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Volatility Part of Business DNA in APAC, Talent2 Research Reveals

Talent2 APAC Market Pulse Study reveals most businesses concerned about a recession but divided on strategies to manage

Sydney, 16 November 2011 – Market volatility and skills shortages are now part of the business DNA in Asia Pacific (APAC) according to research from Talent2 (ASX: TWO), the market leader in end-to-end talent management solutions. The findings from the 'Talent2 APAC Market Pulse Study 2' show that whilst the majority of businesses in China, Singapore and Hong Kong have experienced consistent growth since the Global Financial Crisis (GFC), 91% of business executives across the region are concerned about an imminent recession, with some markets still experiencing volatile market conditions. Encouragingly more than half (55%) feel better prepared for market volatility having learnt from the last global downturn.

The 'Talent2 APAC Market Pulse Study', commissioned by Talent2 and conducted by Galaxy Research, surveyed 748 senior business executives across Hong Kong, Singapore, China, Australia, New Zealand and Japan. More than 70% of those surveyed were from multi-national corporations. Conducted to understand the level of business confidence and volatility and its impact on talent and people strategies across APAC, the research indicates that many businesses have come to accept market volatility as the new business norm with a large proportion feeling more prepared to respond to unstable market conditions.

More prepared but missing a talent management trick

Despite many businesses feeling confident about navigating future market volatility, the research reveals that not all businesses are adjusting their workforce management strategies to adapt to the current unpredictable environment. The study points to a disconnect in the perceived benefits of blended working models to deal with unpredictable environments and the number of businesses implementing these strategies. Most senior business executives across the region believe in the benefits of a contingent and flexible workforce, yet the majority are still sticking to more traditional employment models, indicating that many are unsure about which steps to take to move to a blended model:

- » 76% see the principal benefits in employing workers on contract as the flexibility to scale up and down and the ability to better manage employment costs (43%).
- » Yet only 12% of the APAC workforce is employed on a contingent basis.

» The vast majority of the APAC workforce, 88%, is made up of permanent employees.

Commenting on the findings [John Rawlinson](#), CEO of Talent2Group, said: “It’s clear that most businesses are concerned about the future and have come to accept this as the APAC business reality. What is surprising is the apparent market contradictions taking place. Thanks to market growth, businesses in APAC are having problems finding skilled employees, many of which are for permanent full-time roles, but they are also concerned about a recession. Employees on the other hand are not responding to market volatility with most expecting higher salaries and flexible working conditions from their employers.

“Despite these conditions, businesses in the region are lagging behind the rest of the world in the employment of contingent workers. With only 12% of the APAC workforce made up of contingent workers, compared to 22% globally¹, there is clearly potential for the expanding APAC market to move more in line with global trends, whilst also address some of the current regional concerns.”

Key Points

Navigating market volatility

The research illustrates the Asian economic environment is caught in two speeds, with just under half (47%) of respondents stating their business has grown consistently since the financial crisis. In spite of this two speed economy in Asia Pacific, the study highlights that those countries enjoying consistent growth also cite a high rate of concern about a recession in the next year with 97% in Singapore, 95% in Hong Kong, 87% in China and 85% in Australia worried about a pending financial crisis.

How businesses are navigating through this volatility is also divided:

- » 42% maintaining recruitment and training, and 38% preferring to cut costs.
- » In China the majority (61%) are maintaining recruitment and training, whereas Japan has swung the other way with the majority (53%) looking to cut costs.
- » Employee expectations however seem to be a step behind businesses, with many still expecting high salaries. Whilst the appropriate rate is agreed in most instances, as many as 22% of senior business executives in China complain of their employees having unrealistic expectations for high salary increases, well above the APAC average of 13%.

Skills shortages continue

Skills shortages continue to be an ever present concern in the region, which is also indicative of APAC business growth.

- » Most businesses in APAC (65%) have experienced problems in recruiting due to skill shortages in the past year.
- » The problem of a shortage of talent is observed across all countries but is most evident in China, with 76% having experienced problems.
- » Middle management roles are the most in demand with 79% of businesses citing the greatest shortage in this area, a statistic that is consistent across the region.
- » The widespread issue of skills shortages come as businesses in China, Hong Kong and Singapore have also increased people numbers over the past year to meet growth demands in these countries
- » 80% of businesses in China have increased people numbers in the past 12 months, with 73% of businesses in both Hong Kong in Singapore and 53% in Australia doing the same.
- » Chinese businesses in particular are well above the 63 % APAC average.

Quotes

- » “These results are telling us that China, Singapore and HK have all experienced significant growth since the GFC. Australia is doing well, but there is strong evidence of differing fortunes across businesses in the country, with the financial services industry most concerned about another recession. The GFC in 2008 forced many APAC businesses to review their operations, for example almost half (46%) looked towards new ways of conducting business such as outsourcing since the crisis. Even though many organisations reassessed their operations and adopted various strategies after the GFC, with 55% believing they are better prepared to deal with recession, many businesses are yet to implement appropriate talent management strategies to respond to the market reality.”
- » “Encouragingly many businesses consider contract employees as the best way to meet fluctuations in demand during these volatile times, a strategy welcomed by Talent2. It’s a concern though that the majority still haven’t taken any steps to adopt a contingent workforce model in their businesses. This model can help respond to the peaks and troughs that many organisations across the region are experiencing and also save on managing employment costs.
- » “Businesses in this region must be flexible to manage the current market conditions. The opportunity lies in assessing how business is conducted today and responding to current

market challenges and future uncertainty with new approaches of doing business such as outsourcing HR function and adopting flexible employment models," concluded Rawlinson.

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About The 'Talent2 APAC Market Pulse Study'

The Study was commissioned by Talent2 and conducted by Galaxy Research across Australia, Singapore, Hong Kong, China, Japan and New Zealand between 21 October and 2 November 2011. The study was sent out online to Talent2 clients across a range of sectors and 748 responses were received.

About Talent2

Talent2 was founded in 2003, is listed on the Australian Stock Exchange (ASX:TWO) and operates in over 40 offices in 31 countries across the Asia Pacific region, Middle East, UK and USA. It is the leading HR BPO organisation in the Asia Pacific region, working with clients across diverse organisation types and industries to deliver end-to-end talent management solutions that put people first. These include HR Advisory, Payroll, Recruitment and Learning. Talent2's end-to-end talent management solution gives it a unique capacity to fulfil the rapidly evolving business needs for talent management and to help organisations be more successful by improving power and productivity of their people.

¹ Aberdeen Group 2011