



# The Hudson Report

Employment and HR Trends

New Zealand | January – June 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 January - June 2008 period consists of interviews with 1,747 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'. For permanent employment expectations, the net effect figure is calculated by taking the percentage of employers surveyed that expect to increase permanent staff levels during the forthcoming six months and subtracting the percentage of employers surveyed that expect to decrease permanent staff levels. For the contracting/temporary workforce, the net effect figure is calculated by taking the percentage of employers surveyed that increased contracting/temporary staff levels during the previous six months and subtracting the percentage of employers surveyed that decreased contracting/temporary 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 January - June 2008 period 1,747 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

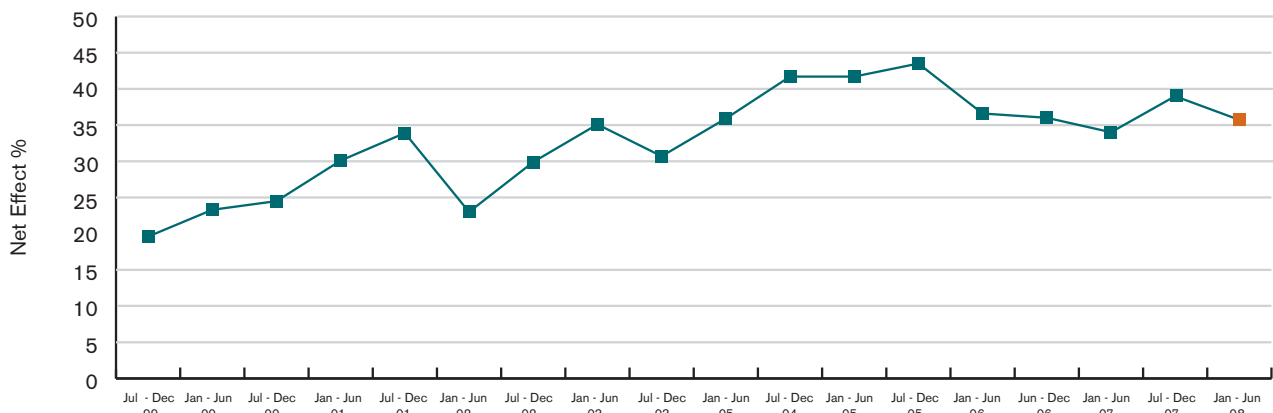
- Employers have revealed cautious optimism for the January - June 2008 period. A net positive 35.7% of the 1,747 employers surveyed indicated an intention to increase their permanent staff levels over the coming six months, down just 3.3 percentage points (pp) on the previous period.
- Over five times as many employers have indicated that they intend to increase their permanent staffing levels (43.5%) over those who intend a decrease (7.8%), while 48.7% expect to hold their current staff levels steady.
- Positive net effects were recorded across all regions. Upper North Island maintained the growth momentum started in the previous period, with employer sentiment rising 1.4pp to +34.7%. South Island continues to display the highest level of employer optimism across the regions at +39%, a result nevertheless down 8.2pp on our last survey. Employer sentiment in Lower North Island declined 8.6pp to +36.2%.

- The IT industry has recorded the highest level of employer sentiment of all industries surveyed for the fifth period running. While down 8.4pp on our last survey, optimism amongst IT employers is still exceptionally strong, with a net +59.8% expecting to increase permanent staff over the coming six months.
- The telecommunications industry showed the second highest level of optimism across the industries, rising 0.9pp to +52.5%. Employer sentiment in the professional services industry also showed considerable strength, rising 5.4pp to +50.5%.

## Contracting/Temporary Workforce

- A net +10.4% of employers nationally increased their contracting/temporary workforces during July - December 2007, down 17.6pp on the previous period.
- South Island reported the fastest drop in contracting/temporary employment across the regions, falling 17.6pp to a net +10.2%. In Lower North Island, a net +11.2% of employers increased their contracting/temporary workforces, down 6.5pp. Upper North Island reported relatively steady growth, down just 2.1pp to a net +9.9%.
- Of the employers surveyed, a net 10.4% indicated that they intend to increase their contracting temporary workforce over the Jan to June 2008 period. This represents a decrease of 5.4pp when compared to our previous survey. The Lower North Island recorded the highest net positive result; +11.2%, with the South Island and Upper North Island recording a net positive 10.2% and 9.9% respectively.

National Permanent Employment Expectations: By Region (July 1999 - June 2008)



# Permanent Employment Expectations

## Overall

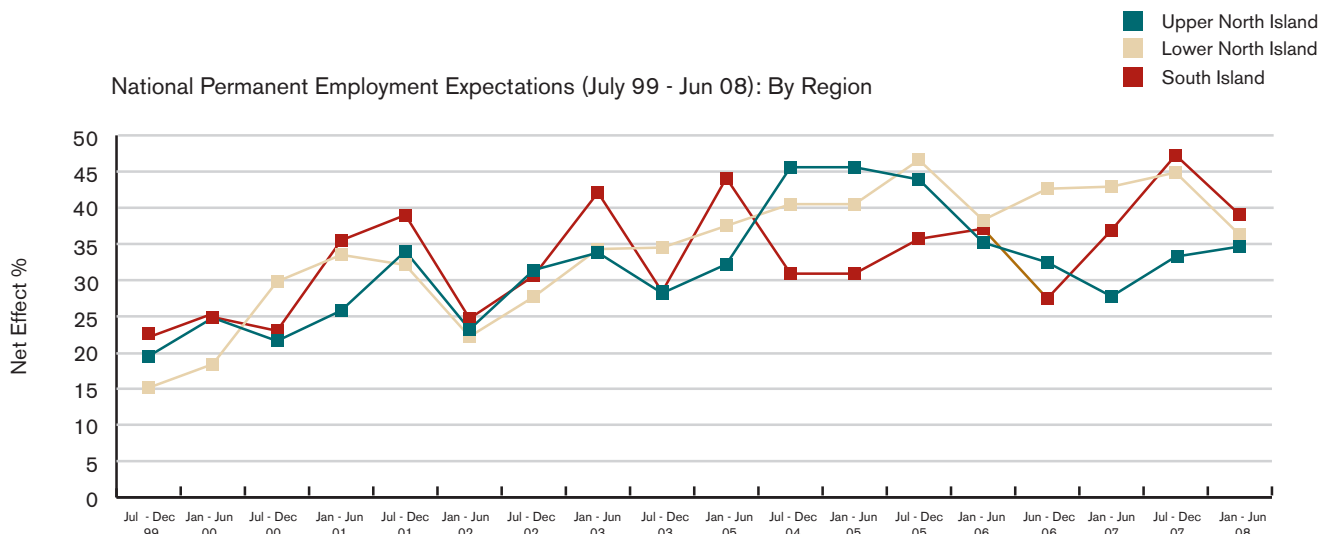
The Hudson Report for the January - June 2008 period reveals cautious optimism amongst New Zealand employers, with a net +35.7% of the 1,747 employers surveyed indicating an intention to increase their permanent staff levels over the coming six months. While 3.3pp below the result recorded for July - December 2007, this positive net result is 1.7pp higher than that recorded 12 months ago and is an indication of relatively robust business confidence at the national level.

Over five times as many employers have indicated that they intend to increase their permanent staffing levels (43.5%) over those who intend a decrease (7.8%), while 48.7% expect to hold their current staff levels steady.

Across the regions, Upper North Island has continued the upwards movement in confidence seen in our last survey, rising 1.4pp to +34.7%. South Island is showing the highest level of employer optimism at +39%, a result nevertheless down 8.2pp on our last survey after two periods of rapid increases throughout 2007. Lower North Island recorded a decline in sentiment of 8.6pp, with a net +36.2% of employers in the region expecting to increase permanent employment over the coming six months.

Strong but easing employer sentiment across much of New Zealand reflects broader trends in the national economy. Economic foundations are robust and balance sheets remain strong, but compared to the exuberant optimism felt around the country 6-12 months ago, people are now much more circumspect when looking to the future.<sup>1</sup>

Employers in many industry sectors are reporting difficulty in finding both skilled and unskilled staff. With unemployment at a 20-year low and labour market participation at a record high, an exceptionally tight labour market is now making itself felt in inflation, the latest economic data showing private sector wage growth having risen to an all-time high.<sup>2</sup> Adding to uncertainty about the future is whether or not there will be a change of government at the 2008 election, while at the same time some sectors continue to be impacted on by turbulence in global credit markets.



<sup>1</sup> ANZ Market Focus New Zealand: 'A Solid Base', 12 November 2007

<sup>2</sup> ANZ Economic Review: 'Labour Cost Index and Quarterly Employment Survey', 5

# Permanent Employment Expectations

## By Industry

A positive outlook has been recorded across all industry sectors surveyed for the January - June 2008 period. Wide variation in sentiment is evident across industry sectors, with half the industries surveyed reporting increased sentiment on the last survey and half reporting decreased sentiment.

The **IT** industry has recorded the highest level of employer sentiment of all industries surveyed for the fifth period running, with a net +59.8% of IT employers expecting to increase permanent staff levels over the coming six months. This result is 8.4pp lower than the exceptional optimism recorded in the last survey.

The **telecommunications** industry continues to make a large contribution to national sentiment, with a net +52.5% of employers reporting an intention to increase permanent staff levels over the coming six months. Up 0.9pp on our last survey, the industry continues to develop following the opening up of Telecom's lines to competitors, with companies like Vodafone and Orcon stepping up competition in anticipation of the Government's telecommunication regulatory package.

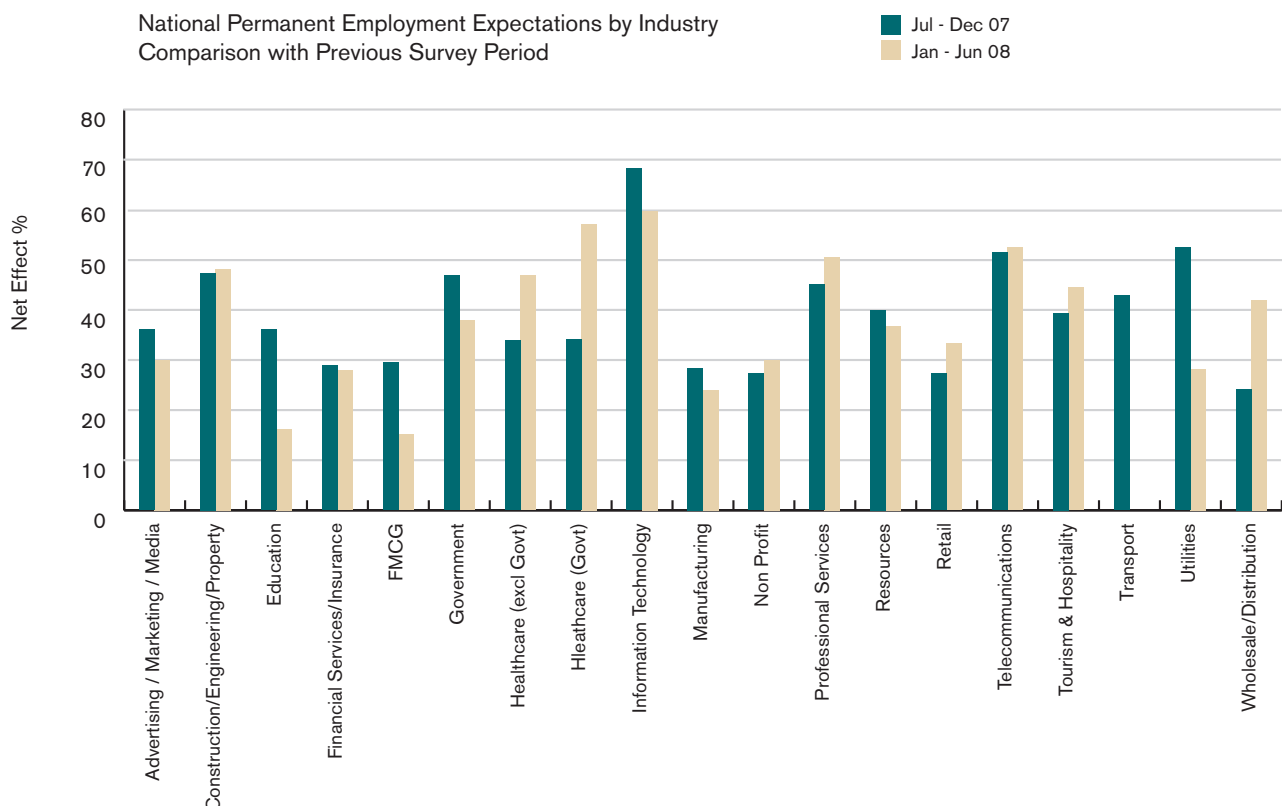
Employer optimism in the **professional services** industry has risen strongly for the second consecutive period. Up 5.4pp on our last survey, a net +50.5% of professional services employers expect to increase permanent staff over the coming six months. This result is in line with national economic figures for the September quarter, which show service sectors such as professional services making the largest contribution to the country's economic growth.<sup>3</sup>

Employer sentiment in the **construction/property/engineering** industry has risen 0.7pp on our last survey to a net +48.1%. This strong result is being driven by several commercial construction developments in Christchurch and Auckland, where the demand for high quality office space is constrained only by the current turbulence in global credit markets. Residential construction has eased as expected, in line with relatively flat house prices.

Sentiment in the **government** sector has fallen to its lowest level in two years. Down 9.0pp to a net +37.9%, this result reflects a marked slowing in employment intentions in the public sector, particularly Central Government.

The **financial services** sector recorded a level of sentiment broadly consistent with the last two years, down just 1.0pp to a net +27.9%.

National Permanent Employment Expectations by Industry  
Comparison with Previous Survey Period



# Permanent Employment Expectations

The **manufacturing** sector experienced a reversal of the growth recorded in the previous two periods, with employer sentiment declining 4.4pp to net +24%. While this result may be explained by the impact of the high dollar on export competitiveness, solid global growth may create enough demand to offset this effect into the future.

The **wholesale/distribution** industry experienced rapid growth in employer sentiment over the last six months, rising 17.8pp to a new high of +41.9%. This result is being driven by increased competitive advantage in the industry as companies see their investment in Enterprise Resource Planning (ERP) systems start to pay off.

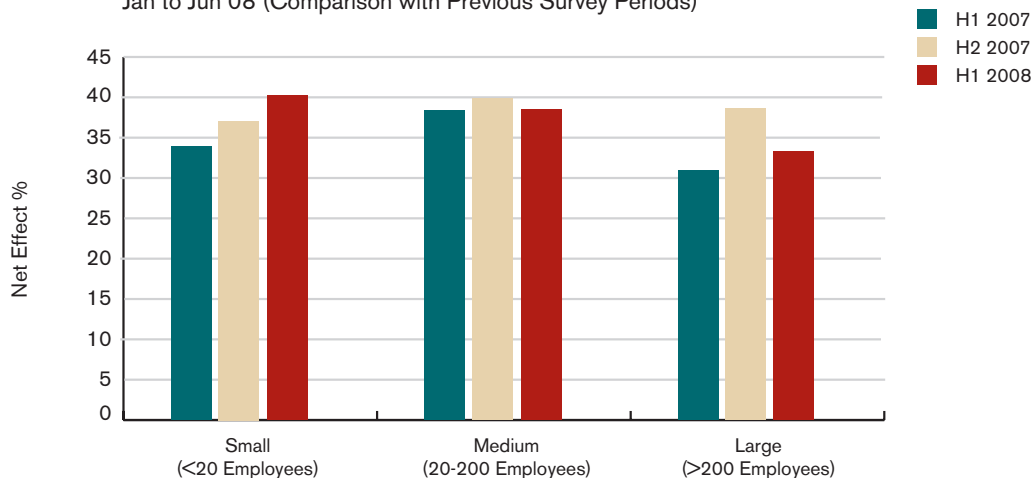
## By Organisation Size

The small business sector is making the largest contribution to national employer sentiment, with a net +40.2% intending to increase permanent staff over the coming six months, up 3.1pp on our last survey. This result reflects the increasing status of small business as an important and rapidly growing part of the New Zealand economy.

A net +33.3% of large employers reported an intention to increase permanent staff levels over the coming six months, representing a fall of 5.3pp on last survey's results. Over the past year, large organisations were hiring staff with a view to future needs even when they didn't need staff immediately. With long term expectations not as buoyant as in the past, large employers are now more moderate in their hiring intentions.

Sentiment amongst employers in medium-sized businesses declined by 1.4pp to net 38.5%.

National Permanent Employment Expectations by Organisation Size  
Jan to Jun 08 (Comparison with Previous Survey Periods)



# Permanent Employment Expectations

## Upper North Island

- Employer sentiment rises 1.4pp to +34.7%
- Telecommunications sentiment propels regional optimism, rising 34.5pp to +54.5%
- Construction/property/engineering and professional services continue to drive regional sentiment at net +54% and +50% respectively

Employer optimism in the Upper North Island has maintained the growth turnaround reported in our last survey, with an increase in sentiment of 1.4pp over that reported for July - December 2007. A net +34.7% of employers in the region now expect to increase permanent staff levels over the coming six months.

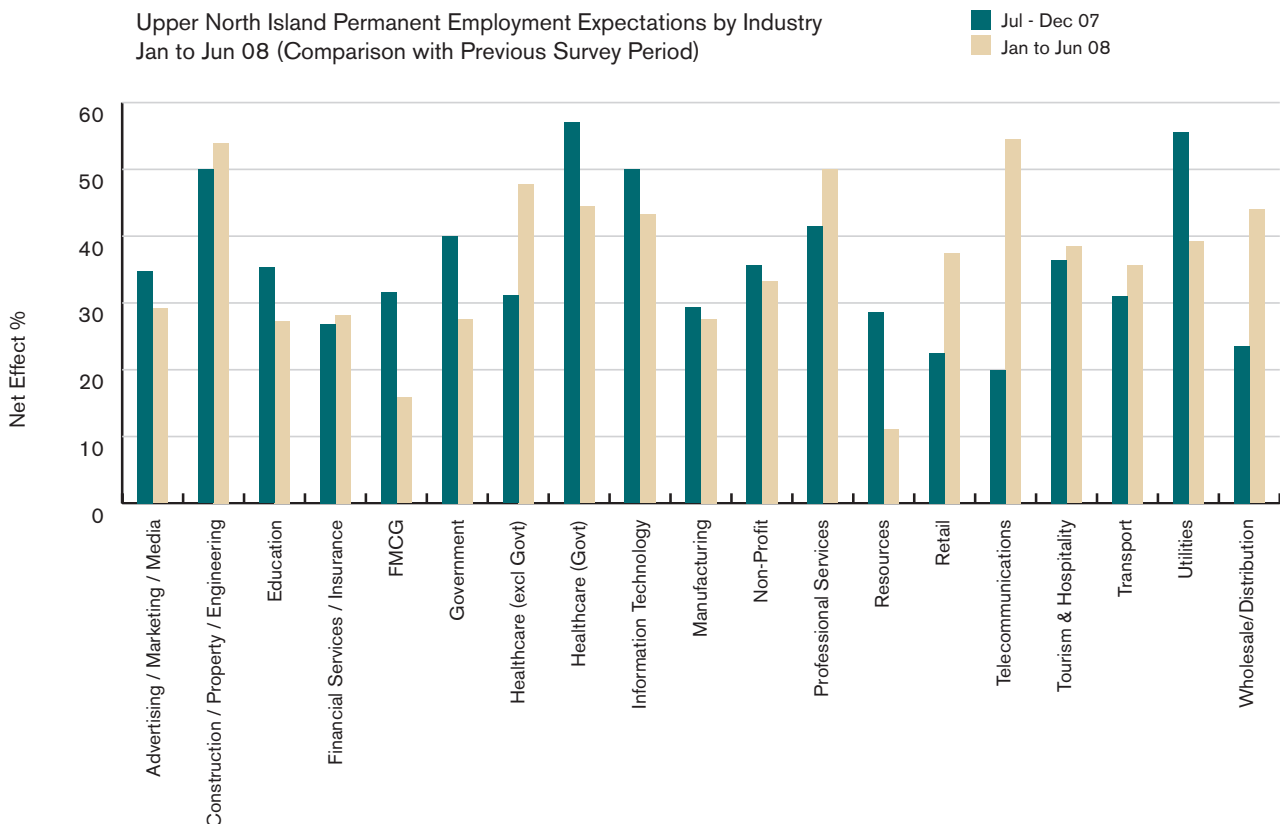
Making the largest contribution to the region's strong employer sentiment is the telecommunications industry, which has surged by 34.5pp to an extremely buoyant +54.5%. This high level of employer optimism is being driven by the expectation of further developments in local loop unbundling, with companies like Vodafone and Orcon, headquartered in Auckland, stepping up competition in anticipation of the Government's telecommunication regulatory package.

The construction/property/engineering industry continues to make a strong contribution to sentiment in Upper North Island, with a net +54% of employers intending to increase permanent staff over the coming six months. This result is 4pp higher than that recorded in our last survey and

reflects strong investment in the construction of new buildings in Auckland as well as a continued focus by central and local governments on the upgrading of roads, motorways, bridges and local neighbourhoods.

Employer sentiment in the professional services industry has risen by a substantial 8.5pp to deliver the third highest contribution to regional optimism. A net +50% of professional services employers expect to increase permanent staff levels during the January - June 2008 period. These figures reflect a swing towards the outsourcing of legal and accounting functions to specialised professional services firms.

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



# Permanent Employment Expectations

Employers in the wholesale/distribution industry recorded the largest increase in sentiment in the Upper North Island compared to our last survey, rising 20pp to a net effect of +44%. This result is being driven by increased competitive advantage in the industry as companies see their investment in Enterprise Resource Planning (ERP) systems start to pay off.

Employer sentiment in the retail sector grew 15pp to +37.5%, reflecting the recent surge in credit card spending. Offsetting this increase, FMCG sentiment declined by 15.8pp to +15.9%, representing continued change in the industry as well as an increased focus on developing and retaining existing staff.

In the government sector, employer sentiment declined by 12.4pp to +27.6%, reflecting widespread pressure on the central government to keep spending down ahead of the 2008 election.

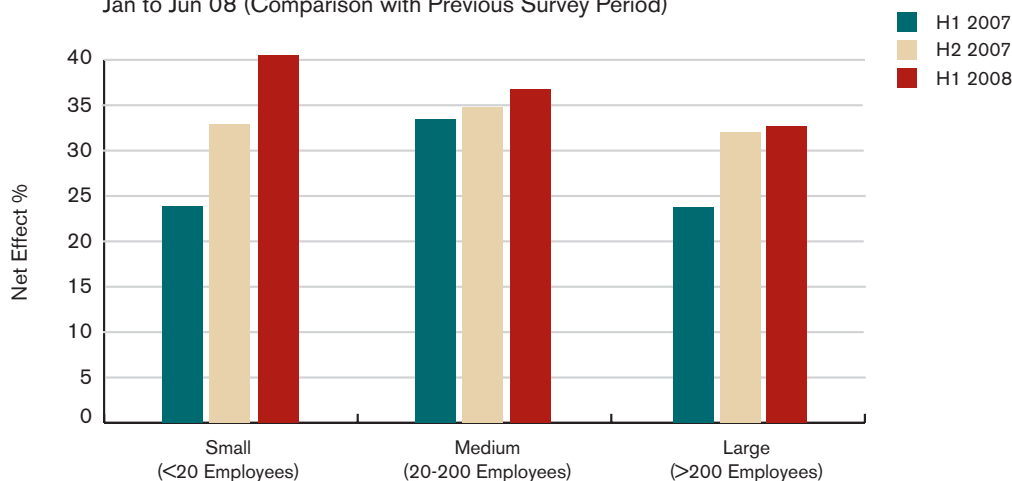
The IT industry continues its somewhat unpredictable run, with a net +43.2% of employers intending to increase permanent staff over the coming six months, down 6.8pp on our last survey.

Employer sentiment in the manufacturing industry appears to be holding up despite the high dollar, with a net +27.6% expecting to increase permanent staff over the coming six months. This result is down just 1.8pp on that recorded in our last survey.

The financial services industry has maintained growth in employer sentiment, rising 1.4pp to +28.1%. This result is due in part to a continued focus on increasing the level of personal service in banks' branch networks, but is balanced by volatility in 2nd-tier/sub prime lending markets, forecast to continue over the next 12-18 months.

Looking at the survey results by organisation size, the small business sector is making the biggest contribution to employer sentiment in Upper North Island, with a net +40.5% intending to increase permanent staff over the coming six months, up 7.7pp on our last survey. Sentiment amongst employers in medium sized businesses has increased by 2.1pp to net +36.8%, while that in large organisations remained about level at +32.7%.

Upper North Island Permanent Employment Expectations  
Jan to Jun 08 (Comparison with Previous Survey Period)



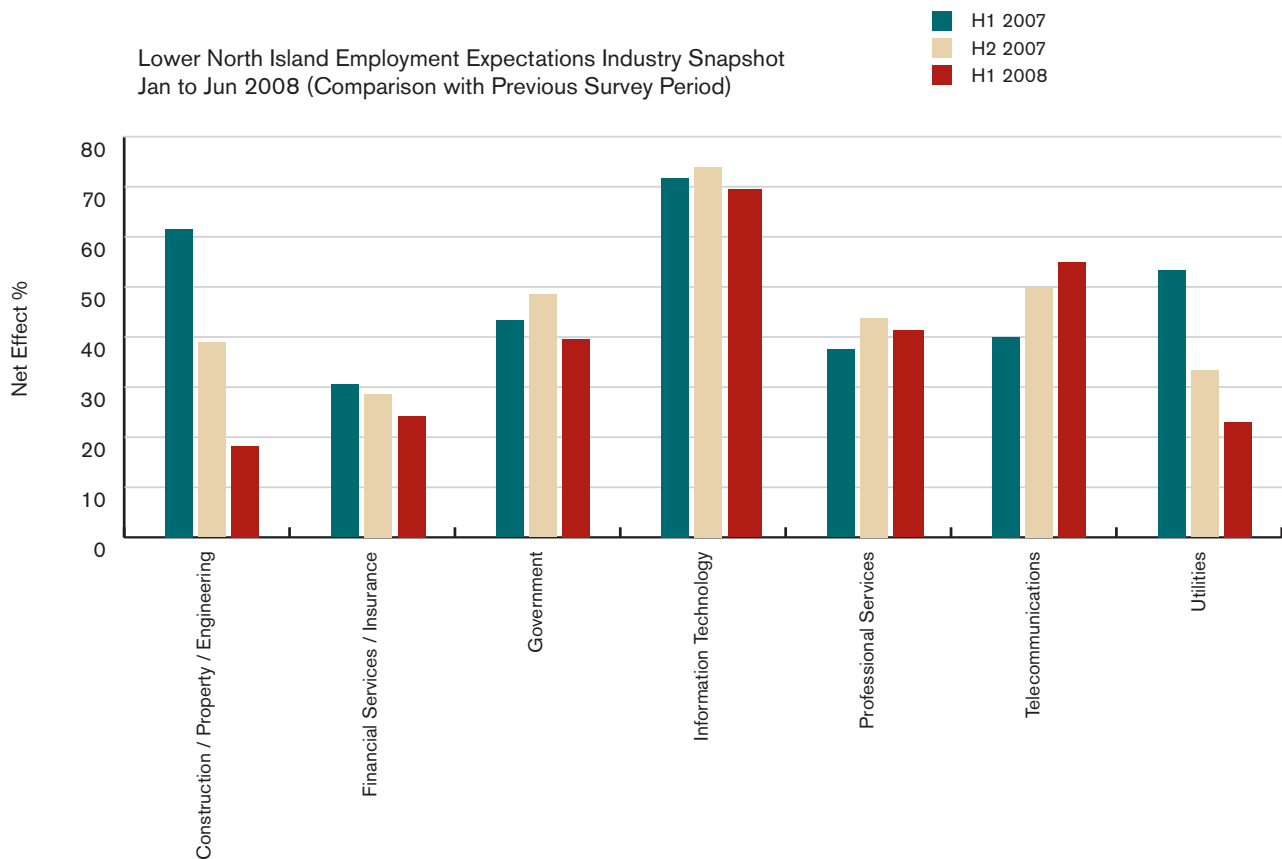
# Permanent Employment Expectations

## Lower North Island

- Employer sentiment declines by 8.6pp but is still stronger than the national average at +36.2%
- IT remains the most optimistic industry at net +69.4%
- Telecommunications sentiment rises 5pp to +55%

A net +36.2% of employers in the Lower North Island expect to increase permanent employment levels over the January - December 2008 period, a result 8.6pp down on the level reported in our last survey but still remaining above the national average.

Lower North Island Employment Expectations Industry Snapshot  
Jan to Jun 2008 (Comparison with Previous Survey Period)



# Permanent Employment Expectations

There is a wide variation in sentiment across the region's industries. The IT industry is a key driver of positive sentiment, with a net +69.4% of employers expecting to increase permanent staff levels over the coming six months. This figure is nevertheless down 4.5pp on last survey's result.

The telecommunications industry has recorded a strong increase in sentiment for the January - June 2008 period, rising 5pp to +55%. In the professional services industry, sentiment remains reasonably strong at +38.9%, if down 4.9pp on our last survey, while financial services sentiment fell for the third consecutive period, down 4.4pp to +24.2%.

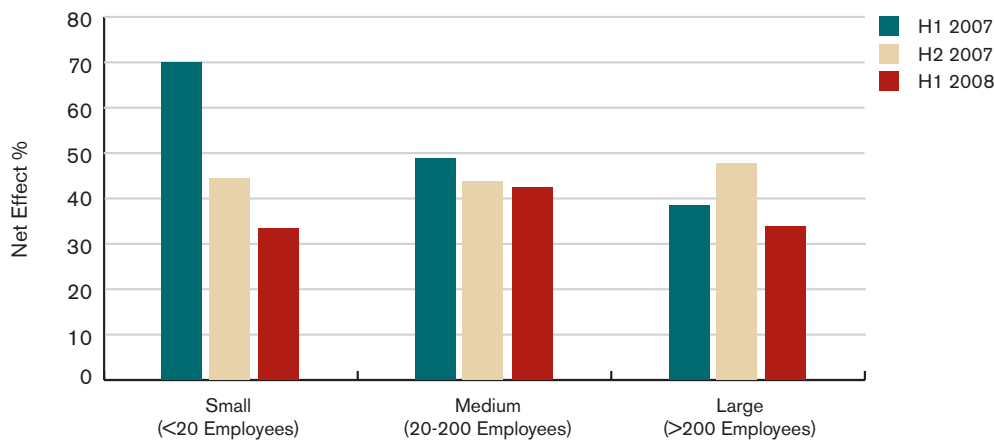
Employer sentiment in the government sector fell by 8.8pp to +39.7%, with public administration openings forecast to decline further over the coming years.<sup>4</sup>

Employers in the construction/property/engineering industry reported a decline in sentiment of 20.7pp over our last survey, with a net +18.2% intending to increase permanent staff levels over the coming six months. Similarly, utilities employers reported a 10.3pp decline in optimism, bringing employer sentiment to +23.1%.

By organisation size, medium-sized businesses are the most optimistic, with +42.4% expecting to increase permanent staff levels over the coming six months, down only 1.4pp on last time. Employer sentiment in large organisations fell 14pp to +33.8%.

Amongst small businesses, employer sentiment has fallen 11.1pp to +33.3%. With small to medium-sized enterprises growing rapidly in the region, a report prepared for the Wellington Regional Strategy indicates that the growth of these businesses is constrained by a lack of time and expertise needed to attract and retain staff.<sup>5</sup>

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



<sup>4</sup> Wellington Regional Labour Market Strategy, April 2006

<sup>5</sup> Wellington Regional Labour Market Strategy, April 2006

# Permanent Employment Expectations

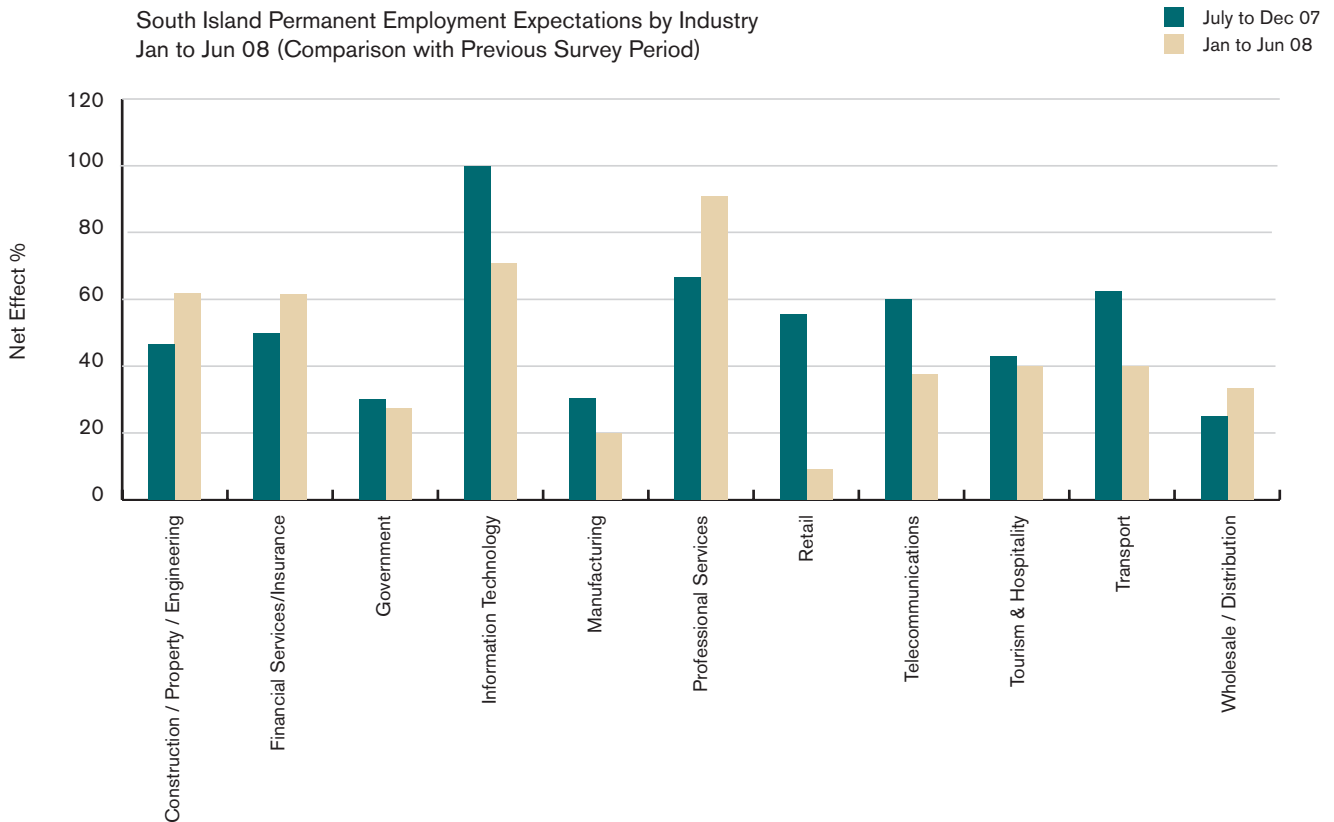
## South Island

- Employer sentiment declines after two periods of strong growth, yet remains the strongest nationally at +39%
- Sentiment in the construction/property/engineering industry rebounds, rising 15.2pp to +61.9%
- Financial and professional services employers are highly optimistic, up 11.5pp and 24.2pp respectively

Employer sentiment in South Island has declined by 8.2pp on last survey, yet employers remain optimistic with a net +39% expecting to increase permanent staff levels over the coming six months. These figures reflect broader business confidence with employers remaining positive about short term prospects but adopting a more cautious approach to the longer term.

As seen nationally, employer sentiment across the industries is widely varied. Employers in the construction/property/engineering industry have returned to their usual high level of optimism after last period's slump, with a net +61.9% intending to increase permanent staff levels over the coming six months, up 15.2pp. With residential construction remaining flat, this strong result is being driven by Christchurch's booming commercial property market. The high demand for quality office space is unlikely to abate in the near future, with the current skills shortage in construction and engineering likely to remain as well.

South Island Permanent Employment Expectations by Industry  
Jan to Jun 08 (Comparison with Previous Survey Period)



# Permanent Employment Expectations

The financial services sector in South Island continues to grow strongly, with employer optimism at its highest level in three years. A net +61.5% of employers in the sector expect to increase permanent staff levels over the coming six months, up 11.5pp on our last survey.

Professional services employers have reported growing optimism with sentiment rising by 24.2pp to a staggering +90%. Hudson is seeing a rapid increase in demand for qualified staff in this sector and an increasing shortage of candidates in areas such as accounts payable, accounts receivable, paralegal, legal support and accounting support.

Employers in the transport/distribution sector have also reported an increase in optimism with a net +33.3% intending to increase permanent staff over the coming six months, up 8.3pp on last survey's result.

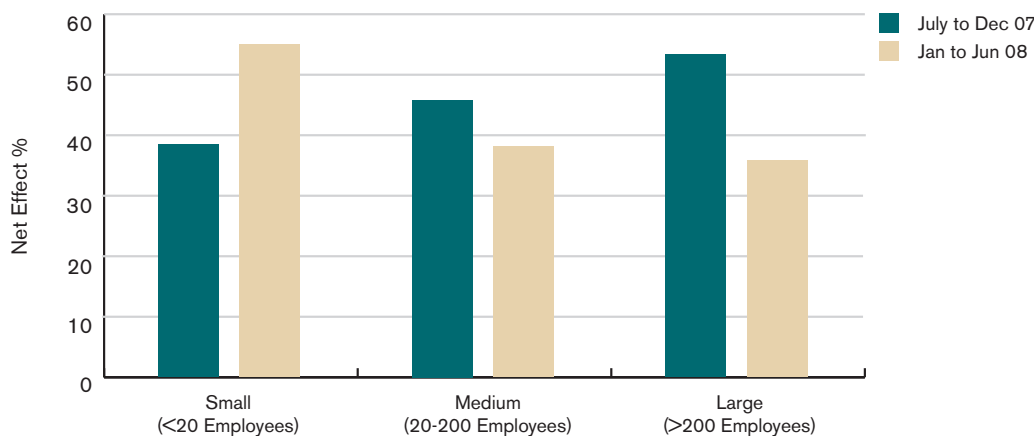
A net +70.8% of employers in the IT industry reported an intention to increase permanent staff over the coming six months. While 29.2pp down on last period's staggering peak, IT employers are still on the whole clamouring for staff.

Heavily impacted by the high NZ dollar, manufacturing employers recorded a 10.3pp decline in sentiment. A net +20% are now intending to increase permanent staff levels over the coming six months.

The government sector has returned a net result of +27.3%, down 2.7pp from the last survey.

Across the region, a net +35.8% of large employers reported an intention to increase permanent staff levels over the coming six months. This represents a fall of 17.5pp on last survey's results as large organisations contain their hiring intentions to filling immediate needs only.

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



# Contracting/Temporary Workforce

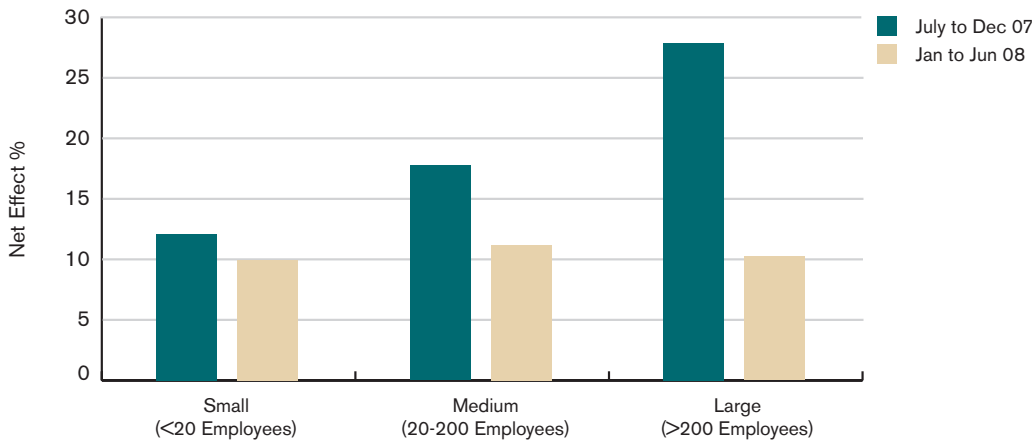
Of the 1,747 employers surveyed nationally, 25% increased their contracting/temporary workforce during July - December 2007, 14.8% decreased their contracting/temporary workforce and 59.5% held their contracting/temporary workforce steady. This gives a net effect of +10.4%, which is 5.4pp lower than that recorded for the January - June 2007 period.

These results reflect the preference of New Zealand employers to engage permanent staff over temporary/contract staff, who have only turned to this market to get them through the significantly busy period of the last 24 months.

South Island reported the fastest drop in contracting/temporary employment across the regions, falling 17.6pp during the past six months to a net +10.2%. Upper North Island employers reported relatively steady use of contracting/temporary staff, down 2.1pp to a net +9.9%. In Lower North Island, a net +11.2% of employers increased their contracting/temporary workforces, down 6.5pp on the previous period.

Across the employers surveyed, a net 10.4% indicated that they intend to increase their contracting/temporary workforce over the Jan to June 2008 period. This represents a decrease of 5.4pp when compared to our previous survey. The Lower North Island recorded the highest net positive result; +11.2%, with the South Island and Upper North Island recording a net positive 10.2% and 9.9% respectively.

Contract / Temporary Employment Expectations  
By Region: Comparison with Previous Survey Period



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