

## 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.

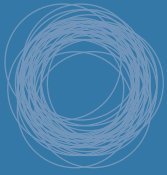
While employers have been strategic in their approach to retention, many are operating under a misconception when it comes to the ease with which new staff can be recruited. The pool of active job seekers may have increased but in the majority of situations the most talented and well regarded professionals 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 – FINANCE

### Eastern China

#### The impact of the downturn

- Commercial activity in China has proven to be more resilient than in other parts of the world, with less exposure to global organisations in the financial services sector. The Chinese government's spending on domestic infrastructure further cushioned the impact of the downturn over the last 18 months. However, the same prudence which provided this level of protection has also resulted in a cautious approach to recruitment and new job creation.

#### Current conditions

- In many firms, the perception is that good finance people are even more crucial in a challenging market so the

search for talent has remained a priority for established businesses. The volume of hiring may have diminished, but employers are still making strategic hires in areas such as tax and planning.

- Remuneration is not the only motivator for finance professionals in the current market. Job seekers are taking more of a balanced view in light of recent events, placing an increased emphasis on the stability of a prospective employer, security of the position and opportunity for career progression. Having said that, employers need to recognise that the package they offer needs to be competitive to attract top performers from secure employment. Even in the current market, high caliber

employees are likely to receive counter offers from their current employer and this needs to be taken into account.

#### Salary and compensation trends

- Salaries have not fallen dramatically as a consequence of the downturn – people are not taking pay cuts on their guaranteed base but do accept performance bonuses will be significantly reduced. The process of localisation over the last four years has had more of an impact on salary trends, with expat packages disappearing and salaries becoming more consistent across the market.

### Northern China

#### The impact of the downturn

- Finance recruitment in Northern China has suffered a marked slow down over the last 18 months. Cyclical business in property, consumer products, media and manufacturing has been heavily affected this year. However, with regulatory and statutory requirements still an important part of doing business in China, strategic and replacement hiring has continued throughout the global downturn, albeit at lower levels.
- On a positive note, we have seen companies becoming cautiously optimistic about their business outlook for 2010 with an expectation for improved trading conditions.

#### Current conditions

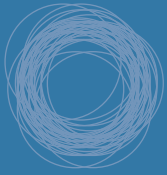
- Some industry sectors have been less affected by the economic crisis, with education, life science and healthcare showing resilience over the last 12 months. The finance positions that have remained in highest demand are in financial analysis, cost analysis, management reporting, audit and internal controls.

- Finance professionals who are employed on a full-time bases have been cautious about changing jobs in 2009. Job seekers are currently more interested in long-term career opportunities, placing less emphasis on salary level as was the case in previous years.
- The hiring process has been more exhaustive recently with senior management frequently involved in decisions about mid-tier and even relatively junior level recruitment. In some instances final sign-off is required from the overseas head office and job seekers are having to endure a lengthy decision making process.

#### Salary and compensation trends

- Base salaries have remained stable for people who have remained with their current employer, with increases limited to exceptional performance or promotion. Packages that include a bonus component have typically fallen by 10-15% from the all time highs of 2007.
- Most employees looking to change jobs are being realistic about the level of

compensation on offer in the current market. As a general observation, job seekers who were asking for an increase of 20-40% in previous years are now looking for a 10-15% increase. Others are happy to make a move for a similar level of remuneration if there is more opportunity for career progression.



## Southern China

### The impact of the downturn

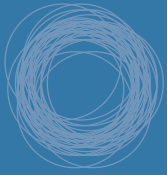
- The reduced demand for Asian exports has had a significant impact on all business in South China as the effect of diminished consumer confidence globally trickles down along the supply chain. Over the course of the last 12 months we have seen thousands of factories close which clearly has had a dramatic impact on the extent of employment opportunities in the Guangdong province.
- Hiring activity has diminished across the services sector as companies have looked to curb spending wherever possible. In most cases, this has led to the consolidation or restructuring of finance teams. For example, we have seen a trend towards centralising core accounting functions in one regional location.
- As a result of budget constraints, an increase in headcount has often been required to receive the approval of global corporate headquarters, giving local offices less autonomy to make what they may perceive to be critical hires. Consequently, the recruitment process itself has become more exhaustive and candidate selection highly scrutinised.

### Current conditions

- Market sentiment is improving as we head into 2010 and the stimulus package introduced by the Central Government has gone some way to bolster confidence in the economy. Industries such as pharmaceutical, infrastructure and energy have all been experiencing solid growth and with Chinese companies expanding their operations globally, opportunities for finance professionals to work at a corporate level are increasing.
- There have been several challenges for Southern China in 2009 and while uncertainties remain, for many it is business as usual. Foreign investment has seen new joint ventures established and companies that have focused on improving their domestic market presence have started to see positive results. This has created opportunities for finance professionals with a strong understanding of the supply chain.
- The skills that are in most demand across the market are management accounting, costing, PRC tax and internal control. This reflects the focus of most companies to maintain profitability or at the very least to curb some of the losses made in the first half of 2009. More recently however, we have seen an increase in demand for candidates with sound investor relations and strategic planning experience.
- We have seen an increase in the number of contract staff over the last 12 months, most notably as a strategy to overcome headcount restrictions and as an extended 'probationary period' to test the quality and fit of prospective employees. However, with the desire of job seekers to secure certainty and stability, permanent hires still account for the vast majority of all recruitment activity.

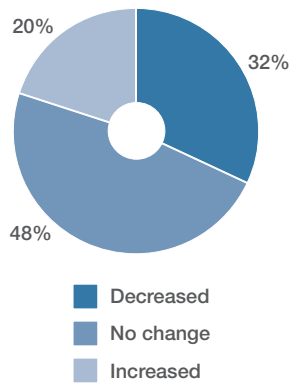
### Salary and compensation trends

- For most companies, salaries have been stable over the last 12 months. We have seen very few increases and these are often restricted to employees with specialist skills in niche markets that are still performing well. Instead of reducing salaries, employers have favoured other cost reduction approaches, such as providing extended leave. Where there are entitlements for bonuses, most are provided on a discretionary basis and at reduced levels in most instances to reflect the decline in company profits. Retention bonuses are still being offered in exceptional cases to keep the top talent and there have been instances where stock options are being offered to new starters as an added incentive.
- It is difficult to determine whether job seekers are becoming more realistic about remuneration packages in the current market. On the whole, people who are unemployed will usually show more flexibility in their expectations, whilst those who are employed are looking for 10-15% increases. In most cases, however, a salary increase is now coming second to job security and clear career prospects.

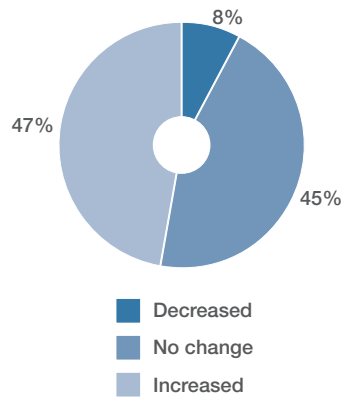


**MARKET RESEARCH RESULTS**

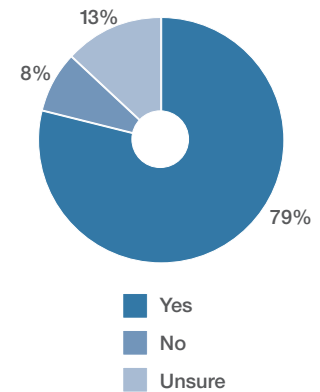
Over the last six months, how has your headcount been impacted by the global economic downturn?



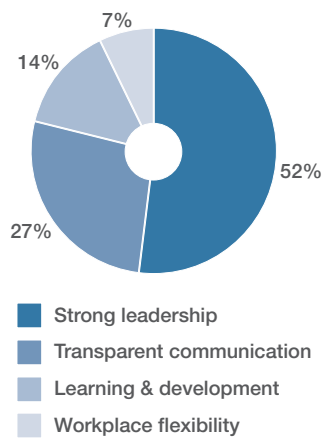
In the next 12 months, how do you see your headcount being impacted?



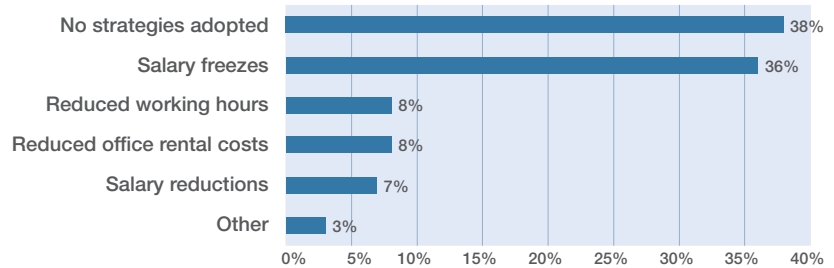
Do you anticipate business conditions will start to improve over the next 6 months?

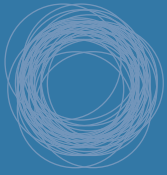


What employee engagement strategies are proving most effective in the current environment?



What strategies has your organisation implemented to avoid job cuts?



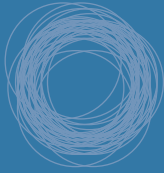


**SALARY TABLES**

REGION		NORTHERN CHINA	EASTERN CHINA	SOUTHERN CHINA (GUANGDONG)
	EXPERIENCE	RMB'000	RMB'000	RMB'000
<b>FINANCE &amp; ACCOUNTING</b>				
Accountant	2+ years	120+	120+	120+
Financial Accountant	3+ years	120-180	120-180	120-180
Accounting Manager	3+ years	120-180	120-180	120-180
Financial Analyst	3-7 years	120-300	120-300	120-300
Management Accountant	4+ years	150-300	120-240	120-350
Finance Manager	8+ years	240-500	240-540	240-540
Senior Financial Analyst/Business Analyst	5-10 years	240-500	240-540	240-540
Financial Planning & Analysis Manager	5-10 years	360-780	360-780	360-780
Financial Controller, Division	10+ years	500-900	480-980	420-900
Financial Controller, China	13+ years	600-1 million	550-1.1 million	600-1 million
Regional Financial Controller	15+ years	600-1.2 million	700-1.2 million	600-1.2 million
Finance Director, China	15+ years	720-1.4 million	900-1.4 million	720-1.5 million
Mergers & Acquisitions Director	12+ years	900-1.5 million	900-1.5 million+	900-1.5 million+
Head of Strategy/Business Development	14+ years	900-1.8 million+	850-1.8 million+	900-1.8 million+
Regional Finance Director	16 years	960-1.8 million+	960-1.4 million	960-1.8 million+
Group CFO/Regional CFO	18 years	1.2-2 million+	1.2-2.2 million+	1.2-2 million+
<b>TREASURY</b>				
Treasury Accountant	2-5 years	120+	120+	120+
Treasury Manager	5-10 years	330-660	300-720	300-660
Head of Treasury, Country	12+ years	720-960	620-960	720-1.2 million+
Regional Treasury Director	15+ years	720-1.4 million	720-1.2 million+	720-1.4 million+
<b>TAXATION</b>				
Tax Accountant	2-5 years	120+	120+	120+
Tax Manager	5-10 years	300-660	300-660	300-660
Tax Director, China	12+ years	600-1.3 million	600-1.3 million	600-1.3 million
Regional Tax Director	15+ years	900-1.4 million	900-1.4 million	900-1.4 million
Vice President/Head of Tax	18+ years	900-1.6 million	900-1.6 million	900-1.6 million
<b>INTERNAL AUDIT</b>				
Internal Auditor	3-7 years	180-300	180-300	180-300
Audit Manager, Commercial	4-8 years	300-550	240-600	300-550
Audit Manager, Big 4	4-7 years	350-600	350-800	350-600
Senior Internal Audit Manager	8+ years	450-700	480-920	450-700
Head of Audit/Director of Audit	12+ years	700-1.2 million	840-1.2 million	700-1.2 million

Please note:

1. These figures represent total remuneration (ie. cash, statutory superannuation component and benefits), excluding bonus/incentive schemes/stock options.
2. In all categories the CA/CPA qualifications will lead to a premium in salaries earned (for example the salaries at the higher level in each band are likely to be earned).
3. 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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