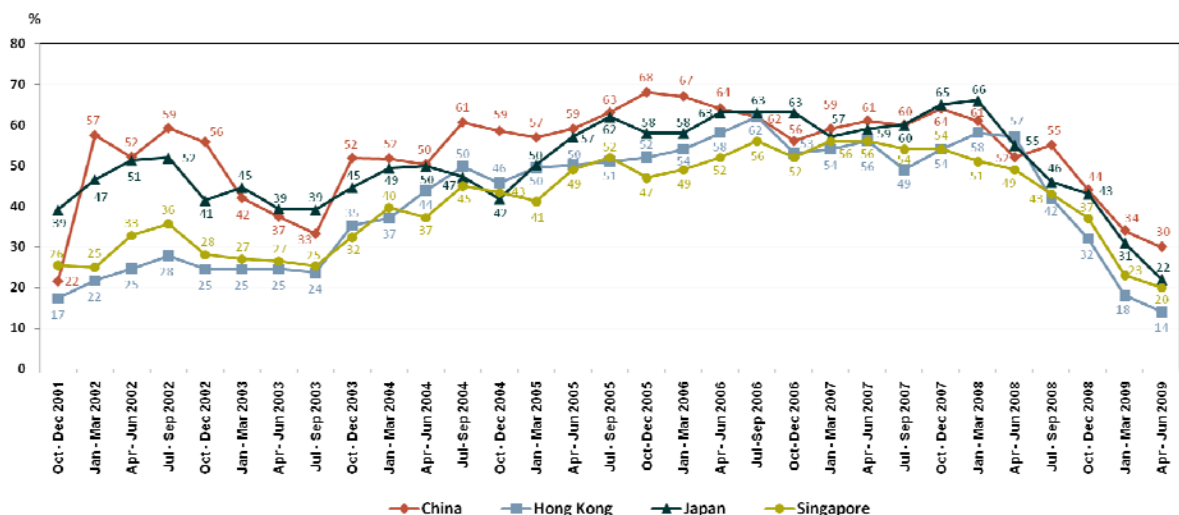
In the Banking & Financial Services sector, 23% expect to grow headcount, while the proportion anticipating a reduction has jumped from 9% to 32% this quarter. The fall in expectations appears to be slowing down among Manufacturing companies: 20% say they will increase headcount, a small decline from 24% in Q1 2009.

Singapore

Expectations are still falling in Singapore but more slowly than in recent quarters. Across all sectors, 20% of respondents plan to increase hiring, compared with 23% in Q1 2009. However, the proportion saying they will reduce headcount has risen from 12% to 19% within the same period. Healthcare & Life Sciences companies have the highest expectations by a substantial margin: 38% forecast headcount growth, unchanged from the previous quarter. Just 3% plan to cut headcount.

At 18%, expectations to hire in the Media/PR/Advertising sector remain the same as in Q1 2009, while the proportion of respondents saying they will cut headcount has fallen slightly from 16% to 15% this quarter. This suggests that clients are still prepared to spend on marketing campaigns.

Regional permanent increased hiring expectations over time



Source: The Hudson Report, Asia - Q2 2009

Cost-cutting initiatives



EMPLOYERS IN ALL MARKETS ARE CUTTING HR-RELATED COSTS

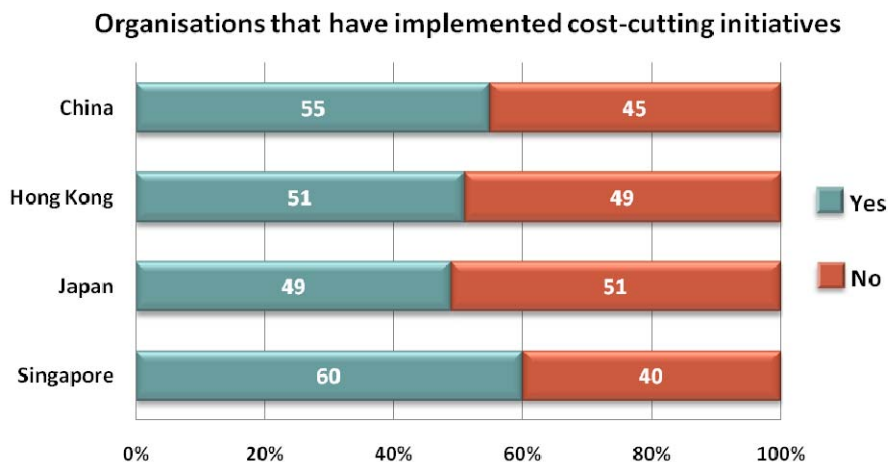
Respondents were asked if their organisation had implemented HR-related cost-cutting initiatives in the last six months. Singapore has the highest proportion who have done so; Japan the lowest.

Across all sectors, 55% of respondents in **China** say their organisation has cut HR-related costs in the last six months. At 68%, Manufacturing companies are the most likely to have taken this initiative. In the Consumer sector, the figure is just 37%. Continuing demand in the FMCG segment is helping to insulate companies from the worst effects of the downturn.

Overall, the response in **Hong Kong** is evenly divided: 51% say their organisation has reduced HR-related costs, 49% have taken no action. In the Banking & Financial Services sector, 58% give a positive response. Fewer than half of those surveyed in the Consumer, IT&T and Manufacturing sectors say their organisation has cut HR-related costs in the last six months.

Although 49% of all respondents in **Japan** report that their organisation has cut HR-related costs, there are wide variations between the sectors. Just 30% of respondents in the Consumer sector say their organisation has taken this action, while the corresponding figure among Media/PR/Advertising firms is 67%. Many Consumer companies have so far avoided implementing staff cuts because of steady demand for everyday products. Media/PR/Advertising agencies are vulnerable in a downturn and many respondents felt they had to cut costs immediately.

At 60%, **Singapore** has the highest proportion of respondents whose organisations have already cut HR-related costs. This approach is particularly prevalent in the Banking & Financial Services sector, where 68% have implemented cost-cutting measures. This was the first sector to be severely affected by the downturn and banks have reacted quickly. Employers in the Manufacturing and Media/PR/Advertising sectors are more likely than the average to have cut costs, while just 33% in Healthcare & Life Sciences have done so. Many companies in this sector are already lean and cost-effective.



Source: The Hudson Report, Asia - Q2 2009

Key cost-cutting measures



HEADCOUNT REDUCTION IS PRINCIPAL INITIATIVE

Among companies that have already taken steps to cut HR-related costs, reducing headcount is the widely adopted measure in all the markets surveyed.

In **China**, 39% of respondents say their company has reduced headcount in the last six months, while 35% have cut bonus payments. The latter is the highest figure for the markets surveyed in Asia. At 45%, the Consumer sector has the highest proportion to have reduced headcount. Logistics and support functions are the first targets for reductions. Banking & Financial Services is the only sector where cutting bonuses is seen as more important than shedding staff; the figures are 45% and 38% respectively. Bonuses form a large part of total remuneration and reducing them ensures significant savings.

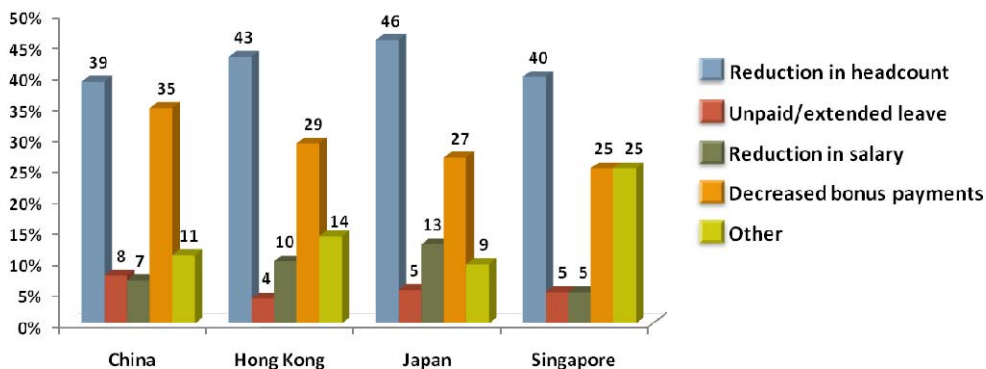
In **Hong Kong**, 43% report that their company has made staff cuts and 29% have reduced bonus payments. IT&T companies are the most likely to have cut headcount, with nearly two thirds (65%) saying they have done so. By contrast, they are less likely to have reduced salaries or bonuses. The Consumer sector appears to be focusing on trimming HR-related costs without cutting headcount. Just 23% say they

have made headcount reductions, while 36% have cut bonuses.

At 46%, **Japan** has the highest proportion of respondents whose organisations have reduced headcount in the last six months. This approach has been most widely adopted in the Media/PR/Advertising sector, where 62% report staff cuts. Some IT&T firms are trying to reduce HR-related costs without losing staff; 32% mention 'other' measures, including job sharing and shorter working weeks. Overall, 13% of respondents say their company has cut salaries, a higher figure than for the other markets surveyed. This initiative is seen as particularly valuable in the Manufacturing and Media/PR/Advertising sectors, both cited by 24% of respondents.

In **Singapore**, 40% of respondents report that their organisation has made staff cuts and 25% mention that bonus payments have been reduced. Both figures are higher in the Banking & Financial Services sector; 50% and 30% respectively. The downturn has forced banks to reduce costs, to maintain a profitable operating model. Only 19% of Healthcare & Life Sciences companies have reduced headcount, while 'other' measures, such as salary freezes, travel bans and lower training budgets have also been implemented.

Cost-cutting initiatives implemented by organisations



Source: The Hudson Report, Asia - Q2 2009

Recruitment methods



EMPLOYERS STILL USING RANGE OF RECRUITMENT CHANNELS

Respondents were asked which recruitment methods they had used most frequently in the last six months.

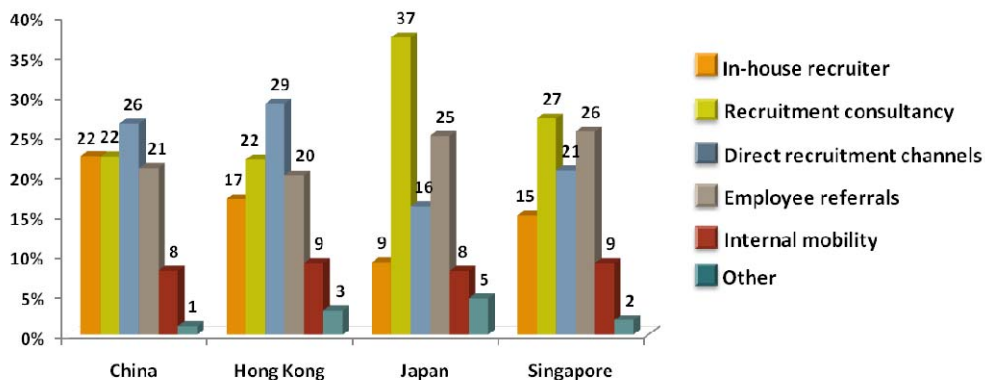
Direct recruitment is the most frequently used channel in **China**, where it is mentioned by 26% of respondents. It is particularly important in the Manufacturing sector, where 31% give this response. Media/PR/Advertising firms are likely to use employee referrals – 35%. There is a small talent pool in this industry and many professionals know staff in other firms. Companies in the IT&T and Banking & Financial Services sectors are increasingly using in-house recruiters to find talent.

At 29%, **Hong Kong** has the highest proportion of respondents whose organisations have used direct recruitment in the last six months. This method is widely used in the Manufacturing and Consumer sectors – 46% and 32% respectively. Both industries make extensive use of advertising to find candidates. The IT&T, Banking & Financial Services and Legal sectors all see recruitment consultancies as the most important single channel. Especially in today's difficult environment, employers in these sectors use consultancies to find high quality candidates with specific skills and experience.

Japan has by far the highest proportion of candidates reporting that recruitment consultancies are the most frequently used channel – 37%. At just 16%, the number of respondents using direct recruitment is lower than in the other markets. In the Consumer and IT&T sectors, recruitment consultancies are mentioned by 46% and 42% respectively. They are seen as an effective means of selecting the best candidates from the substantially increased volume of jobseekers. Employee referrals are also widely used, notably in the Media/PR/Advertising and Manufacturing sectors.

Recruitment consultancies and employee referrals are the most frequently used channels in **Singapore**, where they are mentioned by 27% and 26% of respondents respectively. Many market segments are still talent-short and employers use consultancies to find candidates for key positions. This method is widely used in the Healthcare & Life Sciences and Consumer sectors, cited by 33% and 31% respectively. Singapore has the highest proportion of respondents using employee referrals – 26%. Media/PR/Advertising firms are the most likely to take this approach (46%). Internal mobility is popular in the Banking & Financial Services sector, as banks try to retain talented staff by transferring them to other offices.

Most frequently used methods for recruiting new staff



Source: The Hudson Report, Asia - Q2 2009

Maintaining staff morale



OPEN COMMUNICATION AND CEO MESSAGES ARE KEY MORALE BOOSTERS

When asked about initiatives to maintain staff morale in today's tough economic climate, respondents in all four markets cited (1) open communication between managers and staff and (2) reinforcement messages from the CEO and senior management as the most important initiatives.

In **China**, 26% and 25% respectively mention open communication and CEO messages. Open communication is most highly valued in the Media/PR/Advertising sector, cited by 33%. This is a close-knit business and agencies try to keep staff aware of current developments. Compared with the other markets in Asia, China has a high proportion of respondents who mention team building and employee recognition programmes – 15% and 12% respectively. Training is also seen as an effective means of maintaining morale, especially in the IT&T sector, where it is cited by 19% of respondents. Some companies are using the downturn to train staff in preparation for economic recovery.

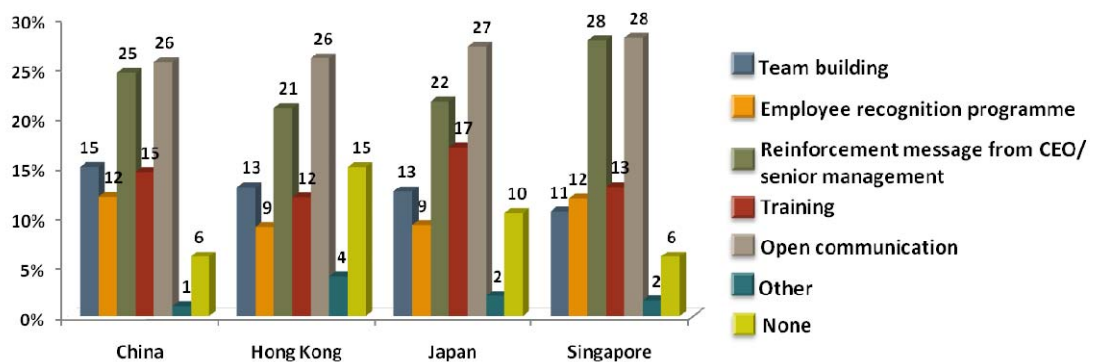
At 15%, **Hong Kong** has the highest proportion of respondents whose organisations have not taken any steps to maintain staff morale. The Consumer, Media/PR/Advertising and Manufacturing sectors are the least likely to have implemented any morale-boosting measures. Encouraging open communication is seen as valuable in the Manufacturing

and Legal sectors, being mentioned by 34% and 33% respectively. The Banking & Financial Services sector is focusing on reinforcement messages from the CEO or senior management. There has been widespread publicity about potential failures in this sector and alleviating staff anxiety is seen as vital.

Open communication is the single most important response in **Japan**, where it is mentioned by 27%. In the Media/PR/Advertising and Consumer sectors, this figure rises to 31% and 30% respectively. Overall, 17% of respondents say their company is using training programmes to enhance morale, a higher figure than for the other markets surveyed in Asia. Training is highly valued in the Manufacturing and Consumer sectors, being cited by 28% and 20% respectively. Companies in both industries are using the downturn to invest in their human capital.

Singapore reports the highest proportion of respondents mentioning open communication and CEO reinforcement messages at 28% each. These are the most widely used methods in every sector surveyed. Employee recognition programmes are also given higher priority in Singapore than the other markets: they are used by 12%. Such programmes are widespread in the IT&T sector. Although few new IT contracts are being awarded, companies are trying to maintain the morale of key staff on existing projects. In the Banking & Financial Services sector 15% mention training, as banks focus on retaining and developing existing talent.

Initiatives to boost staff morale



Source: The Hudson Report, Asia - Q2 2009

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