

A high-angle, close-up photograph of two business professionals, a man and a woman, looking down at a large document on a desk. The woman is in the foreground, her face partially visible as she looks intently at the paper. The man is behind her, also looking at the document. The document appears to be a report or a set of data, with some text and possibly a chart visible. The lighting is bright and professional, typical of an office environment.

THE HUDSON REPORT

EMPLOYMENT AND HR TRENDS
JANUARY – MARCH 2012

ASIA

FROM GREAT PEOPLE TO GREAT PERFORMANCE®

Hudson



INTRODUCTION

The Hudson Report is an established and highly reputed publication, based on in-depth research. Released quarterly, the report uncovers and analyses the hiring expectations of Asian employers in China (Beijing and Shanghai), Hong Kong and Singapore over the coming quarter and provides insights into a range of human resource issues currently impacting business and the broader Asian economy.

Combining robust data on employment expectations with commentary and extensive market knowledge from Hudson's conversations with employers in Asia, *The Hudson Report* is the leading source for business leaders on the relevant trends and issues in the Asian labour market.

METHODOLOGY

The Hudson Report has established a reputation as a key socio-economic indicator in the Asian market. It captures employers' hiring expectations for permanent workforces over the coming three months. *The Hudson Report's* quarterly findings on permanent employment expectations are built on the premise that the expectation to increase or decrease permanent staffing levels represents a significant indication of employers' optimism for the growth of their organisations.

The Hudson Report combines the expectations of key employment decision makers from all major industries across small (<20 employees), medium (20–200 employees) and large (>200 employees) organisations.

For the January – March 2012 period nearly 1,800 employers were personally surveyed by Hudson recruitment and consulting professionals across Asia in December 2011. Participants in Asia were surveyed from the following seven core industry groups:

- └ Banking & Financial Services
- └ Consumer
- └ Healthcare & Life Sciences
- └ IT&T
- └ Legal
- └ Manufacturing & Industrial
- └ Media / PR / Advertising



“Asia’s employment outlook represents a significant change from the falling expectations seen in recent quarters. In the midst of continuing economic turmoil in markets around the world, the rising expectations reported by China and Singapore are a positive sign.

However, we are seeing employers in most sectors approach hiring with a degree of caution. Before going ahead with new hiring plans, they assess the likely effect of external economic and political factors and carefully review the strength of their existing talent pool.

Employers are also keenly aware of the costs of hiring. Even in current market conditions, the size of discretionary bonus payments shows no sign of shrinking and salaries for new hires continue to rise. These costs make it vital for employers to have rigorous processes to ensure they select the very best people for their businesses.”

Mark Steyn, CEO, Asia Pacific, Hudson

KEY FINDINGS

This survey of nearly 1,800 executives across key business sectors shows that hiring expectations are rising slightly in China and Singapore in Quarter One (Q1) 2012, while in Hong Kong they remain unchanged from the previous quarter.

Respondents were also asked about the discretionary year-end bonuses they plan to pay, salaries for new managerial hires and initiatives to retain and motivate high performing staff.

HIGHLIGHTS

- └ China again reports the highest expectations: 66% of respondents plan to increase hiring this quarter, up from 64% in Q4 2011;
- └ Hong Kong has the lowest expectations, with 38% anticipating headcount growth in Q1;
- └ The 44% of respondents in Singapore who expect to hire more staff compares with 42% the previous quarter;
- └ A large majority of employers in all three markets plan to pay discretionary bonuses for year-end 2011;
- └ Bonus payments are likely to be larger than last year in Hong Kong and relatively unchanged in China and Singapore;
- └ Employers in China are prepared to pay larger salary rises to attract new managerial hires than those in Hong Kong and Singapore;
- └ Keeping up with the competition, retaining talented staff and attracting candidates in skill-short areas are key factors affecting salaries for new managers;
- └ Respondents in all three markets see money as the most effective tool for retention and motivation.

PERMANENT HIRING EXPECTATIONS

MORE POSITIVE OUTLOOK THIS QUARTER

No markets report a further decline in hiring expectations this quarter. Expectations remain unchanged in Hong Kong and show a small rise in both China and Singapore.

China

Expectations in China are much higher than in Hong Kong and Singapore: 66% of respondents across all sectors forecast headcount grow in Q1, up from Q4's 64%. The proportion of respondents expecting to reduce staff numbers has risen from 1% to 5%. The IT&T sector again reports the highest expectations, with 85% planning to hire more staff. Many large international IT companies are establishing R&D facilities in China, driving recruitment activity, and various positions for which headcount was frozen during Q4 will be released this quarter.

Expectations are rising fastest in the Media / PR / Advertising sector, where 71% of respondents forecast an increase in hiring, up from 53% in Q4. Client companies in all sectors are investing more in branding and marketing campaigns. Positive expectations are little changed in the Manufacturing & Industrial sector: this quarter's figure of 68% compares with 70% in Q4. However, the proportion of respondents expecting to reduce headcount has risen sharply to 11%, in part because of uncertainty about changes to financial policy and the regulatory environment.

Hong Kong

At 38%, hiring expectations are unchanged from Q4 2011. However, there has been a steep rise in the proportion of respondents planning to reduce hiring, from 8% to 13%. This suggests that the uncertainty in financial markets is having a severe impact in some sectors. Both the highest expectations and the steepest rise are reported by the Consumer sector, where 57% plan to hire more staff

this quarter, up from 47% in Q4. Sales directors, retail directors, retail operations managers and CRM managers are all sought after.

Expectations are also rising in the Manufacturing & Industrial sector, despite the impact of the economic downturn on export-oriented businesses. The 42% of respondents who expect to grow headcount in Q1 compares with 38% the previous quarter. The additional hiring is mostly for roles in project management, quality assurance and technical support. The figures for the IT&T sector are very similar, with Q4's 37% rising to 41%. The outlook for vendors remains positive and many companies are recruiting for sales and technical roles. Firms working in financial IT have been affected by the downturn in the banking business.

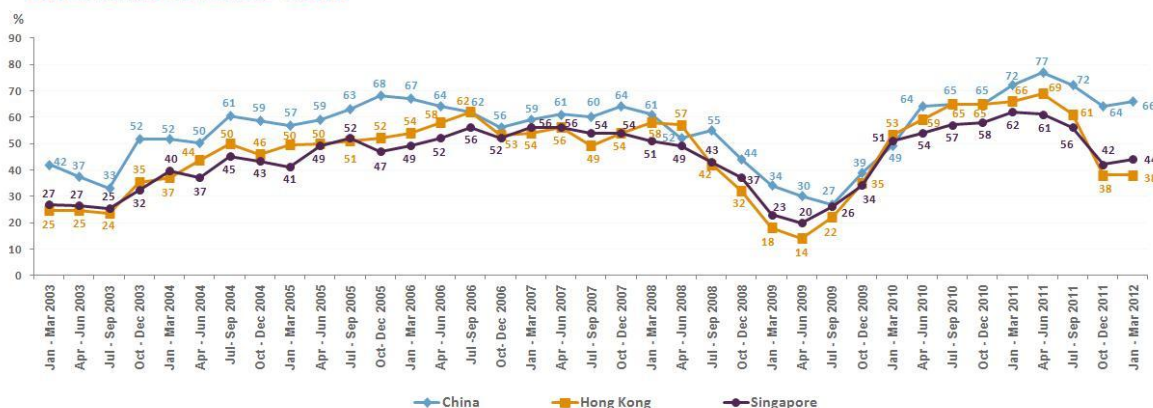
Singapore

After falling for three consecutive quarters, hiring expectations show a small increase in Q1 2012. Across all sectors, 44% of respondents anticipate headcount growth, compared with 42% in Q4 2011. The Healthcare & Life Sciences sector reports the highest expectations: 62% expect to hire more staff, a higher figure than Q4's 44%. Much of the additional hiring is for key roles in quality assurance, compliance, and regulatory and medical affairs.

Expectations are also rising in the Consumer / Advertising / Media sector, where 50% plan to grow headcount, up from 43% the previous quarter. Consumer companies are still expanding into Singapore and are hiring for roles in sales, account management and marketing communications. The Manufacturing & Industrial sector reports the sharpest fall in expectations: the 42% of respondents who intend to hire more staff compares with 51% in Q4. Many companies have been affected by falling demand from export markets in Europe and the US but technical and engineering specialists are still in demand.

REGIONAL PERMANENT INCREASED HIRING EXPECTATIONS OVER TIME

Source: The Hudson Report, Asia - Q1 2012



EACH QUARTER, APART FROM ASKING ABOUT HIRING EXPECTATIONS, WE SELECT SURVEY TOPICS THAT INDICATE HOW BUSINESSES EXPECT TO COPE WITH THEIR ENVIRONMENT. THIS QUARTER WE ASKED ABOUT DISCRETIONARY YEAR-END BONUSES, SALARY INCREASES FOR NEW MANAGERIAL HIRES, THE FACTORS AFFECTING MANAGERIAL SALARIES AND INITIATIVES TO RETAIN AND MOTIVATE HIGH PERFORMERS.

DISCRETIONARY YEAR-END BONUSES

LARGE MAJORITY PAYING YEAR-END BONUSES

The great majority of respondents in every market say that their organisation will pay discretionary year-end bonuses for 2011.

Overall, 83% of respondents in **China** say that their organisation will pay discretionary year-end bonuses this year, a lower figure than the 92% who gave this response in Q1 2011. Employers in the Consumer sector are the most likely to make bonus payments, with a very high 95% saying they will do so. This is the same figure as last year, confirming that many companies in this industry are still very successful.

At 88%, the Banking & Financial Services sector also has a high proportion of respondents whose organisation plans to make bonus payments, though this represents a decline from 93% a year ago. Large bonuses are traditional in this industry and are seen as a measure of corporate performance but many banks are now making strenuous efforts to contain costs. Employees in the IT&T sector are the least likely to receive discretionary bonuses: just 59% of respondents will pay bonuses this year, a sharp fall from last year's figure of 83%. Although most companies in this business are still actively recruiting, margins are shrinking and bonus payments are being reduced as a way of controlling costs.

Hong Kong has the highest proportion of respondents whose organisation will pay discretionary year-end bonuses for 2011 – 90%. This represents a substantial rise from 82% a year earlier and is higher than the corresponding figures for China and Singapore. Employers in the Banking

& Financial Services sector are the most likely to pay bonuses this year, with 95% saying they will do so. This industry is extremely bonus driven and employers recognise that they must make payments to retain their top talent.

The figure for the Consumer sector is almost as high, at 93%. This industry remains buoyant and most companies are able to offer financial incentives. Senior managers in the luxury goods segment are the most likely to receive substantial bonuses. Just 64% of respondents in the IT&T sector expect to make bonus payments this year, a much lower figure than for any other sector. Even this figure, however, represents a significant increase over the 53% reported in Q1 2011. Most bonuses in this industry tend to be paid to technical and solutions delivery professionals.

Eighty percent of respondents in **Singapore** say that their organisation will pay discretionary year-end bonuses for 2011, a lower figure than the 87% reported in Q1 2011. This question receives a 100% positive response in the Healthcare & Life Sciences sector and no other sector comes close to this level. Many companies are still doing well and are prepared to pay bonuses to retain talent.

Employers in the IT&T sector are the least likely to pay discretionary bonuses: 71% say they will do so, a significant fall from Q1 2011's figure of 90%. Many IT companies use KPIs to determine remuneration, so on-target earnings are already factored into compensation packages and discretionary bonuses are less common than in other industries. The Banking & Financial Services, Manufacturing & Industrial and Consumer / Advertising / Media sectors all take a similar approach to this issue. Their responses are 81%, 81% and 78% respectively.

ORGANISATIONS PAYING DISCRETIONARY YEAR-END BONUS IN 2011

Source: The Hudson Report, Asia - Q1 2012



YEAR-END BONUS LEVELS

LARGER BONUSES IN HONG KONG

Respondents whose organisation will pay discretionary bonuses for 2011 were also asked about the range in which payments will be made. Bonuses are likely to be larger in Hong Kong, while the level of payments is relatively unchanged in China and Singapore.

Across all sectors in **China**, 37% of respondents plan to pay bonuses of 10% or less, 47% will pay 11-20% and 16% will pay more than 20%. These figures are similar to the 42%, 38% and 20% reported in Q1 2011. Consumer companies are the most likely to increase bonuses this year: 68% expect to make payments in the 11-20% range, up from 43% in Q1 2011 and a far higher figure than for any other sector. Most companies in this area depend heavily on talented professionals for increased sales and are prepared to pay substantial bonuses to key staff.

Employers in the IT&T sector will pay the lowest bonuses, with just 5% saying that payments will exceed 20%, a far lower figure than for the other sectors. Bonuses of 10% or less will be paid by 85%, a sharp rise from the 65% who gave this response in Q1 2011. These figures are consistent with the high priority given to cost control in this industry. Banking & Financial Services reports a significant decline in the size of payments. The 20% of respondents planning to pay bonuses of more than 20% compares with 39% a year ago. At the other end of the scale, the proportion paying 10% or less has risen from 27% to 38%.

The average size of bonuses in **Hong Kong** is likely to be considerably larger than in Q1 2011. Overall, 58% of respondents plan to pay more than 10%, up from 45%. Just 8% say they will pay 5% or less, a sharp decline from 18% a year ago. Employers in the Banking & Financial Services sector are paying the largest amounts this year, with nearly two-thirds (65%) saying that bonuses will exceed 10%, a rise from Q1 2011's 56%. Of these, 27% plan to pay more than 20%, more than twice as many as for any other sector.

Two to three months' salary is considered a standard bonus for front office sales staff, while high performers may receive up to twelve months.

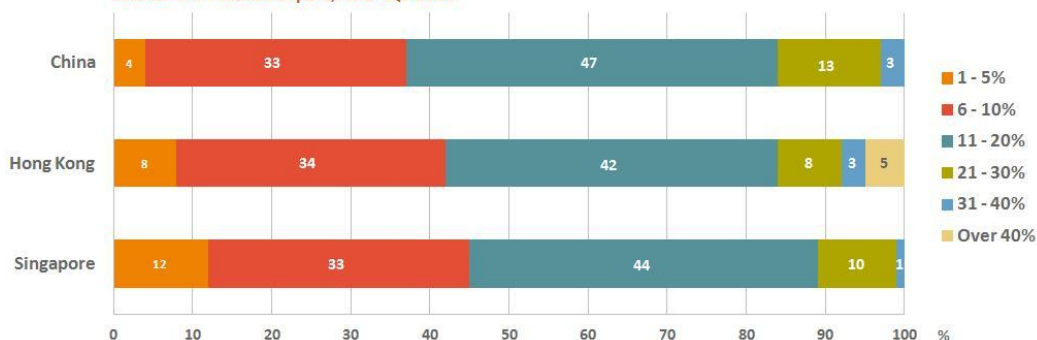
Bonus payments are also likely to be high in the Consumer sector, where 62% of respondents expect to pay more than 10%, a substantial rise from 37% in the same quarter last year. Staff in the luxury goods segment are more likely to receive large bonuses than their counterparts in FMCG, a mature business with lower incremental growth. The Media / PR / Advertising sector reports the steepest decline in bonus payments, with just 19% planning to pay more than 10%, a much lower figure than the 56% response given in Q1 2011. No respondents expect to pay more than 20%, down from 12% a year ago.

Across all sectors in **Singapore**, 12% of respondents plan to pay 5% or less, 33% will pay 6-10%, 44% will pay 11-20% and 11% will pay more than 20%. The comparable figures for Q1 2011 were 10%, 33%, 42% and 15% respectively.

The average bonus size is increasing in almost every sector, however, except Banking & Financial Services sector, where the 52% of respondents planning to pay more than 10% compares with 70% in Q1 2011. Of these, just 14% will pay more than 20%, down from 27% a year ago. Financial institutions are making strenuous efforts to contain costs in today's challenging market environment.

Companies in the Healthcare & Life Sciences sector are paying much higher amounts than they did last year: 62% say bonuses will exceed 10%, up from 48%. Of these, 8% will pay more than 20%, whereas none did so in Q1 2011. Substantial bonus payments will also be made in the Consumer / Media / Advertising sector, where 65% expect to pay more than 10%, of whom 10% will pay more than 20%. The comparable figures for Q1 2011 were 48% and 7% respectively. The higher bonuses will be paid to sales and marketing staff, whose packages usually include a lower fixed component.

RANGE OF DISCRETIONARY YEAR-END BONUS IN 2011
Source: The Hudson Report, Asia - Q1 2012



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

SALARY INCREASES FOR NEW MANAGERIAL HIRES

LARGE RISES FOR NEW HIRES

Employers in China are generally prepared to pay larger rises to attract new managerial hires than their counterparts in Hong Kong and Singapore.

Most companies in **China** are willing to pay substantial salary increases when recruiting new managerial hires. More than four times as many respondents are prepared to offer increases of more than 20% compared to either Hong Kong or Singapore. In addition, 34 percent expect to pay 11-20 percent. These figures suggest that employers in China are aware that many candidates are reluctant to take the risk of changing jobs during a time of economic uncertainty and are prepared to pay generously to offset this risk.

Employers in the Consumer sector are ready to pay the largest increases to attract the candidates they want, with 44% saying they will offer increments of more than 20%. Just 17% expect to increase new hire salaries by 10% or less, a far lower proportion than for the other sectors. At 21%, the IT&T sector has by far the highest proportion of respondents who do not expect have to pay any increase to attract new managerial hires. The mature state of the market and determined efforts to reduce costs are the main reasons for this high figure.

Ten percent of respondents across all sectors in **Hong Kong** say they do not expect to have to pay any increment to new hires, while 46% say they will pay rises of more than 10%. The highest increases are being offered in the Banking & Financial Services sector, where 48% expect to pay rises in the 11-20% range and a further 14% will offer more than 20%. Even though hiring expectations are relatively low this quarter, financial institutions are still prepared to pay well to attract top talent.

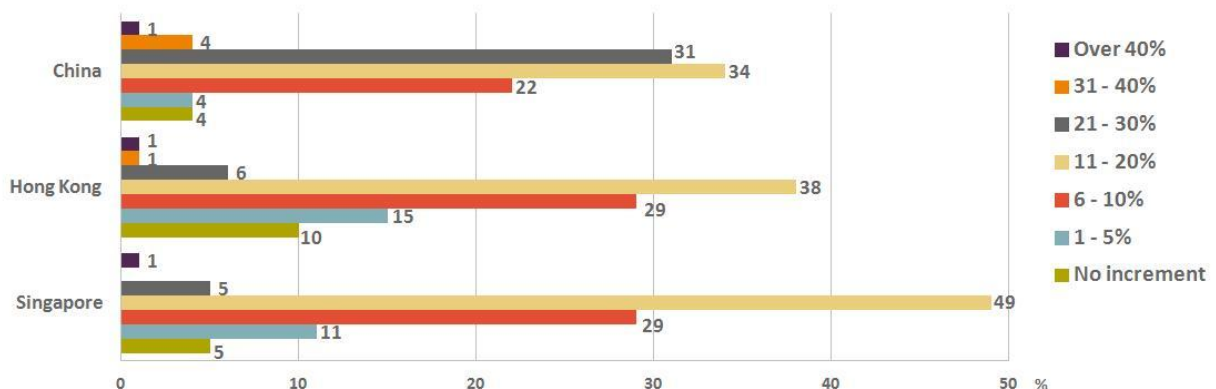
More than half (51%) of respondents in the IT&T sector say they will either pay no increment or just 5% or less. However, 34% will offer pay rises of more than 10% and of these 3% will pay more than 30%, the highest figure for all the sectors surveyed. This suggests that talented IT professionals with niche skills can command substantial increases. Thirty percent of respondents in the Manufacturing & Industrial sector expect that salary rises will exceed 10%. Employers in this sector do not offer large increments for all positions but are prepared to pay well for candidates with international exposure, experience in multinational corporations and good language skills.

Nearly half (49%) of all respondents in **Singapore** say they will offer rises in the 11-20% range to attract new managerial hires, while 6% anticipate having to offer more than 20%. Just 5% of respondents do not expect to have to pay any increase above current salary levels. Employers in the IT&T sector are willing to pay the largest increases: 69% say they will offer increases of 11-20% and 7% expect to pay more than 20%. The norm in this industry is around 15% for most roles but candidates in specialist areas such as cloud computing, virtualisation and CRM can expect to receive significantly more.

Almost all salary increments for new managerial hires in the Healthcare & Life Sciences sector will be in the 6-10% or 11-20% ranges: these responses are given by 38% and 58% of respondents respectively. No respondents say they will pay more than 20%. Many companies prefer to offer basic salary increments and give more weight to performance-related bonuses. Employers in the Banking & Financial Services sector plan to pay the lowest increases, with just 45% expecting increments to exceed 10%. Recent market turmoil and the consequent hiring slowdown mean that banks are now operating in an employer's market.

RANGE OF SALARY INCREMENT FOR ATTRACTING NEW MANAGERIAL TALENT IN 2012

Source: The Hudson Report, Asia - Q1 2012



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

FACTORS AFFECTING MANAGERIAL SALARIES

VARIOUS FACTORS DETERMINE SALARIES

Respondents were asked about the key performance criteria that affect base salaries for managerial hires. Overall, employers in China see an ability to help the company keep up with the competition as the most important factor, while those in Hong Kong and Singapore focus more on retaining talented staff and attracting candidates in areas with skills shortages.

Overall, helping the company keep up with the competition is mentioned by 63% of respondents in **China**, compared with 53% and 52% for retaining talented staff and attracting candidates in areas with skills shortages. Each of these factors is seen as more important in the Consumer sector than in any other area. Keeping up with the competition, attracting candidates in areas with skill shortages and retaining talented staff are mentioned by 70%, 64% and 63% respectively. This industry is extremely competitive in China and recruiting and developing talented employees is regarded as vital.

At 64%, the Banking & Financial Services sector also has a very high proportion of respondents who say that keeping up with the competition is the key factor. Although expectations are falling, this sector's massive expansion in recent years has created a highly competitive marketplace. Respondents in Media / PR / Advertising tend to take a different approach: 62% give top priority to retaining talented staff, while 56% cite maintaining overall company performance, a much higher figure than for the other sectors.

The ability to retain talented staff is seen as the single most important factor in **Hong Kong**, being mentioned by 58% of respondents. Attracting candidates in areas with skill shortages and keeping up with the competition are also seen as key criteria, with 51% and 49% respectively giving

these responses. The Media / PR / Advertising sector has by far the highest proportion of respondents who mention retaining talented staff – 78%. Employers in this sector also see attracting candidates in areas with skill shortages as important, with 61% giving this response.

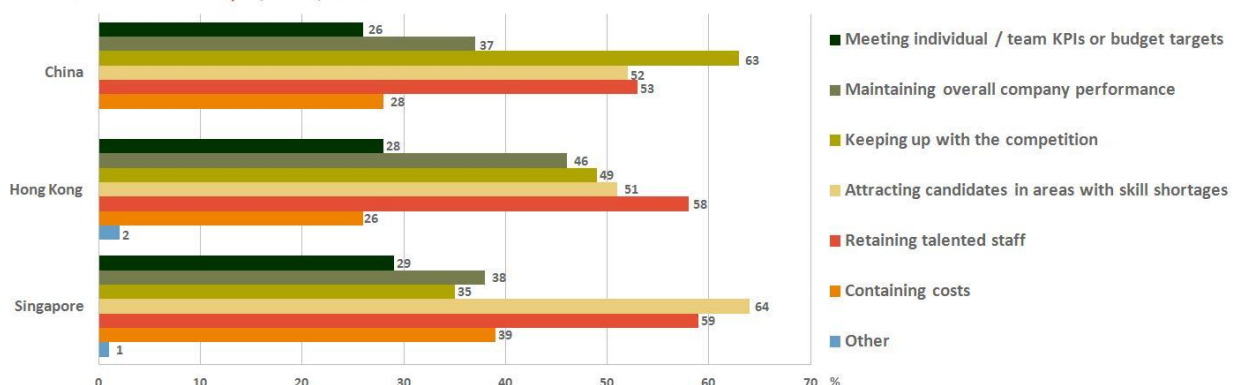
Respondents in the Manufacturing & Industrial sector place almost equal emphasis on attracting candidates in areas with skill shortages and retaining talented staff. These factors are cited by 51% and 49% respectively. Many companies require professionals with niche product knowledge and specialist skills so they are very focused on retaining and attracting staff. Keeping up with the competition is a priority in the Banking & Financial Services sector, where 53% give this response. Difficult market conditions are making this industry even more competitive.

Attracting candidates in areas with skill shortages and retaining talented staff are seen as the most important factors in every sector in **Singapore**, in most cases by a large margin. Overall, these factors are mentioned by 64% and 59% respectively. Both figures are higher than for China and Hong Kong. The Healthcare & Life Sciences sector attaches the highest priority to attracting candidates in skill-short areas and retaining talented staff, with 90% and 79% respectively citing these factors.

Both meeting individual / team KPIs or budget targets and containing costs are key factors in the Consumer / Advertising / Media sector, where they are mentioned by 48% and 46% respectively. Many companies are performing well but margins are being squeezed and it is vital to keep costs and budgets under control. In the Manufacturing & Industrial sector, by contrast, containing costs is regarded as less important than in any other sector, with just 28% mentioning this point. Singapore's manufacturing job market is mature and companies in segments such as oil and gas are prepared to pay well for critical technical expertise.

FACTORS INFLUENCING BASE SALARY FOR MANAGERIAL HIRES

Source: The Hudson Report, Asia - Q1 2012



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

STAFF RETENTION AND MOTIVATION

MONETARY INCENTIVES ARE MOST IMPORTANT IN ALL MARKETS

Most respondents see money as the most effective motivational tool. Monetary incentives and bonuses are mentioned by the highest percentage of respondents in all three markets when asked about the initiatives their organisation will use in 2012 to retain and motivate high performers.

In **China**, 53% of respondents across all sectors say they will use monetary incentives and bonuses. High performance incentives and employee recognition programmes are also seen as valuable, being mentioned by 47% and 43% respectively. The Consumer and Media / PR / Advertising sectors attach the greatest importance to monetary incentives: this response is given by 65% and 62% respectively. Fierce competition for talented candidates means that employers take a realistic approach to keeping key employees on board.

The IT&T sector has different priorities when implementing staff retention and motivation initiatives: 47% say they focus on work-life balance, while 35% mention stock options. Both figures are much higher than for the other sectors. The responses from the Manufacturing & Industrial sector are fairly flat. The three most popular initiatives – monetary incentives, long service rewards and high performance incentives – are mentioned by 45%, 44% and 43% respectively. This sector tends to be fairly stable and conservative, with the lowest figures for employee churn over the past decade.

At 74% across all sectors, **Hong Kong** has the highest proportion of respondents who say that their organisation will use monetary incentives and bonuses as a retention and motivation tool in 2012. Unsurprisingly, financial initiatives are most highly valued in the Banking & Financial Services sector, where 85% say they will offer monetary incentives in 2012 and 24% mention stock option programmes. This sector is driven by financial rewards and

both figures are the highest out of all the sectors surveyed.

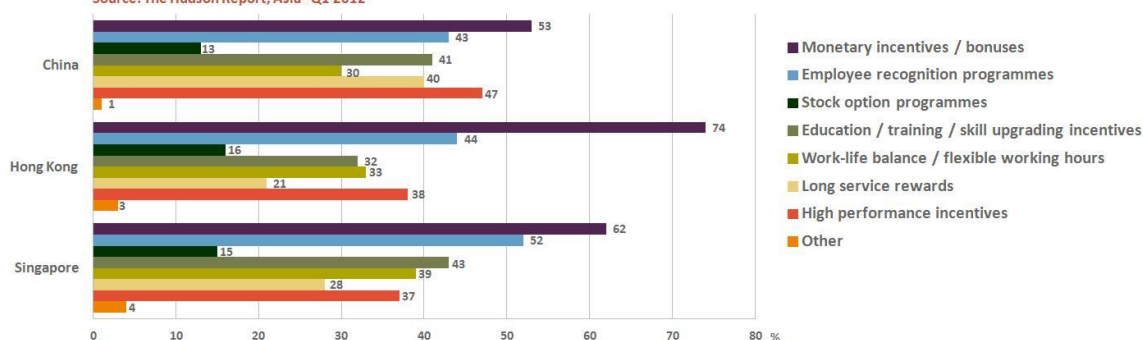
At 33%, the Media / PR / Advertising sector has the lowest proportion of respondents offering monetary rewards. Employers in this sector tend to focus on non-financial incentives such as high performance awards, work-life balance and long service rewards. These approaches are mentioned by 78%, 61% and 39% respectively, all much higher figures than for any other sector. Although both the Consumer and Manufacturing & Industrial sectors recognise the value of monetary incentives – this factor is cited by 75% and 64% respectively – they also place a high priority on education, training and skill upgrades. Forty-five percent of respondents in the Consumer sector mention this approach and 40% in Manufacturing & Industrial.

The proportion of respondents in **Singapore** who say that monetary incentives and bonuses are the most effective motivational tool is 62% across all sectors. The next most popular initiatives are employee recognition programmes and education and training incentives, cited by 52% and 43% respectively. In the Healthcare & Life Sciences sector, monetary incentives and employee recognition programmes are both mentioned by 73% of respondents – more than for any other sector. This industry also has the highest proportion of respondents offering stock option programmes to high performers – 29%.

Employee recognition programmes and high performance incentives are both seen as effective initiatives in the IT&T sector, where they are mentioned by 66% and 50% respectively. This sector has the lowest proportion of respondents whose organisation plans to offer long service rewards – just 20%. IT is a fast moving business and average tenures tend to be around two or three years. At 50%, the Consumer / Advertising / Media sector has the highest proportion of respondents whose organisation will offer education, training and skill upgrading as a motivational tool in 2012. Some employers offer their top performers the opportunity to obtain academic qualifications such as MBAs and eMBAs.

INITIATIVES USED TO RETAIN AND MOTIVATE HIGH PERFORMERS IN 2012

Source: The Hudson Report, Asia - Q1 2012



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

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