



## **EMPLOYMENT MARKET OVERVIEW**

A sense of cautious optimism is returning to the employment market as a challenging 2009 draws to a close. Our annual employment survey, which this year includes responses from 350 senior managers from leading organisations in China, reveals 49% of respondents believe their headcount will increase over the coming 12 months. A further 49% predict their staff numbers will remain stable, with only 10% saying more cuts are likely. This is a significant change from 12 months ago, and a clear indication that China remains a key market for many companies.

These figures substantiate the view that the vast majority of employers have already made all of the necessary headcount reductions to control costs earlier in the year, and are now looking to increase or at least maintain current staff levels. Business confidence is also increasing and 74% of employers surveyed think trading conditions will improve further by the end of 2009 and early 2010.

We have seen staffing levels stabilise in recent months as companies become more optimistic about business conditions. A key point to note is that the assignments that were cancelled in late 2008 and early 2009 are commencing again, providing another indicator that the confidence to invest in the region is returning. Multinationals are still recruiting in China and activity levels are improving in sectors such as retail and consumer products. One of the ongoing frustrations for job seekers in the current climate is that many of the

final hiring decisions are still being made outside of China, in global headquarters located in the United States and Europe. This trend has prolonged the recruitment process and job seekers have to wait longer for the final decision to be made.

The retention of skills has remained an important consideration despite the deterioration in business conditions over the last 12 months. To avoid staff cuts, many companies have pursued alternate strategies of payroll cost reduction. Responses from our annual employment survey reveal 30% of companies have frozen salaries to avoid job cuts. When difficult decisions have needed to be made, those businesses with strong leadership and transparent communication have fared best.

While employers have been strategic in their approach to retention, many are operating under a misconception when it comes to the ease with which new staff can be recruited. The pool of active job seekers may have increased but in the majority of situations the most talented and well regarded professionals have been retained. These employees remain cautious about changing jobs despite early signs of market stabilisation. To attract high calibre candidates, employers need to offer competitive salaries and demonstrate the role is secure with the opportunity for exceptional career and skills growth.

The trend of sourcing local candidates for senior roles continues although it is clear

that a talent gap exists. With the best intentions of recruiting local candidates to support growth, many businesses are unable to find the skill set needed and are looking further afield, principally in Hong Kong and Singapore, or for returning nationals with overseas experience.

Our forecast for the next 12 months is for a steady increase in hiring activity rather than a sharp recovery. This cautious optimism is shared by the 75% of survey respondents who anticipate business conditions will improve over that period. However, employment tends to be a lagging indicator and jobs growth will only occur after sustained improvement in consumer and business confidence. The end of 2009 is likely to see moderate improvement in activity off a stable base, with new job creation a more realistic proposition for early 2010.

It is clear that a large number of companies have implemented salary freezes over the last 12 months. We anticipate salary levels will remain constant or increase marginally for people who remain in their roles. For those who change jobs, the days of negotiating a 20% to 25% increase in remuneration have disappeared – at least until there is evidence of a returning skills shortage. Employees can still expect an average salary increase of 5-10%, although the complexity of the role, growth plans of the company and opportunity for future progression are also key points to consider.



## SECTOR TRENDS – ENGINEERING & SUPPLY CHAIN

### Eastern China

- The engineering sector has been severely impacted by the economic downturn. Engineering consultancies and heavy industrial manufacturing have suffered the most, with only the consumer focused industries such as Fast Moving Consumable Goods (FMCG), Pharmaceutical, and Food & Beverages showing resilience.
- Business confidence is improving but this has yet to translate to an increase in hiring activity.
- Salary levels are holding steady with an increase of 5-10% typically limited to employees changing roles.
- There is a reasonable level of demand for professionals with LEAN and Six Sigma experience. Engineering and supply chain professionals with proven senior management experience and strong technical skills are also highly sought after.

### Northern China

- In Beijing, the number of advertised roles has decreased by as much as 30% over the last 12 months. The exception to this trend has been a steady demand for technical specialists and project managers. New project work in the energy sector is the main reason for this, specifically within water treatment and wind farming.
- We are seeing signs that business confidence is returning with announcements of new projects leading to a renewed requirement for civil and structuring engineering, as well as electrical and mechanical engineers. We are also seeing headcount freezes being removed across various industries.
- Employers are being very selective in their hiring decisions. They are looking for a close to perfect fit and are focusing on specific technical skills rather than transferable skills. To compound the challenge for job seekers, we are seeing a slower decision making process and potential employees are being subjected to more rounds of interviews than normal.
- Total base salaries have dropped compared to 12 months ago and bonuses have dropped by approximately 10-20% across the board. Having said that, organisations hoping to attract top professionals from stable positions need to offer competitive packages and opportunities for career progression.

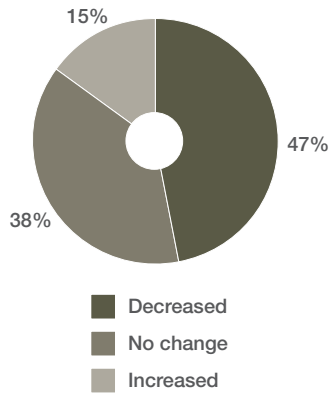
### Southern China

- The Southern China region was severely impacted by the global economic downturn during the second half of 2008 and conditions have remained challenging in 2009. However, most businesses have completed the majority of staff cuts and some have begun to make strategic hires in key business functions.
- Guangdong as a province is restructuring and low skilled industries continue to move further inland while government incentives for the high technology organisations create new opportunities. Confidence in China as a global centre for manufacturing has been unaffected and consequently foreign businesses still seek to invest in new and existing China operations. China businesses are also increasingly looking outside of their domestic market to opportunities within fellow BRIC (Brazil, Russia, India, China) countries, in addition to the United States and the European Union.
- High calibre candidates in product development, quality control and LEAN manufacturing remain in high demand. The ability to innovate and deliver a product that meets global quality standards within strict deadlines remains critical, especially as organisations attempt to develop alternative revenue streams.
- Salaries have not necessarily fallen but candidates cannot expect large increases when joining new organisations. In Southern China, most companies are offering comparable packages with the bonus component typically valued at one to two months of base salary.

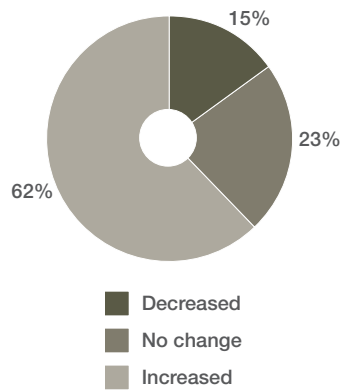


**MARKET RESEARCH RESULTS**

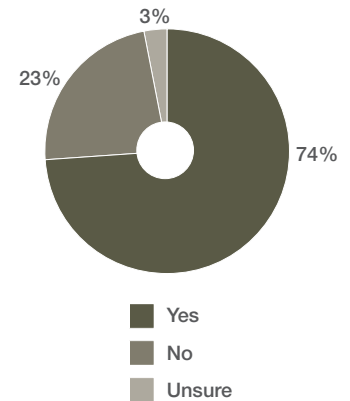
Over the last six months, how has your headcount been impacted by the global economic downturn?



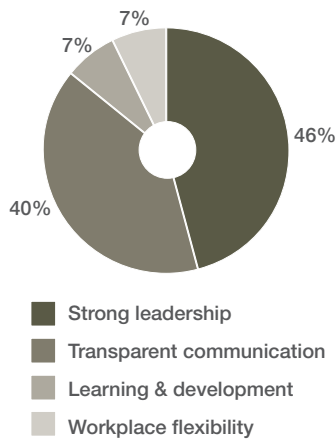
In the next 12 months, how do you see your headcount being impacted?



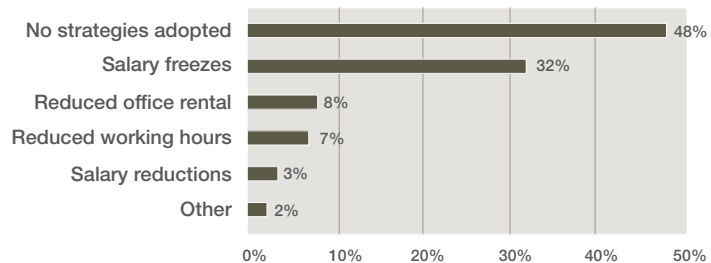
Do you anticipate business conditions will start to improve by the end of 2009?



What employee engagement strategies are proving most effective in the current environment?



What strategies has your organisation implemented to avoid job cuts?





## SALARY TABLES

REGION		NORTHERN CHINA	EASTERN CHINA	SOUTHERN CHINA (GUANGDONG)
	EXPERIENCE	RMB'000	RMB'000	RMB'000
<b>PROCUREMENT/PURCHASING</b>				
Assistant Manager	2-3+ years	195-270	175-250	200-300
Manager	5+ years	270-400	270-350	300-600
Senior Manager	8+ years	400-700	400-700	600-800
Director/Vice President	12+ years	700-1.1 million+	700-1.1 million+	800-1.1 million+
<b>SUPPLY CHAIN</b>				
Assistant Manager	2-3+ years	195-270	175-250	195-270
Manager	5+ years	270-400	250-350	270-400
Senior Manager	7+ years	400-700	400-700	400-700
Director/Vice President	10+ years	700-1.1 million+	700-1.1 million+	700-1.1 million+
<b>LOGISTICS/WAREHOUSING/DISTRIBUTION</b>				
Assistant Manager	2-3+ years	150-250	125-225	195-300
Manager	4-5+ years	250-400	225-350	300-450
Senior Manager	8+ years	400-750	350-650	450v800
Director/Vice President	12+ years	800-1.3 million	700-1.3 million	800-1.3 million
<b>QUALITY CONTROL/ASSURANCE</b>				
Manager	4-6+ years	350-700	300-600	350-700
Director/Vice President	10+ years	700-1 million+	600-1 million+	700-1 million+
<b>SOURCING/MERCHANDISING</b>				
Senior Merchandiser	3-4+ years	250-400	250-400	260-325
Manager	5+ years	400-600	400-600	400-600
Chief Representative	6+ years	600-900	600-900	600-900
Senior Manager	7-8+ years	600-900	600-900	600-900
Director/Vice President/General Manager	10+ years	800+	800+	800+
<b>3PL</b>				
Key Account Manager	4+ years	250-400	225-375	250-455
Operations Manager	6-8+ years	400-700	375-650	455-650
Business Development Manager/Director	8+ years	600-1.2 million	600-1.2 million	650-1 million
General Manager	10+ years	800-1.2 million+	800-1.2 million+	800-1.2 million+
Director/Vice President	12+ years	1.3 million+	1.3 million+	1.3 million+
<b>ENGINEERING/MANUFACTURING</b>				
Material Manager	6+ years	250-450	275-500	300-450
Production Manager	8+ years	400-700	350-600	400-700
Factory/Plant Manager	10+ years	600-1 million+	600-1 million+	700-1.1 million
General Manager	15+ years	800-1.2 million+	800-1.2 million+	850-1.1 million
<b>LEAN/SIX SIGMA</b>				
Manager	6+ years	250-400	300-500	325-600
Six Sigma Director	8+ years	600-1.1 million	600-1 million	600-1 million
<b>RESEARCH &amp; DEVELOPMENT</b>				
R&D Manager	10+ years	400-600	400-600	325-650
R&D Director	15+ years	600-1 million	600-1 million	650-1.2 million
<b>CONSULTING</b>				
Engagement/Consulting Manager	4+ years	450-750	375-675	450-750
Senior Manager	8+ years	700-1 million	600-900	700-1 million
Director	10+ years	1 million+	1 million+	1 million+

Please note:

- Salaries indicated are based on basic salary, excluding bonus/incentive schemes.
- Market rates are becoming much less uniform. While we have taken great care, these salary ranges can only be approximate guides, as there are often specific circumstances relating to individual companies. Please call us for additional information.
- These salary ranges have been determined using local salary structures. Expatriate or local packages will typically offer higher salaries and more comprehensive benefit packages including tax equalization.



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