



The Hudson Report

Employment and HR Trends

New Zealand | July – December 2007

Part One | **EMPLOYMENT EXPECTATIONS**



Hudson

*From great people
to great performanceSM*

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About Hudson

Hudson is a worldwide leader in the provision of specialised recruitment, managed services and talent management solutions.

Through this diverse service offering Hudson works with a variety of employers to attract, select, engage and retain the people they need to succeed.

Hudson is a division of Hudson Highland Group Inc (NASDAQ: HHGP) one of the world's leading professional recruitment, retained executive search and talent management solution providers.

More information about Hudson is available at www.hudson.com

Introduction

Based on nation-wide research, the Hudson Report uncovers and analyses the hiring expectations of New Zealand companies over the coming six months, along with insights into a range of topical human resource issues currently impacting business.

While a number of surveys currently in the marketplace cover hiring intentions and job vacancies, there is a real gap in knowledge and data around broader human resources issues and trends. The Hudson Report fills this gap by focusing on HR and employment issues relevant to business leaders.

Complimenting its coverage of the job market in Part 1, Hudson releases Part 2 of the Hudson Report that covers a variety of areas including performance management, learning and development and career planning.

The core findings of Part 1 are built on the premise that the expectation to increase or decrease net staffing levels represents a significant indication of employers' optimism for the growth of their organisations.

This document frequently refers to the term "net effect" in relation to employment expectations. The current "net effect" is arrived at by subtracting the expected decrease in employee numbers from the expected increase in staff levels.

Summary of Findings

Employment Expectations

The Hudson survey of permanent hiring expectations for the six months to December 2007 has recorded positive sentiment. The survey of 1,567 clients showed a positive net effect of 39%. Positive net effects have been recorded across all industries and regions. The results represent an increase of 5pp on our previous survey. This is the highest level recorded since our survey of July 2005.

Positive net effects were recorded across all regions surveyed. The South Island has, for the first time since January 2004 recorded the most optimistic results of all regions. With a net positive effect of 47.3% of respondents expecting to increase permanent employment expectations over the coming six months this represents a movement of 10.4pp on our last survey. Net positive results have also been recorded in the Lower North Island, Net positive 44.9% and the Upper North Island net positive 33.3%.

The Hudson survey indicates a positive outlook across all industries for the coming six months. Industries that have indicated a more positive sentiment than the national average include:

- Information Technology (+68.2%)
- Telecommunications (+51.5%)
- Construction / Property / Engineering (+47.4%)
- Government (+46.9%)
- Professional Services (+45.1%)

Small, medium and large employer groups have all recorded an optimistic permanent staffing outlook for the six-month period July - December 2007. Small organisations (<20 employees) with net positive 37.1% recorded a 3.2pp increase in positive sentiment when compared to our previous survey. Medium-sized organisations (20-200 employees) with +39.8% recorded a 1.4pp increase, while large organisations (>200 employees) with +38.6%; recorded a 7.7pp increase on the results of our January - June survey.

Of the employers surveyed, a net 15.8% indicated that they intend to increase their contracting / temporary workforce over the July - December 2007 period. This represents a decrease of 3.9pp when compared to our previous survey. The South Island recorded the highest net positive result; +27.9%, with the Lower North Island and Upper North Island recording a net positive 17.7% and 12.1% respectively.

Permanent Employment Expectations

The Hudson survey of permanent employment hiring expectations for the six months to June 2007 shows positive sentiment.

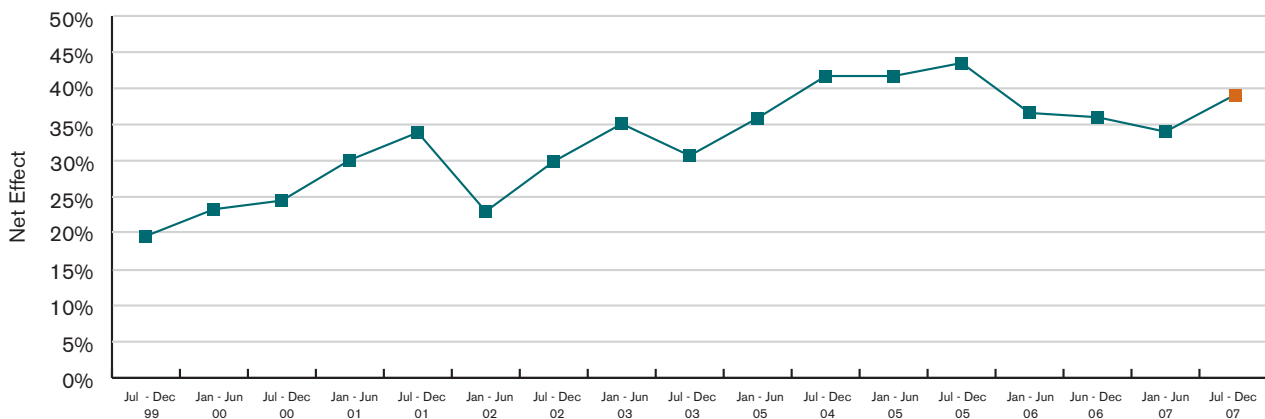
The result of the survey of 1567 clients surveyed shows that a net positive 39% of employers indicated an intention to increase permanent employment levels over the coming six months. This represents a positive movement of 5pp when compared to our previous survey (six months to June 2007). At a net positive effect of 39% this is the highest level recorded since our survey of July 2005.

A further analysis of the responses shows that, of all employers surveyed, 45% indicated that they anticipate an increase in current permanent staffing levels over the July - December 2007 period and 6% expecting a reduction in permanent staffing numbers.

Positive net effects were recorded across all regions surveyed, with the highest level of optimism recorded for the South Island (+47.3%), followed by the Lower North Island (+44.9%) and the Upper North Island at 33.3%

When compared to our previous survey all of the areas have recorded sentiment in excess of six months ago. At a net positive 47.3% the South Island is a significant 10.4pp up on our previous survey. The Lower North Island is up 2pp above that of our last survey, while the Upper North Island has recorded an increase of 5.5pp on six months ago.

National Permanent Employment Expectations: By Region (July 1999 - Dec 2007)



Permanent Employment Expectations

By Industry

The Hudson survey indicates a positive outlook across all industries for the period July - December 2007. Six of the 19 industries surveyed recorded outlooks higher than the national average of net positive 39%. These include:

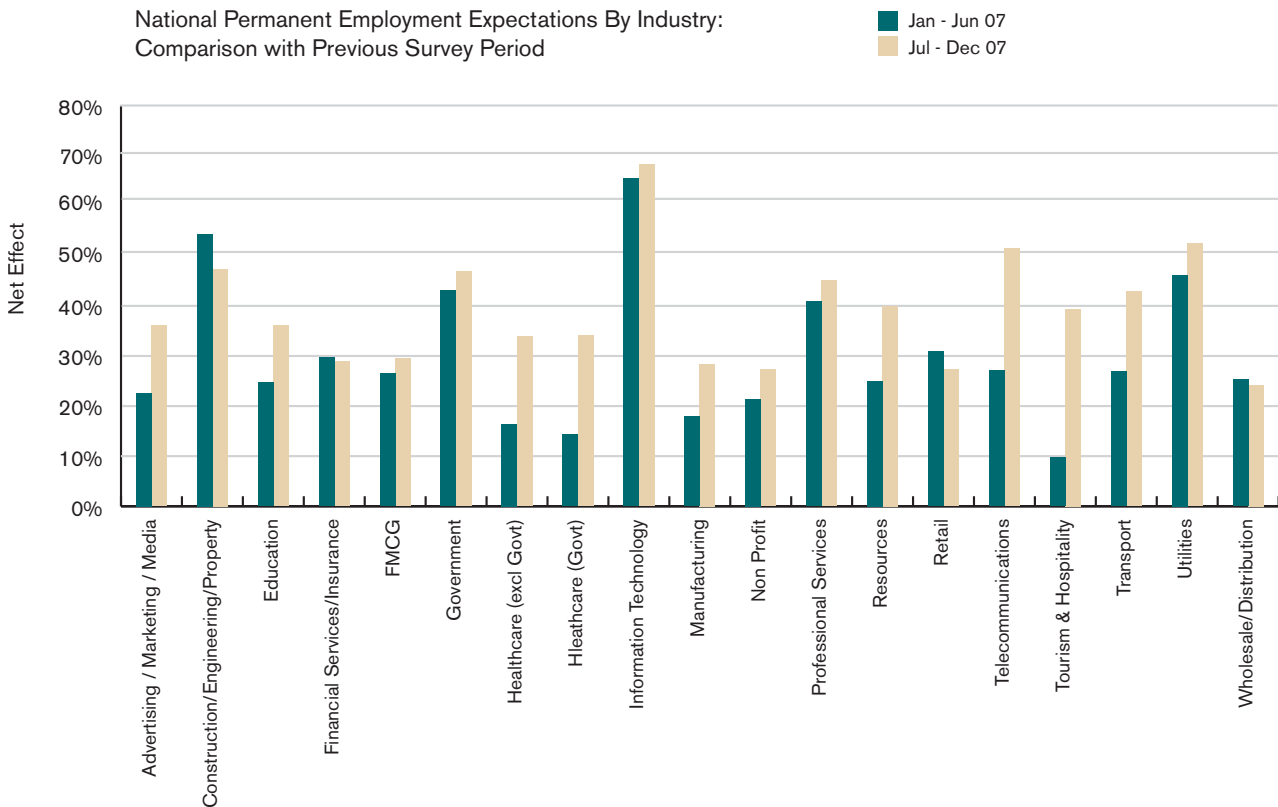
- Information Technology: + 68.2%
- Construction / Property / Engineering: +47.4%
- Government: + 46.9%
- Professional Services: + 45.1%
- Telecommunications: + 51.5%

There have been positive movements from the Tourism sector, up 29.6pp and the Advertising / Marketing and Media sector up 13.5pp, while negative movements have been recorded by the Construction / Property / Engineering industry, down 7.1pp, Retail, down 3.6pp and Financial Services, down 0.8pp.

The Information Technology sector continues to be the most positive segment of the economy. A net positive 68.2% of employers stating that they intend to increase employment levels over the coming six months. This is up a significant 2.7pp on our previous survey. The result continues to indicate an extremely positive outlook for the coming six months in this sector.

The Telecommunications industry has recorded a significant increase on our last survey. Recording a positive 24.4pp movement on our last survey the sector, at net positive 51.5%, is 12pp above the national average.

National Permanent Employment Expectations By Industry:
Comparison with Previous Survey Period



Permanent Employment Expectations

By Organisation Size

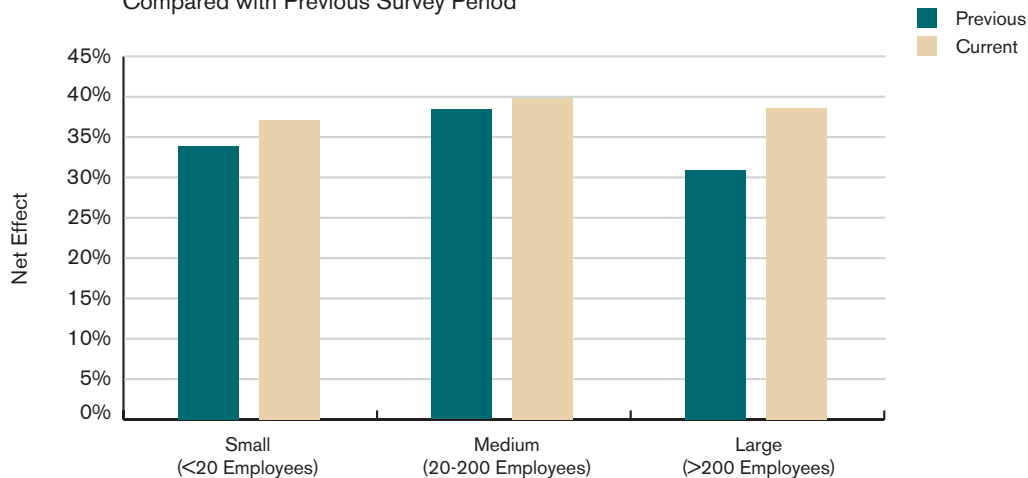
The variation in sentiment, dependent on organisation size, which we have seen in previous surveys, is not evident in our current survey. Medium-sized organisations, with a net positive 39.8% of employers indicating an intention to increase permanent employment levels

are marginally above the national average. Large organisations with a net positive 38.6% of employees indicating an intention to increase permanent employment levels are 0.4pp below the national average, while small organisations, at a net positive 37.1% are 1.9pp below the national average.

Positive movements have been recorded across all organisation sizes since our last survey. The movements are:

- Small organisations 3.2pp
- Medium organisations 1.47pp
- Large organisations 7.7pp

National Permanent Employment Expectations by Organisation Size:
Compared with Previous Survey Period



Permanent Employment Expectations

By Region – Upper North Island

Employers surveyed from the Upper North Island have recorded a positive outlook with regard to permanent employment expectations of +33.3%. This is 5.5pp above our last survey. Of the employers surveyed, 39.8% expect to increase staff numbers over the coming six months compared with only 6.6% anticipating a reduction in current staffing levels.

The result represents a rebound from the fall in sentiment shown in our last survey. Key priorities for employers in

the Auckland region continue to be staff development and retention, followed by attracting suitable staff, leadership and productivity.

For respondents within the Upper North Island, the most buoyant outlook was recorded for the Healthcare sector, with a net positive outlook of 57.1%. Noticeably, no employer in this sector indicated that they were going to reduce employment levels over the coming six months. The results reflect a significant 29.9pp movement on our last survey.

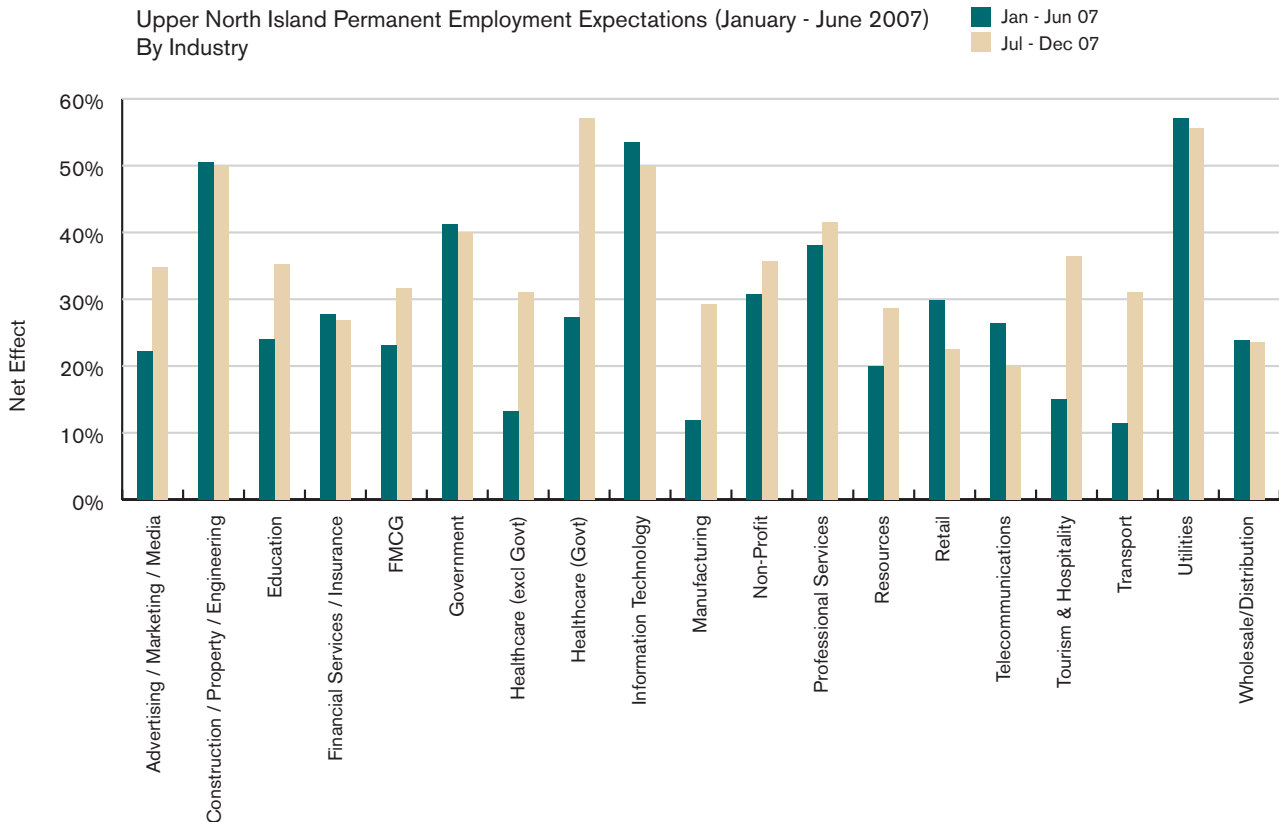
With a net positive 50% of respondents in the Construction industry indicating

that they intend to increase permanent employment levels over the coming six months, despite showing a marginal decline on our previous survey, employers in the Construction sector remain significantly more confident that the economy as a whole.

Other industries showing levels of optimism more positive than the region average include:

- Information Technology: + 50%
- Professional Services: + 41.5%
- Government: +40%

Upper North Island Permanent Employment Expectations (January - June 2007)
By Industry



Permanent Employment Expectations

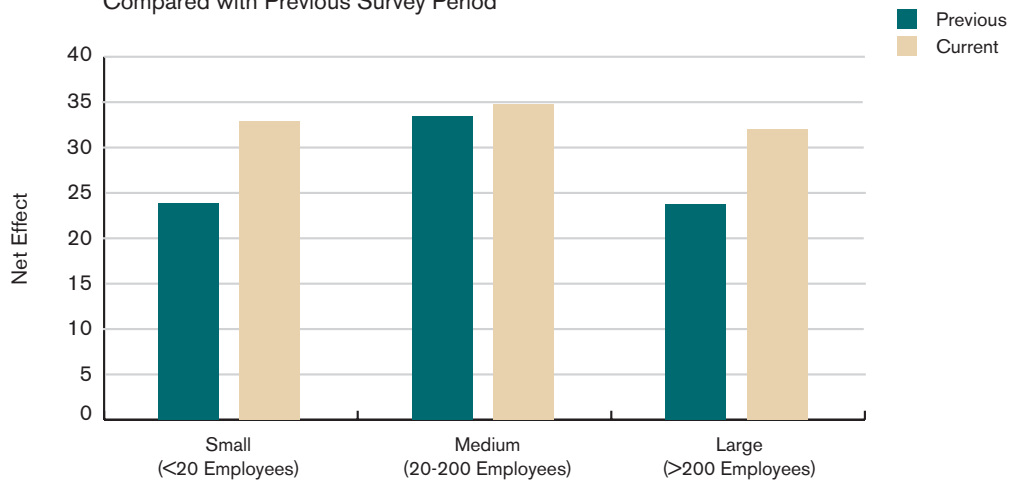
The Manufacturing sector has recorded one of the largest increases in sentiment on six months ago. At a net positive 29.3% the result is 17.4pp positive movement on our last survey.

Significant positive movements have also been recorded in the Tourism & Hospitality sector, 21.3pp positive movement, and the transport sector 19.5pp positive movement.

The highest expectation of employment growth, by organisation size in the Upper North Island was recorded by medium-sized organisations (20 - 200 employees) with a net positive expectation of 34.7% of respondents indicating an intention to increase permanent employee levels. These results reflect a 1.3pp increase on our last survey.

Optimism among both small-sized organisations (<20 employees) and large sized organisations (>200 employees) have recorded a large increase on our previous survey. At a net positive 32.8%, sentiment in small organisations recorded positive movement of 9pp, while large organisations, at a net positive 32%, have recorded a net positive movement of 8.3pp.

Upper North Island Permanent Employment Expectations by Organisation Size: Compared with Previous Survey Period



Permanent Employment Expectations

Lower North Island

A net positive 44.9% of employers in the Lower North Island indicated that they intend to increase permanent employment levels. This represents a 2pp movement on our previous survey.

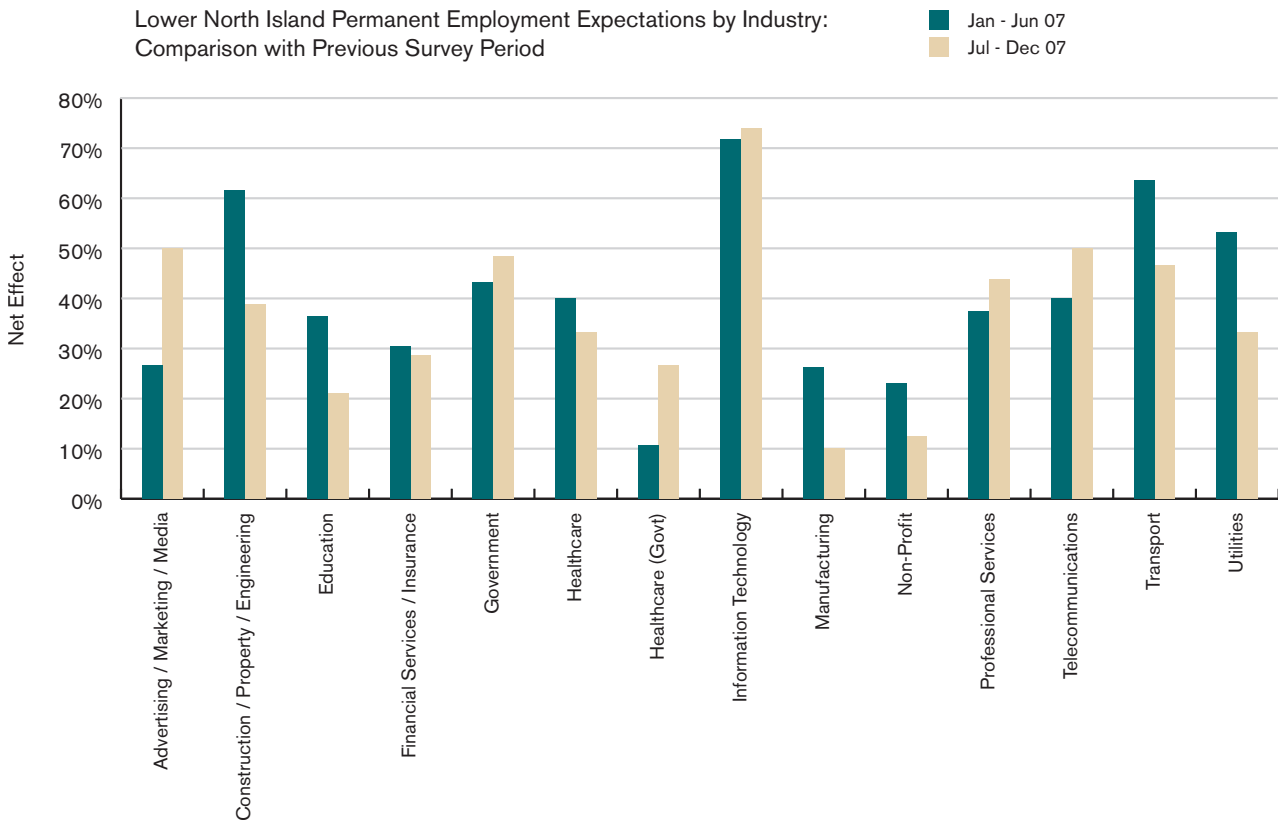
Of those employers surveyed, 50.8% expect to increase permanent staffing numbers over the coming six months compared with 5.9% who anticipate a reduction in current staffing levels.

The Lower North Island employers surveyed are weighted towards the Government, Financial Services / Insurance, Professional Services and Information Technology sectors.

The Information Technology sector yet again has recorded the most positive of all sectors in the region. With a net positive 73.9% of employers indicating an intention to increase permanent employment levels over the coming six months, the Information Technology

sector has recorded a 2.1pp positive movement when compared to our previous survey. This is the most optimistic result for this sector in over five years. Notably 75.4% of employers surveyed indicated that they intend to increase employment levels over the coming six months while only 1.4% indicating an intention to reduce their permanent employment levels.

Lower North Island Permanent Employment Expectations by Industry: Comparison with Previous Survey Period

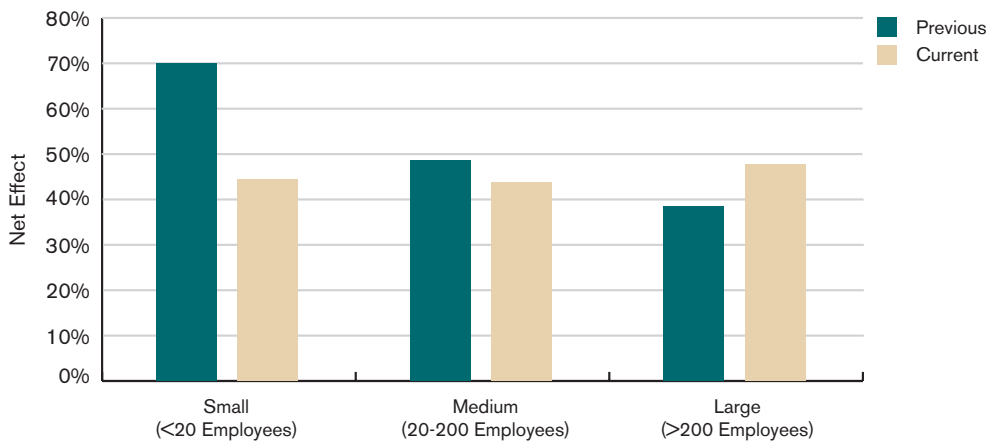


Permanent Employment Expectations

All organisation sizes have recorded positive sentiment in relation to employment intentions. The large organisations grouping (>200 Employees) recorded a significant increase. At a net positive 47.7% this represents a 9.32pp increase over our last survey.

Medium-sized employers (20-200 employees) have recorded a negative movement of 5pp, resulting in a net positive 43.6% of employers indicating they intend to increase permanent staffing levels. With a net positive 44.4% of small organisations (<20 employees) indicating positive sentiment this represents a significant fall of 25.6pp on our previous survey.

Lower North Island Permanent Employment Expectations by Organisation Size: Comparison with Previous Survey Period



Permanent Employment Expectations

South Island

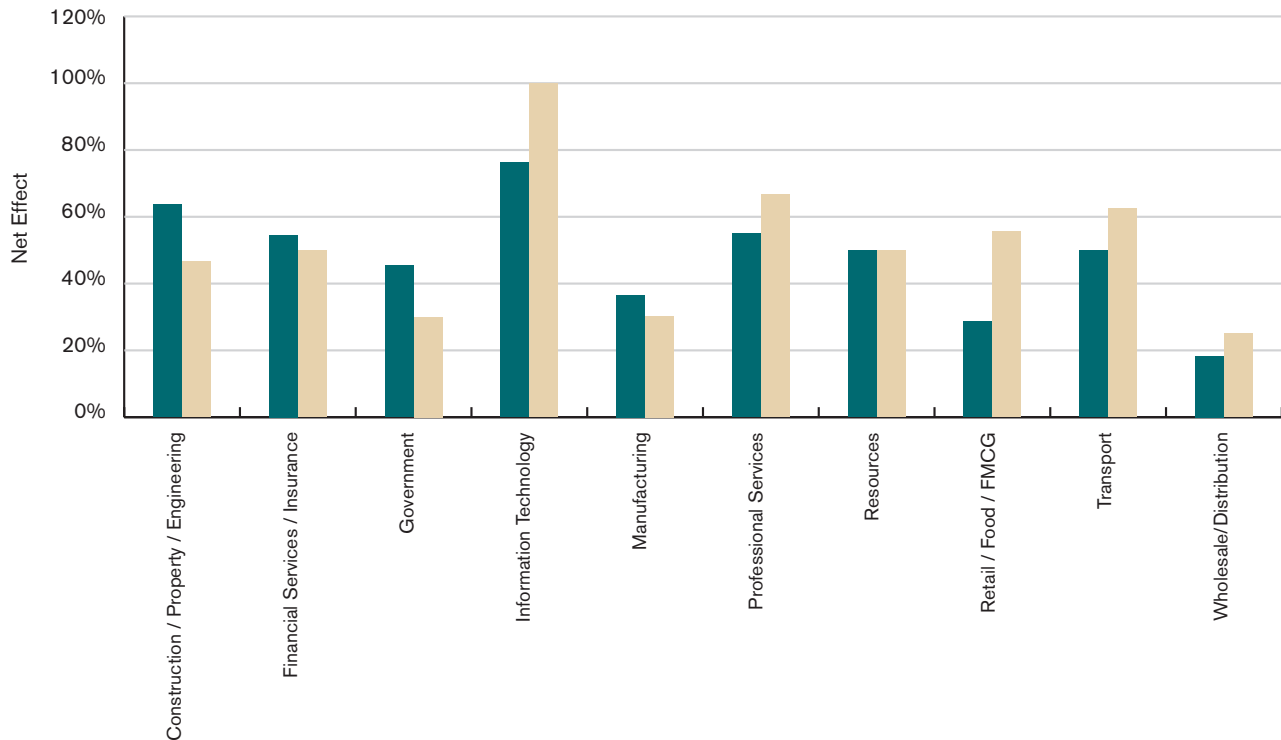
With a net positive 47.7% of employers indicating an intention to increase employment levels over the coming six months this represents a 10.3pp positive movement on six months ago. These results represent the most positive region in our current survey. It is the first time since December 2004 that the South Island has recorded the most optimistic result of the regions.

Significant net positive results have been recorded in the Professional Services, net positive 66.6%, and Transport sectors, net positive 62.5%.

Fourteen out of 18 industries surveyed have recorded a positive movement on our previous survey, with significant movement recorded in the Professional Services, positive movement of 11.7%, and Transport sectors, positive 12.5pp.

Of the South Island employers surveyed, 50.9% expect to increase current staffing levels, compared with only 3.6% who anticipate decreasing current levels over the next six months. 45.4% of employers anticipate leaving their workforce steady.

South Island Permanent Employment Expectations by Industry:
Comparison with Previous Survey Period

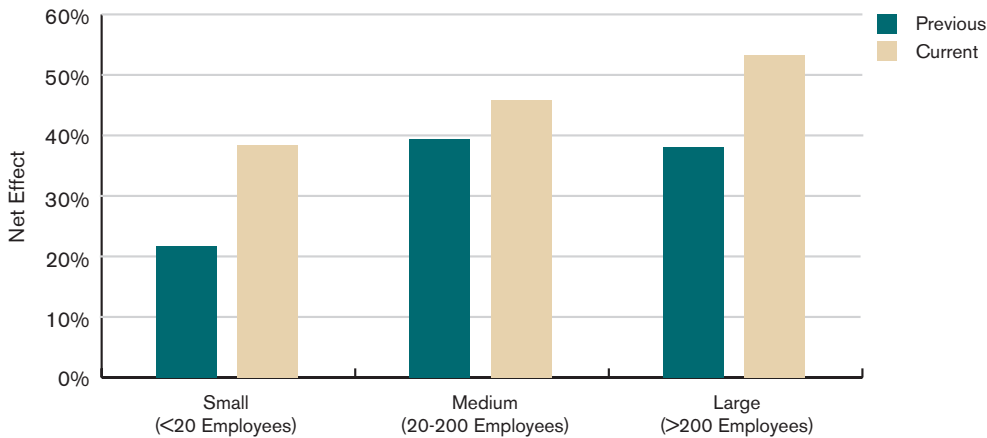


Permanent Employment Expectations

Breaking down the results by organisation size, we see that all groupings in the South Island have recorded large positive movements when compared to our last survey. The South Island's most positive group of employers is large-sized organisations (>200 employees). A net positive 53.3% of respondents indicated they are going to increase permanent employee levels. This is a significant 15.2pp above our previous survey.

Medium-sized organisations (20 - 200 employees), at net positive 45.8%, have recorded a positive move of 6.4pp on our previous survey while small organisations (<20 employees), net positive 38.5%, have recorded a positive movement of 16.7pp when compared to our last survey.

South Island Permanent Employment Expectations by Organisation Size: Comparison with Previous Survey Period



Contracting/Temporary Workforce

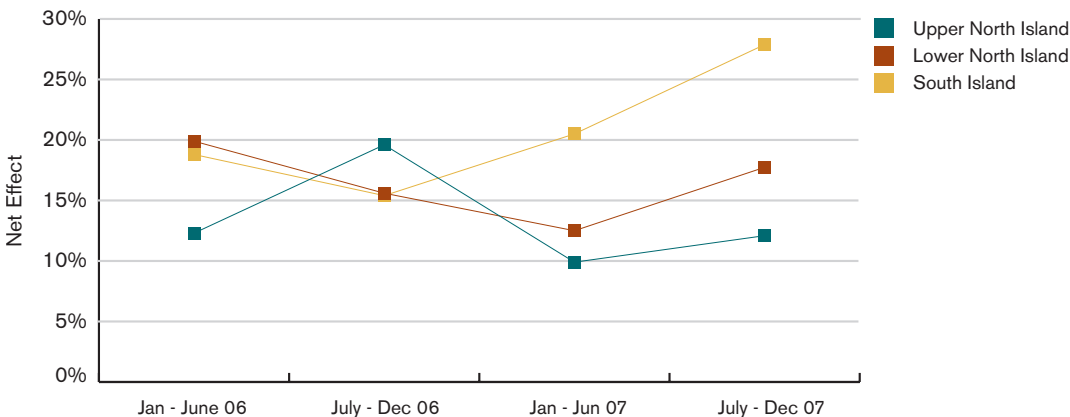
Of the employers contacted during our survey, 28.5% indicated that they will increase their contracting / temporary workforce over the coming six months, compared with 12.7% who intend to reduce their contracting / temporary workforce. Meanwhile, 58.8% of employers expect to maintain their contracting / temporary workforce at current levels. The resulting net effect is positive 15.8%. This is 3.9pp higher than our previous survey.

As with permanent employment expectations the South Island recorded the highest net positive result at 27.9%. This is 7.4pp higher than our previous survey. The Lower North Island, at net positive 17.7%, has recorded a result showing a positive movement of 5.2pp. The Upper North Island, with a net positive 12.1% indicating that they will increase contracting numbers over the next six months, has recorded the lowest level of the three regions. None the less sentiment in the upper North Island is 2.3pp above that of our last survey.

A breakdown by industry shows that employers in the Telecommunications sector are the most optimistic outlook with regard to contracting employment levels. With a net positive effect of 27.3% indicating that they will increase contracting levels over the July to December period, this is a reversal of our previous survey where negative sentiment was expressed in the Telecommunications sector.

This is followed by the Transport Sector, Net positive 26.5%. Seventeen of the 19 sectors surveyed have recorded sentiment lower than our previous survey. The Construction sector, at a net positive effect of 9.5%, has recorded the biggest decline in sentiment since January with a negative movement of 6.5pp.

Contract/Temporary Employment Expectations (Jan 2006 - Dec 2007):
By Region



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