



The Hudson Report

Employment and HR Trends

New Zealand | January – June 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 June 2007 has recorded positive sentiment. The survey of 1,911 clients showed a positive net effect of 34%. While positive net effects have been recorded across all industries and regions, the result represents a decrease of 2pp on our previous survey and is the lowest level of sentiment recorded in over three years.

Positive net effects were recorded across all regions surveyed. The Lower North Island has again recorded the highest level of optimism: net positive 42.9%, followed by the South Island net positive 36.9%, and the Upper North Island net positive 27.8%.

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 (+65.5%)
- Construction / Property / Engineering (+54.4%)
- Government (+43.1%)

Small, medium and large employer groups have all recorded an optimistic permanent staffing outlook for the six-month period January - June 2007. Small organisations (<20 employees) with net positive 33.8% recorded a 8.9pp decrease in positive sentiment when compared to our previous survey. Medium-sized organisations (20-200 employees) with +38.4% recorded a 1.7pp increase, while large organisations (>200 employees) with +30.9% recorded a 3.4pp decrease on the results of our July - December survey.

Of the employers surveyed, a net 11.9% indicated that they intend to increase their contracting / temporary workforce over the January - June 2007 period. This represents a decrease of 5.6pp when compared to our previous survey. The South Island recorded the highest net positive result, +20.5%, with the Lower and Upper North Island recording a net positive, 12.5% and 9.9% respectively.

Permanent Employment Expectations

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

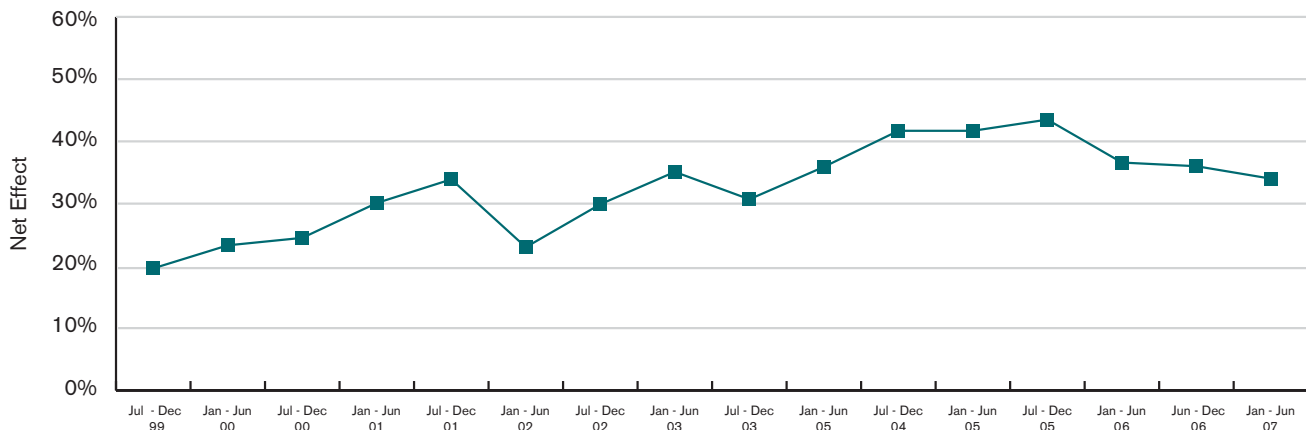
The result of the survey of 1911 clients shows that a net positive 34% of employers indicated an intention to increase permanent employment levels over the coming six months. This represents a negative movement of 2pp when compared to our previous survey (six months to December 2006). At a net positive effect of 34% this represents the lowest level in three and a half years.

A further analysis of the responses shows that, of all employers surveyed, 43.2% indicated that they anticipate an increase in current permanent staffing levels over the January - June 2007 period and 9.2% 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 Lower North Island (+42.9%), followed by the South Island (+36.9%) and the Upper North Island at 27.8%

When compared to our previous survey both the Lower North Island and South Island have recorded sentiment higher than six months ago. At a net positive 36.9% the South Island is a significant 9.4pp up on our previous survey. The Lower North Island is marginally (0.3pp) above that of our last survey, while the Upper North Island has recorded a decrease of 4.7pp on six months ago.

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



Permanent Employment Expectations

By Industry

The Hudson survey indicates a positive outlook across all industries for the period January - June 2007. Four of the 19 industries surveyed recorded outlooks higher than the national average of net positive 34%. These include:

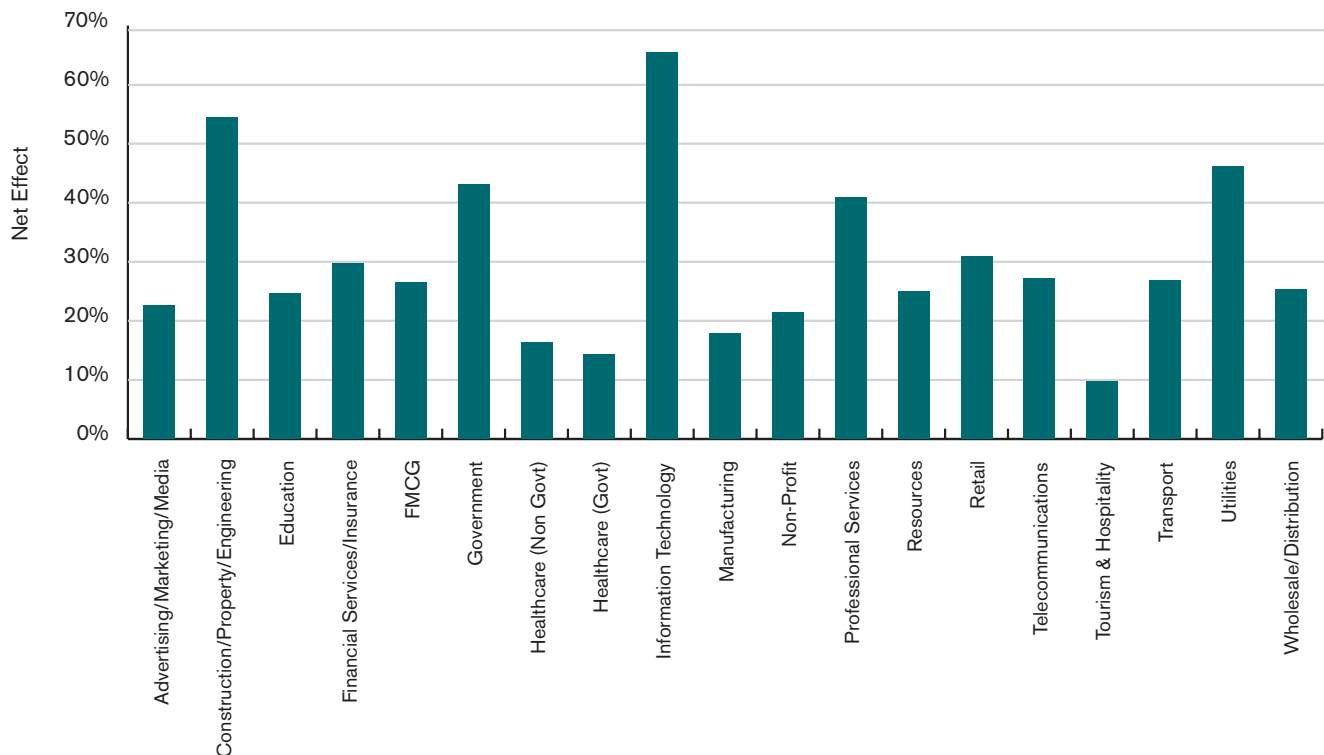
- Information Technology (+65.5%)
- Construction / Property / Engineering (+54.4%)
- Government (+43.1%)

There have been positive movements from the Information Technology sector, up 11.4pp and the Advertising / Marketing and Media sector up 6.9pp, while significant negative movements have been recorded by Financial Services, down 18.78pp and Tourism, down 6.4pp.

The Information Technology sector continues to be the most positive segment of the economy. A net positive 65.5% of employers stating that they intend to increase employment levels over the coming six months. This is up a significant 11.4pp on our previous survey, the result continues to indicate an extremely positive outlook for the coming six months in this sector and nearly double the national average.

The construction industry continues to record strong results significantly in excess of the national average. Recording a positive 6.7pp movement on our last survey the sector, at net positive 54.4%, is 20.4pp above the national average.

National Permanent Employment Expectations (January - Dec 2007)
By Industry



Permanent Employment Expectations

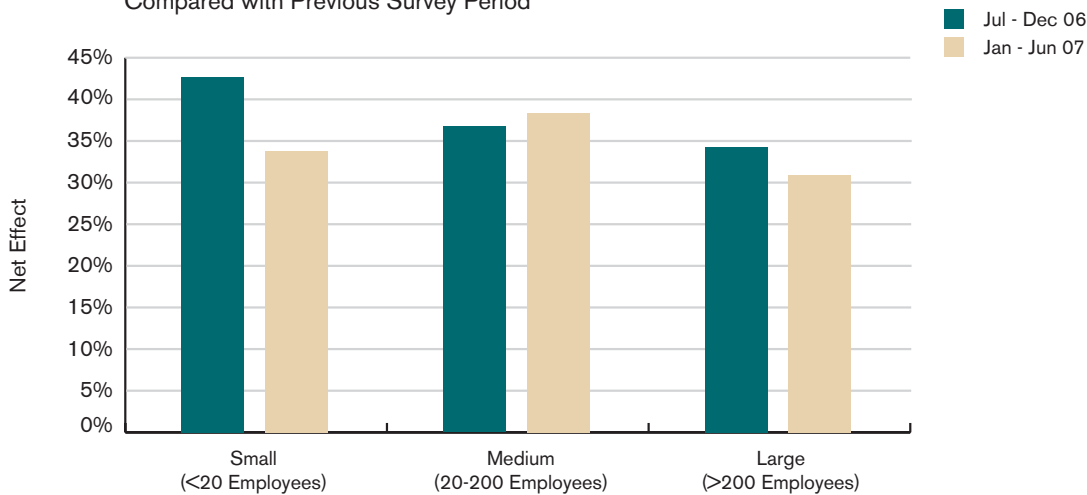
By Organisation Size

There continues to be a large variation in optimism levels in regard to permanent employment expectations depending on size of the organisation. Small organisations, with a net positive 33.8% of employees indicating an intention to increase permanent employment levels, are marginally below the national average. Large organisations with a net

positive 30.9% of employees indicating an intention to increase permanent employment levels are 3.1pp below the national average, while medium-sized organisations, at a net positive 38.4%, are 4.4pp above the national average.

Movements on our last survey results are:
Small organisations -8.9pp
Medium-sized organisations 1.7pp
Large organisations -3.4pp

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



Permanent Employment Expectations

By Region – Upper North Island

Employees surveyed from the Upper North Island have recorded a positive outlook with regard to permanent employment expectations of +27.8%. This is 4.7pp lower than our last survey. Of the employers surveyed, 38.5% expect to increase staff numbers over the coming six months compared with 10.7% who anticipate a reduction in current staffing levels.

The result represents the lowest level of optimism since 2002 and is the lowest of the three regions surveyed. Key

priorities for employers in the Auckland region are staff development and retention, followed by attracting suitable staff, leadership and productivity.

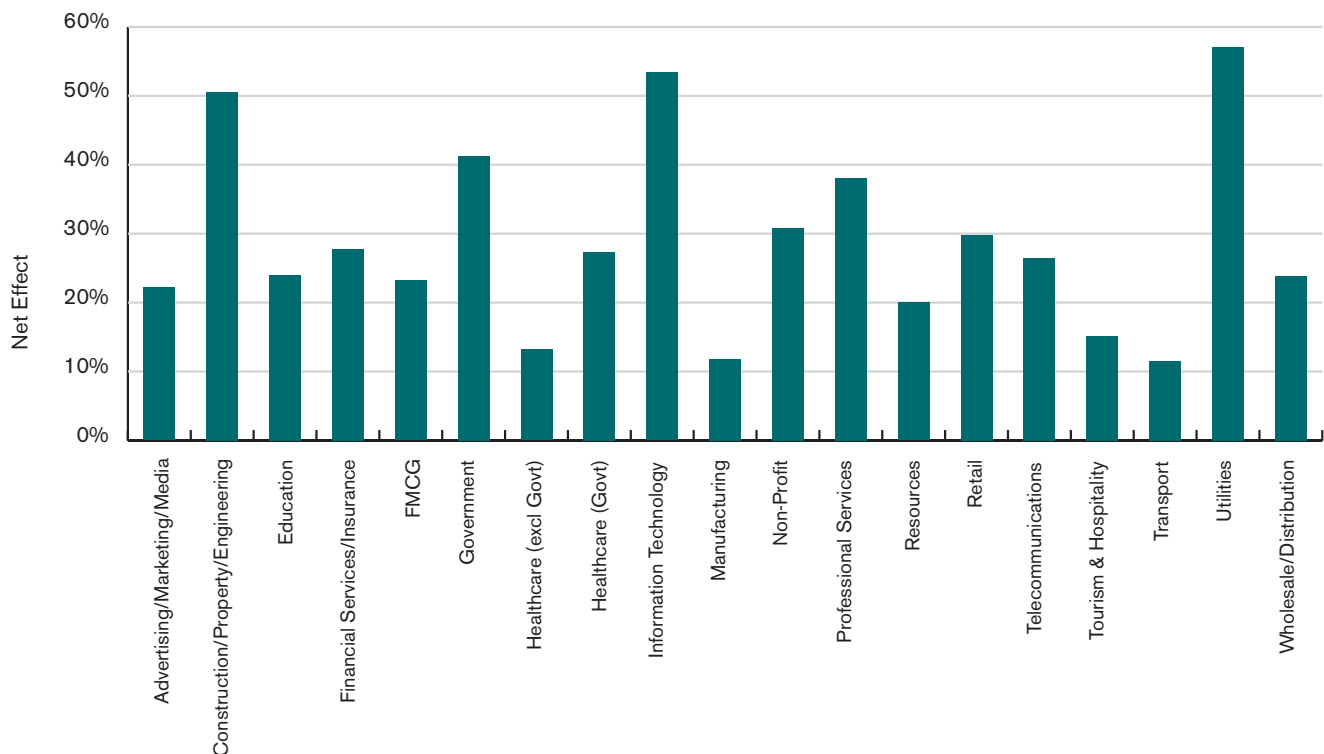
For respondents within the Upper North Island, the most buoyant outlook was recorded for the Information Technology sector, with a net positive outlook of 53.4%. Only 3.4% of IT companies surveyed indicated that they foresee a decline in permanent employments levels over the next six months. This is the highest level of optimism recorded for the sector in two and a half years and represents a significant 19.5pp increase on our last survey.

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

- Construction / Property and Engineering (+50.6%)
- Government (+41.3%)

Sentiment in the Advertising sector has rebounded from our previous survey. With a positive movement of 12.8pp on our last survey, a net positive 22.2% of respondent's intend to increase permanent employment levels over the coming six months.

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

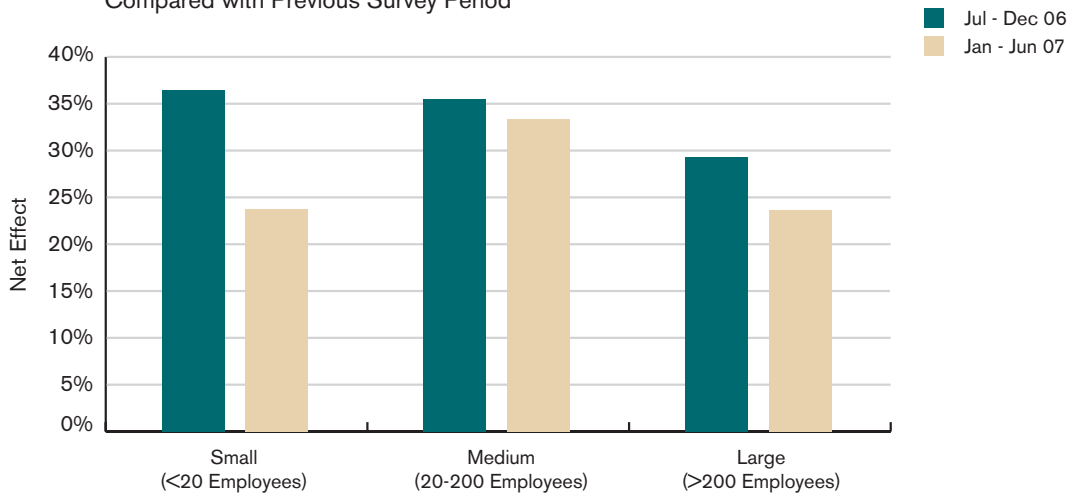


Permanent Employment Expectations

The highest expectation of employment growth, by organisation size in the Upper North Island was recorded by medium-sized organizations (20 - 200 employees) with a net positive expectation of 33.4% of respondents indicating an intention to increase permanent employee levels. These results reflect a 2.1pp decrease on our last survey.

Optimism among small sized organizations (<20 employees) has recorded a large decline on our previous survey at a net positive 23.8%. This represents a 12.8pp decline. Large organisations (>200 employees) have also recorded a decrease in sentiment, with a net positive 23.7% of respondents intending to increase permanent employment levels. This is 5.6pp down on our last survey.

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



Permanent Employment Expectations

Lower North Island

A net positive 42.9% of employers in the Lower North Island indicated that they intend to increase permanent employment levels. This represents the most optimistic of any of the regions, with a positive 0.3pp movement when compared against our previous survey.

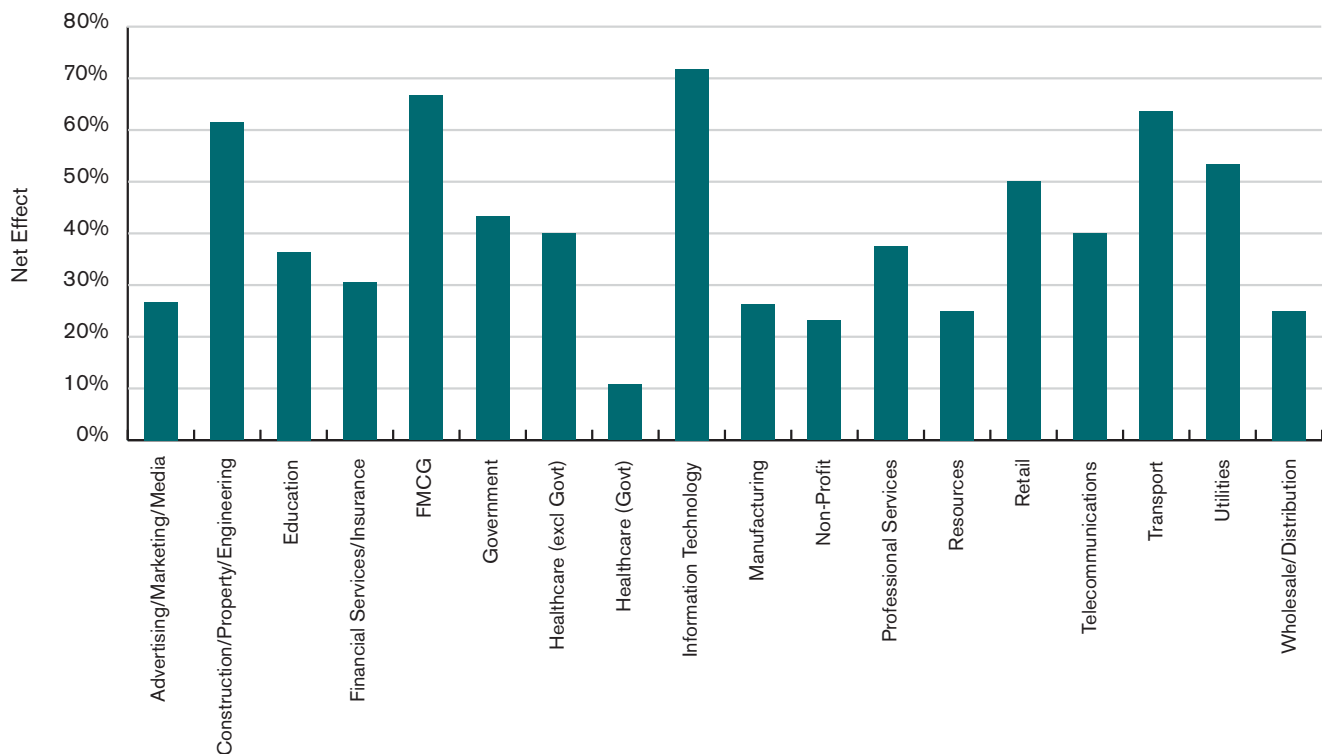
Of those employers surveyed, 49.9% expect to increase permanent staffing numbers over the coming six months compared with 7% who anticipate a reduction in current staffing levels.

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

The Information Technology sector continues to be the most positive of all sectors in the region. With a net positive 71.8% of employers indicating an intention to increase permanent employment levels over the coming six months, the Information Technology sector has recorded a 7.3pp positive

movement when compared to our previous survey. This is the most optimistic result for this sector in over five years. Notably 76.5% of employers surveyed indicated that they intend to increase employment levels over the coming six months while only 4.7% indicating an intention to reduce their permanent employment levels.

Lower North Island Employment Expectations (January - June 2007):
By Industry



Permanent Employment Expectations

Confidence in the FMCG group is also extremely positive with a net positive 66.7% stating they intend increase employment levels over the coming six months. Indeed no employer in this sector stated that they intend to decrease permanent employment levels.

All organisation sizes have recorded positive sentiment in relation to employment intentions. Significant increases have been recorded in the small organisations grouping (<20

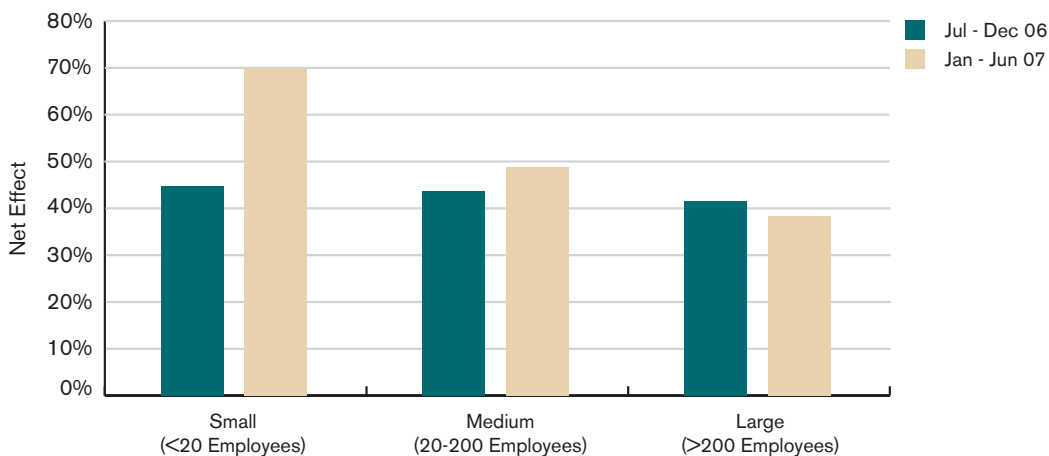
Employees). At a net positive 70% this represents a 25.2pp increase over our last survey. No employer in this group indicated an intention to decrease permanent employment levels.

Medium-sized employers (20-200 employees) also recorded a positive movement of 5.1pp, resulting in a net positive 48.8% of employers indicating they intend to increase permanent staffing levels. With a net positive 38.4% of large organisations (>200

employees) indicated positive sentiment this is the only grouping that recorded a result below that of our previous survey.

The increase in Wellington is driven by continued government hiring, possibly driven by anticipation of Budget cuts sooner rather than later. The continued growth in government "project" pipelines fuels Wellington positive results.

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



Permanent Employment Expectations

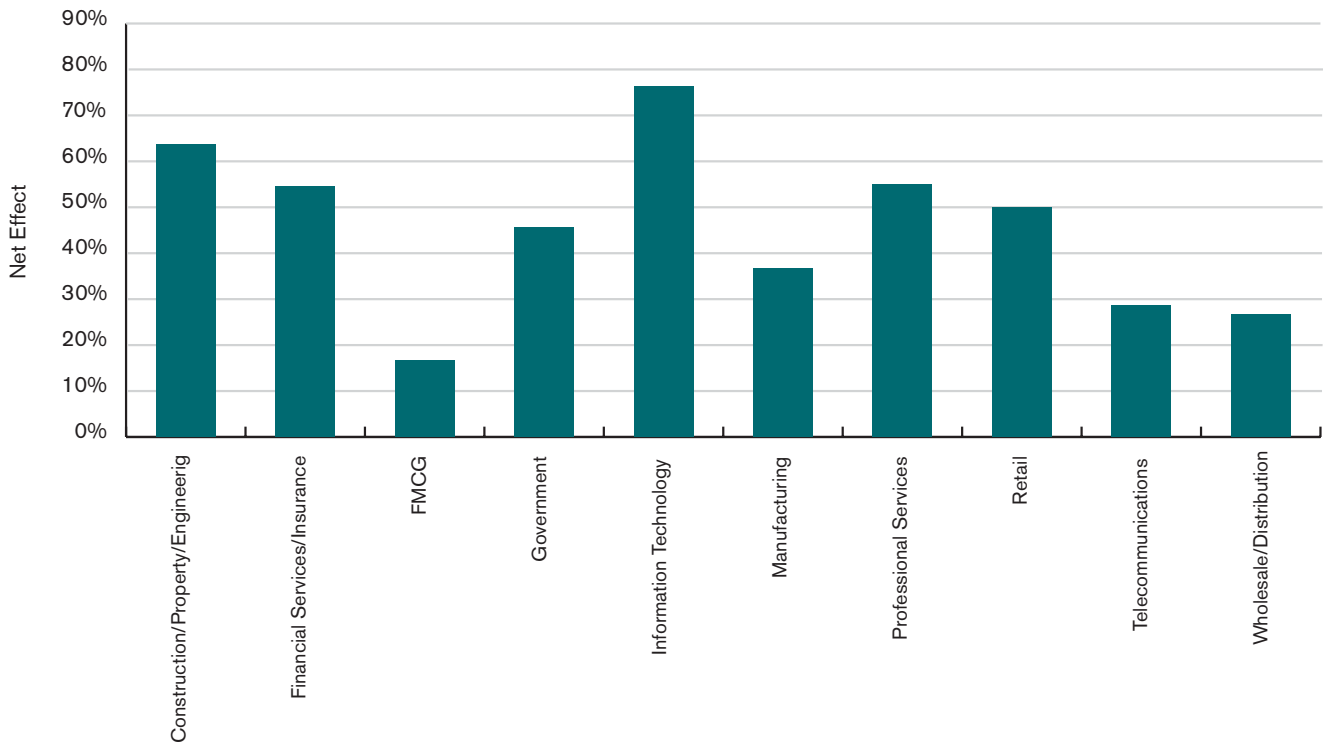
South Island

With a net positive 36.9% of employers indicating an intention to increase employment levels over the coming six months this represents a 9.4pp positive movement on six months ago. This is the largest increase in sentiment on our previous survey of any of the regions.

The Professional Services sector, with a net 55% indicating that they would increase permanent employment levels over the coming six months is the most positive sector in the South Island. This result reflects an increase of 2.4pp on our last survey.

Of the South Island employers surveyed, 45.1% expect to increase current staffing levels, compared with 8.2% who anticipate decreasing current levels over the next six months. 46.7% of employers anticipate leaving their workforce steady.

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

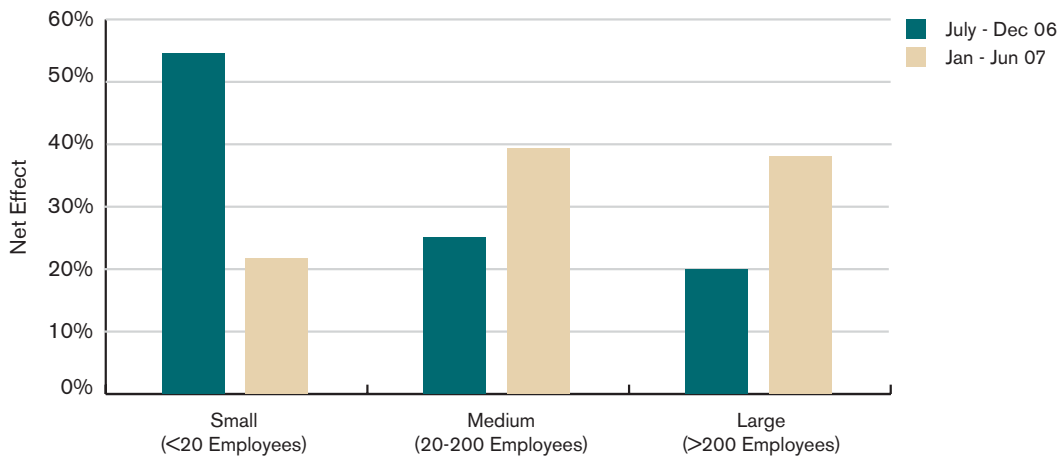


Permanent Employment Expectations

Breaking down the results by organisation size, we see that the South Island's most positive group of employers is medium-sized organisations (20-200 employees). A net positive 39.4% of respondents indicated they are going to increase permanent employee levels. This is a significant 14.4pp above our previous survey.

Large organisations (>200 employees) in the South Island, at net positive 38.1%, have recorded a positive move of 18.1pp on our previous survey while small organisations (<20 employees), net positive 21.7%, have recorded a negative movement of 32.8pp when compared to our last survey.

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



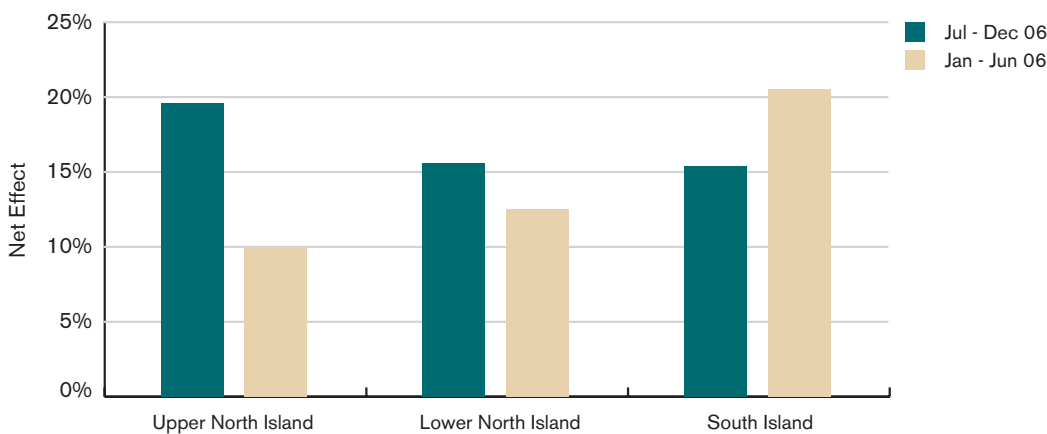
Contracting/Temporary Workforce

Of the employers contacted during our survey, 26.1% indicated that they will increase their contracting / temporary workforce over the coming six months, compared with 14.2% who intend to reduce their contracting / temporary workforce. Meanwhile, 59.8% of employers expect to maintain their contracting / temporary workforce at current levels. The resulting net effect is positive 11.9%. This is 5.6pp lower than our previous survey.

The South Island recorded the highest net positive result at 20.5%. This is 5.1pp higher than our previous survey. The Lower North Island, at net positive 12.5%, has recorded a result showing a negative movement of 3.1pp. The Upper North Island, with a net positive 9.9% indicating that they will reduce contracting numbers over the next six months, has recorded the lowest level of the three regions. Sentiment in the Upper North Island is 9.7pp below that of our last survey.

A breakdown by industry shows that employers in the Construction sector are the most optimistic outlook with regard to contracting employment levels. With a net positive effect of 25.4% indicating that they will increase contracting levels over the January to June period, this is 3.8pp higher than our last survey.

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

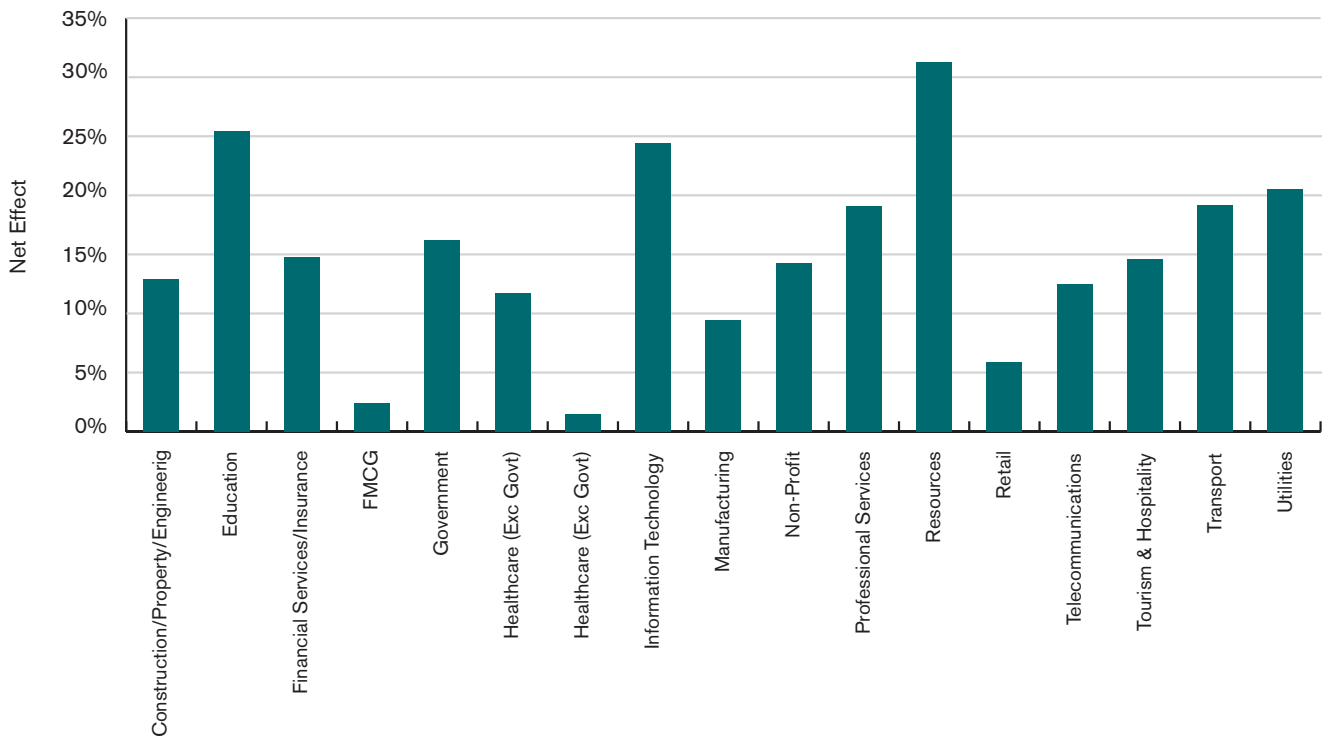


Contracting/Temporary Workforce

This is followed by the Information Technology sector (+24.4%). Ten of the 19 sectors surveyed have recorded sentiment lower than our previous survey. The Healthcare sector, at a net positive effect of 1.5%, has recorded the biggest decline in sentiment since

July with a negative movement of 23.9pp. While government Healthcare and the Wholesale sector have recorded a net negative outlook for the coming six months.

Contract/Temporary Employment Expectations (January - July 2007)
By Industry



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