



# The Hudson Report

Employment and HR Trends

New Zealand | July- December 2008

Part One | **EMPLOYMENT EXPECTATIONS**



Hudson

*From great people  
to great performance<sup>SM</sup>*

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## About Hudson

Hudson (NASDAQ: HHGP) is a leading provider of specialised recruitment, managed services and talent management solutions worldwide.

From single placements to total outsourced solutions, Hudson helps clients achieve greater organisational performance by assessing, recruiting, developing and engaging the best and brightest people for their businesses.

The company employs more than 3,600 professionals serving clients and candidates in more than 20 countries.

More information about Hudson is available at [www.hudson.com](http://www.hudson.com)

# Introduction and Methodology

## Introduction

The Hudson Report is an established and highly reputable publication, based on in-depth and nationwide research. Released every six months, the Report uncovers and analyses the hiring expectations of New Zealand employers over the forthcoming six months, and provides insights into a range of human resource issues currently impacting business and the broader New Zealand economy.

While a number of industry surveys currently address hiring intentions and job vacancies, The Hudson Report fills the gap with market knowledge and data on broader human resource issues and trends relevant to business leaders.

The Hudson Report for the July to December 2008 period consists of interviews with 1,969 employers across New Zealand.

## Methodology

The Hudson Report has established a reputation as a key socio-economic indicator in the New Zealand market. It captures employers' hiring expectations for permanent staff over the forthcoming six months as well as their actual hiring decisions for contracting / temporary staff over the previous six months.

The Report's half-yearly findings on permanent employment expectations are built on the premise that the expectation to increase or decrease permanent staffing levels represents a significant indication of employers' optimism for the growth of their organisations.

The Hudson Report frequently refers to the term 'net effect'. The net effect figure is calculated by taking the percentage of employers surveyed that expect to increase permanent staff levels, or their contracting / temporary workforce, during the forthcoming six months and subtracting the percentage of employers surveyed that expect to decrease staff levels.

The Hudson Report combines the expectations of key employment decision makers from all major industries across small (<20 employees), medium (20-200 employees) and large (>200 employees) organisations, and analyses the findings in relation to other key economic indicators (eg. interest rates and housing figures).

For the July - December 2008 period, 1,969 employers were personally surveyed by Hudson recruitment and consulting professionals. Participants were surveyed from 19 core industry groups as detailed below:

- Advertising/Marketing/Media
- Construction / property / engineering
- Education
- Financial services / insurance
- FMCG
- Government
- Healthcare (private)
- Healthcare (government)
- Information Technology
- Manufacturing
- Non Profit
- Professional Services
- Resources
- Retail
- Telecommunications
- Tourism/Hospitality
- Transport
- Utilities
- Wholesale/Distribution

# Summary of Key Findings

## Permanent Employment Expectations

- Employers have revealed a slowing in the aggressive hiring stance displayed previously, with a net positive 26.8% of the 1,969 employers surveyed indicating an intention to increase their permanent staff levels during the July - December 2008 period. This result is down 9.0 percentage points (pp) on the previous period.
- Over three times as many employers surveyed indicated that they intend to increase their permanent staffing levels (38.3%) over those who intend a decrease (11.5%), while 50.2% expect to hold their current staff levels steady.
- Across the regions, the Upper North Island stepped back from the buoyancy seen in previous periods with sentiment declining 15.5pp to +19.1%. South Island employers reported a 15.6pp decline in sentiment, with a net +23.4% intending to increase permanent staff levels over the coming six months.
- The Lower North Island is the only region reporting increased sentiment compared to the first half of this year. Up 2.7pp, a robust net +38.9% of employers in the region are expecting to increase permanent staff levels over the coming six months.
- Across the industries surveyed nationally, the IT industry has recorded the highest level of employer sentiment for the sixth period running. While down 4.8pp on our last survey, optimism amongst IT employers is exceptionally strong, with a net +55.0% expecting to increase permanent staff over the coming six months.
- Government employment expectations remained about level at +35.0%, down just 3.0pp compared to last quarter. Financial services / insurance employers also roughly maintained sentiment, down 3.0pp to +24.9%.
- The construction / property / engineering industry experienced a decline in optimism of 31.1pp, with a net +17.0% of employers reporting an intention to increase permanent staff levels over the coming six months. Employer sentiment in the manufacturing industry fell 15.1pp to +9.0%.

## Contracting/Temporary Workforce

- A net +4.9% of employers nationally are looking to increase their contracting / temporary workforces during July - December 2008, down 5.5pp on the previous period.
- The Upper North Island reported the largest decline in contracting / temporary employment growth across the regions, down 7.1pp to a net +2.9%. In the Lower North Island, a net +7.1% of employers increased their contracting / temporary workforces, down 4.1pp. South Island reported a decline of 3.5pp, with a net +6.8% increasing the size of their contracting / temporary workforces.
- Across the industries surveyed nationally, a net +9.9% of employers in the IT industry are looking to increase the size of their contracting / temporary workforces, while in the government sector a net +4.9% want to increase contracting / temporary staff. In the financial services / insurance and professional services industries, a net +1.9% of employers say they will increase their contracting / temporary workforces.

# Permanent Employment Expectations

## Overall

The Hudson Report for the July - December 2008 period reveals a slowing in the aggressive hiring stance shown previously by New Zealand employers, with a net +26.8% of the 1,969 employers surveyed indicating an intention to increase their permanent staff levels over the coming six months. This result is 9.0pp below the result recorded for January - June 2008.

Employer optimism in the Upper North Island has stepped back from its earlier buoyancy, with sentiment declining 15.5pp to +19.1%. South Island sentiment continued the downwards trend started in the first half of the year with expectations declining a further 15.6pp to +23.4%.

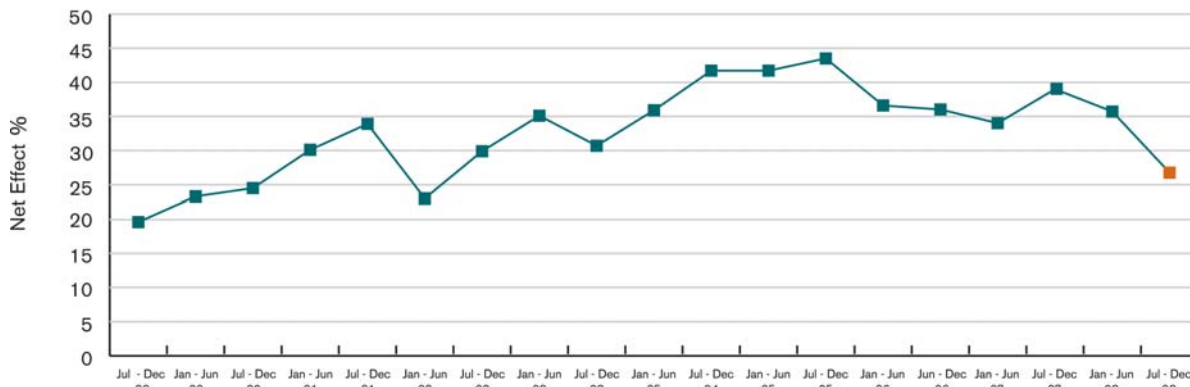
The Lower North Island is the only region reporting increased sentiment compared to our last survey. Expectations rose 2.7pp, with a net +38.9% of employers expecting to increase permanent staff levels over the coming six months. The Lower North Island is now by far the most optimistic of all the regions.

Across New Zealand, softening employment expectations in many parts of the economy are being driven to a large degree by slowing conditions in the retail sector and record low levels of consumer confidence. High fuel prices, high food prices, high interest rates and a weak housing market are strongly impacting on households and having an appreciable effect on domestic demand. Despite corporate

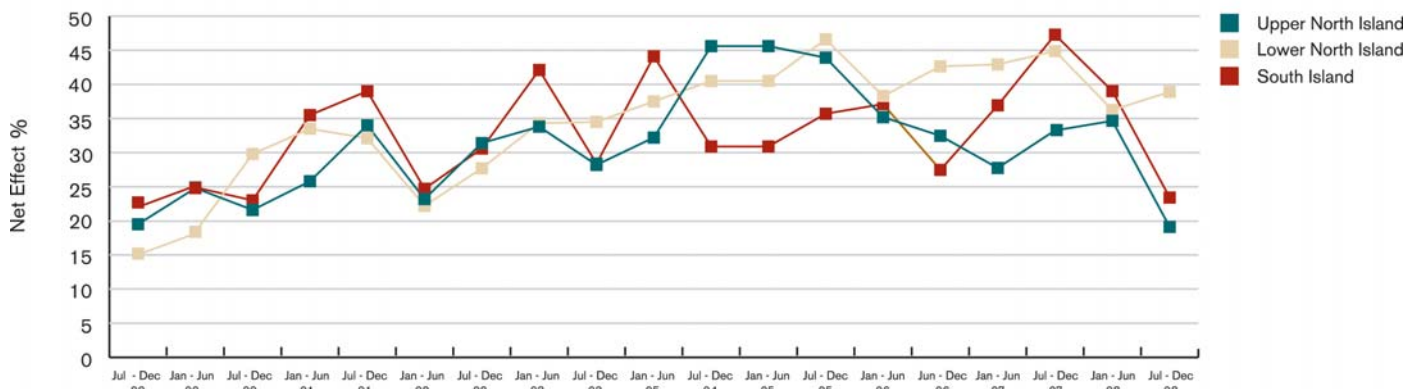
balance sheets on the whole remaining sound, the weaker growth environment is putting pressure on profitability and this is now starting to be felt in employer's hiring plans.<sup>1</sup>

The labour market is yet to reflect the worst of the country's economic contraction, however, with the unemployment rate remaining at record lows.<sup>2</sup> Employers are still overwhelmingly increasing or holding their permanent staff levels steady as opposed to taking any action to reduce headcount. Over three times as many employers surveyed indicated that they intend to increase their permanent staffing levels (38.3%) over those who intend a decrease (11.5%), while 50.2% expect to hold their current staff levels steady.

National Permanent Employment Expectations (July 1999 - December 2008)



Regional Permanent Employment Expectations (July 99 - December 08)



<sup>1</sup> ANZ Economic Outlook, June 2008

<sup>2</sup> BNZ Strategist, Bank of New Zealand, 19 June 2008

# Permanent Employment Expectations

## By Industry

Wide variation in sentiment is evident across the industry sectors surveyed for the July - December 2008 period, with uncertainty in the New Zealand economy making itself felt differently in different industries. At the same time, while some industries reported further growth on the expectations reported in our last survey, most indicated a softening of sentiment in comparison to the highs seen in previous periods.

The **IT** industry has recorded the highest level of employer sentiment of all industries surveyed for the sixth period running, with a net +55.0% of IT employers expecting to increase permanent staff levels over the coming six months. While this is 4.8pp down from the last survey, it is still clearly an exceptionally strong result, possibly reflecting the importance companies are placing on investing in technology to bring about efficiencies within their businesses. Many employers have

found it so hard to find talent in recent years that they started looking at alternatives to improving productivity other than raising headcount. A number of IT solutions companies have been promoting technology to this end.

Employer sentiment in the **government sector** remained about level with that recorded earlier this year, following a large decline in hiring intentions previously. Down 3.0pp on our last survey, a net +35.0% of employers reported an intention to increase permanent staff levels during the July - December 2008 period.

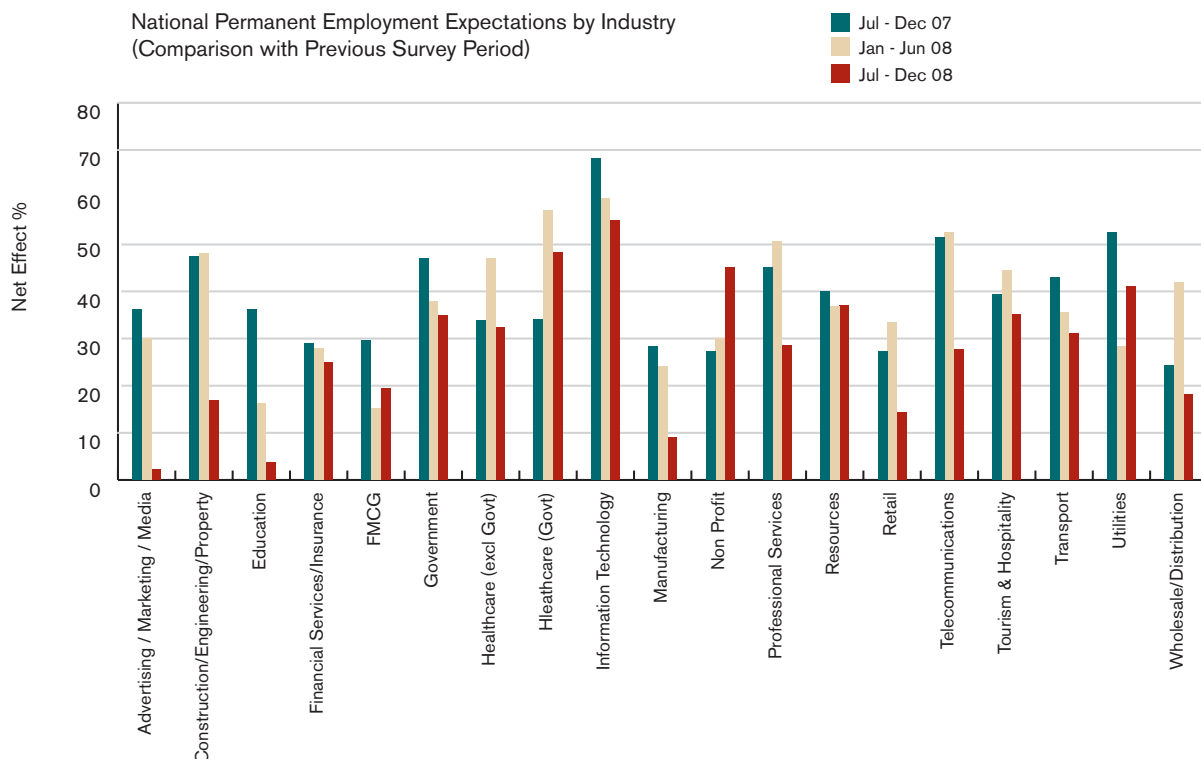
In the **professional services** industry, employment expectations have declined 21.9pp, with a net +28.6% of employers now planning to increase permanent staff over the coming three months. This result reflects the general downturn in economic conditions, and the industry is likely to see a shift in the nature of services provided away from some areas such as mergers and

acquisitions and towards other areas such as insolvency and consultancy services.

Sentiment in the **financial services / insurance** industry continues to inch downwards, declining 3.0pp to +24.9%.

The **manufacturing** industry recorded a further decline in employment expectations across the sector continued to weaken. A net +9.0% of employers reported an intention to increase permanent staff over the coming six months, down 15.1pp compared to the first half of this year. Manufacturers are feeling the combined impact of the global economic slowdown, flat domestic market, high interest rates and a NZ dollar well above historical levels. The outlook for manufacturers may get better in coming months by way of a lower NZD, which would see export competitiveness improve.<sup>3</sup>

National Permanent Employment Expectations by Industry  
(Comparison with Previous Survey Period)



<sup>3</sup> BNZ Strategist, Bank of New Zealand, 19 June 2008

# Permanent Employment Expectations

Employers in the **construction / property / engineering** industry reported a 31.1pp decline in sentiment in line with the steep downturn in the housing market. House sales are down over 50% from levels seen a year ago and house prices are falling, and some contraction is also occurring in non-residential building.<sup>4</sup> A net +17.0% of employers now intend to increase permanent staff levels over the coming six months.

A net +27.6% of employers in the **telecommunications** industry intend to increase permanent staff over the coming six months, a decline of 24.9pp on the previous period.

The **retail** sector reported a 19.0pp decline in sentiment compared to the previous period, with a net +28.3% intending to increase permanent staff over the coming three months. High interest rates and price increases for core staples such as food and petrol have had a dramatic effect on household budgets, and retail spending on non food and fuel items has been flat for almost a year.<sup>5</sup>

The slowdown in retail trade has been felt along the supply chain, with employment expectations in the **wholesale / distribution** industry declining 23.9pp to +18.1%. Reduced freight in the **transport** sector has similarly led to a decline in employer sentiment, although this effect has been somewhat offset by more domestic passengers on planes, trains and buses.<sup>6</sup> Down 4.6pp, a net +31.0% of transport employers still intend to increase permanent staff over the coming six months.

<sup>4</sup> ANZ Economic Outlook, June 2008

<sup>5</sup> ANZ Economic Outlook, June 2008

<sup>6</sup> Australia & NZ Weekly, Westpac, 23 June 2008

# Permanent Employment Expectations

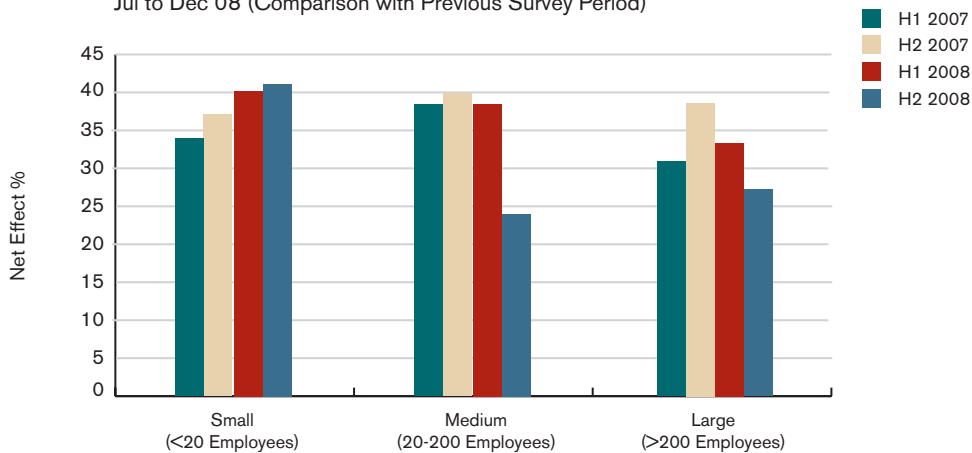
## By Organisation Size

The small business sector continues to make by far the largest contribution to national employer sentiment in comparison to large and medium sized businesses, with an incredibly buoyant net +41.1% of small business employers intending to increase permanent staff over the coming six months. Up 0.9pp on our last survey, this result reflects the strength and resilience of small business and the sector's increasing importance in the NZ economy.

Medium sized businesses appear to have taken most of the brunt of slower domestic conditions, with employer sentiment declining 14.5pp compared to the first half of this year. A net +24.0% of employers are now intending to increase permanent staff over the coming six months.

A net +27.2% of large employers reported an intention to increase permanent staff levels over the coming six months, representing a decline of 6.2pp on last survey's results. Previously, large organisations were hiring staff with a view to future needs even when they didn't need staff immediately. With business expectations now pulling back, large employers are becoming more conservative in their hiring intentions.

National Permanent Employment Expectations by Organisation Size  
Jul to Dec 08 (Comparison with Previous Survey Period)



# Permanent Employment Expectations

## Upper North Island

- Employer sentiment falls 15.5pp to +19.1%
- Rapidly declining sentiment across most major industries
- IT employers remain optimistic with sentiment up 5.2pp to +48.4%

Employer sentiment in the Upper North Island has stepped back from the buoyancy seen in previous periods, with expectations declining 15.5pp from the level recorded for the first half of this year. A net +19.1% of employers in the region are now expecting to increase permanent staff during the July - December 2008 period.

The IT industry has reported by far the highest level of employer sentiment and is one of only two industries in the region to experience growth in optimism compared to the last survey. Rising 5.2pp on the first half of this year, a net +48.4% of employers are intending to increase permanent staff over the coming six months. This high level of employer optimism is likely to be due to the continued investment companies are making in technology to bring about increased productivity and improved competitiveness.

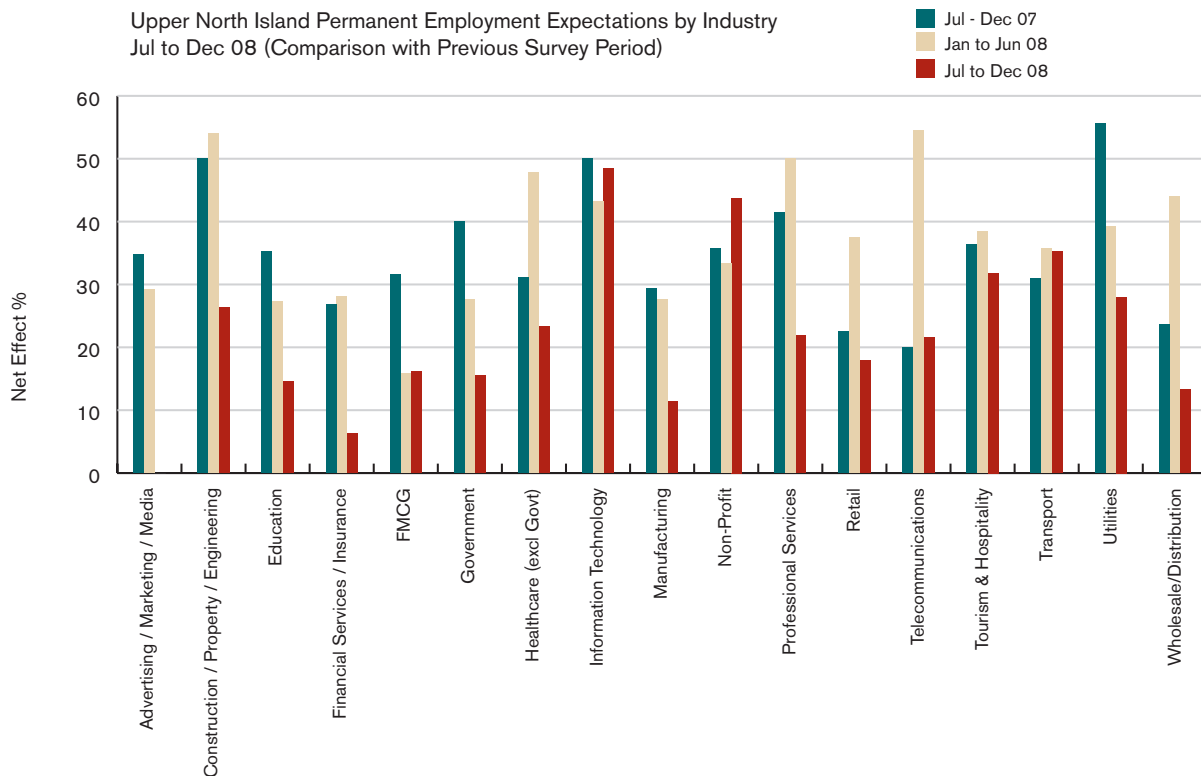
Employer sentiment in the financial services / insurance industry has fallen a considerable 21.9pp as the industry comes to terms with the deterioration of global credit markets. A net +6.3% of employer reported an intention to

increase permanent staff over the coming six months.

Reduced transactions in the financial services market have dampened demand for accounting, legal and consulting professionals, with employer sentiment in the professional services industry falling 28.1pp. A net +21.9% of employers expect to increase permanent staff during the July - December 2008 period.

The construction / property / engineering industry experienced a decline in employer sentiment of 27.6pp, with a net +26.4% of employers now intending to increase permanent staff over the coming six months. This result reflects the marked downturn in residential building across the board as well as reduced activity in commercial building in Auckland. All

Upper North Island Permanent Employment Expectations by Industry  
Jul to Dec 08 (Comparison with Previous Survey Period)



# Permanent Employment Expectations

construction is likely to continue to contract other than that being carried out by Central and Local governments, for example in the upgrading of roads, motorways, bridges and local neighbourhoods.

Employer sentiment in the telecommunications industry has returned to the level recorded 12 months ago following a massive surge in hiring intentions in the first half of this year. Down 32.9pp, a net +21.6% of employers are expecting to raise permanent headcount over the coming six months.

Employers in the manufacturing industries reported a 16.2pp decline in sentiment as companies continue to move production offshore. A net +11.4% reported an intention to increase permanent staff.

In the government sector, employer sentiment declined a further 12.0pp from the last survey, with a net +15.6% of employers planning to increase permanent staff over the coming six months. This result is likely to be due to uncertainty in the local government sector, with the current inquiry into Auckland's council system potentially recommending consolidation across local councils.

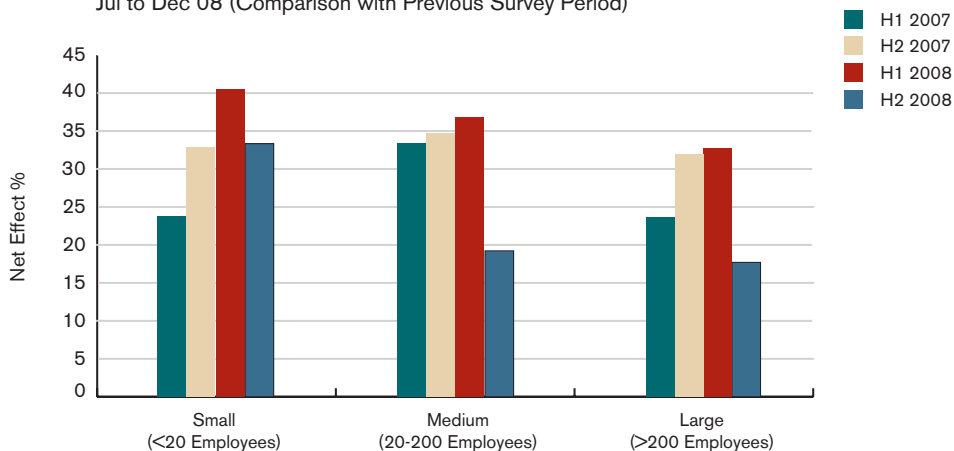
Employer sentiment in the retail sector fell 19.6pp to +17.9%, reflecting record low levels of consumer confidence. In the same vein, expectations in the

wholesale / distribution industry fell 30.7pp to +13.3%, and FMCG sentiment remained low at +16.2%.

Sentiment in the transport industry remains strong, with a net +35.3% of employers intending to increase permanent staff over the coming six months. This result is down just 0.4pp from the last survey.

Looking at the survey results by organisation size, the small business sector continues to make the largest contribution to employer sentiment with a net +33.3% intending to increase permanent staff over the coming six months, down a relatively small 7.2pp on our last survey. Sentiment amongst employers in medium sized businesses has declined by 17.6pp to net +19.2%, while that in large organisations declined 15.0pp to +17.7%.

Upper North Island Permanent Employment Expectations  
Jul to Dec 08 (Comparison with Previous Survey Period)



# Permanent Employment Expectations

## Lower North Island

- Employer sentiment rises 2.7pp to a buoyant +38.9%
- IT remains the most confident industry at net +59.4%
- Optimism amongst financial services / insurance and professional services employers rises 16.2pp and 5.6pp respectively

The Lower North Island has bucked the national trend, with employer sentiment rising 2.7pp over that recorded for the first half of this year. A net +38.9% of employers now expect to increase permanent staff levels during the July - December 2008 period, making the region by far the most optimistic.

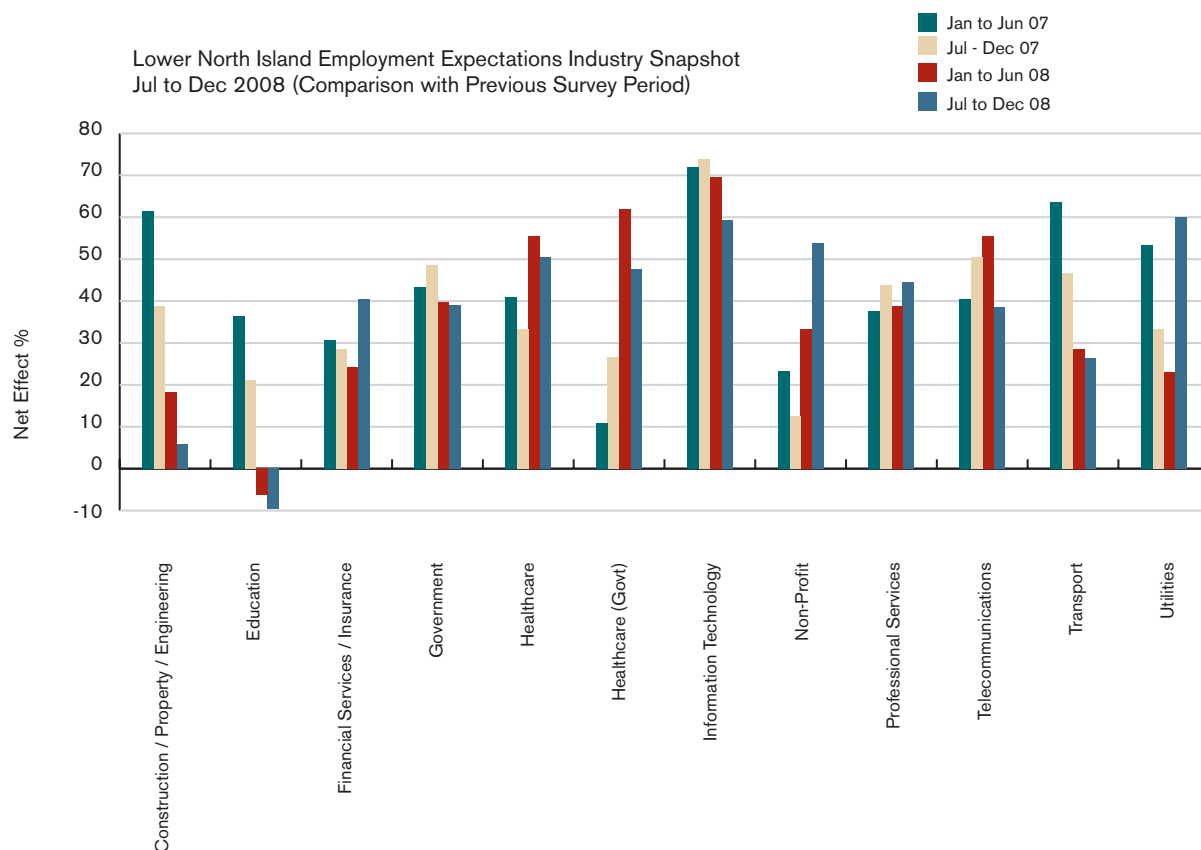
The IT industry remains a key driver of positive sentiment, with a net +59.4% of employers expecting to increase permanent staff levels over the coming six months. This figure is nevertheless 10.1pp down on last survey's result, driven by restructuring in the large IT vendors in Wellington. Skills shortages across the industry remain acute and businesses are continually on the look out for high quality talent.

The financial services / insurance industry has reported a rise in sentiment of 16.2pp, with a net +40.4% of employers intending to increase permanent staff over the coming six months. Similarly, a net +44.4% of employers in the professional services industry are planning to increase permanent staff, up 5.6pp on the last survey. Demand for professional services staff is likely to

grow further if government departments restructure after the November election.

Employer sentiment in the government sector remains strong as implementation of projects continues in the lead up to the election. Down just 0.7pp, a net +39.0% of government employers reported an intention to increase permanent staff during the July - December 2008 period.

Employers in the construction / property / engineering industry experienced a decline in sentiment of 12.3pp from our last survey, with a net +5.9% intending to increase permanent staff levels over the coming six months. This result reflects the downturn in



# Permanent Employment Expectations

residential property experienced nationally as well as limited new developments in commercial construction, the latter despite the commercial property market remaining tight.

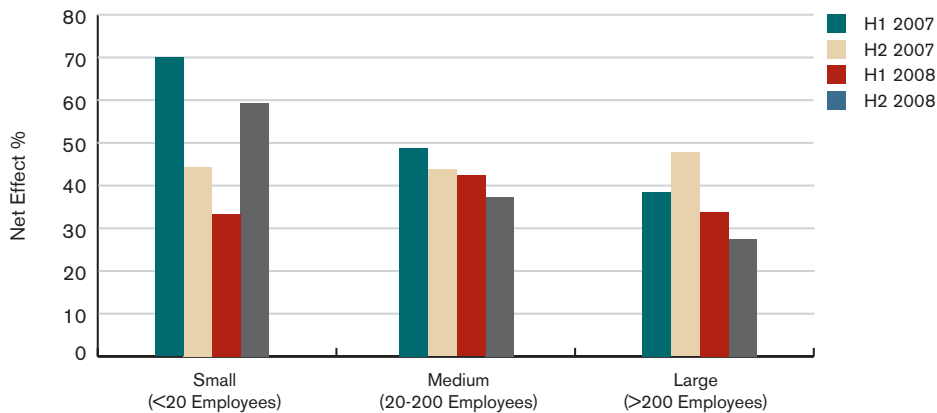
Down 16.55pp from last survey period, a net +38.5% of employers in the telecommunications industry intend to increase permanent staff over the coming six months.

Employer sentiment in government healthcare remains strong at +47.5% despite a 14.4pp decline on the last survey.

By organisation size, small businesses in the Lower North Island are by far the most optimistic, with a net +59.3% expecting to increase permanent staff levels over the coming six months, up 25.9pp on last time. This buoyancy in hiring intentions reflects the many opportunities for small businesses to prosper in niche areas such as technology, professional services, film and television.

A net +37.3% of medium sized businesses reported an intention to increase permanent staff levels over the coming six months, down 5.1pp on last time. Employer sentiment in large organisations declined 6.4pp to +27.4%.

Lower North Island Permanent Employment Expectations  
July to Dec 08 (Comparison with Previous Surveys)



# Permanent Employment Expectations

## South Island

- Employer sentiment declines 15.6pp to +23.4%
- Sentiment down across most major industries
- IT employers remain highly optimistic at +61.0%

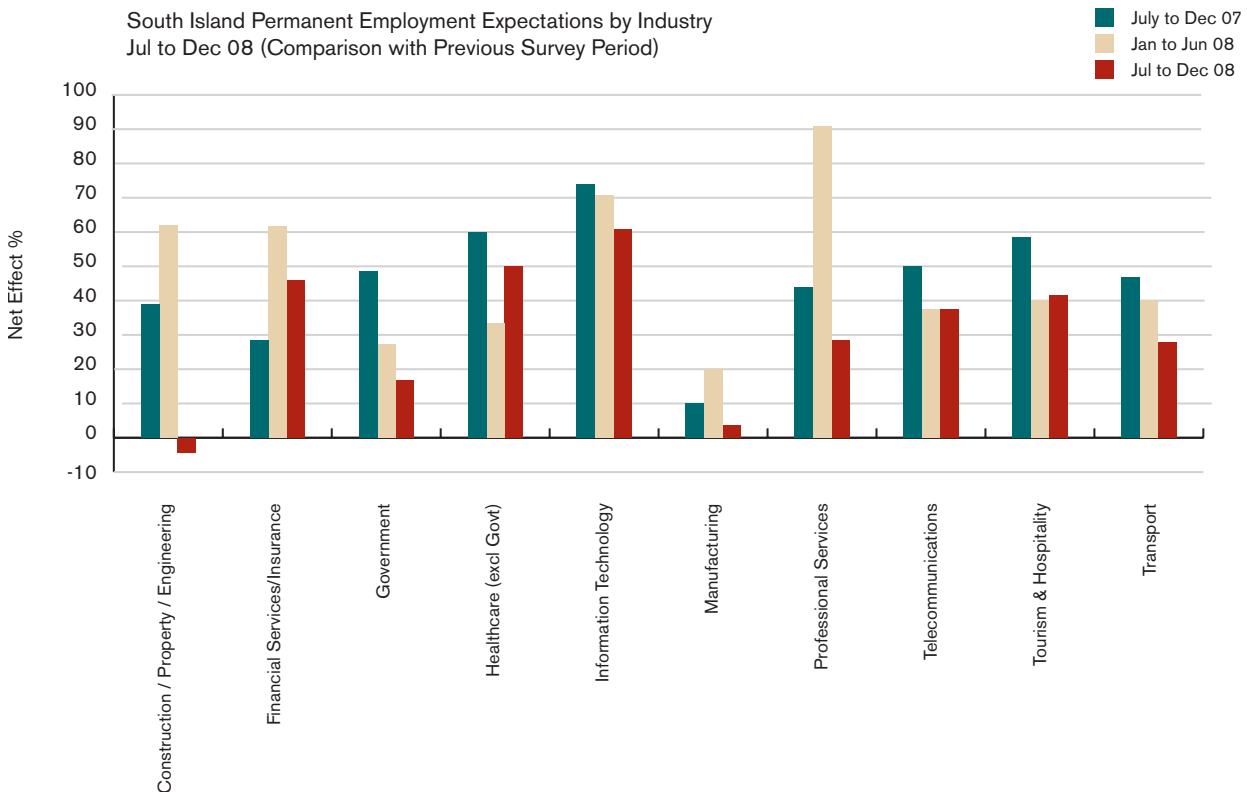
Employer sentiment in the South Island has continued the downwards trend started in the first half of the year, with a decline in expectations for the July - December 2008 period of 15.6pp. A net +23.4% of employers now expect to increase their permanent staff levels over the coming six months.

Bucking the trend across the region, employers in the IT industry have retained a buoyant outlook in their hiring intentions, remaining continually on the look out for people with the right skills. A net +61.0% of IT employers are planning to increase permanent staff during the July - December 2008 period.

The financial services industry continues to make a strong contribution to employment growth in the region with a net +45.8% of employers expecting to increase permanent staff. This result is nevertheless down 15.7pp from the three year high reported in the last survey.

A net +28.6% of employers in the professional services industry reported an intention to increase permanent staff over the coming six months. This result is down 62.3pp from the staggering record achieved for the first half of this year, however the vast majority of employers are holding steady on headcount rather than actively looking to reduce permanent staff.

Employer sentiment in the construction / property / engineering industry has declined dramatically in line with the turn in the commercial property market and the continued deterioration in residential construction. A net -4.4% of employers in the industry are planning to decrease permanent staff levels over



# Permanent Employment Expectations

the coming six months, 66.3pp down from the buoyant optimism reported in the last survey. The only area of continued development over the medium-term is government funded infrastructure projects.

Manufacturing companies continue to feel the impact of the high NZ dollar, with employers recording a further decline in sentiment of 16.4pp on the last survey. A net +3.6% of employers are now intending to increase permanent staff levels over the coming six months, reflecting Chamber of Commerce predictions of a contraction in industry employment.

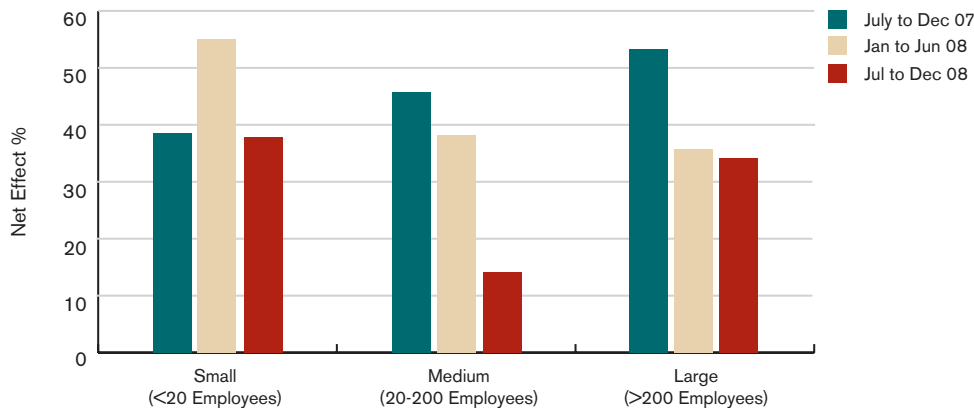
In the transport/distribution sector, employers have reported a decline in sentiment of 12.2pp, with a net +27.8% intending to increase permanent staff over the coming six months. This result reflects the impact on freight of the downturn in retail and wholesale trade.

The tourism industry remains strong, with convention centres attracting major international conventions and continuing developments in new accommodation and bars. A net +41.7% of employers in the industry intend to increase permanent staff over the coming six months, up 1.7pp on the last survey.

Government employers returned a net result of +16.7%, down 10.6pp from the last survey.

Across the region, a net +37.9% of small business employers reported an intention to increase permanent staff levels over the coming six months, a decline of 17.1pp from the high peak in expectations seen in the previous period. Expectations amongst employers in large companies remained about level, down just 1.7pp to +34.2%, while in medium sized businesses sentiment declined 24.0pp to +14.2%.

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



# Contracting/Temporary Workforce

Of the 1,969 employers surveyed nationally, 23.5% are looking to increase their contracting / temporary workforce during July - December 2008, 18.6% decreased their contracting / temporary workforce and 58.0% held their contracting / temporary workforce steady. This gives a net effect of +4.9%, which is 5.5pp lower than that recorded for the previous period.

These results reflect the overwhelming preference of New Zealand employers to engage permanent staff over temporary / contract staff. Employers tend to only turn to the temporary/contract market in order to get them through a significantly busy period, as an interim measure until permanent headcount is signed off, or to meet the needs of candidates seeking flexibility.

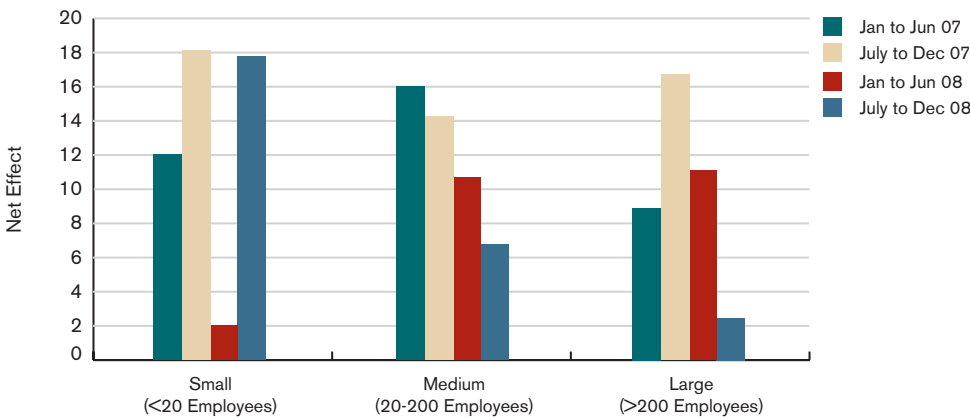
Positive net effects in contracting / temporary employment were recorded across all regions, however each of the islands reported a decline in the rate of growth compared to the previous period. The Upper North Island reported the largest decline in contracting / temporary employment growth, falling 7.1pp to a net +2.9%. In the Lower North Island, a net +7.1% of employers increased their contracting / temporary workforces, down 4.1pp. The South Island reported a decline in growth of 3.5pp with a net +6.8% increasing the size of their contracting / temporary workforces.

Across the industries surveyed nationally, a net +9.9% of employers in the IT industry will increase the size of their contracting / temporary workforces, while in the government sector a net +4.9% will increase contracting / temporary staff. In the

financial services / insurance and professional services industries, a net +1.9% of employers will increase their contracting / temporary workforces.

The telecommunications industry reported a relatively large rise in the use of contracting / temporary staff, with a net +12.1% of employers increasing the size of their contracting / temporary workforce. In the construction / property / engineering and manufacturing sectors, a net zero per cent reported that they will increase their contracting / temporary workforces during July - December 2008.

Contract/Temporary Employment Expectations by Organisation Size:  
(Comparison with Previous Survey Period)



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