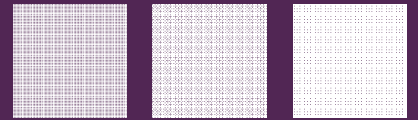




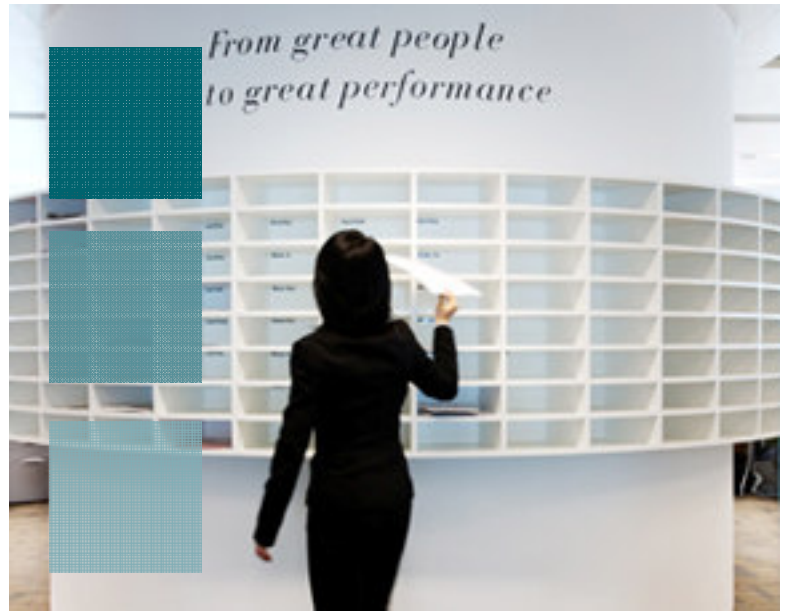
Hudson



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), Hong Kong and Singapore and combines the expectations of nearly 2,000 key employment decision-makers.

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

Key findings



“OVERALL, RESPONDENTS ARE MORE OPTIMISTIC ABOUT HIRING EXPECTATIONS THAN IN RECENT QUARTERS. MANY EMPLOYERS ARE FOCUSING ON STAFF MOTIVATION AND RETENTION AS THEY PREPARE FOR ECONOMIC RECOVERY.”

MIKE GAME, CEO, ASIA, HUDSON

This survey for Quarter Three (Q3) 2009 suggests that employers around the region are becoming more positive about hiring prospects.

KEY FINDINGS

- China again has the highest expectations but is the only market to report a decline this quarter: 27% plan to increase hiring in Q3 2009, compared with 30% the previous quarter. However, the rate of decline is slower than in recent quarters;
- Expectations to hire in Hong Kong are up from 14% in Q2 2009 to 22% this quarter. This is the first increase since Q1 2008;

- Expectations are rising in Singapore for the first time since Q1 2007: 26% of respondents say they will grow headcount in Q3 2009, compared with 20% the previous quarter;
- Respondents in Hong Kong are the most optimistic about prospects for economic recovery, with 28% expecting it to begin this year;
- Employee motivation & retention are the most critical people-related issues in all the markets surveyed. Career development is also seen as a high priority;
- Employers in all three markets are much more likely to be able to negotiate lower salaries for new managerial hires than they were in Q3 2008;
- The extent of salary reductions for new hires, however, is relatively limited in every market.

Permanent hiring expectations



HIRING SENTIMENT MORE OPTIMISTIC

Respondents are generally more positive this quarter. Hiring expectations are rising in Hong Kong and Singapore and although they are still falling in China, the rate of decline is slower than in recent quarters. The proportion of respondents planning to reduce headcount in Q3 2009 is falling sharply in all three markets.

China

Expectations in China are higher than in the other markets surveyed, despite a further small decline this quarter, with 27% of respondents planning to increase headcount, compared with 30% in Q2 2009. The Manufacturing & Industrial sector reports both the highest expectations and the greatest increase compared to the previous quarter: 34% plan to hire more staff in Q3 2009, sharply up from 21% last quarter. The Government's stimulus package for key industries appears to be having a positive effect in this sector.

Expectations are also rising in the IT&T sector, where 33% of respondents expect to grow headcount. This compares with 25% in Q2 2009. Substantial new 3G projects are boosting demand for IT professionals. Although expectations in the Banking & Financial Services sector are almost unchanged - 28% in Q3 2009, compared with 27% in Q2 2009 - the proportion of respondents forecasting a reduction in headcount has fallen dramatically, from 20% to just 6% during the same period. Expectations for economic recovery and extensive restructuring are driving banks' hiring plans.

Hong Kong

Expectations in Hong Kong are rising for the first time since Q1 2008. Across all sectors, 22% expect to hire more staff up from 14% the previous quarter. Hong Kong also reports the greatest fall in the proportion of respondents planning to cut

headcount, from 22% to 12% this quarter. The Banking & Financial Services sector is the most optimistic, with 29% anticipating hiring growth - a substantial increase from 12% in Q2 2009. Much of the additional recruitment is for back and middle office roles.

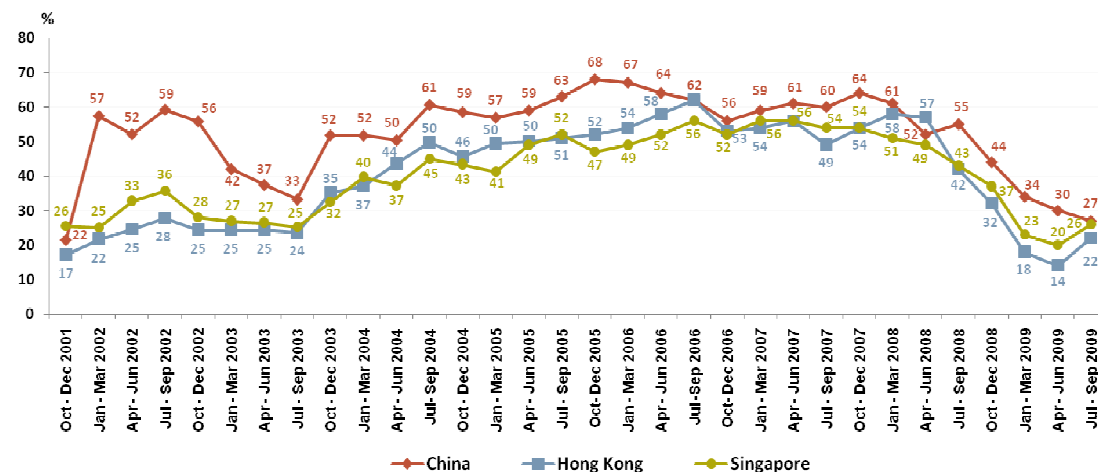
Media/PR/Advertising firms report the greatest increase in expectations to hire, from 10% in Q2 2009 to 28% now. After extensive restructuring in the first half of the year, many agencies are hiring again, particularly professionals with CRM and strategic experience. Expectations are also rising sharply in the IT&T sector: the 6% forecasting hiring growth in Q2 2009 has jumped to 23% this quarter. Demand for IT professionals with public sector and transport experience is particularly strong.

Singapore

Expectations are also rising in Singapore, where 26% of respondents say they will grow headcount compared with 20% the previous quarter. This is the first rise since Q1 2007. Expectations are up in all sectors except Media/PR/Advertising, where there is a very slight decline from 18% to 17% in Q3 2009. The Healthcare & Life Sciences sector again has the highest expectations with 38% expecting to increase hiring, the same figure as for the previous two quarters.

The Banking & Financial Services sector reports the greatest increase in expectations as the growing volume of deals encourages banks to implement hiring plans delayed from Q4 2008: 32% expect to hire more staff this quarter, compared with 19% in Q2 2009. Hiring expectations in the IT&T sector are up again, from 22% in Q2 2009 to 25% this quarter. This industry has been resilient with most companies holding the headcount position in their Singapore operations steady, despite global cutbacks. Cuts, if any, are primarily from support functions that are cost headcount.

Regional permanent increased hiring expectations over time



Source: The Hudson Report, Asia - Q3 2009

Expectations for Asia's economic recovery



VARYING EXPECTATIONS FOR RECOVERY

Respondents were asked when they expect Asia's economy to begin recovery given the current market climate. There are significant variations between responses from the markets surveyed. Employers in Hong Kong are the most optimistic about recovery with 28% saying it will start by the end of 2009, a much higher figure than for the other markets.

In **China**, 16% of respondents expect economic recovery to start this year and a further 27% during the first half of 2010. At 39%, the proportion of respondents who say they are unsure about recovery is much higher than in the other markets surveyed.

Manufacturing & Industrial companies are the most positive, with 24% expecting the economy to begin recovery this year and a further 26% by mid-2010. The continuing upward trend in the Purchasing Managers Index (PMI) is boosting confidence in this sector. The Media/PR/Advertising sector is also confident: 17% forecast recovery in 2009 and a further 33% say it will start in the first half of next year. Agencies are responding to the trend for major companies to start focusing on marketing initiatives again.

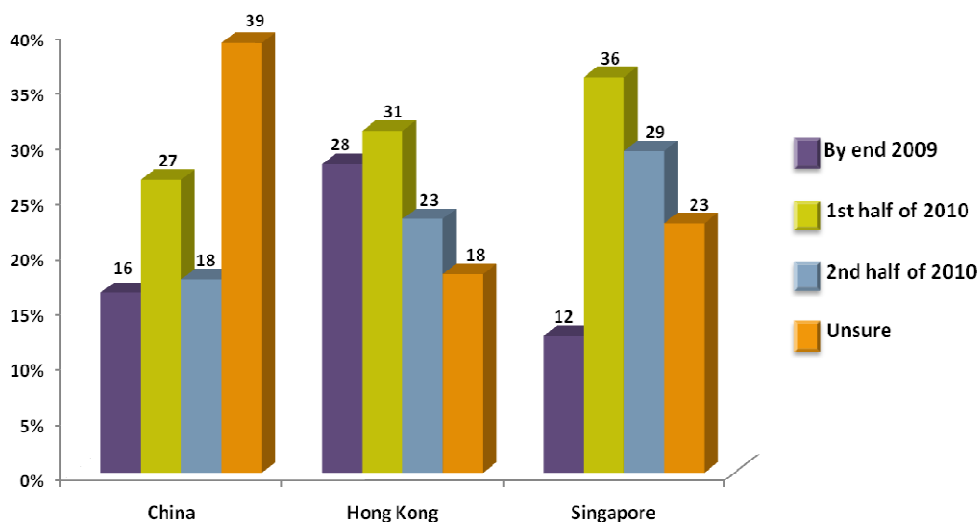
As noted, **Hong Kong** has the highest proportion of respondents anticipating recovery this year. It also has the lowest proportion who say they are unsure when recovery will take place: cited by just 18% of respondents.

There is a high level of optimism in the Consumer sector, where 44% believe the economy will start to recover this year; in addition, 22% say recovery will take place by mid-2010. After a long period of consolidation, employers in this sector appear confident that the market is becoming more favourable. Media/PR/Advertising firms are also confident, with 78% forecasting recovery within a year - 36% anticipate recovery by end of this year and 42% in the first half of 2010. Growth in digital and interactive media is helping to boost confidence in this business.

In **Singapore**, 12% of respondents forecast signs of recovery this year. Almost two-thirds - 65% - expect recovery during 2010, while 23% say they are unsure.

Respondents in the Consumer and Media/PR/Advertising sectors are the most likely to believe recovery will start this year - 15% in both cases. Employers in these sectors have reported steep declines in hiring expectations in recent quarters but some companies are now positioned to benefit from major new retail and leisure developments.

Recovery of Asia's economy



Source: The Hudson Report, Asia - Q3 2009

Critical people-related issues



MOTIVATION AND RETENTION ARE THE MOST IMPORTANT ISSUES

When asked about the people-related issues that businesses must address within the next twelve months, respondents say that employee motivation & retention are the most critical. Career development is consistently regarded as the second most important issue, while reducing headcount is seen as a minor issue in every market.

Motivation & retention factors are mentioned by 22% of respondents in **China**. Career development, communication and enhancing leadership competencies are also seen as important, being cited by 15%, 14% and 14% respectively.

At 23%, the Banking & Financial Services sector has the highest proportion of respondents saying that motivation & retention are critical issues. Career development and enhancing leadership competencies are also seen as vital. Extensive restructuring has created uncertainty and many banks are focusing on building staff morale. Respondents in the Consumer sector are the most likely to address career development and attracting talent, cited by 18% and 16% respondents respectively. Companies in this business often find it difficult to acquire talent, even in a challenging business environment, and are always concerned with recruiting and developing talented staff.

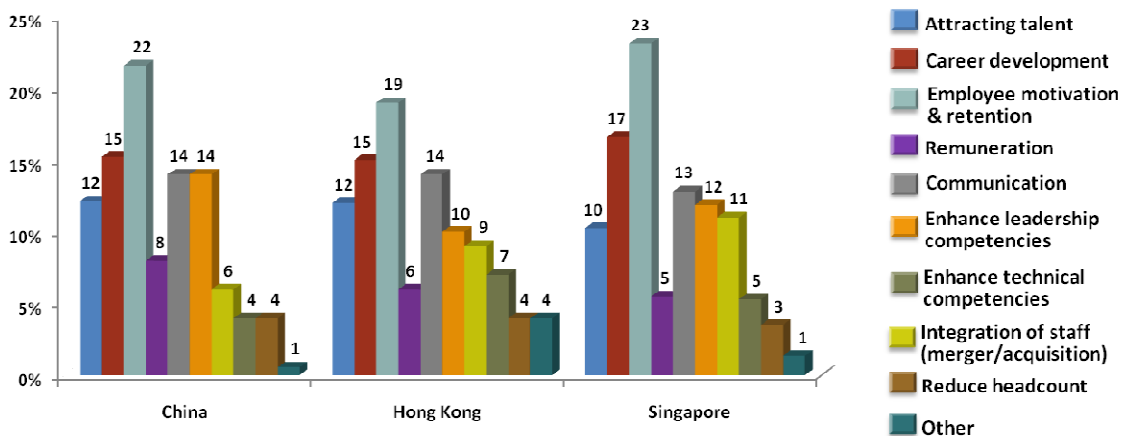
In **Hong Kong**, 19% of respondents across all sectors say that motivation & retention are the most critical issues. Career development and communication with staff are the next most important, being mentioned by 15% and 14% respondents respectively.

Respondents in the Banking & Financial Services sector see motivation & retention, career development and communication as particularly critical. After extensive restructuring initiatives, banks are seeking to reassure staff about their future prospects. At 15%, the Manufacturing sector has by far the highest proportion citing enhancing leadership competencies. Many companies have restructured their senior management teams and are seeking to develop middle management staff. IT&T employers regard attracting talent as the most pressing issue: 20% mention this. IT skills change rapidly so being able to attract candidates with the required expertise is critical.

At 23%, **Singapore** has the highest proportion of respondents who say motivation & retention are the most important issues. Career development and enhancing technical competencies are also seen as more critical than in the other markets surveyed.

As well as motivation & retention, Healthcare & Life Sciences employers regard enhancing leadership competencies as a top priority: 15% raise this issue. Many companies have implemented far-reaching changes and now seek managers with strong leadership skills to run their restructured teams. Consumer is the only sector in which motivation & retention are not the most important issues. Career development is seen as the most critical, being mentioned by 22%, while communication with staff is also important (18%). Companies in this sector often focus on long term career development, trying to avoid the peaks and troughs seen in some other sectors.

Most important people-related issues in the next 12 months



Source: The Hudson Report, Asia - Q3 2009

Salaries for new managerial hires



TREND TO LOWER STARTING SALARIES IN ALL MARKETS

Respondents were asked if the current economic climate means that they can negotiate lower salaries for new managerial hires. In all the markets surveyed, the proportion of respondents who say they can do so is higher than when this question was last asked, in Q3 2008.

Employers in **China** are the least likely to be able reduce starting salaries, with 31% across all sectors saying they can do so. However, this is a sharp rise from Q3 2008, when just 8% gave this response.

The Media/PR/Advertising sector has the highest proportion of respondents who can attract new managerial candidates while offering lower starting salaries. Nearly half (47%) say they can do so. Many agencies are experiencing cash flow issues and are seeking to save money by reducing new salary levels. In-house salaries have been less severely affected. At 43%, the IT&T sector also has a high proportion reporting that new hire salaries are falling. This sector has the highest figure for employers planning to reduce headcount and this is exerting pressure on salaries.

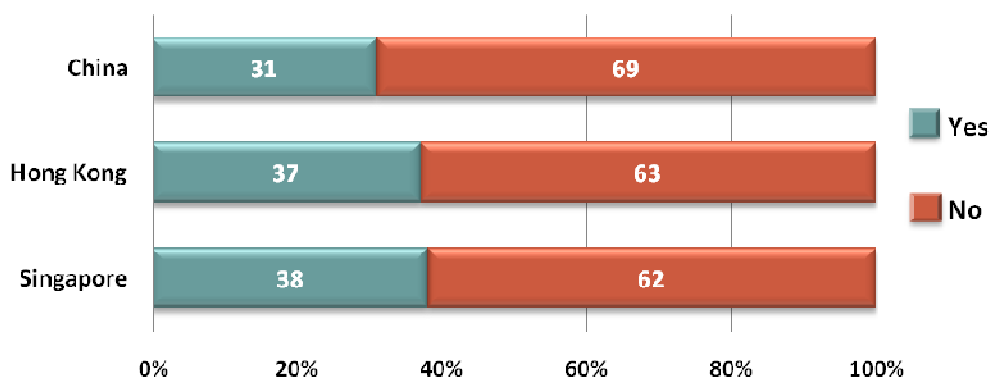
In **Hong Kong**, the proportion of respondents who say that the current economic climate enables them to negotiate lower salaries for new managers has risen from 13% in Q3 2008 to 37% this quarter.

Nearly half (48%) of respondents in Banking & Financial Services are able to reduce starting salaries, a substantially higher figure than for the other sectors surveyed. Many positions in this sector have been made redundant and banks are generally offering less generous packages than they did a year ago. The Manufacturing & Industrial sector is at the other end of the scale, with just 31% saying they can achieve savings on new hire salaries. Staff in this area tend to move less frequently than in other sectors and competitive salaries are necessary to persuade them to do so.

Singapore has both the highest proportion of respondents who can negotiate lower starting salaries and the greatest rise since a year ago. The 38% who can do so now compares with 10% in Q3 2008.

Employers in the Banking & Financial Services sector are in the strongest position to reduce starting salaries: 47% say they can do so. Banks tend to respond very quickly to changing circumstances by increasing or reducing salaries. A high proportion of IT&T employers (46%) are able to negotiate lower salaries. The revision of salary expectations created by the downturn is helping to improve Singapore's competitiveness and persuading IT companies to maintain their Asia hubs there. In the Healthcare & Life Sciences sector, just 17% are able to reduce starting salaries. There is still a talent shortage for some professional clinical and technical roles and this is keeping salary levels up.

Negotiation of lower salaries for new managerial hires



Source: The Hudson Report, Asia - Q3 2009

Extent of reductions in new managerial salaries



EXTENT OF SALARY REDUCTION IS LIMITED

Where employers are able to negotiate lower salaries for new managerial hires, the extent of the reduction is relatively limited in all the markets surveyed.

One-third of respondents (33%) in **China** say they can only reduce starting salaries by 1-5%. A further 47% are making reductions of 6-10% and only 7% are achieving reductions of more than 20%.

At 56%, the IT&T sector has the highest proportion of respondents who can negotiate reductions of more than 10%. Demand for IT professionals is inconsistent across specialisations and candidates in some areas are recognising that they must accept significant reductions. The smallest reductions are reported by the Banking & Financial Services and Manufacturing & Industrial sectors. In both areas, 39% of respondents say they are cutting starting salaries by 1-5% and a further 45% are lowering salaries by 6-10%. The financial sector is relatively talent short as banks develop the range of services they offer in China, while manufacturing companies are responding to the effects of the stimulus package.

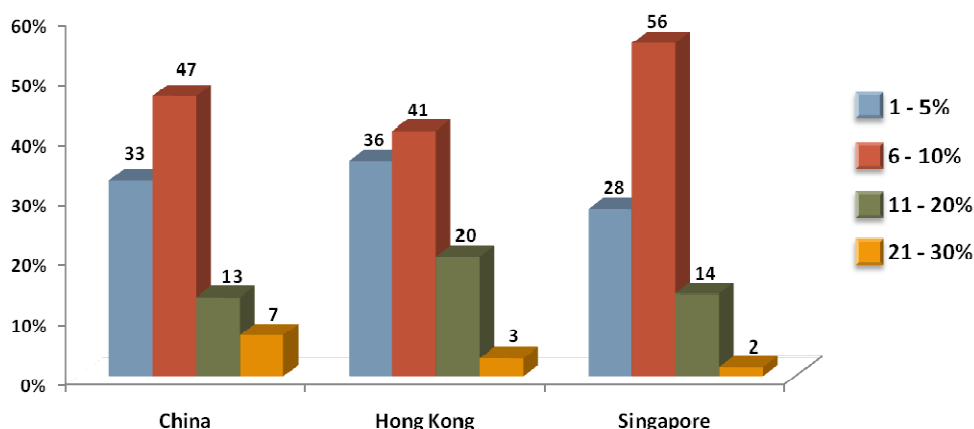
Hong Kong has the highest proportion of respondents who are achieving reductions of just 1-5% and also the highest figure for cuts of more than 10%. These are cited by 36% and 23% of respondents respectively.

Employers in the Banking & Financial Services sector are in a stronger position than those in most other sectors: 27% are able to reduce starting salaries by 11-20% and a further 6% by more than 20%. Remuneration in this sector was rising until a year ago but the position has changed dramatically and a growing pool of available talent is allowing employers to make less attractive offers. Consumer companies are the least likely to achieve significant reductions in new hire salaries, with over half (53%) reporting that they are lowering salaries by 1-5%. This is consistent with the sector's optimistic forecasts for economic recovery.

Over half of respondents (56%) in **Singapore** say they are able to negotiate salary reductions for new hire salaries in the range of 6-10%. Just 16% are able to cut salaries by more than 10%, the lowest figure for the markets surveyed in Asia.

Although employers in the Healthcare & Life Sciences sector are the least likely to negotiate lower starting salaries, those who can do so are able to make substantial reductions: 20% say they can cut new hire salaries by 11-20% and a further 10% can make reductions of more than 20%. A large proportion of respondents (40%) in Media/PR/Advertising are able to achieve salary reductions in the range of 11-20%. There is a significant divide in this business between candidates with digital media experience who are accepting lower salaries and those with integrated skills who are less prepared to compromise.

Gap between salary expectation and offer



Source: The Hudson Report, Asia - Q3 2009

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