



## 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 – PROPERTY & CONSTRUCTION

### The impact of the downturn

- The property and construction sector was heavily impacted by the global downturn during the first half of 2009. Hiring activity fell in the industrial sector, in consulting and real estate. Most internationally funded projects slowed, were put on hold or cancelled.

### Current conditions

- Business confidence is improving and some companies are recruiting staff now to prepare for an aggressive start to 2010. This trend has been most noticeable in the retail, hotel and food and beverage industries. In the hotel and retail sectors, there is strong demand for expansion and leasing managers. Experienced designers and architects in the hospitality sector are also highly sought after.
- From a regional perspective, we are seeing more firms hiring for projects in Tier 2 and 3 cities across China – particularly Chongqing and Chengdu. While opportunities are increasing, professionals in the property and construction sector remain cautious about changing roles. To secure the best talent, employers need to offer competitive salaries and clearly articulate their business strategy and opportunities for career progression.

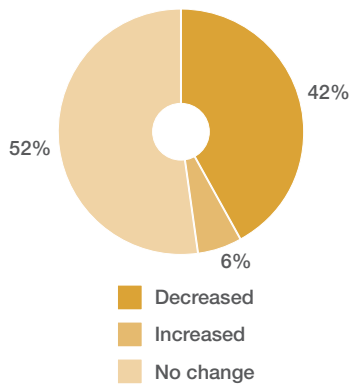
### Salary and compensation trends

- Salaries have steadied and we are rarely seeing the large scale increases that were occurring two or three years ago. Having said that, employers will still offer competitive packages for people with proven experience in mainland China.
- Given the scale of the global economic downturn, the vast majority of employees in China are realistic about their salary expectations, particularly if they have a secure role with prospects for career growth.
- In cases where expatriates are no longer working, they will clearly be more willing to accept a role on a similar or reduced salary to regain employment. This trend has resulted in a high number of expatriates taking roles with localised salaries.
- When hiring, many firms are being very specific about the skills and industry background of applicants. There is a general perception that there is an excess of high quality job seekers and that salaries no longer need to be competitive. Both of these views are largely misconceived. Bilingual Chinese Nationals with the required skills and experience in a multinational company remain in short supply. Employers will only secure this level of candidate with a competitive offer.

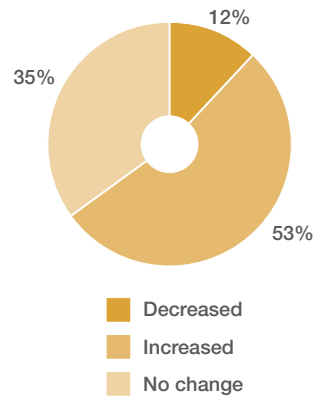


MARKET RESEARCH RESULTS

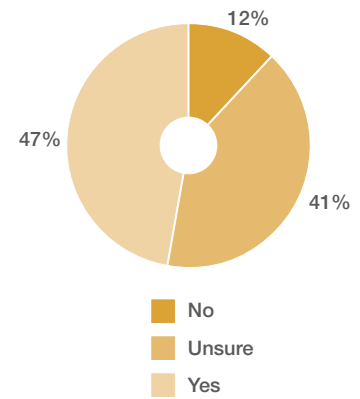
Over the last six months, how has your headcount been impacted by the global economic downturn?



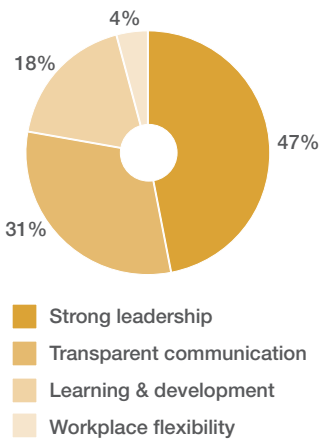
In the next 12 months, how do you see your headcount being impacted?



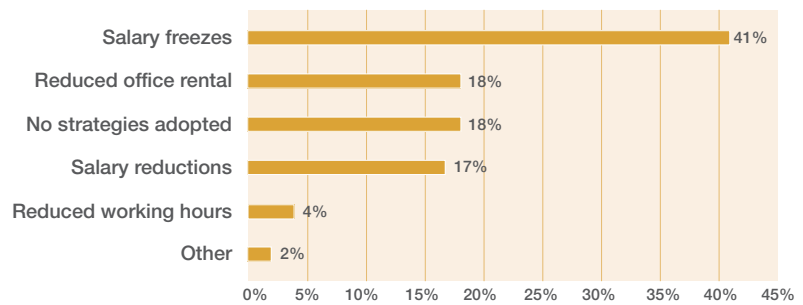
Do you anticipate business conditions will start to improve by the end of 2009?



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



What strategies has your organisation implemented to avoid job cuts?





### SALARY TABLES

EXPERIENCE	5-7 years	7-9 years	10+ years
SALARY	RMB'000	RMB'000	RMB'000
<b>BANKING, FINANCE &amp; CONSULTANCY</b>			
Leasing/Transactions	300-500	700-900	900-1.6 million
Facilities Management/Property Services	340-510	600-900	900-1.5 million
Security	380-600	700-1 million	1-1.7 million
Project Management	425-635	650-1 million	1-1.5 million
Engineering	425-600	650-1 million	1-1.8 million
Asset Management	425-635	700-1.1 million	1.1-1.8 million
Corporate Real Estate	465-680	700-950	950-1.6 million
<b>COMMERCE &amp; INDUSTRY</b>			
Development	300-550	700-1.1 million	1.1-2 million
Construction Management	340-465	500-750	750-1.1 million
Design	340-465	500-750	750-1.2 million
Leasing	340-465	500-800	800-1.5 million
Project Management	400-650	550-900	900-2 million
Quantity Surveying	450-550	550-850	850-1.5 million
Valuation	425-510	550-900	900-1.2 million
Facilities Management	340-465	550-900	1-1.5 million
Property Management	360-510	550-800	900-1.4 million

Please note:

1. Salaries indicated are based on basic salary, excluding bonus/incentive schemes.
2. 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.
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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