



THE HUDSON REPORT

EMPLOYMENT AND HR TRENDS
JANUARY – MARCH 2012

SINGAPORE

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 Singapore were surveyed from the following five core industry groups:

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



“Hiring expectations are up slightly this quarter, after a steep fall in Q4 2011. Most companies will pay discretionary bonuses for 2011 and employers recognise that they must increase salaries to attract managerial talent.”

Andrew Tomich, Executive General Manager, Singapore, Hudson

KEY FINDINGS

After falling for the last three quarters, hiring expectations show a small rise this quarter. In this survey of nearly 600 executives across key business sectors, 44% expect to hire more staff in Quarter One (Q1) 2012, compared with 42% 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

- └ Expectations have fallen year-on-year: the 44% of respondents expecting to grow headcount this quarter compares with 62% in Q1 2011;
- └ Eighty percent of respondents across all sectors say their organisation will pay discretionary year-end bonuses for 2011, a lower figure than for China and Hong Kong;
- └ Bonuses are likely to be around the same size as last year;
- └ Most respondents are prepared to pay salary increases to attract new managerial hires – only 5% say they do not expect to do so;
- └ Attracting candidates in areas with skill shortages and retaining talented staff are the most significant factors determining managerial salaries;
- └ Monetary incentives are the key retention and motivational tool that companies will use in 2012.

PERMANENT HIRING EXPECTATIONS

SMALL RISE IN EXPECTATIONS

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 proportion of respondents expecting to reduce headcount is 7%, almost the same as the previous quarter's 6%. Hiring expectations in Singapore are higher than in Hong Kong but lower than in China.

HEALTHCARE & LIFE SCIENCES

The Healthcare & Life Sciences sector reports the highest expectations this quarter: 62% of respondents expect to hire more staff, a higher figure than Q4's 44%. Companies are still hiring for key roles in quality assurance, compliance, and regulatory and medical affairs but are being more cautious about taking on additional commercial staff. Part of the increase in hiring is being driven by new companies in the pharma, nutrition and medical devices fields establishing bases in Singapore.

CONSUMER / ADVERTISING / MEDIA

Expectations are also rising in the Consumer / Advertising / Media sector, where 50% say they will 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 FMCG segment tends to be fairly resilient in an economic downturn and many companies in this area are expressing optimism about their future prospects.

IT&T

The 49% of respondents with positive hiring expectations in the IT&T sector compares with 51% in Q4. Most of the major IT employers are multinational corporations, many of which have implemented headcount freezes in response to continuing market turmoil. Companies may increase their recruitment activity in Q2 and will give priority to sales and business development positions.

MANUFACTURING & INDUSTRIAL

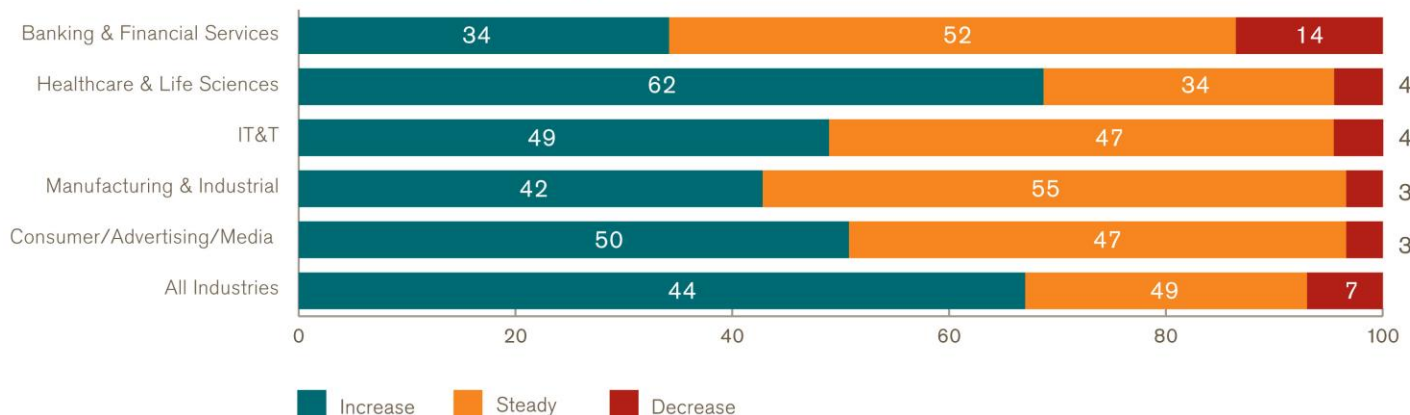
The Manufacturing & Industrial sector reports the sharpest fall in expectations: 42% of respondents plan to hire more staff this quarter, down from 51%. This sector has a strong focus on export markets and many companies have been affected by falling demand from Europe and the US. Current hiring activity is driven by demand for technical and engineering specialists.

BANKING & FINANCIAL SERVICES

The Banking & Financial Services sector again reports the lowest expectations, though they are higher than in Q4: 34% compared with 30%. Singapore is the only market surveyed in Asia in which banks say they will hire more staff this quarter. At 14%, the proportion of respondents expecting to reduce headcount remains very high, however. Financial institutions have been severely affected by the continuing global downturn and many are still implementing downsizing plans.

PERMANENT HIRING EXPECTATIONS IN SINGAPORE

Source: The Hudson Report, Singapore - Q1 2012



PERMANENT HIRING EXPECTATIONS OVER TIME

FALLING EXPECTATIONS YEAR-ON-YEAR

With the exception of Healthcare & Life Sciences, all sectors report lower hiring expectations than in Q1 2011. Overall, the 44% of respondents planning to hire more staff this quarter compares with 62% a year ago. The proportion of respondents saying they will shed staff has more than doubled in the same period, from 3% to 7%. To set these figures in perspective, however, it should be noted that the 62% reported in Q1 2011 was the highest figure for hiring expectations for eleven years.

The Banking & Financial Services sector has again experienced the greatest fall in expectations over the past year, with the Q1 2011 figure of 67% almost halving to 34%. Most financial institutions had made a strong recovery from the earlier downturn during 2010 and were still expanding in early 2011. Banks and Financial Institutions are now feeling

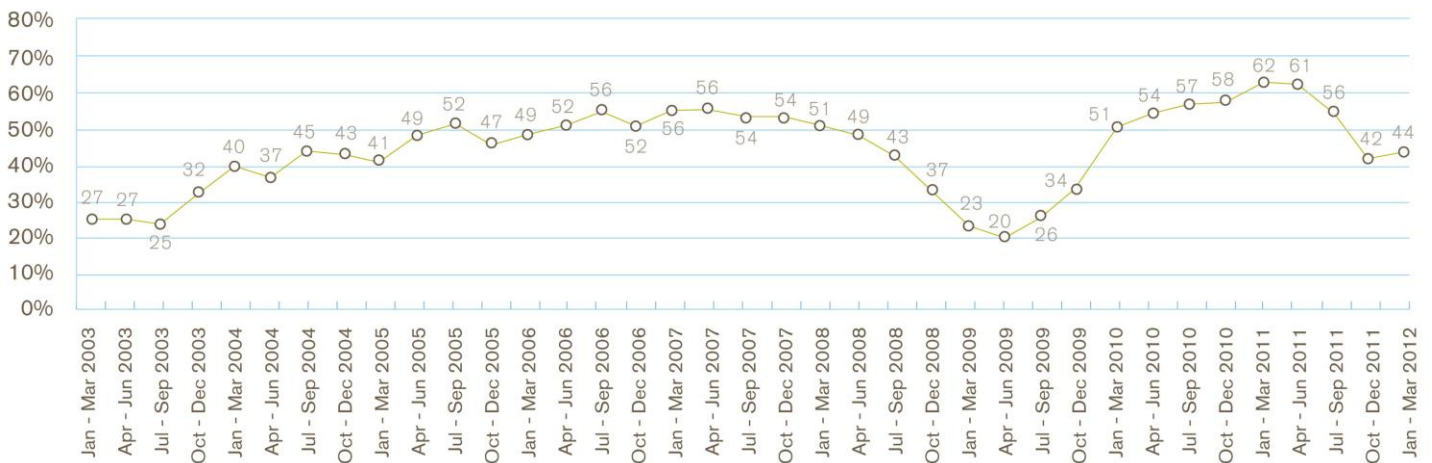
the effects of the turmoil in the European markets and are generally taking a much more conservative approach.

Companies in the Manufacturing & Industrial sector also report a significant decline in expectations, from 61% in Q1 2011 to 42% this quarter. This sector has remained relatively buoyant in Asia and companies have continued to recruit actively. However the continuing economic uncertainty in major export markets has inevitably had an impact on hiring patterns.

As noted, Healthcare & Life Sciences is the only sector in which expectations have risen year-on-year – and by a substantial margin: the 62% planning to increase hiring compares with just 38% this time last year. Singapore's role as a regional hub for this industry means that it has a large number of major players, which boosts the sector's resilience in a downturn.

EXPECTATIONS TO HIRE OVER TIME - SINGAPORE

Source: The Hudson Report, Singapore - 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

MOST EMPLOYERS PLAN TO PAY BONUSES

Most respondents say that their organisation will pay discretionary year-end bonuses for 2011. Overall, 80% give this response. Although high, this is lower than the 87% reported in Q1 2011 and is also lower than the figures for China and Hong Kong.

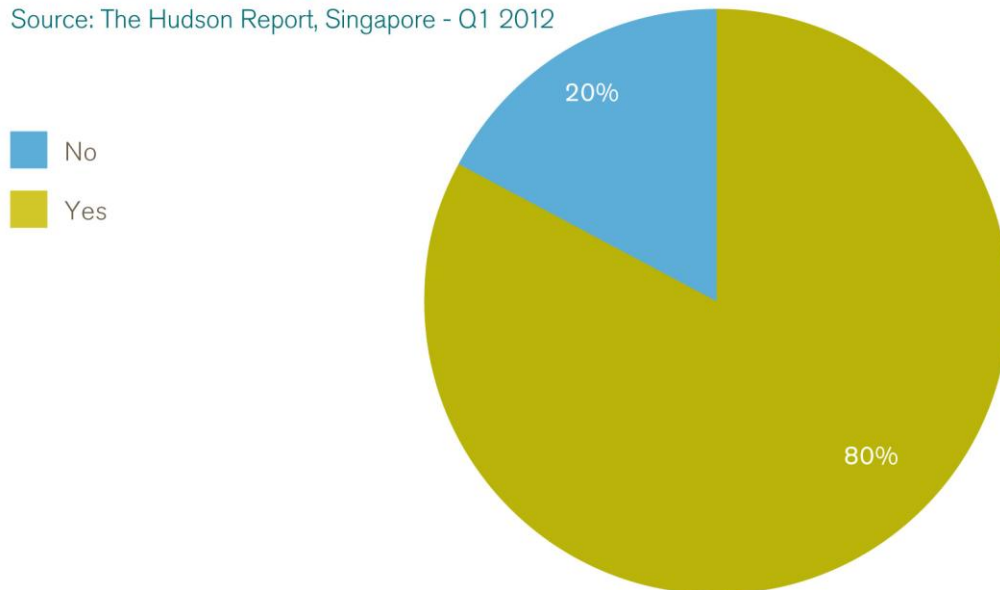
This question receives a 100% positive response in the Healthcare & Life Sciences sector and no other sector comes close to this level. As has been seen, this sector has the highest expectations this quarter, confirming that many companies are still doing well and are prepared to pay bonuses to retain talent.

Employers in the IT&T sector are the least likely to pay discretionary bonuses this year, with 71% saying 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. This means that 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 the issue of discretionary bonuses. The responses from these sectors are 81%, 81% and 78% respectively.

ORGANISATIONS PAYING DISCRETIONARY YEAR-END BONUS IN 2011

Source: The Hudson Report, Singapore - Q1 2012



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, there has been little change from last year. Across all sectors, 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.

These figures do not reflect the position in individual sectors, however. While respondents in the Banking & Financial Services sector are planning to pay significantly lower bonuses than they did last year, the average bonus size is increasing in almost every other sector.

The 52% of respondents in Banking & Financial Services who expect to pay more than 10% compares with 70% who gave this response in Q1 2011. Of these, just 14% will pay more than 20%, down from 27% a year ago. More banks will offer

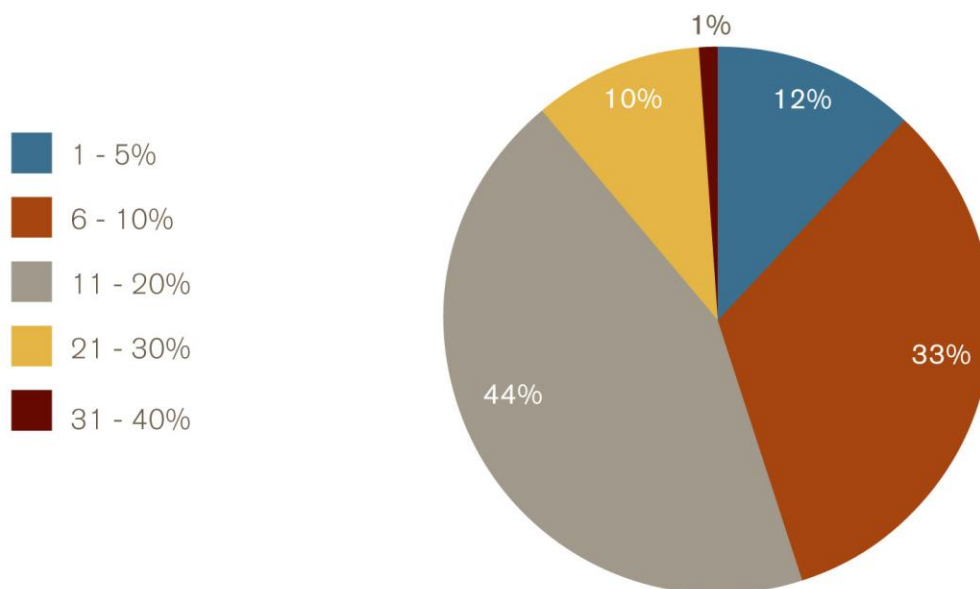
smaller bonuses: the proportion paying 5% or less has nearly doubled, from 9% to 17%. Financial institutions are operating in difficult market conditions and are making strenuous efforts to contain costs.

In addition to giving a 100% response to the question of whether they will pay discretionary bonuses, companies in the Healthcare & Life Sciences sector are offering 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%, compared with none in Q1 2011. These figures are further confirmation of the strength of this sector.

Substantial bonus payments will also be made by employers 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. Higher bonuses will be paid to sales and marketing staff, whose remuneration usually includes a lower fixed component.

RANGE OF DISCRETIONARY YEAR-END BONUS IN 2011

Source: The Hudson Report, Singapore - Q1 2012



SALARY INCREASES FOR NEW MANAGERIAL HIRES

PAY RISES FOR MOST NEW HIRES

Just 5% of respondents across all sectors say they do not expect to have to pay any increase above current salary levels to attract new managerial hires. Nearly half (49%) say they will offer rises in the 11-20% range, while 6% anticipate having to offer more than 20%.

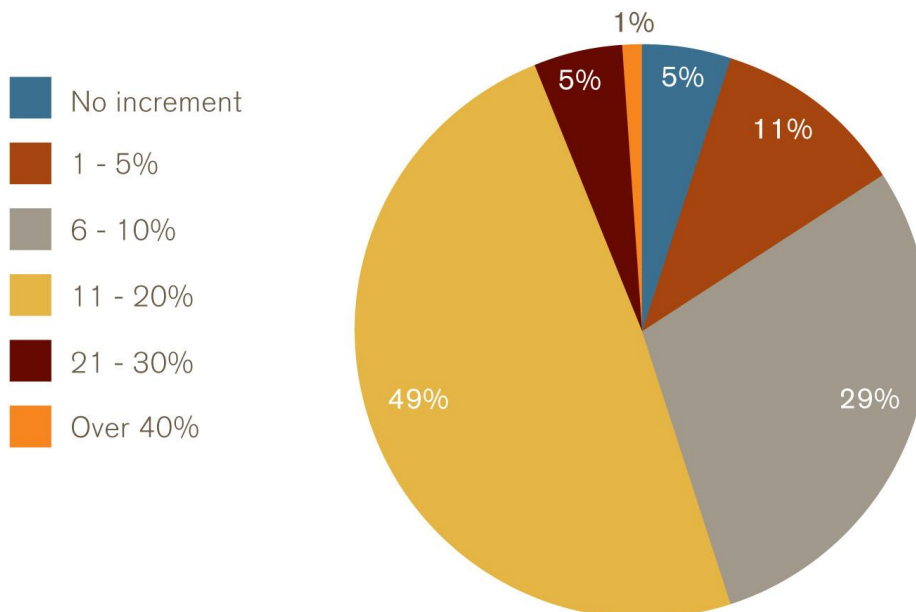
Employers in the IT&T sector are willing to pay the largest increases to attract the talent they need: 69% say they will offer increases of 11-20% and 7% expect to have to pay more than 20%. The norm in this industry is around 15% for most roles but candidates for niche positions in fast growing specialist fields such as cloud computing, virtualisation and CRM, for which the talent pool is limited, 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%. As seen in the previous section, companies in this industry tend to pay large bonuses and some prefer to offer basic salary increments and give more weight to performance-related bonuses.

Employers in the Banking & Financial Services sector plan to pay relatively low increases this quarter, with just 45% expecting increments to exceed 10%. This is a lower figure than for any other sector. Recent market turmoil and the consequent hiring slowdown mean that banks are now operating in an employer's market, in which candidates are prepared to move for greater job security and stability rather than large financial incentives.

SALARY INCREMENTS TO ATTRACT NEW MANAGERIAL TALENT

Source: The Hudson Report, Singapore - Q1 2012



FACTORS AFFECTING MANAGERIAL SALARIES

ATTRACTING AND RETAINING KEY TALENT ARE KEY FACTORS

Respondents were asked about the key performance criteria that affect base salaries for managerial hires. Attracting candidates in areas with skills shortages and retaining talented staff are seen as the most important factors in every sector, in most cases by a substantial margin. Overall, these factors are mentioned by 64% and 59% respectively. Both figures are higher than for China and Hong Kong.

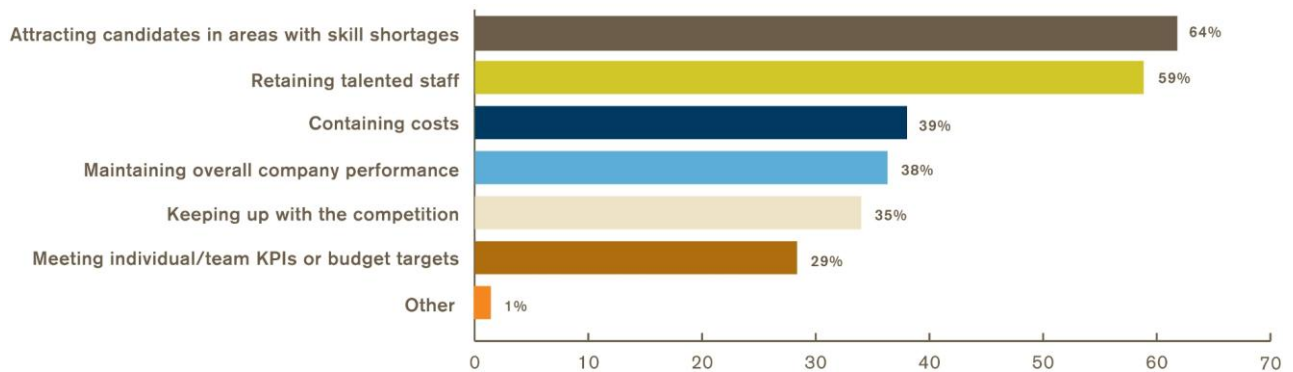
The Healthcare & Life Sciences sector attaches the highest priority to attracting candidates in skill-short areas and retaining talented staff, with 90% and 79% respectively citing these factors. The high expectations in this sector mean that companies are making great efforts to retain existing employees and attract new ones.

At 65% and 60% respectively, the Manufacturing & Industrial sector also sees attracting candidates in areas with skill shortages and retaining talented staff as highly important. 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.

Both meeting individual / team KPIs or budget targets and containing costs are regarded as key factors in the Consumer / Advertising / Media sector, where they are mentioned by 48% and 46% respectively. Many companies in this area are performing well but margins are being squeezed and it is vital to keep costs and budgets under control.

FACTORS INFLUENCING BASE SALARY FOR MANAGERIAL HIRES

Source: The Hudson Report, Singapore - Q1 2012



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

STAFF RETENTION AND MOTIVATION

MONEY IS KEY MOTIVATOR

Money is generally seen as the most effective motivational tool. Replying to a question about the initiatives their organisation will use in 2012 to retain and motivate high performers, 62% of respondents across all sectors mention monetary incentives and bonuses. The next most popular initiatives are employee recognition programmes and education and training incentives, cited by 52% and 43% respectively.

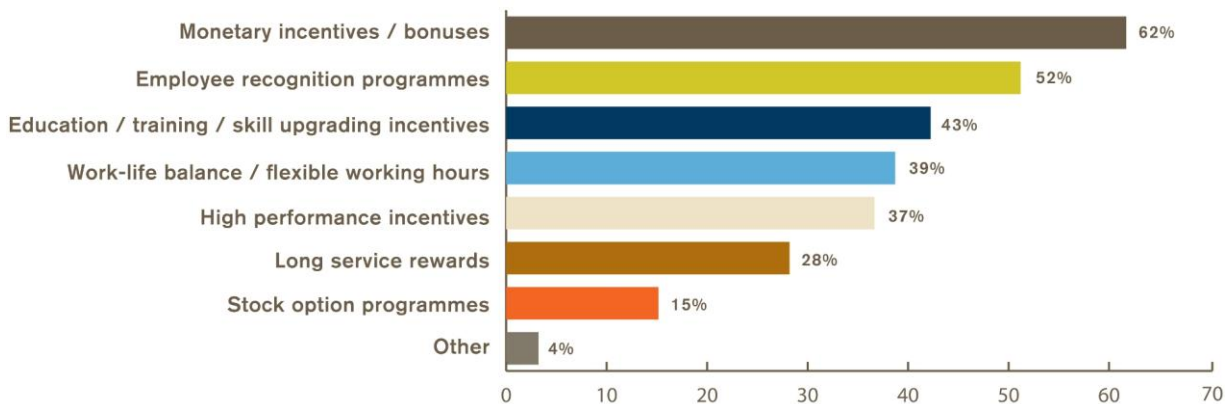
In the Healthcare & Life Sciences sector, monetary incentives and employee recognition programmes are both mentioned by 73% of respondents – more than for any other sector. As seen above, companies in this sector are the most likely to offer bonuses this year and are also paying large amounts. This industry 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. These programmes are often aimed at high achieving sales professionals and are usually linked to some sort of monetary incentive. 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. This benefit is most likely to take the form of general enrichment courses rather than training in technical skills. 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, Singapore - Q1 2012



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

Hudson

FROM GREAT PEOPLE TO GREAT PERFORMANCE®

CONTACTS

ASIA

Mark Steyn
CEO, Asia Pacific
Tel: (852) 2528 1191
mark.steyn@hudson.com

HONG KONG

Mark Carriban
Managing Director, Greater China
Tel: (852) 2528 1191
mark.carriban@hudson.com

CHINA

Mark Carriban
Managing Director, Greater China
Tel: (852) 2528 1191
mark.carriban@hudson.com

SINGAPORE

Andrew Tomich
Executive General Manager,
Singapore
Tel: (65) 6339 0355
andrew.tomich@hudson.com

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 2,000 professionals serving clients and candidates in approximately 20 countries. More information is available at hudson.com.