

**For immediate release**

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## **Expectations to hire rising in all markets except Japan in Q1**

*Employers are having to pay higher salaries to attract new managerial staff*

**HONG KONG – 16 JANUARY 2007** – Expectations for permanent employment for the first quarter (Q1) of 2007 have been rising in all the markets surveyed except Japan, where they have fallen slightly. China has seen an increase in expectations to hire from 56% in Q4 to 59%, after falling for four consecutive quarters. In Hong Kong expectations to hire have risen from 53% in Q4 to 54% now. In Japan, expectations have fallen from a high of 63% in Q4 to 57%. In Singapore expectations have risen from 52% in Q4 to 56% in Q1.

Hudson, one of the world's leading professional recruitment, 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 2,200 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 **Q1 2007 Hudson Report** are:

- Hiring expectations are rising again in China after falling for four successive quarters, with 59% of respondents planning to increase headcount, which is the highest figure out of the countries surveyed in Asia;
- Hong Kong hiring expectations reflect a slight rise from 53% in Q4 2006 to 54% in Q1;
- Japan reports a drop in expectations with 57% planning to hire more staff, down from 63%;
- Singapore reports rising expectations, with 56% planning to increase headcount, up from 52% in the previous quarter;
- China has the highest salary increases for new managerial staff and Japan the lowest;
- Hong Kong reports the highest year-end bonus payments and the highest level of staff turnover.

## Expectations rising in most markets

In China, hiring forecasts have risen after falling for a year, with 59% of respondents planning to increase headcount in Q4, which is still the highest figure out of the countries surveyed in Asia. This compares to 56% expecting to hire in the previous quarter. The Banking sector reports the highest expectations, with 77% expecting to increase recruitment.

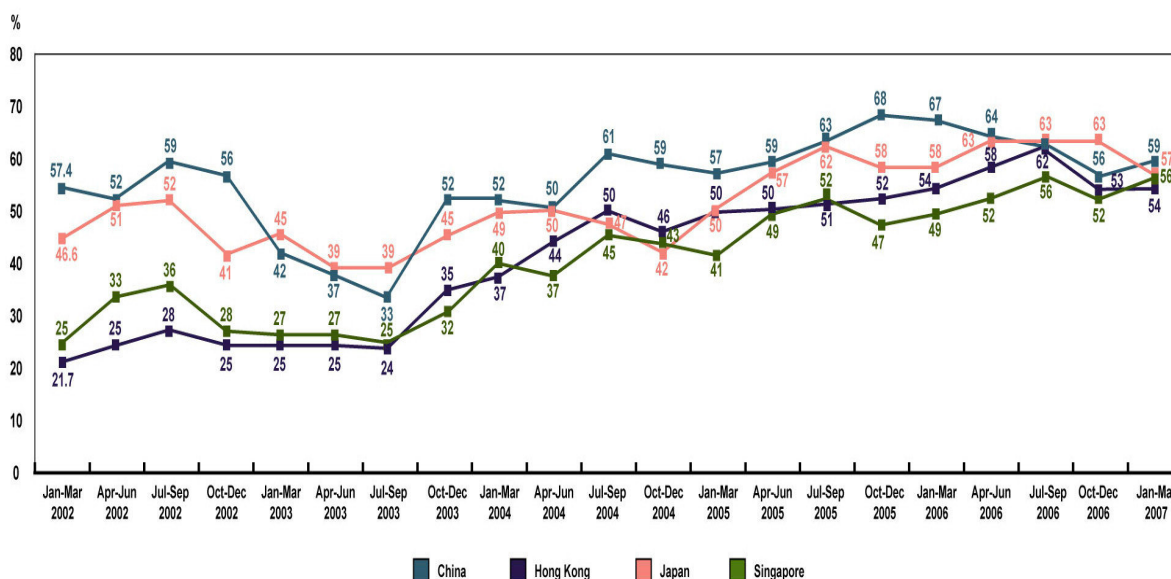
In Hong Kong, expectations have risen slightly with 54% planning to increase hiring. In Q4, 53% of respondents planned to grow headcount. The Legal sector has the highest expectations, with 73% of respondents planning to hire more staff.

Expectations have fallen in Japan from a high of 63% in Q4 to 57%. Japan is the only market surveyed to report a decline in expectations, reversing the trend in Q4 when Japan was the only country not to experience a fall in expectations. The Banking sector again has the highest expectations, with 64% of respondents planning to hire more staff.

After a slight dip in Q4 2006, employment expectations are rising again in Singapore, with 56% of respondents saying they will increase headcount in Q1, compared with 52% in Q4. The Healthcare sector reports the highest expectations, with 60% of respondents planning to hire more staff.

“Employment expectations are at a high level in all the markets surveyed and most employers are optimistic about future prospects. But the tight job market means that employers must offer substantial increases in salaries and bonuses if they are to attract the candidates they need.” said Gary Lazzarotto, CEO, Asia, Hudson.

Regional Permanent increased hiring expectations over time



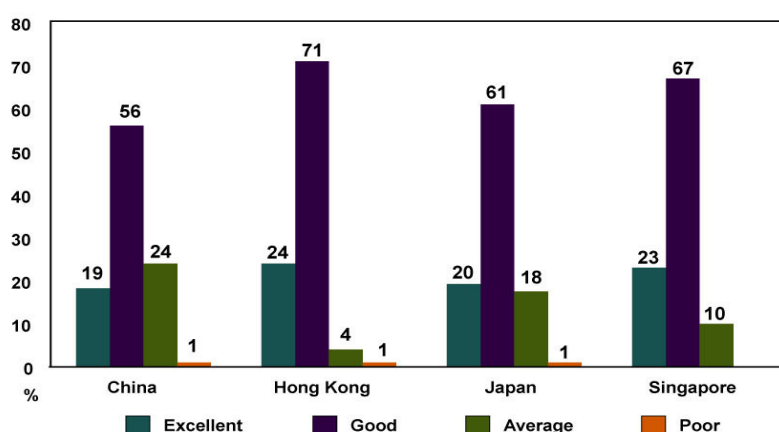
Source: The Hudson Report – Asia, Q1 2007

## **Overall the outlook for company performance in the next six months is positive**

China is the only market in which confidence has declined over the past year, with 75% of respondents forecasting excellent or good performance, compared with 82% a year ago. Several factors are contributing to the fall in confidence, including new labour laws and rising labour costs.

Companies in Hong Kong express the highest level of confidence about the next six months, with 95% predicting excellent or good performance. In Japan 81% of respondents say that performance will be excellent or good and Singapore reports the second highest level of business confidence, with 90% of respondents anticipating excellent or good performance.

**Anticipated company performance in the first half of 2007**



Source: The Hudson Report – Asia, Q1 2007

## **Companies need to pay more to attract new managers**

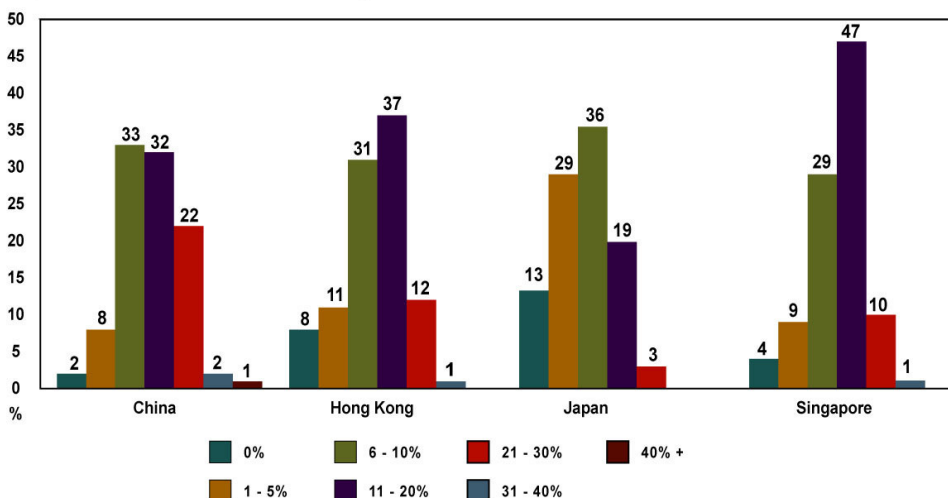
Companies in all the markets surveyed report that they are having to increase salaries to attract the managers they need, in some cases by a significant amount. The proportion of respondents planning to increase salaries has risen in every country since this question was asked a year ago.

In China, increases of more than 20% are forecast by 25% of respondents – a much higher figure than in the other markets surveyed. Banks in particular are finding that they have to increase pay significantly to attract the professionals they need, with 30% saying they will offer more than 20%.

Across all sectors, 50% of respondents in Hong Kong expect to increase starting salaries by more than 10%; of these, 13% say they will raise salaries by more than 20%. Increases in salaries for new managers in Japan are lower than in the other markets surveyed, with 22% saying that salaries will rise by more 10% and only 3% forecasting increases of more than 20%.

In Singapore, 58% of respondents expect to increase salaries for new managerial hires by more than 10%. Banking raises are particularly high – 78% say they expect to pay more than 10%.

## Pay increases to attract new managerial staff



Source: The Hudson Report – Asia, Q1 2007

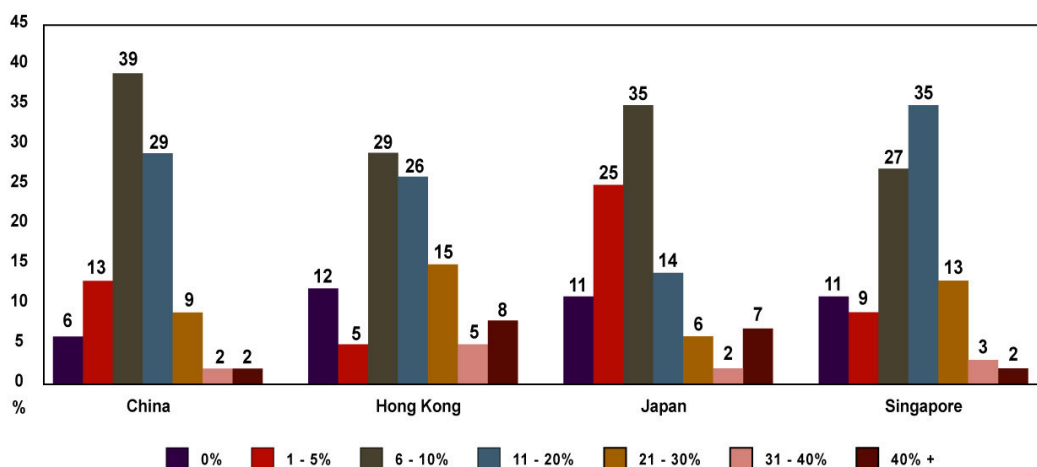
## Many employers are increasing bonuses

Bonus payments are also on an upward trend. Respondents in Hong Kong, Japan and Singapore plan to make higher bonus payments this year than in 2006.

Employers in China report that bonus payments will remain around the same level as in Q1 2006, with 42% planning to pay more than 10%. In Hong Kong, more than half (54%) of respondents say that they will pay bonuses of more than 10%, a significant rise from 39% in Q1 2006. This is the highest figure out of the markets surveyed in Asia.

The lowest bonuses are being paid in Japan, with only 20% of respondents forecasting bonuses of more than 10%. In Singapore, 53% of respondents say they will pay bonuses of more than 10%, compared with 42% in Q1 2006.

## 2006 discretionary year-end bonus



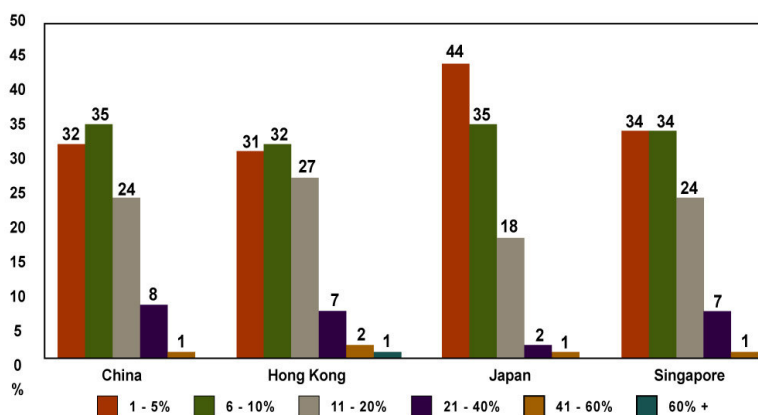
Source: The Hudson Report – Asia, Q1 2007

## **Staff turnover is increasing**

In China, 33% of respondents report a turnover rate of more than 10% over the past year, with 9% of these saying it is more than 20%. Hong Kong is experiencing a higher level of staff turnover than any other market surveyed in Asia. Across all sectors, 37% say that it has exceeded 10% and of these 10% put it above 20%.

Respondents in Japan report lower levels of staff turnover than the other markets surveyed. Overall, 44% report turnover of 5% or less during the past year. Nearly one-third (32%) of respondents in Singapore report turnover of more than 10%. Of these, 8% say it has been more than 20%.

Average staff turnover in the last 12 months



Source: The Hudson Report – Asia, Q1 2007

## **Staff poaching largest single reason for turnover**

Across all the markets surveyed, staff being poached by other companies is seen as the single most significant reason for turnover. Limited career progression, personal reasons and dissatisfaction with salary and/or bonuses are also seen as important factors.

Perceptions of limited career progression are seen as the most significant reason in China, where they are cited by 25% of respondents.

Singapore has the highest proportion of respondents saying that poaching is the main cause of staff turnover – 29%. In Hong Kong poaching is seen as the most important reason for turnover, by a substantial margin, cited by 28% of respondents.

## **Hudson**

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