



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 – RETAIL & SOURCING

The impact of the downturn

- The retail sector has been one of the more resilient sectors in China over the last 12 months, with international companies still growing their brands across the region. Some growth plans have invariably been reduced in response to the global downturn, but compared to other regions in the world, China remains relatively healthy.
- From a hiring perspective, we have seen the number of advertised positions in the market reduce marginally compared to 12 months ago. On a positive note, we have seen roles that were put on hold at the beginning of 2009 being approved in recent months. Some companies predict further increases in their hiring activity by early 2010, although the majority view is that any significant improvement will not occur until later next year.

Current conditions

- A good indicator of returning business confidence in the retail sector is the level of expansion currently being seen – a sign that retail companies are pushing forward with growth plans as they look for new store locations. We are also seeing an increase in the number of executive roles for international companies setting up sourcing offices in Shanghai. Companies prefer to have local representation in China rather than trying to manage business operations remotely. Local candidates with a good understanding of the Chinese domestic consumer market remain highly sought after, especially for roles in the sourcing market.
- We are seeing an ongoing trend of management teams based in overseas headquarters getting directly involved in hiring decisions in China. This is happening at all levels, not just for senior management roles.
- Some larger companies in the retail sector have only invested in limited growth this year. This has enabled SMEs entering China for the first time to attract talent from well established brands. This trend has been most noticeable in the food and beverages sector.

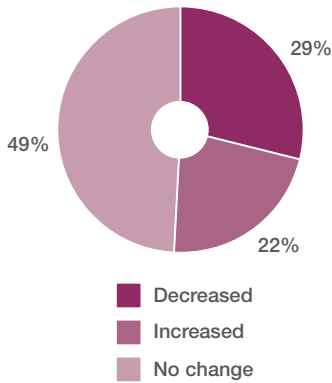
Salary and compensation trends

- During recent periods of economic growth it was not uncommon for top performing employees to receive significant pay increases when changing roles. This trend is no longer occurring as companies are now offering more consistent and modest localised salary packages.
- Expansion managers and professionals with a proven track record in retail operations are in high demand and are commanding competitive salaries. Senior supply chain professionals with the required technical skills and a high level of spoken English are receiving the best offers from multinationals. English skills are crucial because global companies require their supply chain professionals to communicate with internationally based colleagues, customers and suppliers.
- In general, Chinese job seekers are realistic about salaries on offer, compared to two years ago. Job seekers who are not currently employed tend to be more flexible with their remuneration in order to get back into the workforce. Those people working in a secure job and performing well are more likely to accept counter-offers to stay if approached about another role. Organisations in China need to be aware that genuine career opportunities are essential to attract high calibre candidates for new roles.

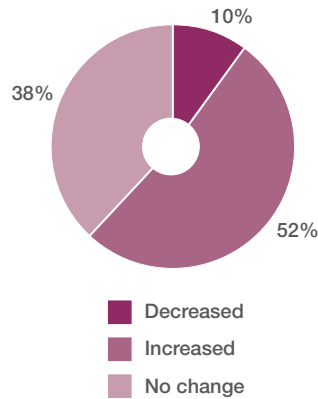


MARKET RESEARCH RESULTS

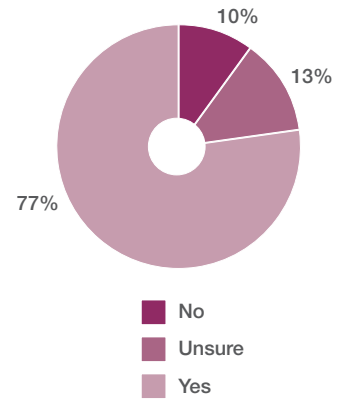
Over the last six months, how has your headcount been impacted by the global economic downturn?



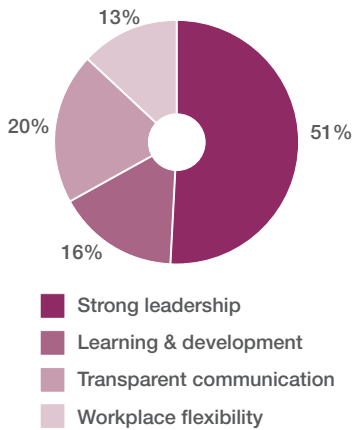
In the next 12 months, how do you see your headcount being impacted?



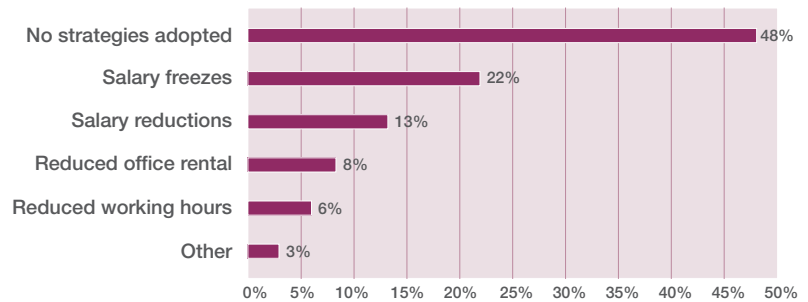
Do you anticipate business conditions will start to improve by the end of 2009?



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



What strategies has your organisation implemented to avoid job cuts?





SALARY TABLES

ROLE	EXPERIENCE	RMB'000
RETAIL OPERATIONS		
Retail Operations Manager	7+ years	600-900
Regional Retail Operations Manager	8+ years	900-1.5 million
Country General Manager	8+ years	1.1-1.6 million
Regional General Manager	10+ years	1.6-2.2 million
STORE MANAGEMENT		
Visual Merchandiser	3-5 years	150-260
Visual Merchandising Manager	5-7 years	280-500
Store Supervisor	3-5 years	300-400
Store Manager	5-7 years	400-550
BUYING, MERCHANDISING & SOURCING		
Merchandiser	3-5 years	250-350
Assistant Manager	4-6 years	350-450
Manager	6-8 years	500-800
General/Divisional Manager	8-10 years	800-1.5 million
Director/Vice President	10+ years	1-1.8 million
PRODUCT MANAGEMENT		
Product Manager	3-6 years	400-550
Category Controller	6-8 years	550-800
Product Director	10+ years	800-1.2 million
SUPPLY CHAIN/LOGISTICS		
Assistant Manager	2-5 years	250-500
Manager	5-8 years	500-800
Country Manager	8-10 years	800-1.2 million
Regional Director/Vice President	12+ years	1.2-1.8 million
WAREHOUSING, DISTRIBUTION & INVENTORY		
Inventory Controller	4-6 years	350-450
Distribution Manager	5-7 years	450-600
Regional Distribution Manager	8-10 years	600-900
MANUFACTURING & PRODUCTION		
Material Planning & Control Manager	5+ years	300-550
Production Manager	6-8 years	400-700
Factory/Plant Manager	8-10 years	700-1 million
General Manager	12+ years	1-1.8 million
QUALITY/COMPLIANCE/TECHNICAL SERVICES		
Product Technologist	3-6 years	200-450
Manager	6-8 years	450-600
Senior Manager	8-10 years	650-850
Director	12+ years	900-1.3 million
DESIGN/PRODUCT DEVELOPMENT		
Designer	2-5 years	150-250
Senior Designer	5-7 years	300-550
Manager	7-10 years	450-650
Chief Designer	8+ years	600-900
Senior Manager	10+ years	650-900
Director	12+ years	900-1.5 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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