THE HUDSON REPORT

EMPLOYMENT AND HR TRENDS

Australia
Employment Expectations

FROM GREAT PEOPLE TO GREAT PERFORMANCE®

JULY–SEPTEMBER 2011

Hudson

MESSAGE FROM THE CEO

It's certainly been an interesting few months in Australia's employment landscape as many economic and employment indexes point to a slight softening in sentiment over the past three months.

While Australian employer confidence remains strong at net 30.8%, differences are emerging across sectors and states. This is not surprising as the resources boom continues to gather pace in the face of soaring commodity prices and the Australian dollar remains persistently high.

Reported plans to spend $83.3 billion on new infrastructure and equipment in the next financial year – one of the largest capital investments in Australia's history – are contributing to these differences and putting pressure on an already skills short resources sector. The RBA is expecting employment in utilities, transport, business services and exploration to also be positively affected. Other sectors are facing a different picture.

While hiring managers in resources and construction are well placed to battle for the best talent in coming months those in trade-based industries are facing tougher conditions and are today challenged to manage costs. We are seeing this reflected in the results of our latest report.

It is clear Australian employers are now shifting from aggressively increasing permanent employees evident throughout 2010 and adopting a cautiously targeted approach to meet immediate organisational requirements.

Mark Steyn
CEO Hudson Australia/New Zealand

INTRODUCTION AND METHODOLOGY

INTRODUCTION

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

Combining robust data on employment expectations with economic commentary and extensive market knowledge from Hudson's conversations with employers nationwide, the Hudson Report is the leading source for business leaders on the relevant trends and issues in the Australian labour market.

The Hudson Report for the July–September 2011 period draws on interviews with 4,852 employers across Australia.

METHODOLOGY

The Hudson Report has established a reputation as a key socio-economic indicator in the Australian market. It captures employers' hiring expectations for permanent workforces over the forthcoming three months.

The Report's quarterly 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 during the forthcoming three 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 (e.g. interest rates and housing figures).

For the July–September 2011 period 4,852 employers were personally surveyed by Hudson recruitment and consulting professionals.

- Advertising/Marketing/Media
- Construction/Property/Engineering
- Education
- Financial Services/Insurance
- FMCG
- Government
- Healthcare (excluding government)
- Healthcare (government)
- Information Technology
- Manufacturing
- Non Profit
- Professional Services
- Resources
- Retail
- Telecommunications
- Tourism/Hospitality
- Transport
- Utilities
- Wholesale/Distribution

SUMMARY OF KEY FINDINGS

- The Hudson Report: Employment Expectations survey for July to September 2011 shows national sentiment among Australian employers remains strong.
- Sentiment has decreased, 2.1pp quarter on quarter to a net 30.8%. While sentiment is still very positive, this represents a 4.2 percentage points (pp) year-on-year fall in sentiment and is at its lowest since Q1 2010.
- 38.5% of employers are planning to increase permanent staff over the coming three months – down 0.7pp over the quarter.
- All industries continue to report positive employment expectations ranging from 24.3% to 63.4%.
- The majority of employers nationally are planning to maintain current headcount (53.8%) dropping 0.7pp over the quarter. The proportion of employers intending to increase permanent headcount remains virtually steady dropping just 0.7pp from April to June 2011. Employers intending to decrease permanent employees in the next three months rose 1.4pp to 7.7%.
- All regions, with the exception of Western Australia, experienced a drop in sentiment over the quarter.
- In NSW hiring intentions dropped 4.4pp over the quarter with 29.7% of employers intending to increase headcount in the next three months (down from 34.1%). Reflecting national trends, the resource sector remains NSW's most confident industry with a net 50.0% of employers planning to increase headcount in Q3 2011.
- A net 24.9% of employers in Victoria intend increasing permanent staff levels over the coming three months dropping 2.9pp from April to June 2011.
- Sentiment in Queensland remained relatively steady at 37.3% (from 37.6% last quarter) despite disruptions from recent natural disasters.
- Hiring intentions in ACT dropped 1.2pp over the quarter to net 31.2%, slipping 4.0pp year-on-year.
- Confidence in South Australia is down 3.3pp with a net 19.2% of employers intending to increase headcount during Q3 2011 (from 22.5% last quarter) – the lowest of any Australian state or territory. Sentiment across the state dipped 7.2pp year-on-year.
- Western Australia remains the most confident state or territory with employer sentiment rising 2.6pp over the quarter to net 50.0%.
- Industries with the greatest reported rise in sentiment over the quarter are resources lifting 3.3pp and recording one of the highest increases year-on-year – up 6.9pp from July to September 2010. Employer sentiment in the wholesale and distribution sector rose 7.2pp over the quarter with retail rising 6.2pp.
- Tourism and Hospitality is up 7.1pp year-on-year with education down 1.1pp over the quarter.
- Manufacturing recorded one of the steepest drops in sentiment, slipping 12.5pp over the quarter and is down 12.0pp from July to September 2010.

PERMANENT EMPLOYMENT EXPECTATIONS

OVERALL

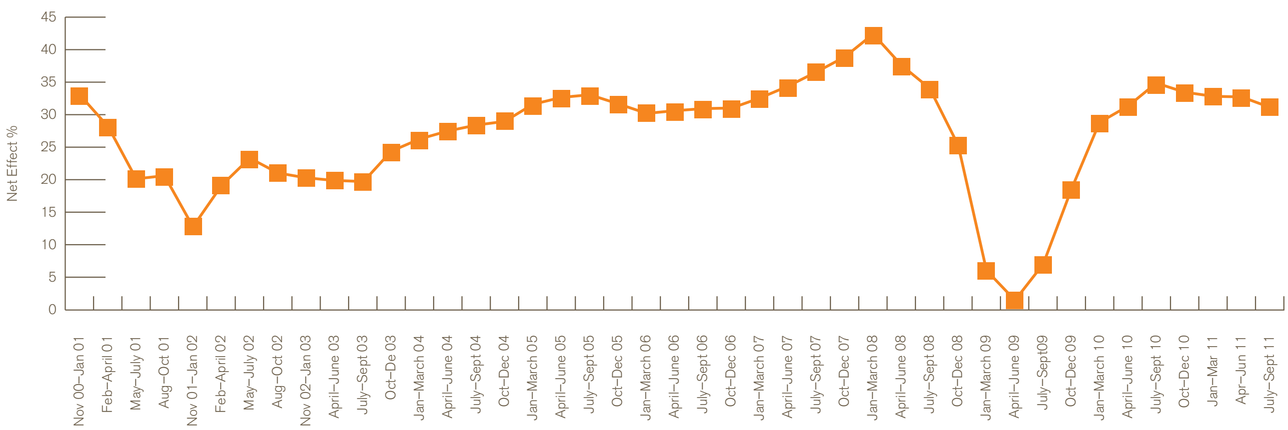
Sentiment among Australian employers dropped over the quarter reflecting softening evident in the latest national employment and economic indexes. The Hudson Report for July–September 2011 shows hiring intentions of Australian employers slipped 2.1pp in the three months to June 2011. A net 30.8% of surveyed employers are planning to increase permanent headcount in the coming three months.

The latest results from Hudson's quarterly employment expectations survey demonstrate Australian employers' shift from aggressively increasing permanent employees evident throughout 2010 and following the GFC. National employer sentiment dropped 4.2pp year-on-year (from July to September 2010) and is today at its lowest since January to March 2010.

The proportion of employers intending to lift permanent headcount in the coming three months remains virtually steady at 38.5% dropping 0.7pp over the quarter. However, employers planning to maintain their current headcount over Q3 2011 slipped 1.4pp to 53.8%. In addition, those intending to decrease permanent employees in the coming quarter lifted 1.4pp to 7.7%.

The shift in sentiment is echoed in the latest ABS data revealing unexpectedly weak employment growth[1]. The Bureau reported a net increase of just 7,800 jobs in May 2011, below market forecast of an additional 25,000 positions. The drop was coupled with a loss of 22,000 full-time jobs. The ANZ Job Advertisement Series for May also reported the sharpest monthly decline in more than two years with advertised vacancies falling 6.5pp over the month[2]. The national unemployment rate for May remains unchanged at 4.9%[3].

NATIONAL PERMANENT EMPLOYMENT EXPECTATIONS
November 2000–September 2011



1 'Labour Force Australia, May 2011', Australian Bureau of Statistics, 9 June 2011
2 'Job advertisements fall in May', ANZ, 6 June 2011
3 'Australia's unemployment rate steady at 4.9 per cent in May', Australian Bureau of Statistics. Media release, 9 June 2011

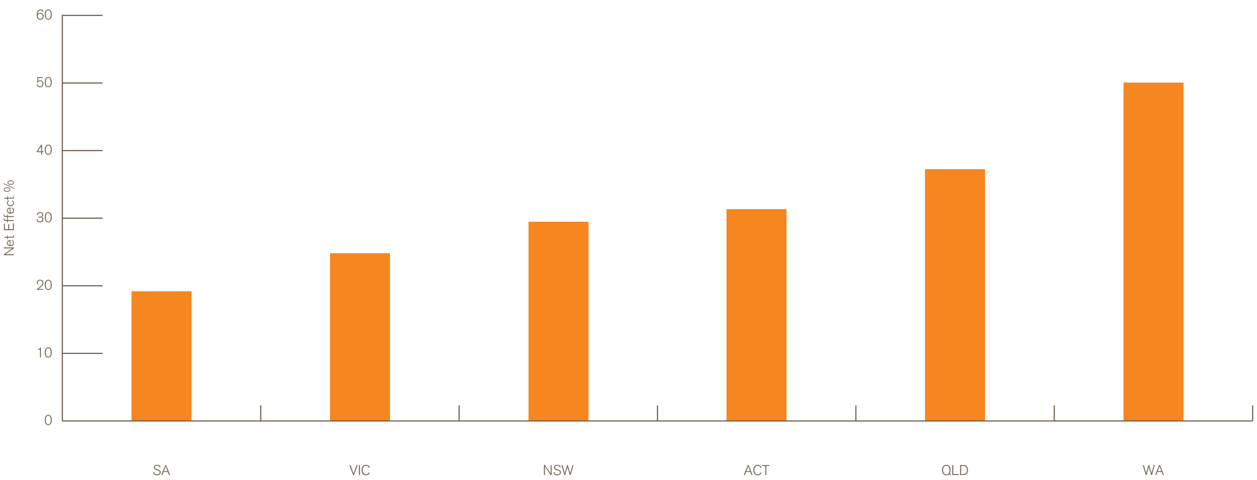
PERMANENT EMPLOYMENT EXPECTATIONS

Amid concerns of a potentially tightening labour market the wage price index revealed private sector wages grew by 3.9% over the year to the March quarter and at above the average pace over the period since 1997[4]. However, surging wages for mining workers is expected to challenge employers seeking skills in demand in the resource sector.

Treasury expects wages growth of between 4.0% and 4.2% through 2011–12 and 2012–13 respectively[5].

Reflecting the softening employer sentiment in this latest Hudson survey, ABS figures showed gross domestic product contracted 1.2pp in the three months to 31 March 2011 from the previous quarter after natural disasters curbed production and commodity exports[6]. The drop was the largest in 20 years. However, the effects of the floods and cyclones on hiring intentions are now largely no longer evident.

PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By State/Territory



[4] 'Minutes of the Monetary Policy Meeting of the Reserve Bank Board,' Reserve Bank of Australia website, 7 June 2011
[5] 'Economic Outlook, May 2011', BIS Shrapnel, May 2011
[6] 'Rate rise unlikely but pressure building', The Australian Financial Review, 6 June 2011

PERMANENT EMPLOYMENT EXPECTATIONS

BY INDUSTRY

The impact of the mining boom, soaring commodity prices and an investment boom is driving broad differences across sectors leading to Treasury descriptions of a 'patchwork economy'[7].

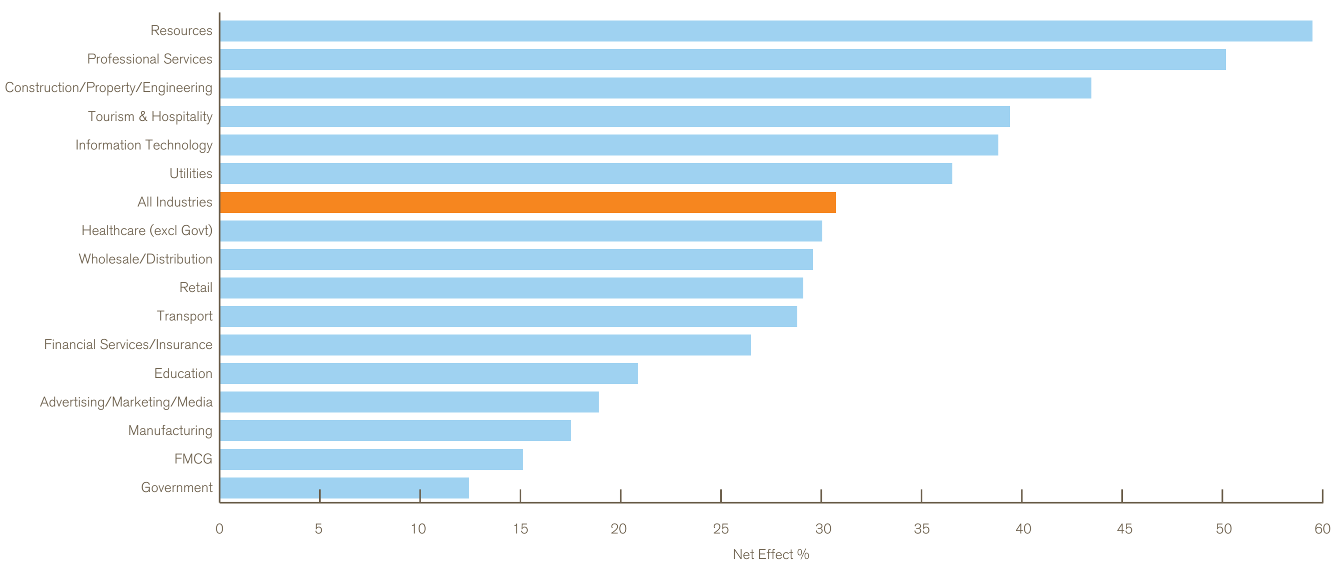
According to the RBA, this combination of factors is expected to positively impact employment in utilities, transport, and business services such as engineering, accounting, legal and exploration. However, the persistently high Australian dollar and subdued consumer sentiment means trade-exposed manufacturing firms and industry sectors not linked to the resources sector are facing tougher conditions[8].

Despite broad differences, all industry sectors surveyed for July to September 2011 are reporting positive net sentiment. Employer hiring intentions across industries ranged from net 24.3% to net 63.4% of employers planning to increase permanent staff over the coming quarter.

The **resources** industry continues to experience the highest level of employer sentiment nationally with a net 59.0% of employers planning to hire additional permanent employees over the coming three months. The sector remains the most confident nationally with sentiment up 6.9pp year-on-year and at its highest since January to March 2008.

The healthy level of employer confidence comes amid reports of spending on new infrastructure and equipment of $83.3 billion in the next financial year – one of the largest capital investments in Australia's history[9]. Rising commodity prices are also fuelling a push to increase production with prices for energy minerals increasing 26.0pp and prices for metals and other minerals rising 37.0pp over the March quarter 2011[10]. Treasury analysis in the Federal budget stated the ratio of labour costs relative to producer prices 'has declined sharply, halving during the mining boom. This is in effect the price signal for mining firms to hire more labour, driving strong employment growth in the mining sector[11].'

NATIONAL PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



[7] 'Economic Outlook, May 2011', BIS Shrapnel, May 2011
[8] 'Economic conditions and prospects' Glenn Stevens address to the Economic Society of Australia (Queensland) 2011 business luncheon, 15 June 2011
[9] 'Miners plan $90 billion project spree', The Australian Financial Review, 27 May 2011
[10] 'Australian Mineral Statistics, March quarter 2011,' Australian Bureau of Agriculture and Resource Economics and Sciences, 15 June 2011
[11] 'Prices add more bang to the boom', The Australian Financial Review, 27 May 2011

PERMANENT EMPLOYMENT EXPECTATIONS

Skilled labour is in demand and paid well. ABS figures confirm that an average miner earns $800 a week above the national average[12].

The **professional services** sector remains buoyant recording the second highest level of confidence by industry with sentiment up 0.9pp over the quarter to net 50.3%. While hiring intentions in the sector slipped 2.2pp year-on-year from 52.5% in the July to September quarter 2010 they remain above levels seen throughout July 2008 to April 2010.

Positive sentiment in the sector reflects the continuing trend to outsource projects and functions to professional services firms rather than employing further permanent headcount. Increased merger and acquisition activity in the economy is also driving greater demand for business services providers including legal and accounting.

Hiring intentions within the **construction/property/engineering** sector dropped 2.1pp over the quarter to a net 43.5% but the industry remains the third most confident nationally. 49.0% of employers intend increasing headcount over the quarter – second only to resources and professional services. However, sentiment in the sector dropped 8.1pp year-on-year falling below levels experienced during July to September in 2008 and 2007.

ANZ senior economist Riki Polygens recently predicted that construction along with mining and supporting services such as finance and administration would become the 'epicenter' of employment growth[13].

Wages for construction workers increased 2.9pp in the three months to February with annual wage growth in the sector now 5.9%[14].

Employer sentiment in the **financial services/insurance** sector is softening with hiring intentions dropping 7.0pp over the quarter to net 26.6%. Overall, sentiment is down 24.9pp year-on-year following the surge in employer confidence in the sector throughout 2010. While hiring intentions are today up 27.5pp from July to September 2009 they remain 2.3pp below levels experienced in July to September 2008, prior to the GFC.

Soft domestic demand, the strong Australian dollar and increased export competition contributed to confidence in the **manufacturing** industry dropping 12.5pp over the quarter to net 17.6% reaching its lowest level since October to December 2009. This was the largest drop in confidence over the quarter.

This downward trend is reflected in the Australian Industry Group's Performance of Manufacturing May Index revealing the sector contracted for the eighth time in nine months. The Index revealed wages and input costs continued to rise throughout May, while selling prices dipped, indicating manufacturing profit margins continue to narrow[15]. The trend is echoed in the ACCI Westpac Survey of Industrial Trends for June 2011. The ACCI Westpac Actual Composite Index fell 10.2 points in June indicating more Australian manufacturers are predicting a deterioration rather than improvement in business conditions in the second half of 2011[16].

Industry confidence in **advertising/marketing/media** remains below levels experienced throughout 2010 with hiring intentions dropping 10.7pp over the three months to net 18.9% and down 6.1pp year-on-year. Only 28.4% of employers are today planning to increase headcount and the majority (62.1%) intend keeping employee numbers steady over the next three months.

However, employer confidence in the industry remains well above the slump experienced during 2009 – up 23.2pp on sentiment over July to September 2009 but 10.3pp below July to September 2008.

[12] 'Miners best paid by far', The Australian Financial Review, 20 May 2011
[13] 'So much for the resources boom'. The Australian Financial Review, 10 June 2011
[14] 'Miners best paid by far', The Australian Financial Review, 20 May 2011
[15] 'Performance of Manufacturing Index, May 2011, 1 June 2011
[16] 'ACCI Westpac Survey of Industrial Trends, June quarter 2011', Australian Chamber of Commerce and Industry, 16 June 2011

PERMANENT EMPLOYMENT EXPECTATIONS

FMCG remains the least confident sector despite a slight 0.5pp rise in employer sentiment to net 15.1%. 13.5% of employers are intending to reduce headcount over Q3 2011 — the highest of any sector. Sentiment in the industry is down 3.7pp year-on-year but up a relatively healthy 13.5pp from July to September 2009. 28.7% of employers in FMCG intend increasing headcount over the coming three months.

Hiring intentions in **wholesale/distribution** are at their highest since July to September 2008, rising 7.2pp over the quarter to net 29.6% with 36.1% of employers planning to increase headcount in the next three months. A strong majority of 57.4% of hiring managers across the sector intend keeping headcount steady throughout the coming quarter. Hiring intentions remain steady year-on-year at just 0.4pp above net sentiment for July to September 2010 and a healthy 28.3pp above net sentiment during July to September 2009, suggesting a return to confidence levels experienced prior to the GFC.

An ageing population is fuelling continued strong demand in the **private healthcare** sector with net sentiment at 30.1%, rising 5.5pp year-on-year, despite a 3.0pp slump over the quarter. A healthy 35.4% of hiring managers in the sector intend increasing permanent headcount in the coming three months. Industry sentiment is now on a par with that of July to September 2008 (0.6%), prior to the GFC.

Hiring intentions in the **retail** sector rose 6.2pp over the quarter to net 29.1%. Confidence is today up 4.5pp year-on-year and a strong 28.0% above sentiment during July to September 2009. The latest rise in confidence is reflected in figures from the Australian Bureau of Statistics showing a 1.1pp rise in retail trade over April following a fall of 0.3pp in March.

Overall industry confidence remains level with sentiment in July to September 2008 at 0.8pp year-on-year. The rise in confidence is felt against a number of challenges facing hiring managers including a strong Australian dollar, sales in some areas moving to online channels and weak consumer spending[17].

Employer sentiment in the **transport** industry dropped 5.6pp over the quarter to net 28.8%. Sentiment in the sector is down 1.6pp year-on-year. 39.4% of hiring managers in the sector intend increasing permanent headcount over the next three months.

Hiring intentions in **education** lifted 8.0pp year-on-year but dropped 1.1pp over the quarter to net 20.8%. A relatively healthy 26.7% of employers intend increasing headcount in the coming quarter. At 67.3% the vast majority of employers in the sector plan on maintaining existing staffing levels — the highest of any sector. Overall industry sentiment is up 8.0pp year-on-year from July to September 2010.

Sentiment in the **utilities** industry dipped 3.8pp over the quarter to net 36.6% and is down 5.2pp year-on-year.

Employer confidence in the **tourism and hospitality** sector rose a healthy 7.1pp year-on-year, reaching net 39.5%.

Sentiment in the **information technology** industry remains strong with a net 38.8% of hiring managers in the sector intending to increase headcount over the coming quarter. Sentiment in the sector is up a fractional 0.2pp over the quarter.

[17] 'Value hard to find in besieged retail,' The Australian Financial Review, 8 June 2011

PERMANENT EMPLOYMENT EXPECTATIONS

AUSTRALIAN CAPITAL TERRITORY

- Hiring intentions across the Territory drop 1.2pp to a net 31.2% for the quarter. Sentiment in the ACT is down 4.0pp year-on-year from 35.2% in July to September 2010.
- Hiring intentions in Government rose 2.5pp to 23.7% for the three months to September but remain down 5.7pp year-on-year.

Employer sentiment in the ACT slid 1.2pp over the quarter to net 31.2% but remains above the net national average of 30.8%. The percentage of hiring managers intending to increase headcount over the coming three months is 38.3% with 54.7% planning on staffing levels to remain unchanged.

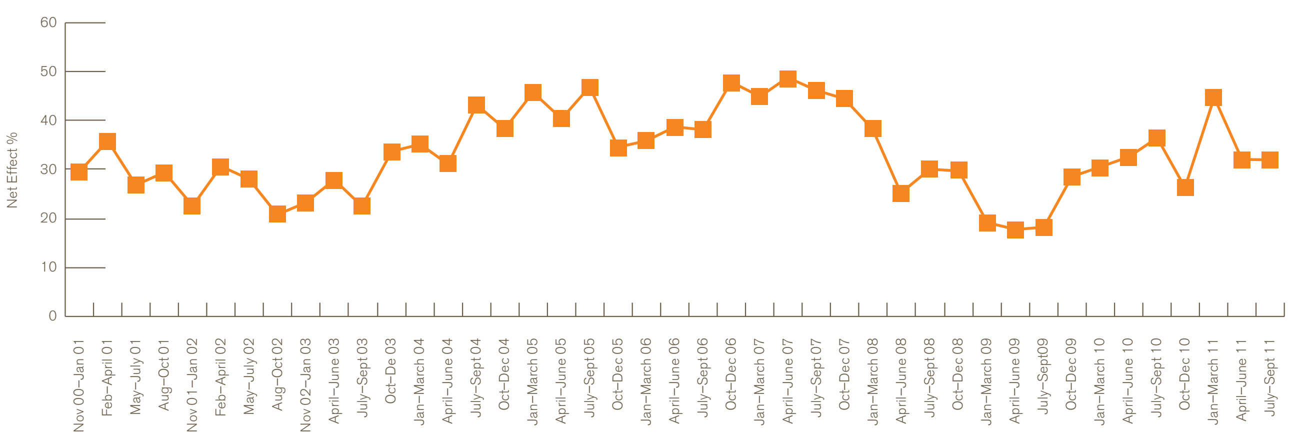
Reflecting national trends employer sentiment is down 4.0pp year-on-year from a net 35.2% during July to September 2010. Overall sentiment reflects employer confidence during July to September 2008 (30.0%) indicating a return to conditions prior to the GFC and following a dip in confidence throughout 2009.

With significant interest in contract and temporary staff across multiple sectors, hiring intentions among employers in government rose 2.5pp over the quarter to net 23.7%. A healthy 31.1% of government employers intend increasing permanent headcount over the coming three months (up from 27.5% last quarter). Well over half (61.5%) of hiring managers plan to keep headcount steady.

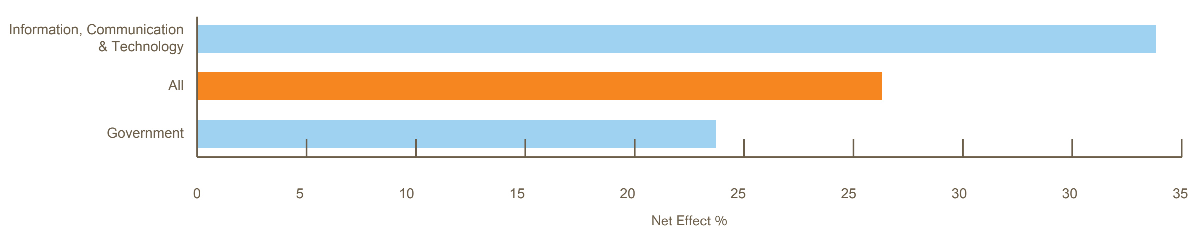
However, confidence across the sector remains 5.7pp down year-on-year (from 29.4% in July to September 2010) indicating employers are maintaining a cautious view following the Federal budget and upcoming end of financial year.

Hiring intentions in information technology dropped 18.6pp over the quarter to net 43.9%. Almost half, 49.1%, of employers in the sector intend increasing headcount over the quarter while 45.6% expect permanent staffing levels to remain unchanged during Q3 2011.

ACT PERMANENT EMPLOYMENT EXPECTATIONS
November 2000–September 2011



ACT PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

NEW SOUTH WALES

- Employee confidence slips 4.4pp over the quarter to net 29.7% resting below the national average of 30.8%.
- A massive 50.0% of employers in the resources sector plan to increase headcount in coming months.
- The dip in confidence in FMCG is contributing to the state's overall drop in sentiment. Net hiring intentions in the sector slip 31.9pp year-on-year.

Hiring intentions among employers in New South Wales dipped 4.4pp over the quarter to net 29.7% and today remain almost static with levels through January to March 2011. While at 56.1% over half of surveyed hiring managers are planning no change to staffing levels in the next three months 36.8% intend adding headcount over the quarter.

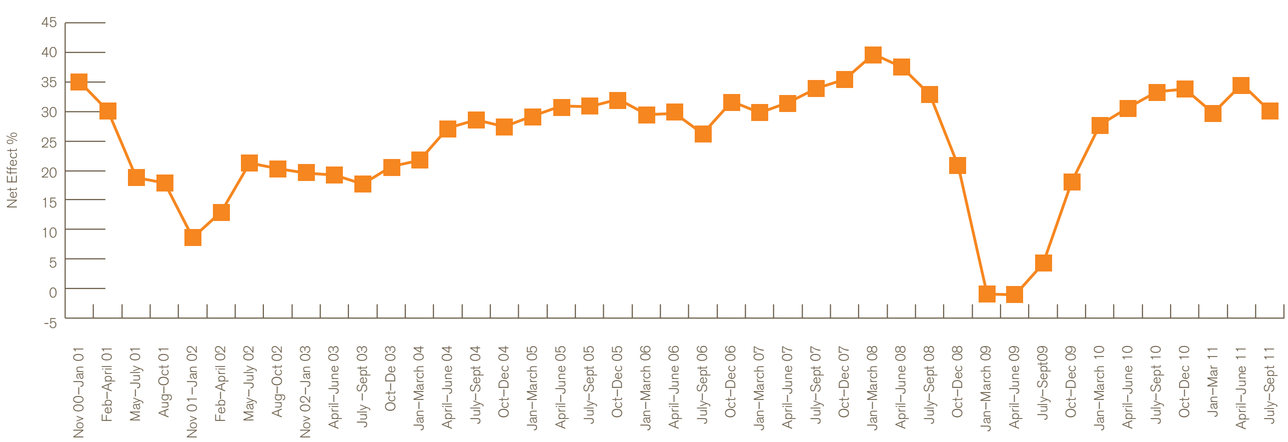
While confidence is down 3.4pp year-on-year it remains 33.1pp above net sentiment in July to September 2009, at the height of the GFC. The dip reflects softening sentiment following a surge in hiring intentions across the state throughout 2010.

The effects of the mining boom continue to be felt across Australia with resources remaining the most confident sector in NSW. Sentiment lifted 1.3pp over the quarter to net 43.1%. Overall confidence is up 6.2pp year-on-year from July to September 2010. A massive 50.0% of employers plan on increasing headcount over the quarter – the highest of any sector in NSW.

With miners reported to be among the best-paid workers earning $800 a week above the national average and Fair Work Australia's recent decision to lift minimum wages by 3.4pp skills demand in the sector may result in a war for top talent, translating into wages pressure elsewhere[18, 19]. With Western Australia and Queensland traditionally offering higher salaries than employers in New South Wales and Victoria this disparity may need to be addressed if NSW is to continue to attract top talent.

The construction/property/engineering industry remains among the most confident sectors in NSW with sentiment at net 44.0%. 46.6% of employers are planning to lift permanent staffing levels over the quarter. At 50.8% just over half of hiring managers in the industry intend keeping headcount steady. A tiny 2.6% of employers plan to decrease staff – by far the lowest of any industry sector across the state.

NSW PERMANENT EMPLOYMENT EXPECTATIONS
November 2000–September 2011



[18] 'Miners best paid by far', The Australian Financial Review, 20 May 2011
[19] 'Economic Outlook', BIS Shrapnel, May 2011

PERMANENT EMPLOYMENT EXPECTATIONS

Reflecting fluctuating confidence across this broad sector, sentiment dropped 4.2pp over the quarter to net 44.0% but remains relatively steady year-on-year (down 1.1pp). These latest results follow a 43.2pp surge in employer confidence during July to September 2009 – potentially as a result of the Government stimulus.

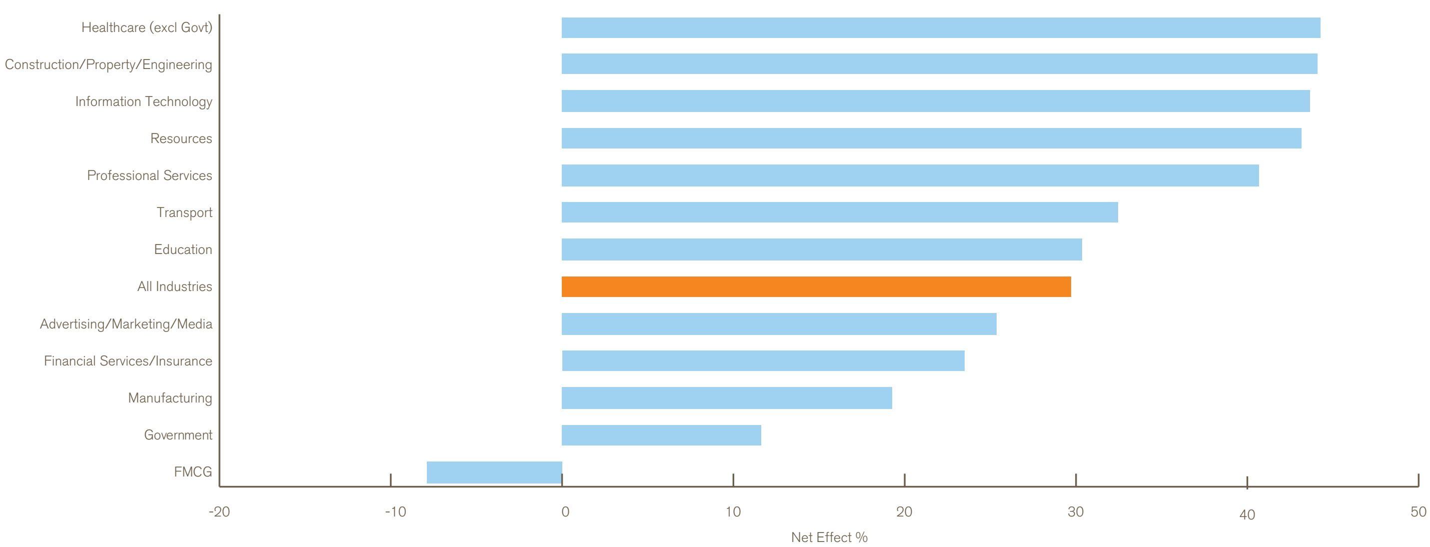
The state government's recent decision to abolish Part 3A of the Environmental Planning and Assessment Act is expected to positively influence employer confidence in the second half of 2011[20]. The move should speed approval processes with around 165 projects currently awaiting approval.

Employee confidence in the private healthcare sector remains strong lifting 1.6pp over the quarter to net 44.3%. Employer sentiment in the sector is up 3.4pp year-on-year. This latest rise follows three consecutive quarterly year-on-year increases of over 39.0pp during 2009. A healthy 47.5% of employers plan on increasing permanent headcount over the quarter. This sector is expected to continue to experience favorable employment growth for at least the next five years.

Sentiment in government remains relatively steady at net 11.6%, up 0.4pp over the quarter and up 1.6pp year-on-year (from 10.0% during July to September 2010). 66.7% of employers plan to keep headcount steady and 22.5% intend hiring addition staff in the coming three months.

Hiring intentions in the professional services industry dropped 5.9pp over the quarter to net 40.7% and slumped 3.2pp year-on-year. However 46.2% of employers plan on increasing headcount over the coming three months – among the highest of any industry sector in NSW. The rise in hiring intentions follows a drop in graduate intakes during the GFC. Rather than growing talent via graduate intake programs organisations are now forced to 'buy' skills to meet market demand.

NSW PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



[20]'NSW Government to Scrap Part 3A – All New Applications Halted', website of the Liberal Party of Australia New South Wales, 4 April 2011

PERMANENT EMPLOYMENT EXPECTATIONS

The drop in employer confidence in the FMCG sector contributed to a slip in sentiment to net -7.9% over the quarter. Hiring intentions slumped 15.7pp over the quarter and plummeted 31.9pp year-on-year. The softening reflects continuing caution in household spending following a spike in food prices after floods in Queensland and a rise in petrol pricing leading consumers to cut non-essential spending. Consumer concern about the impact of a carbon tax may also be contributing to reluctance to spend[21].

Despite recent softening, 29.0% of employers plan on decreasing headcount over the coming three months – the highest by far of any sector across the state. However, 21.1% of hiring managers intend putting on additional staff. Exactly half, at 50.0%, are planning no changes to staffing levels over Q3 2011.

Echoing conditions felt across the nation manufacturing slumped 18.2pp over the quarter with sentiment at net 19.2%. Confidence among the sector's hiring managers is down 12.1pp year-on-year from July to September 2010. The high Australian dollar is prompting employers to maximise cost efficiencies by sourcing cheaper material overseas while also increasing levels of outsourcing – impacting local hiring intentions.

Sentiment in the financial services industry dropped 9.4pp over the quarter to net 23.5% slipping 22.5pp year-on-year. The drop follows strong hiring in the second half of last year indicating a number of employers are now focused on bringing new hires up to speed before seeking additional staff. Hiring for corporate finance mergers and acquisitions transactions is down year-on-year reflecting the overall drop in confidence across the state. Banks also are focusing on growing their international offices at the expense of local hiring intentions.

There was a definite contraction in employer sentiment in advertising/marketing/media as expectations of a post GFC spending surge slowed to a standstill. Confidence in the sector slipped 9.2pp over the quarter to net 25.4%. Factors such as ambiguity in the global economy, access to funding, significant growth in salaries and the strength of the Australian dollar have all negatively impacted companies' willingness to add extra headcount. While confidence is up 4.7pp year-on-year a relatively modest 31.0% of employers plan on hiring additional staff over the quarter. 63.4% of managers intend keeping headcount steady.

Although candidates are today more optimistic about changing jobs, employers have been unable to sustain hiring volumes to accommodate these restless professionals. Instead, organisations are withholding the investment required to recruit new employees.

[21] 'Consumer Sentiment: another Soft Result', Westpac, 15 June 2011

PERMANENT EMPLOYMENT EXPECTATIONS

NEWCASTLE/HUNTER/CENTRAL COAST

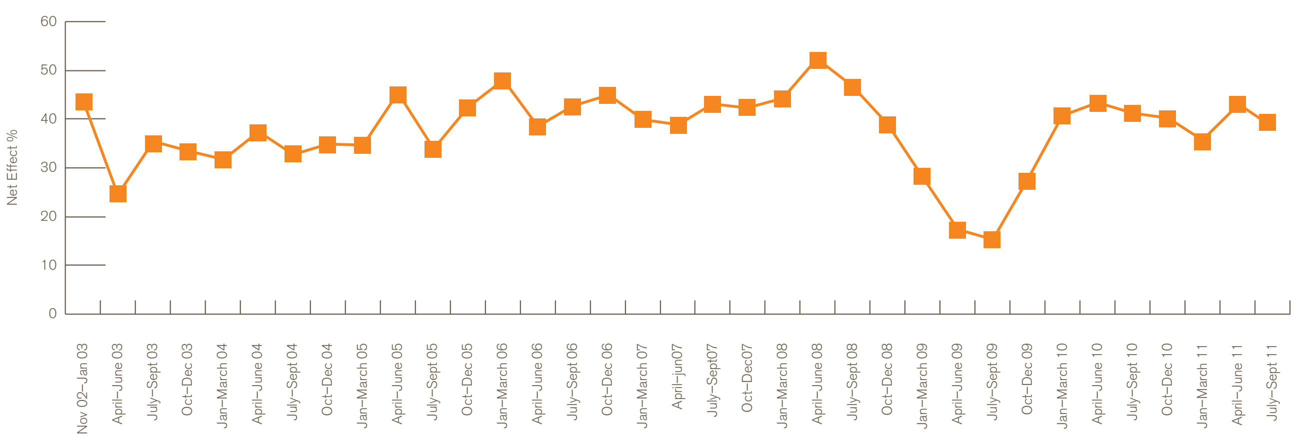
- At net 38.3% employer confidence in the Newcastle Hunter region remains above national net sentiment.
- Buoyant employment sentiment in the resources sector is reflecting continuing demand for the region's coal.
- Planned upgrading of regional infrastructure lifts sentiment in construction/property/engineering with hiring intentions up 4.2pp year-on-year.

Hiring intentions in the Hunter/Central Coast region dropped 5.2pp over the quarter to net 38.3%. While sentiment is down 3.0pp year-on-year the dip follows a rapid rise in employee confidence in late 2009 and early 2010.

Strength in the construction/property/engineering and resources sectors is driving regional sentiment as the affects of the mining boom and planned infrastructure developments lift confidence. 44.7% of the employers in the Hunter/Central Coast region plan on increasing permanent headcount in the coming three months. Just under half, at 49.0%, intend staffing levels to remain unchanged.

This demand for skilled labour is driving wage pressures for non-coal related industries to retain talent as more commercial developments kick off across the region. Continuing buoyancy in the resources sector is reflected in the 4.4pp lift in sentiment over the quarter to net 50.0%. 54.6%, or just over half of all employers in the sector, are planning to increase permanent headcount over the coming quarter. While the demand for qualified engineers remains strong, safety and team fit continue to be important determinants in new hires.

HUNTER/CENTRAL COAST PERMANENT EMPLOYMENT EXPECTATIONS
November 2002–September 2011

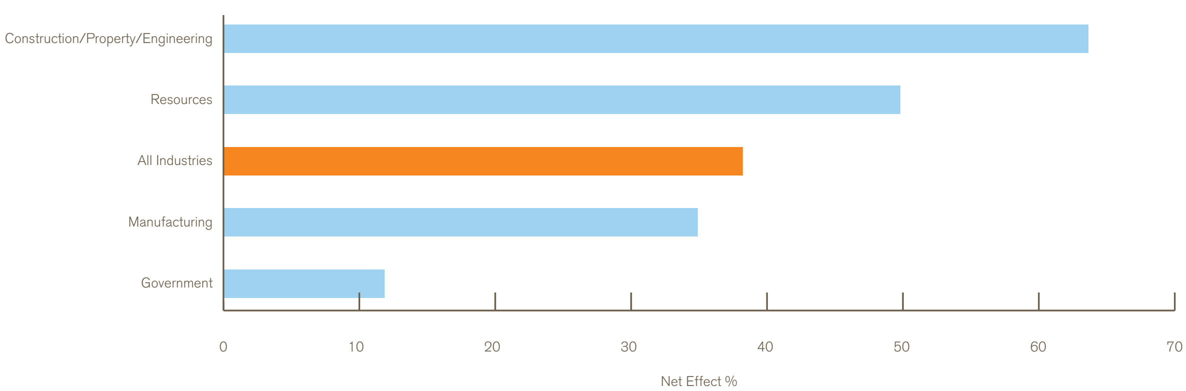


PERMANENT EMPLOYMENT EXPECTATIONS

Demand for engineering and construction skills to support coal and infrastructure expansions contributed to a 4.2pp year-on-year lift in hiring intentions across the construction/property/engineering industry to net 63.9%. Sentiment dropped 0.6pp over the quarter.

Some specialised manufacturing organisations in the region are seeing strong domestic and international demand despite unfavorable trading terms. However, many more remain impacted by the exchange rate. Hiring intentions across the sector dropped 19.8pp over the quarter to net 35.0%. Overall, sentiment is down 15.0pp year-on-year. However, 42.5% of employers plan to increase headcount before October. Exactly half, at 50.0% intend keeping headcount steady throughout Q3 2011 with 7.5% reporting intentions to reduce permanent staff levels in the next three months.

HUNTER/CENTRAL COAST PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

GREATER WESTERN SYDNEY

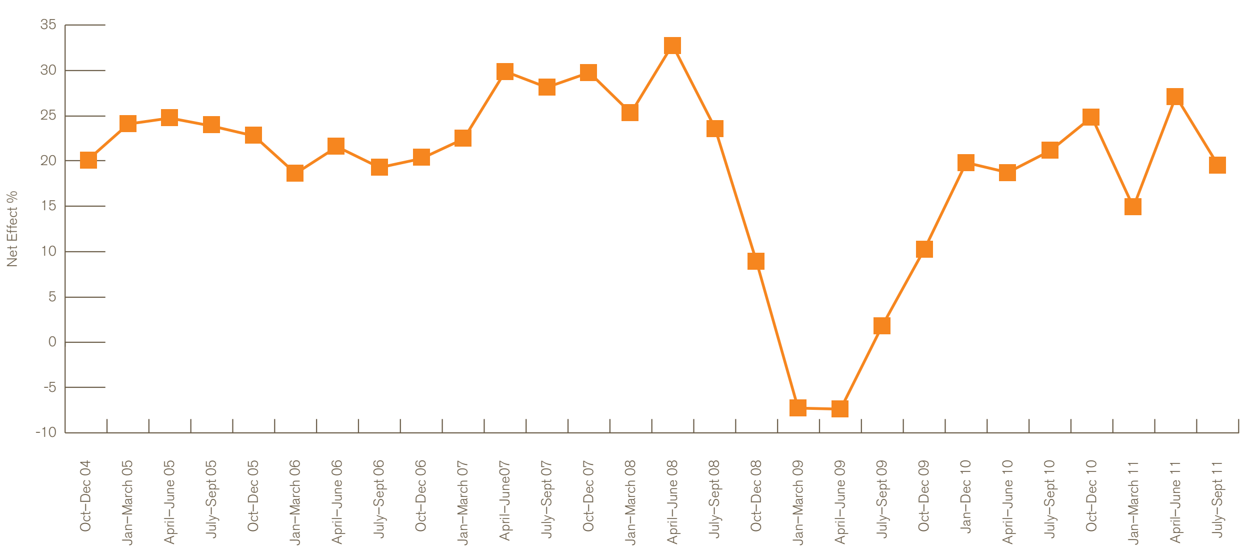
- Employer sentiment drops 7.8pp over the quarter to net 19.4%.
- Hiring intentions rise in construction.

Employment sentiment in Greater Western Sydney declined 7.8pp over the quarter to net 19.4% as strong hiring intentions in construction and government push up demand for labour despite a softening in manufacturing. The region recorded a 1.7pp drop in sentiment year-on-year after sustaining 26.0pp increases during 2009.

62.4% of all hiring managers across the region plan on keeping headcount steady over the coming quarter. 28.5% are intending to increase permanent headcount over the next three months. At 9.1% nearly one in ten of all employers in the region plan to decrease permanent staff over the next three months.

Hiring intentions in construction/engineering/property increased 12.5pp year-on-year with a net sentiment of 25.0% of employers intending to increase permanent staff over Q3 2011. Employer sentiment is returning to levels experienced in late 2007 and throughout 2008, prior to the GFC.

GWS PERMANENT EMPLOYMENT EXPECTATIONS
October 2004–September 2011

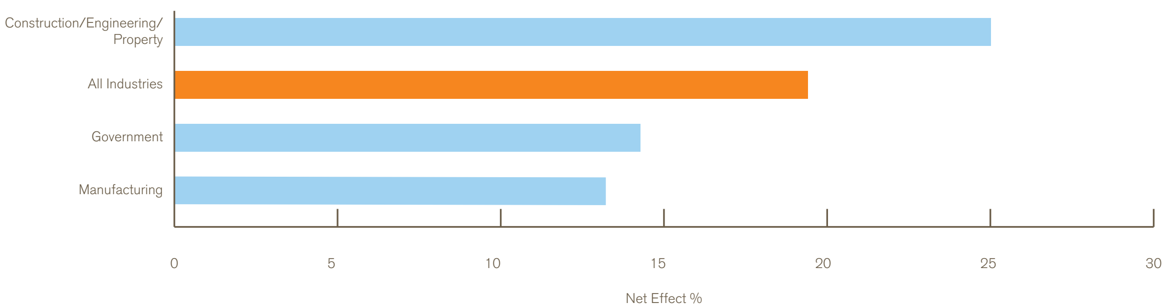


PERMANENT EMPLOYMENT EXPECTATIONS

Sentiment in the government sector remains strong rising 6.7pp over the quarter and up 1.2pp year-on-year to net 14.3%. 28.6% of employers are planning to increase permanent staff in the next three months. However, 14.3% of hiring managers report plans to decrease permanent staff levels over the quarter. Sentiment in the sector rose sharply during January to March 2011 and is 14.3pp above net sentiment in July to September 2009.

Hiring intentions in manufacturing dropped 13.5pp over the quarter to net 13.2% and slipped 4.2pp year-on-year reflecting cyclical falls in employer sentiment in the second half of 2010 and 2009.

GWS PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

QUEENSLAND

- Recent natural disasters had little impact on employer sentiment with hiring intentions static at net 37.3% from 37.6% in the previous quarter.
- Mining and resources were temporarily impacted dropping 4.3% over the quarter but with strong demand restoring production levels.
- While employer sentiment in construction dips 12.8% year-on-year a healthy 48.6% of hiring managers intend increasing headcount over the quarter.

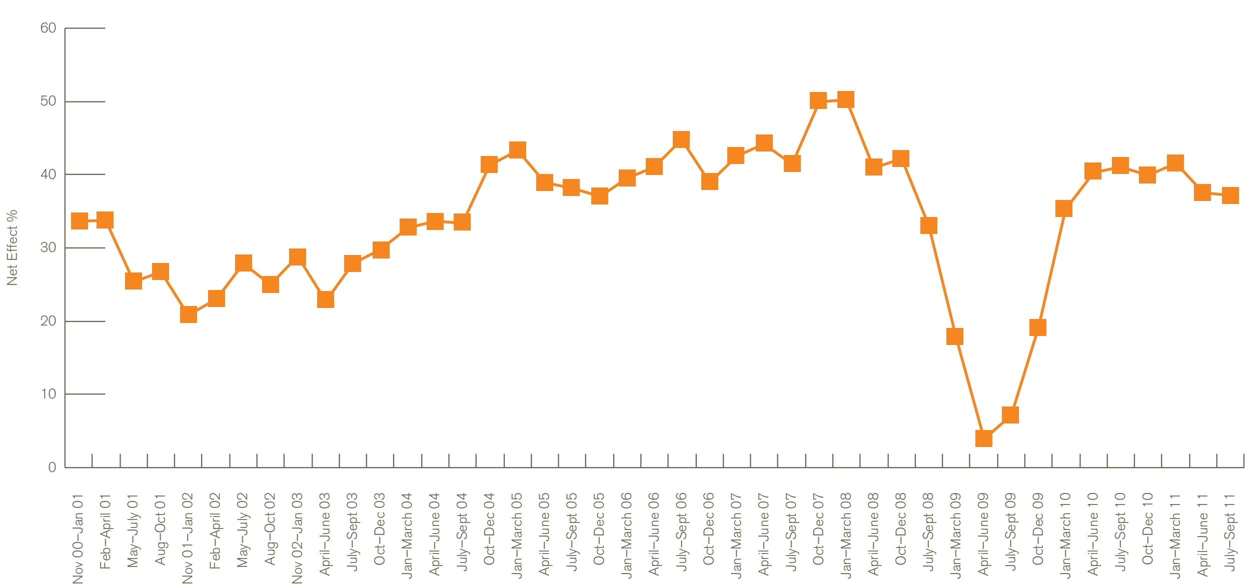
Hiring intentions remained static over the quarter at net 37.3% indicating the impact of floods and cyclones early in the year is gradually abating[22]. The most significant impact of the natural disasters on employment was the absence of a post holiday period seasonal hiring spike, typically felt in late January, early February. Instead the region experienced a gradual and marginal uplift in hiring intention over the first half of the year with activities now close to normal levels.

While overall employee sentiment is down 3.7pp year-on-year to net 37.3% a healthy 45.9% of employers plan on increasing permanent headcount over the quarter. At 45.5% roughly the same percentage intend keeping staffing levels steady. State-wide sentiment is 30.1pp, above net sentiment in July to September 2009 and just 4.9pp below July to September 2008.

Rebuilding following natural disasters and the state's growing infrastructure needs are expected to increase state debt to $85 billion over four years. Announcing its latest budget the Queensland government expects the surge in business investment from large coal and gas projects in central Queensland to lead to economic recovery in 2011–12. Expectations of the creation of a further 140,000 jobs over the next two years also led to government predictions state unemployment will drop from 5.5% this year to 5.0% in 2012[23].

Planned infrastructure investments over the next financial year are expected to be the largest in the nation's history. As a result hiring sentiment in resources remains strong at net 54.8%. Employer sentiment is up 1.8pp year-on-year despite a 4.3pp drop in hiring intentions over the quarter.

QLD PERMANENT EMPLOYMENT EXPECTATIONS
November 2000–September 2011



[22] 'Economic conditions and prospects', Glenn Stevens address to the Economic Society of Australia (Queensland) 2011 Business Luncheon, 15 June 2011

[23] 'QLD economy to be #1', Treasurer and Minister for State Development and Trade

PERMANENT EMPLOYMENT EXPECTATIONS

Planned developments are expected to drive fierce competition for skilled talent in the sector. Improved transport infrastructure is also predicted to fuel increased production and output, relieving current constraints and pushing up demand for skilled labour.

In its Economic Outlook for May 2011 BIS Shrapnel said 'We are still doubtful about the ability of the mining sector to get through these sorts of levels of work given the strong competition between projects for capital and labour and the shortages of both.'

Despite announcements of infrastructure development, hiring intentions in construction/property/engineering dipped 9.5pp over the quarter with net sentiment settling at 41.7%. Employee sentiment is down 12.9pp year-on-year and remains 23.0pp below levels experienced during July to September 2008.

However, a healthy 48.6% of employers plan on increasing permanent headcount over the coming quarter driven by planned infrastructure development within the coal and emerging oil and gas sectors. Proportionally less hiring managers, at 44.4% plan on keeping headcount steady over Q3 2011.

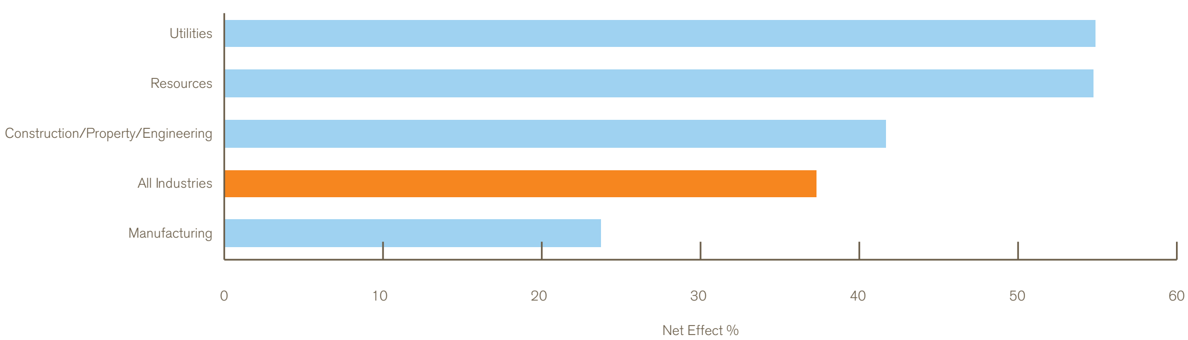
Expansion of the state's existing mining communities and the emerging oil and gas sector is driving the increased need for essential utility infrastructure such as electricity and water. Engineers across all technical areas in the sector are today in high demand. Consequently hiring intentions in the utility industry rose 6.6pp to net 54.8% over the quarter – with 58.1% of employers planning to hire additional permanent staff – among the highest in the state. Sentiment across the sector is up 36.8pp year-on-year.

The greatest challenge facing hiring managers in the utilities industry is competing with significantly higher salaries for the same skill set in mining and resources.

Reflecting national trends hiring intentions in manufacturing dropped 6.6pp year-on-year but rose 9.9pp over the quarter to net 23.7%. 35.6% of employers in this diverse industry plan on increasing headcount over the coming three months and 52.5% intend keeping staffing levels steady. Employee confidence remains 34.8pp above net sentiment in July to September 2009 but remains 16.3pp below July to September 2008, prior to the GFC.

Hiring sentiment in Government remains subdued dropping 1.3pp to net 12.4% over the quarter and down 11.7pp year-on-year. Public sector financial resources have been stretched in response to the recent natural disasters. As a result government departments are being required to drive financial efficiencies and reduce costs.

QLD PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

SOUTH AUSTRALIA

- Confidence drops 3.3pp to 19.2% and is down 7.2pp year-on-year.
- South Australia has the lowest employer sentiment of any Australian state or territory bottoming 11.6 points below average national sentiment of 30.8%.
- Sentiment in the private health sector is up 5.8pp year-on-year to net 26.8%.
- Confidence in the government sector lifts 4.2pp year-on-year.

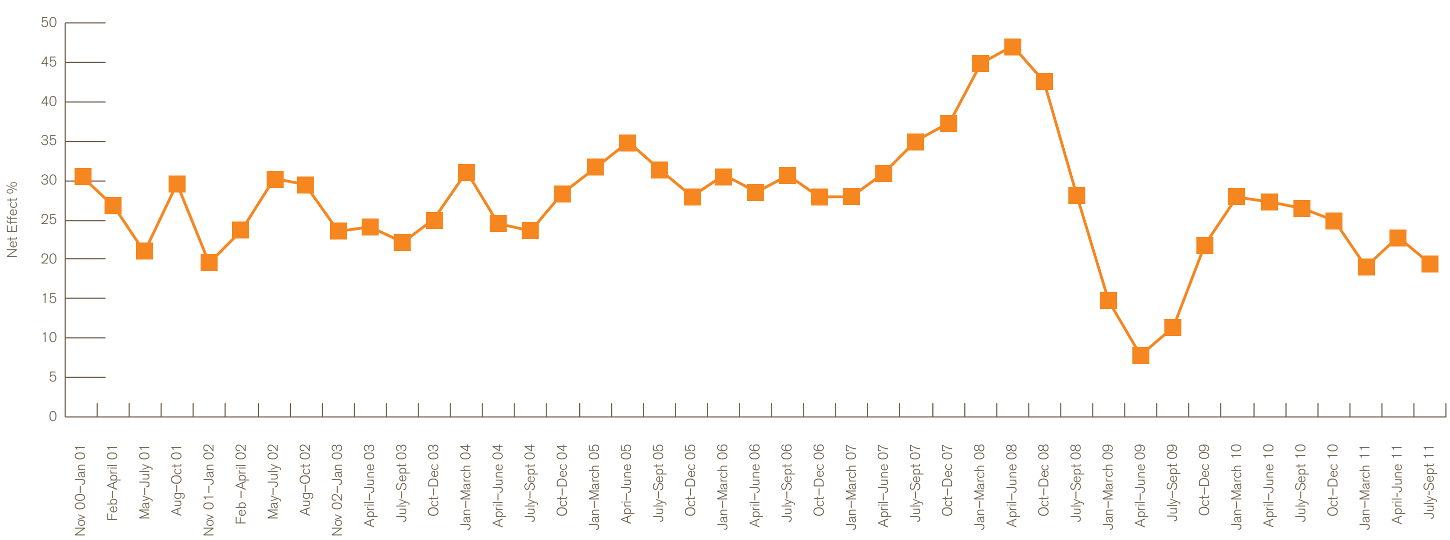
Hiring intentions in South Australia slipped 3.3pp over the quarter to net 19.2% as the persistently high Australian dollar continues to negatively impact key South Australian industries such as fishing, manufacturing and education. Sentiment dropped 7.2pp year-on-year and is at its lowest since January to March 2010 (18.9%). Overall sentiment across the state remains 23.6pp below levels during July to September 2008.

BIS Shrapnel Pty Ltd's prediction that the Australian dollar is likely to stay above US$1.00 for the next two-to-three years led to its speculation the state's overall growth prospects will continue to be constrained in the medium term. Recent Government budget projections echo this sentiment pointing to a $263 million deficit for 2011–12 from a forecast $55 million surplus. Despite negative predictions the state's unemployment rate fell to 5.4pp in May[24] indicating some sectors are or will be moving into a skills shortage.

Recent business commentary is however cautiously optimistic. Inbusiness Magazine June/July 2011 Issue 59 said "Over 2011–12, CBA observers think consumer "blues" will dissipate as unemployment falls further towards 4.5%. Retail and consumer spending will start to regain traction as the economy's growth quickens, unemployment falls, and wage gains become more widespread."

The winding down of the publicly funded schools program and the soon to be completed Adelaide desalination water plant are expected to impact hiring intentions in the construction industry. However these slow downs coincide with major construction projects having a positive impact across the state including the $2 billion Royal Adelaide Hospital, Adelaide oval upgrade and development of the Adelaide city river Torrens precinct supporting increased activity.

SA PERMANENT EMPLOYMENT EXPECTATIONS
November 2000–September 2011



[24] 'Labour Force Australia, May 2011', Australian Bureau of Statistics, 9 June 2011

PERMANENT EMPLOYMENT EXPECTATIONS

With only small advances in mining projects in the first half of 2011 the pending environmental approval of the $30 billion Olympic Dam copper-uranium-gold expansion is expected to fuel increased employer sentiment.

Despite the latest drop in sentiment a net 29.0% of employers intend hiring permanent staff in the next three months and well over half, at 61.2%, plan for headcount to remain steady which remains strong. However, 9.8% of hiring managers intend decreasing permanent staffing levels in the next three months.

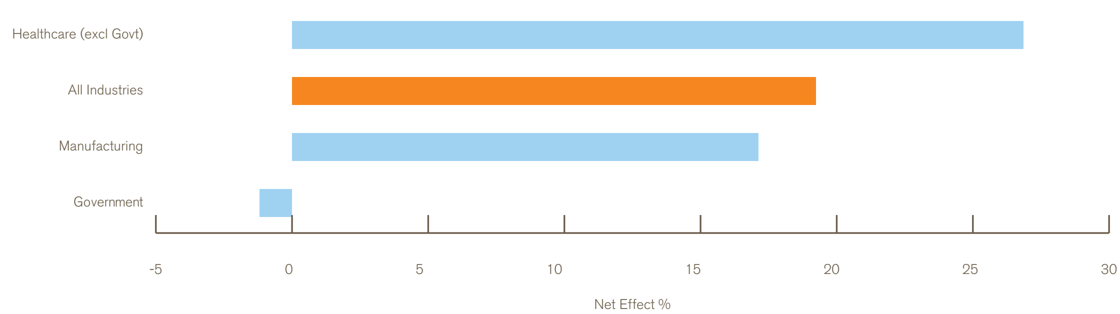
Hiring intentions in private healthcare rose 5.8pp year-on-year with sentiment at net 26.8%. 34.2% of employers are planning to increase permanent headcount over the quarter while 58.5% intend keeping headcount steady. Sentiment in the sector is up 5.8pp year-on-year and a healthy 26.6% above July to September 2009.

Confidence in the government sector increased 4.2pp year-on-year but net sentiment remained unchanged over the quarter at -1.2%. 17.4% of employers plan to decrease permanent staff in the coming three months with the budget deficit prompting the state government announcement to cut 400 public sector jobs over the next two years[25]. However, 16.3% of employers in the sector plan to increase headcount in the next quarter.

The second quarter saw some movement in the manufacturing industry away from a casual manufacturing workforce and toward the mining sector as employees recognise the potential for increased earnings by acquiring mining related skills.

Hiring intentions in the industry dropped 15.2pp over the quarter to net 17.1%. Sentiment in the sector is down 10.9pp year-on-year as the lack of consumer demand and high Australian dollar contribute to negative employer sentiment. Employer confidence remains 26.6pp above levels in July to September 2008 indicating a correction from the highs of 2010.

SA PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



[25] 'Now comes the bitter battle to cut jobs,' The Australian Financial Review, 10 June 2011

PERMANENT EMPLOYMENT EXPECTATIONS

VICTORIA

- Confidence drops to its lowest level since Q1 2010 with net employer sentiment at 24.9% – down 2.5pp over the quarter.
- Sentiment drops 7.1pp year-on-year and Victoria remains the second least most confident state, ahead of South Australia and behind NSW (at 29.7%).
- Confidence in the construction/property/engineering sector lifts.

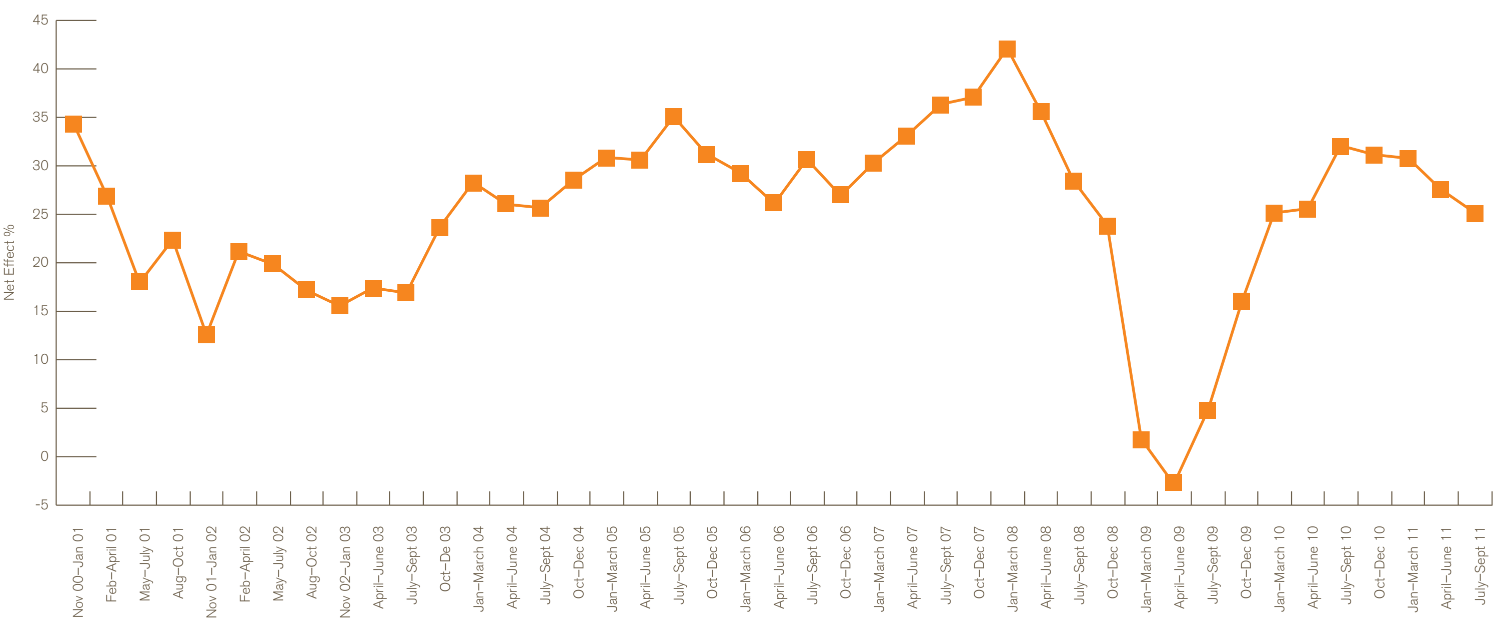
Net employer sentiment during the quarter slipped below 25.0% to net 24.9% for the first time since April to June 2010. Sentiment is down 7.1pp year-on-year but a healthy 20.0pp above levels in July to September 2009.

33.4% of employers intend increasing the number of permanent staff in the next three months. At 58.2%, well over half of surveyed hiring managers plan on keeping headcount steady while 8.4% intend reducing permanent staff in the next three months. Unemployment across the state lifted to 5.3pp in May.

Reflecting a rise in residential development and strong construction activity in the transport sector, employer sentiment in construction/property/engineering lifted 11.2pp over the quarter to net 43.3%. Planned work on major infrastructure including sporting venues and other significant community developments are expected to fuel further jobs growth over Q3 2011. While confidence is down 13.5pp year-on-year it remains 39.2pp above net sentiment in July to September 2009 indicating the most recent year-on-year drop is a correction following buoyancy in the sector throughout 2010.

A continuing trend toward outsourcing in the professional services sector contributed to a 3.7% lift in hiring intentions to net 48.3%. However sentiment is down 10.4pp year-on-year. A healthy 50.9% of employers plan on hiring permanent staff in the next three months – the second highest of any sector in Victoria.

VIC PERMANENT EMPLOYMENT EXPECTATIONS
November 2000–September 2011



PERMANENT EMPLOYMENT EXPECTATIONS

Positive sentiment in the industry reflects the continuing national trend to outsource projects and functions to professional services firms rather than employing additional permanent headcount. Business services providers including legal and accounting are also in demand following increased mergers and acquisitions.

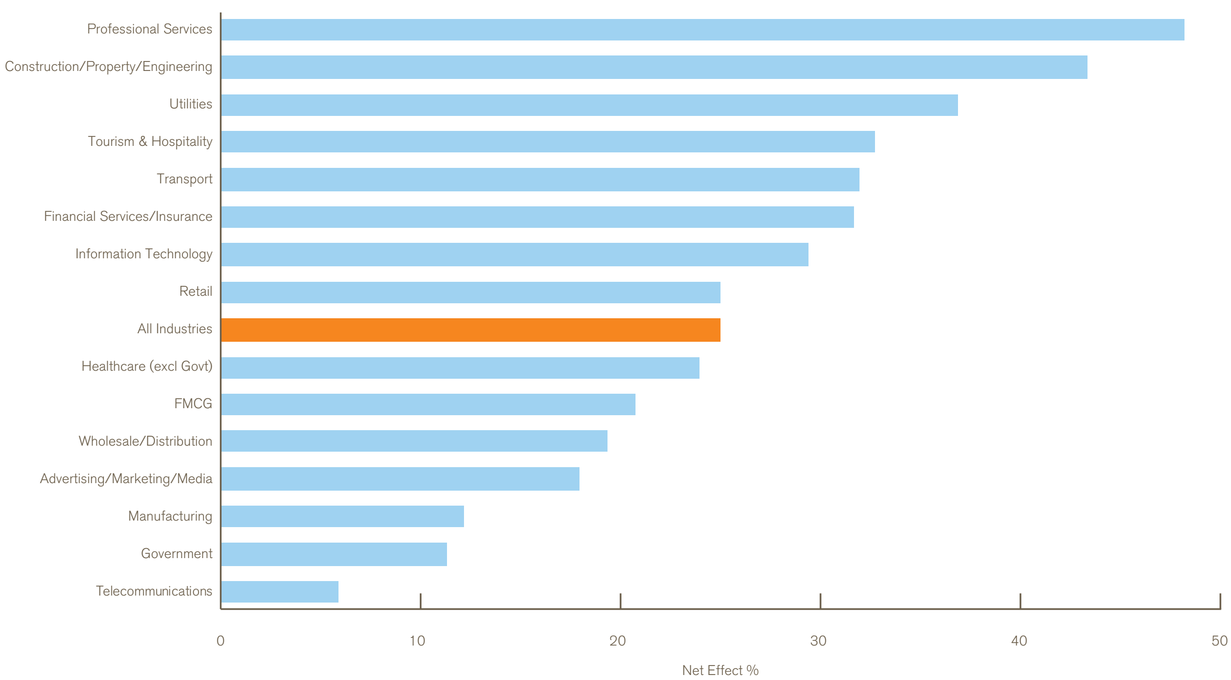
Hiring intentions in FMCG remained relatively steady dropping 0.9pp over the quarter to net 20.7%. Employer confidence lifted 5.2pp year-on-year and is up 21.7pp from the July to September 2009. However, the sector remains impacted by the GFC and reduced consumer confidence – with some business earnings also affected by the recent natural disasters.

32.4% of hiring managers report intentions to increase headcount over the quarter with 55.9% planning to keep headcount steady. Specialists in system engineering and supply chain management are currently in demand as organisations seek to implement new ideas, products and processes. Consumer goods manufacturers also are pushing for technology breakthroughs, innovation and new skills to maintain competitive advantage. The Victorian government's focus on developing the state's food manufacturing sector as well as manufacturing industries supporting the state's internationally competitive agricultural sector is also driving skills demand in the industry.

Reflecting subdued consumer sentiment, hiring intentions in the retail sector remain relatively steady down 0.8% over the quarter to net 25.0%, but dropping 3.3pp year-on-year. 31.6% of employers plan to increase headcount over the quarter with an overwhelming majority of 61.8% of hiring managers intending to keep headcount steady over the quarter.

Much of the recruitment in recent quarters was focused at corporate head office as retail organisations raced to add resources in anticipation of continued growth and consumer confidence. While retail sales have lifted in some areas, retailers have already invested in systems and people to support any further short term growth. As a result employer sentiment is unlikely to rise significantly during the remainder of 2011.

VIC PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

In keeping with trends across the nation hiring intentions in the manufacturing sector dropped 14.3pp over the quarter to net 12.2%. The continued high Australian dollar contributed to the 14.2pp drop year-on-year from the July to September quarter 2010. 62.2% of employers in the sector intend headcount to remain steady in the next three months while 25.0% plan on increasing the number of permanent staff.

Following a spike in employment during the post GFC recovery many candidates in the financial services sector have now returned to the industry or have successfully changed employers. As a result hiring activity has now subdued with hiring intentions in the sector dropping 1.3pp over the quarter to net 31.7pp% and down 21.1pp year-on-year. 37.7% of employers intend increasing headcount in the next three months indicating a return to normal hiring levels with employers having largely rebuilt teams and many job seekers settled in new roles.

Sentiment in the information technology sector remained static with confidence dipping 0.3pp to net 29.4% over the quarter. Employee confidence remains 4.0pp down year-on-year but 15.8pp above net sentiment in July to September 2009.

38.5% of employers expect to increase headcount in the next quarter with project resources, ranging from project managers to business analysts, developers and testers in greatest demand. 52.3% of hiring managers in the sector intend headcount to remain steady in the next three months.

Hiring intentions in the government sector remain subdued dropping 5.5pp over the quarter to net 11.3% and down 9.7pp year-on-year. The majority (72.0%) of employers plan on headcount remaining steady over the coming three months.

Confidence in the private healthcare sector dropped 4.6pp over the quarter to net 24.0% with 67.7% of hiring managers in the industry intending to keep headcount steady over the quarter. 28.1% of employers are planning to increase permanent staff in the next three months. Confidence in the sector is up 6.9pp year-on-year.

Sentiment in the advertising/marketing/media industry dropped 25.5pp over the quarter to net 18.0% and is down 16.1pp year-on-year. A relatively high 10.3% of hiring managers intend reducing headcount in the coming three months. Well over half, at 61.5%, plan on keeping permanent headcount steady.

Employer confidence in tourism and hospitality remained steady up 0.3pp to net 32.7% over the quarter. 38.5% of hiring managers in the sector intent putting on more permanent staff in the next three months.

PERMANENT EMPLOYMENT EXPECTATIONS

WESTERN AUSTRALIA

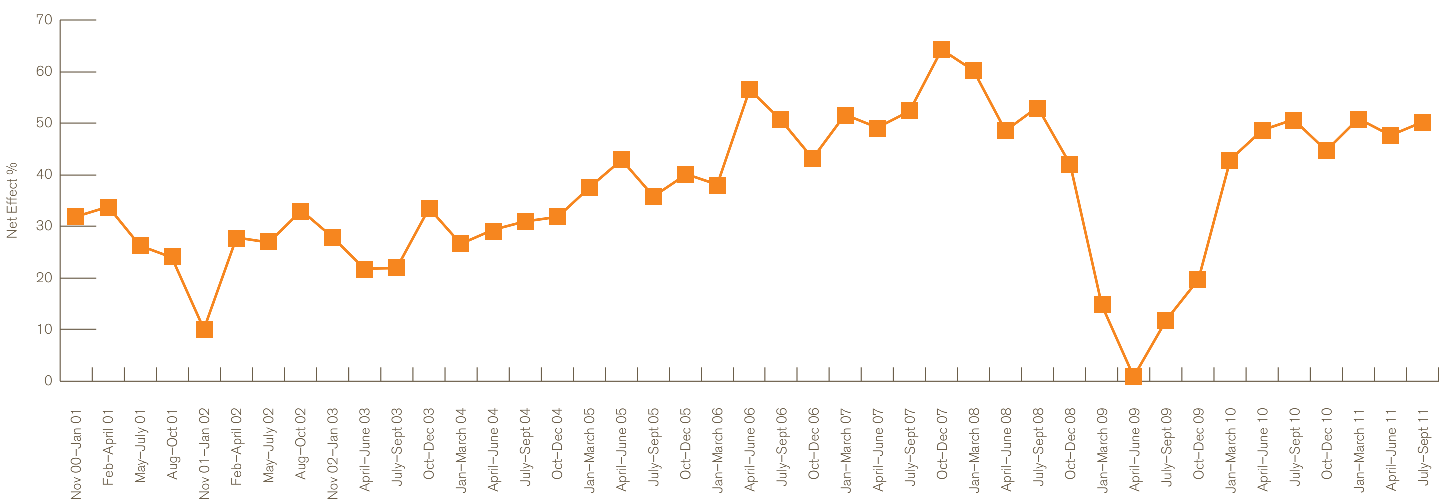
- Western Australia employer confidence rises 2.6pp over the quarter to net 50.0%.
- The state remains the most confident across all Australian states and territories.

The strength of Western Australia's labour market remains well ahead of the rest of the country. Employer sentiment in the state is positive with hiring intentions rising 2.6pp over the quarter to net 50.0%. Statewide employer confidence is up 38.0pp from the July to September quarter 2009 and down only slightly (-0.4pp) from the same period in 2010.

55.3% of all employers across the state are planning to increase the number of permanent employees in the next three months. This is the highest level of confidence nationally as the resources boom continues to drive positive sentiment. Only 39.4% of hiring managers intend keeping the number of permanent employees steady over the next three months.

The scale of investment in the resources industry and revenues from record terms of trade coupled with strong demand mean expectations of a skills shortage are pressing as net sentiment in the sector reaches 77.0%. A massive 79.1% of hiring managers in the industry plan to add more permanent employees in the next quarter. Unsurprisingly, following announcements of intentions to spend $83.3 billion on new infrastructure and equipment in the next financial year the CCI/WA highlighted the likelihood of a skills shortage in WA within the next ten years. Without the government addressing the skills shortage through migration it will continue to be an issue for employers.

WA PERMANENT EMPLOYMENT EXPECTATIONS
November 2000–September 2011



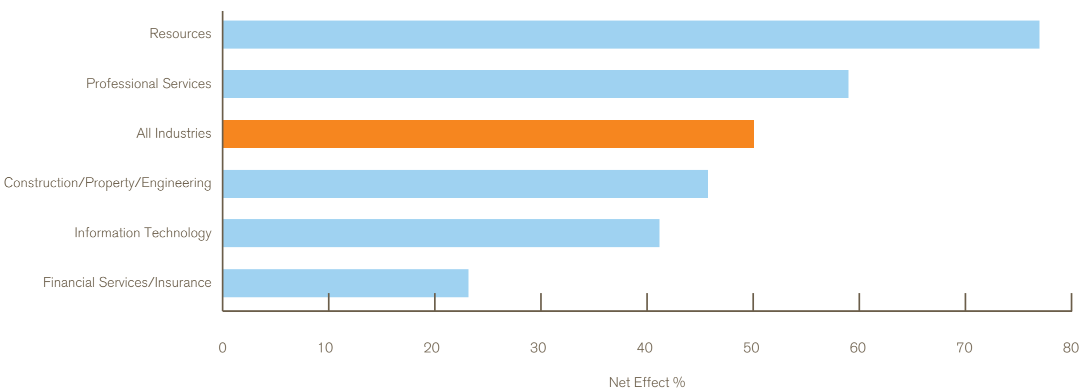
PERMANENT EMPLOYMENT EXPECTATIONS

In May the Federal Government did announce a suite of initiatives to lift skilled migration and the latest Federal budget includes moves designed to boost participation and match the skills requirements of employers through tailored industry training[26]. It remains to be seen if these measures will be sufficient with industries outside the resource sector predicted to struggle to meet salary levels offered in the sector. Hiring managers outside the resources sector are focusing on non salary related benefits to attract new hires.

Confidence in professional services remains high with employer sentiment in the sector rising 3.1pp over the quarter to net 58.9%. Sentiment is up 10.3pp year-on-year reflecting increased demand off the back of the mining boom. Lawyers are in particularly strong demand.

Hiring intentions in construction/property/engineering fell 13.0pp over the quarter to net 45.7% and sentiment is down 11.4pp year-on-year. However, employer confidence remains 29.4pp above levels in July to September 2009. Following announcements of the largest investment boom in Australia's history over half of all employers in the sector, at 54.3%, intend increasing headcount over the quarter – the third highest of any industry sector in Western Australia.

WA PERMANENT EMPLOYMENT EXPECTATIONS
July–September 2011: By Industry



[26]'Skilled migration reform to support Australia's growing economy', Media Release from Chris Bowen MP Minister for Immigration and Citizenship, 10 May 2011

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