

**For immediate release**

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## **Expectations to hire falling in all markets except Japan in Q4**

*Hiring and retention are seen as the most critical challenges for HR over the next year*

**HONG KONG – 26 OCTOBER 2006** – Expectations for permanent employment for the fourth quarter (Q4) of 2006 have been falling from five-year highs in all the markets surveyed except Japan, where they have remained the same. China has witnessed a drop in expectations to hire from 62% in Quarter 3 to 56%, continuing a trend where expectations have been falling since their peak in Q4 2005. In Hong Kong expectations to hire have fallen from 62% in Q3 to 53%. In Japan, expectations remain at the highest level ever recorded by the Hudson Report, with 63% planning to grow headcount. In Singapore expectations have fallen from 56% in Q3 to 52%.

Hudson, one of the world's leading professional staffing, outsourcing and talent management solution providers, today released findings of its comprehensive quarterly Hudson Report for Asia. With a reputation as a key socio-economic indicator in the current marketplace since its Asia launch in 1995, the survey has been built on the premise that employers' expectations of an increase or decrease in staffing levels represent a significant indication of their optimism in the growth of their organisation and their industry as a whole. The Hudson Report represents the expectations of over 2,300 key employment decision makers from multinational organisations of all sizes in all major industry sectors. The four locations surveyed were China, Hong Kong, Singapore and Japan.

Significant findings in the **Q4, 2006 Hudson Report** are:

- Hiring expectations have fallen for the fourth successive quarter in China, where 56% of respondents plan to increase headcount;
- Hong Kong expectations are falling from their six-year high in Q3, when 62% forecast increased hiring, to 53% in Q4;
- Japan reports the highest expectations, with 63% planning to hire more staff, the same figure as in Q2 and Q3;
- There is a small dip in Singapore, from a five-year high of 56% in Q3, to 52% in Q4.

## Expectations falling in most markets

In China, hiring forecasts have fallen steadily over the last year, with 56% of respondents planning to increase headcount in Q4. This compares to 62% the previous quarter and to a peak of 68% in Q3, 2005. Healthcare companies report the highest expectations, with 75% expecting to increase recruitment.

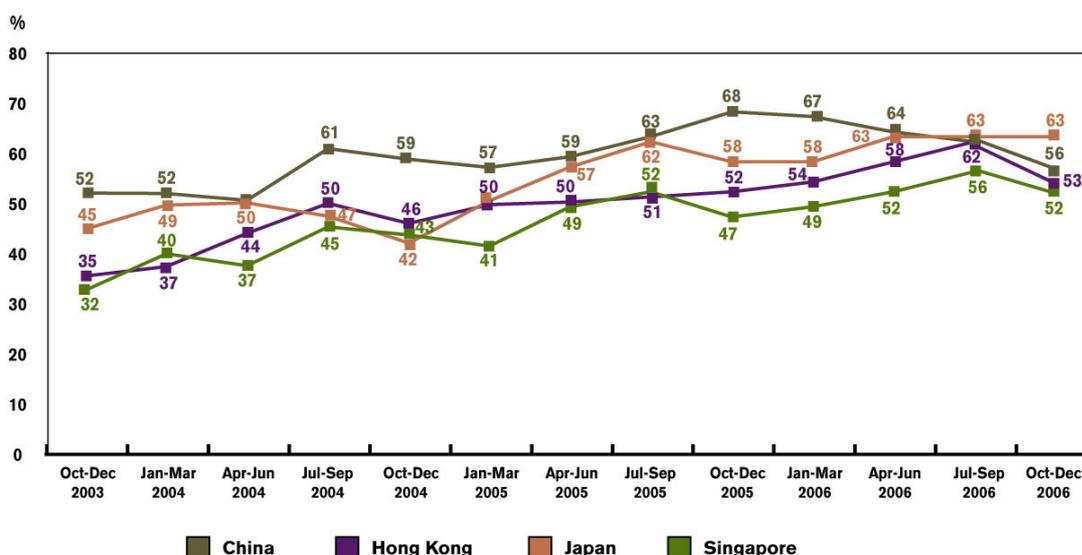
In Hong Kong, expectations have fallen from their six-year high in Q3, when 62% forecast increased hiring. In Q4, 53% of respondents plan to grow headcount. Legal, where 71% expect to boost hiring, is the only sector with higher expectations in Q4.

Expectations remain high in Japan, with 63% of respondents planning to increase headcount in Q4. This figure has remained steady for three consecutive quarters and is higher than for any other market surveyed in Asia. Banks have the highest expectations, with 75% expecting to hire more staff.

In Singapore, 52% of respondents anticipate increased hiring, a fall from 56% in Q3, when expectations were at a five-year high. Manufacturing companies have both the highest expectations and the largest increase, from 49% in Q3 to 61% in Q4.

“Employment expectations are falling in every market surveyed except Japan. However, they are still a high level and staff recruitment and retention are seen as the most critical HR challenges across the region. Employers are increasing salaries and performance bonuses and offering more training opportunities to attract the talent they need.” said Gary Lazzarotto, CEO, Asia, Hudson.

**Regional Permanent increased hiring expectations over time**



Source: The Hudson Report – Asia, Q4 2006

## **Higher pay is key to attracting top talent**

Overall, substantially higher salaries are seen as the best measure to attract top talent, followed by more training and higher performance-related bonuses.

In China higher salaries are seen as particularly important with 28% citing this and more respondents mention training – 27% than in any other market surveyed.

Higher salaries are by far the most important measure in Hong Kong, cited by 32% of respondents, which is the highest figure of all the markets surveyed. Performance bonuses are seen as the second most important means of attracting talent cited by 19% of respondents.

Higher performance bonuses are the most important measure in Japan, while salary rises are rated third. Overall, 26% of respondents cite bonuses, more than in any other market.

In Singapore, higher salaries are cited by 24% overall. Training is also highly rated, mentioned by 23% overall.

**Measures to attract top talent - All industries**

Countries	Offer higher salaries	Signing on bonus	Higher performance bonuses	More training	More benefits	More work/life benefits	Other
China	28%	7%	21%	27%	8%	6%	3%
Hong Kong	32%	9%	19%	16%	8%	9%	7%
Japan	15%	9%	26%	20%	10%	15%	5%
Singapore	24%	7%	19%	23%	8%	10%	9%

Source: The Hudson Report – Asia, Q4 2006

## **Critical HR issues**

Hiring top talent is seen as the most critical HR challenge over the next year in each country and staff retention as the second most critical.

Hiring has become more acute in China, with 46% of respondents identifying hiring as HR's greatest challenge, compared to 37% in Q4 2005.

Every sector surveyed in Hong Kong sees hiring as the most critical challenge, with the exception of Legal, where firms see staff retention as a bigger problem. Overall, 43% say hiring is most critical.

Japan has the highest number of respondents saying that hiring is the most critical challenge – 51% across all sectors. This represents a substantial rise from Q4 2005, when 37% gave this response.

## Greatest HR challenge in the next 12 months - All industries

Countries	Hiring the right staff	Retaining existing staff	Training & development	Leadership development	Salary inflation	External threats	Other
China	46%	28%	12%	5%	4%	2%	3%
Hong Kong	43%	37%	9%	3%	3%	2%	3%
Japan	51%	21%	14%	9%	4%	1%	0%
Singapore	43%	35%	10%	5%	2%	2%	3%

Source: The Hudson Report – Asia, Q4 2006

## Recruitment becoming much harder

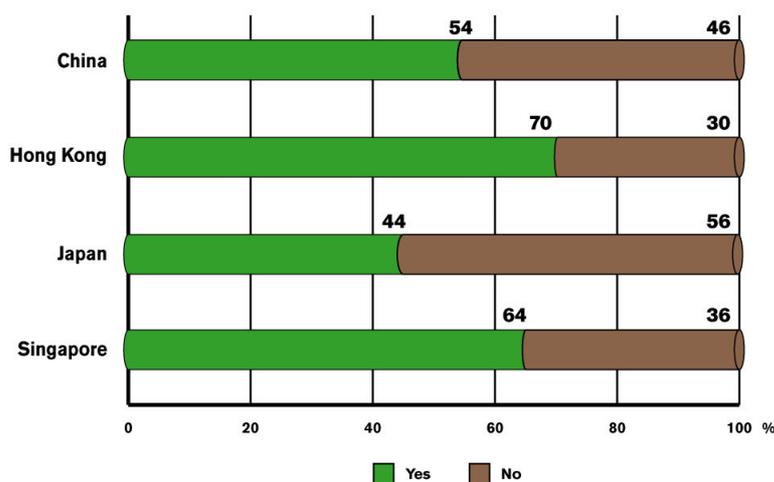
Overall, 58% in all four markets say that recruiting has become more difficult than a year ago.

In China, 55% of respondents say that recruiting is harder now and Hong Kong has the highest number of respondents reporting that recruitment has become more difficult – 70%.

There has been a smaller rise in recruitment difficulties in Japan. Across all sectors 44% say that hiring has become harder, a much lower proportion than in the other markets surveyed.

Singapore also has a high proportion of respondents who say that recruiting has become harder – 64%.

## Difficulties in recruiting top talent compared to a year ago



Source: The Hudson Report – Asia, Q4 2006

**Skills shortage is a major issue**

A shortage of candidates with the right skill sets is by far the most significant reason for increasing recruitment difficulties in every market surveyed.

In China and Singapore, 75% cite a shortage of skills sets as the main reason behind their recruitment problems. In Japan and Hong Kong, the response is only slightly lower at 74%.

Candidates demanding substantial pay increases are cited by 37% of respondents as the second main reason behind recruitment difficulties in China and by 42% in Singapore.

In Hong Kong and Japan, 45% and 43% respectively state that candidates are taking alternative job offers.

**Reasons for difficulties in recruiting talent - All industries**

Countries	Skills Shortage	Right Cultural Fit	Language skills shortage	Demanding substantial pay increases	Taking alternative jobs	Other
China	75%	31%	21%	37%	30%	5%
Hong Kong	74%	15%	7%	40%	45%	7%
Japan	74%	42%	18%	19%	43%	6%
Singapore	75%	32%	6%	42%	41%	3%

Source: The Hudson Report – Asia, Q4 2006

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