



# THE HUDSON REPORT

EMPLOYMENT AND HR TRENDS  
JANUARY - MARCH 2012

CHINA

FROM GREAT PEOPLE TO GREAT PERFORMANCE®

Hudson



## INTRODUCTION

*The Hudson Report* is an established and highly respected 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 organisation.

*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 China were surveyed from the following five core industry groups:

- └ Banking & Financial Services
- └ Consumer
- └ IT&T
- └ Manufacturing & Industrial
- └ Media / PR / Advertising



“A small rise in hiring expectations this quarter suggests that many employers are still optimistic about their prospects. Companies are focusing on attracting and retaining top talent: most are paying discretionary bonuses and salary increases for new managers remain high.”

**Mark Carriban**, Managing Director, Greater China, Hudson

## KEY FINDINGS

Hiring expectations are rising again this quarter. In this survey of over 650 executives across key business sectors, 66% expect to grow headcount in Quarter One (Q1) 2012, up from 64% in Q4 2011.

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 higher expectations to hire than Hong Kong and Singapore;
- └ Expectations have fallen since the same quarter last year: the 66% forecasting headcount growth compares with 72% in Q1 2011;
- └ Across all sectors, 83% of respondents plan to pay discretionary year-end bonuses, though there are significant differences between the sectors surveyed;
- └ Overall, the likely level of bonus payments is broadly similar to that of Q1 2011, though employers in the Banking & Financial Services and IT&T sectors plan to pay lower bonuses;
- └ Most companies are prepared to pay large salary increments to new managerial hires, with increases being much higher than in Hong Kong and Singapore;
- └ An ability to help the company keep up with the competition is seen as the most important factor in determining salaries for managerial hires;
- └ Money is widely regarded as the most effective tool for retention and motivation, with 53% of respondents across all sectors mentioning monetary incentives and bonuses.

# PERMANENT HIRING EXPECTATIONS

## HIGHER EXPECTATIONS THIS QUARTER

Hiring expectations show a small increase this quarter: 66% of respondents across all sectors expect to grow headcount in Q1 2012, up from 64% in Q4. Expectations are much higher than in Hong Kong and Singapore. However, the proportion of respondents forecasting a decline in hiring has risen from 1% to 5%.

### IT&T

Respondents in the IT&T sector again report the highest expectations this quarter, with 85% planning to hire more staff. This represents a further rise from an already high 75% in Q4. Many large international IT companies are establishing R&D facilities in China, giving a substantial boost to recruitment activity. In addition, a large number of positions for which headcount was frozen during Q4 will be released in Q1, to meet the growing demand for IT professionals.

### MEDIA / PR / ADVERTISING

Expectations are rising fastest in the Media / PR / Advertising sector, where 71% of respondents forecast an increase in hiring, up from 53% the previous quarter. Companies in all sectors are facing increasingly keen competition and are therefore prepared to invest more heavily in branding and marketing campaigns. This is creating strong demand for both agency and in-house staff.

### MANUFACTURING & INDUSTRIAL

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%, a much higher figure than for the other sectors surveyed. Manufacturing companies using heavy machinery are often dependent upon government controlled loans and uncertainty about changes to financial policy and the regulatory environment means that some employers are less confident about the future.

### CONSUMER

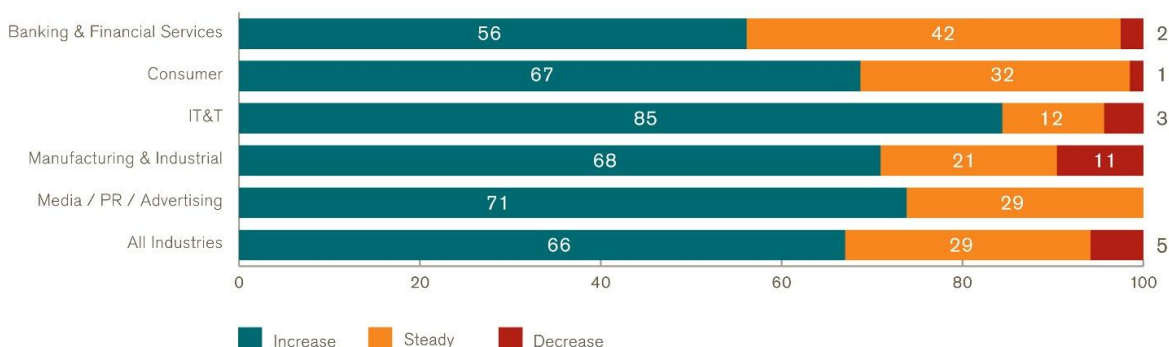
Consumer companies are increasingly positive about employment prospects, with 67% of respondents anticipating headcount growth, a significant increase from 52% the previous quarter. The proportion forecasting reduced hiring has fallen from 3% to just 1%. This sector is expected to see a substantial increase in business during 2012.

### BANKING & FINANCIAL SERVICES

The steepest fall in expectations is reported by Banking & Financial Services sector: 56% of respondents say they will hire more staff, down from Q4's high level of 73%. Most financial institutions have been affected by the economic turmoil caused by the European debt crisis. However, the substantial layoffs that are taking place in other markets are not expected in China. Just 2% of respondents plan to shed staff, down from 4% in Q4.

PERMANENT HIRING EXPECTATIONS IN CHINA

Source: The Hudson Report, China - Q1 2012



# PERMANENT HIRING EXPECTATIONS OVER TIME

## FALL IN EXPECTATIONS YEAR-ON-YEAR

Across all sectors, hiring expectations have declined over the past year. The 66% of respondents forecasting headcount growth this quarter compares with 72% in Q1 2011. However, three of the sectors surveyed report a rise in expectations year-on-year.

The IT&T sector reports by far the steepest rise in expectations over time, from 66% in Q1 2011 to 85% this quarter. As noted, increased investment in IT R&D in China has had a significant impact on recruitment. The launch of Web 2.0 and the rapid growth of Internet enterprises during the past year have also encouraged companies to hire more staff.

Respondents in the Media / PR / Advertising sector also report higher expectations year-on-year: this quarter's figure of 71% compares with 67% a year ago. The business environment in this industry is generally positive and talented candidates are being sought for a range of positions, including creative roles and account management.

The sharpest fall since Q1 2011 is in the Banking & Financial Services sector, where expectations have declined from 79% to 56%. Although banks in China have been less severely affected by the economic downturn than their counterparts in Europe and the USA, there has inevitably been an impact and stringent cost control measures are being implemented.

### EXPECTATIONS TO HIRE OVER TIME - CHINA

Source: The Hudson Report, China - 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 STILL PAYING BONUSES

A substantial majority of respondents – 83% – across all sectors say that their organisation will pay discretionary year-end bonuses for 2011. This is lower than the 92% who gave this response in Q1 2011. There are significant differences between the sectors surveyed in their approach to bonus payments this year.

Employers in the Consumer sector are the most likely to pay discretionary bonuses, 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 continue to perform well despite growing economic uncertainty.

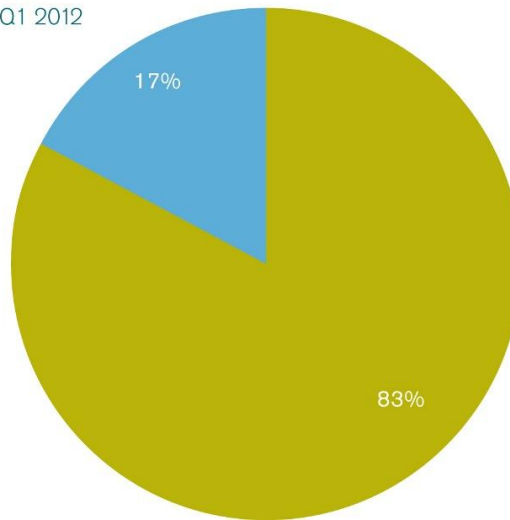
At 88%, the Banking & Financial Services sector also has a high proportion of respondents whose organisation plans to make bonus payments. Although high, this figure represents a decline from 93% a year ago. This suggests that banks are making strenuous efforts to contain costs as substantial bonuses are traditional in this industry and are widely regarded as a measure of corporate performance.

Employees in the IT&T sector are the least likely to receive discretionary bonuses this year: just 59% of respondents plan to pay bonuses, a sharp fall from 2010's figure of 83%. Although most companies in this business currently have plenty of work and are actively recruiting, margins are shrinking. Most companies are therefore trying to reduce bonus payments as a way of controlling costs.

## ORGANISATIONS PAYING DISCRETIONARY YEAR-END BONUS IN 2011

Source: The Hudson Report, China - Q1 2012

■ No  
■ Yes



# YEAR-END BONUS LEVELS

## LITTLE CHANGE IN SIZE OF BONUSES

Respondents whose organisation will pay discretionary bonuses for 2011 were also asked about the range in which payments will be made. Overall, the level of payments is relatively unchanged from the previous year. Across all sectors, 37% of respondents plan to pay 10% or less, 47% will pay 11-20% and 16% will pay more than 20%. The comparable figures for Q1 2011 were 42%, 38% and 20% respectively.

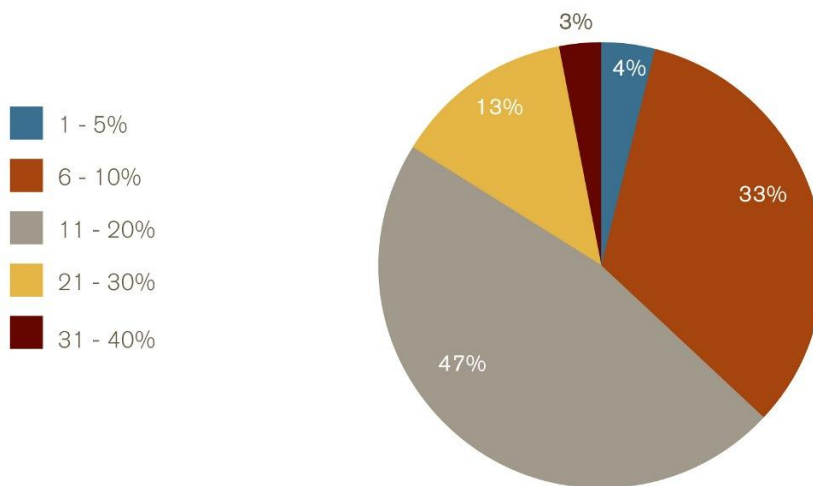
Although the Banking & Financial Services sector has a high proportion offering bonuses, the size of payments has declined this year. The 20% of respondents planning to pay bonuses of more than 20% compares with 39% who gave this response in Q1 2011. At the other end of the scale, the proportion paying 10% or less has risen from 27% to 38%. These figures confirm that banks are currently operating in an uncertain and challenging business environment.

Consumer companies are the most likely to pay higher bonuses than they did last year: 17% expect to pay more than 20%, a small increase from 15%. More significantly, the proportion planning to pay bonuses in the 11-20% range has risen from 43% to 68%, a far higher figure than for any other sector. Most companies in this area are very people-focused, knowing that they depend heavily on talented professionals for increased sales. They are therefore prepared to pay substantial bonuses to key staff.

Employers in the IT&T sector plan to pay the lowest bonuses, by a large margin. Just 5% say 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.

## RANGE OF DISCRETIONARY YEAR-END BONUS IN 2011

Source: The Hudson Report, China - Q1 2012



# SALARY INCREASES FOR NEW MANAGERIAL HIRES

## LARGE RISES FOR NEW HIRES

Most companies are willing to pay substantial salary increases when recruiting new managerial hires. Across all sectors, more than one-third (36%) of respondents say they expect to pay rises of more than 20%, while a similar proportion (34%) expect to pay 11-20%. More than four times as many respondents are prepared to offer increases of more than 20% compared to either Hong Kong or Singapore.

These figures suggest that employers in China are taking a realistic approach to recruitment. They are aware that many candidates are reluctant to take the risk of changing jobs during a time of economic uncertainty and are therefore prepared to pay generous rises to offset this risk.

Employers in the Consumer sector are ready to pay the largest increases to attract the candidates they want, with

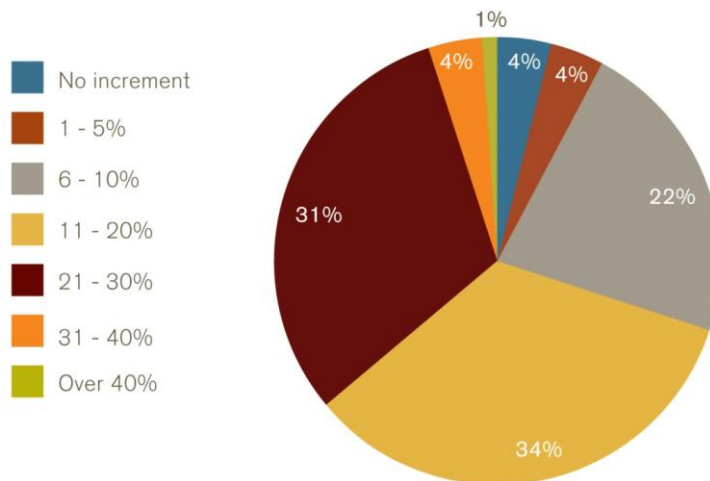
44% saying they will offer increments of more than 20%. Just 17% expect to increase new hire salaries by 10% or less, a far lower proportion than for the other sectors. Many companies in this sector are currently performing very well and can offer high salaries to talented candidates.

Salary increments are likely to be lower in the Media / PR / Advertising sector than in other areas. Just 15% of respondents expect to pay more than 20%, while 56% say that rises will be 10% or less. Although hiring expectations are rising in this sector, there has not yet been a significant impact on rates of pay and employers are generally confident that they can obtain the staff they need.

At 21%, the IT&T sector has by far the highest proportion of respondents who do not expect to 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.

## SALARY INCREMENTS TO ATTRACT NEW MANAGERIAL TALENT

Source: The Hudson Report, China - Q1 2012



# FACTORS AFFECTING MANAGERIAL SALARIES

## KEEPING UP WITH THE COMPETITION IS VITAL

Respondents were asked about the key performance criteria that affect base salaries for managerial hires. Across all sectors, an ability to help the company keep up with the competition is seen as the most important factor, being mentioned by 63%. This figure is significantly higher than for Hong Kong and Singapore. Retaining talented staff and attracting candidates in areas with skills shortages are also seen as key factors in determining managerial salaries: these responses are given by 53% and 52% respectively.

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

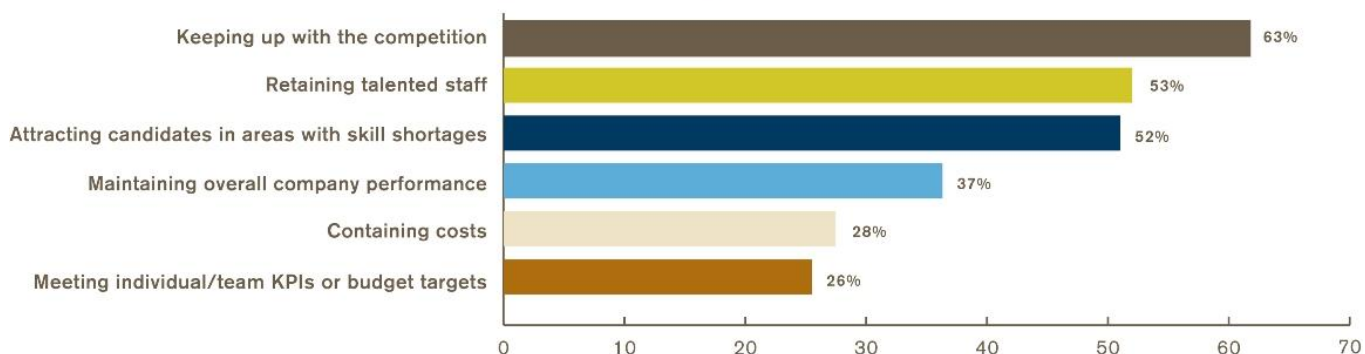
employees who can help the company maintain its market position is regarded as vital.

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 – 64%. Although hiring expectations are falling this quarter, the banking industry has seen massive expansion in recent years as foreign banks have entered the market and local banks have started offering new products and services. This has created a highly competitive marketplace in which banks are keenly aware of their position.

Respondents in Media / PR / Advertising tend to take a different approach from those in other sectors. Retaining talented staff is seen as the top priority, being mentioned by 62%, while 56% cite maintaining overall company performance. This is a much higher figure than for the other sectors.

## FACTORS INFLUENCING BASE SALARY FOR MANAGERIAL HIRES

Source: The Hudson Report, China - 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

Most respondents see money as the most effective motivational tool. In response to a question about the initiatives their organisation will use in 2012 to retain and motivate high performers, 53% across all sectors mention monetary incentives and bonuses. High performance incentives and employee recognition programmes are also seen as valuable, being mentioned by 47% and 43% respectively.

Companies in 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 and a lack of loyalty mean that employers take a straightforwardly realistic approach to keeping key employees on board.

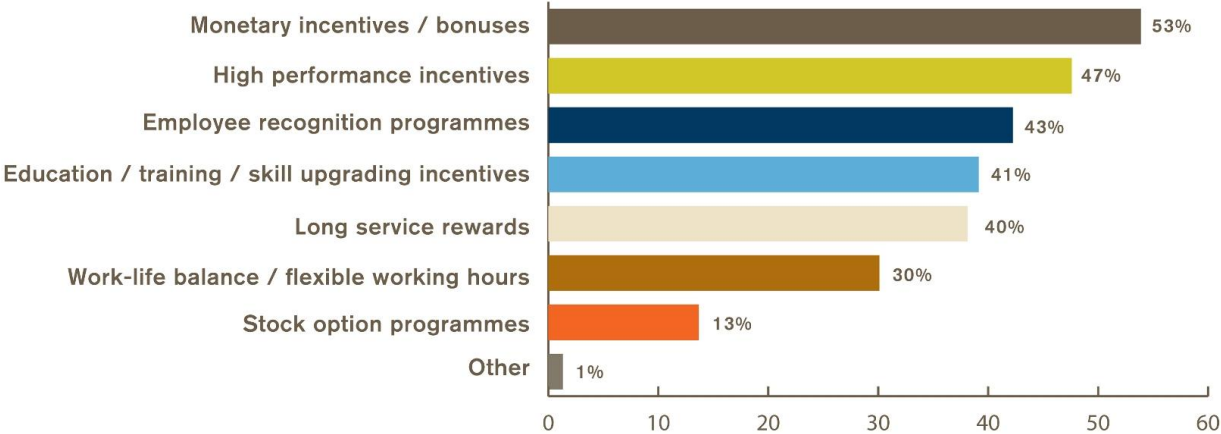
The IT&T sector tends to have different priorities when implementing staff retention and motivation initiatives: 47%

say they focus on work-life balance, while 35% mention stock options. Both figures are much higher than for the other sectors surveyed. A high pressure working environment with long hours means that work-life balance programmes are popular, while the IT industry is a pioneer of employee stock options. This form of incentive has not yet become widely used in China – it is mentioned by only 13% across all sectors – but it appears to be taking off in high-tech businesses.

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. Only the figure for long service rewards is higher than those for the other sectors. This sector tends to be fairly stable and conservative: it has had the lowest figures for employee churn over the past decade.

## INITIATIVES USED TO RETAIN AND MOTIVATE HIGH PERFORMERS IN 2012

Source: The Hudson Report, China - Q1 2012



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

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