



THE HUDSON REPORT

EMPLOYMENT AND HR TRENDS

Australia
Employment Expectations

FROM GREAT PEOPLE TO GREAT PERFORMANCE®

OCTOBER–DECEMBER 2010

Hudson

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MESSAGE FROM THE CEO

Australian employment confidence has softened slightly yet remains strong with a net 33.5 percent of employers planning to increase their permanent staff levels over the October-December 2010 quarter.

The results of this Hudson Report: Employment Expectations Australia-wide survey are being driven by fewer employers increasing staff numbers and more holding steady on current headcount. With only fractionally more intending to reduce headcount, these figures reflect a slight moderation on what has been a bullish outlook from Australian employers for the first three quarters of the year.



Additionally, the results for this survey were gleaned during the lead up to the election and probably reflect uncertainties about the Federal Government at that time rather than any lasting change in the upwards trend in hiring intentions seen over the past year.

We are now seeing a sustained recovery in the Australian economy, driven initially by high levels of public spending and now by a rebound in spending by the private sector. Employment levels continue to outperform expectations and, consistent with developments in the labour market, wage incomes are now showing significant growth.

As private sector investment gains traction, the labour market is expected to firm further and skill shortages are likely to be keenly felt as early as the first half of 2011 creating further pressure on wages.

The power is once again swinging in favour of the employee. As competition for good people intensifies employers must ensure that they are putting themselves in the best possible position to attract but also retain the right people to grow their businesses.

A handwritten signature in black ink, appearing to read 'Mark Steyn' with a stylized flourish at the end.

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 October–September 2010 period consists of interviews with 4,182 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 October–December 2010 period 4,182 employers were personally surveyed by Hudson recruitment and consulting professionals.

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

SUMMARY OF KEY FINDINGS

- ▮ The confidence of Australian employers has consolidated at a high level, with a net 33.5% of employers reporting plans to increase their permanent staff levels during the October–December 2010 period, a level of sentiment very similar to that seen in the September quarter 2008. While this result was 1.5pp lower than that reported last quarter, it probably reflects uncertainties about the Federal Government at the time of the survey rather than any lasting change in the upwards trend in hiring intentions seen over the past year.
- ▮ The softening this quarter is being driven by fewer employers increasing staff numbers, more holding steady on current headcount, and slightly more reducing headcount. The proportion of employers planning to increase their permanent staff levels declined from 40.6% to 39.3% this quarter, the proportion intending to hold headcount steady rose from 53.7% to 55.0%, and the proportion looking to reduce headcount increased fractionally, from 5.7% to 5.8%.
- ▮ NSW was the only state to record an increase this quarter, with sentiment rising a further 0.7pp to 33.8% in the sixth consecutive quarterly increase as business conditions continued to improve and demand for labour picked up markedly. Queensland employer sentiment remains high as employers continue to even out staff levels from the downturn, with a net 39.9% of employers planning to increase permanent staff levels, down 1.1pp.
- ▮ Employer confidence in Victoria has remained at a high level as the State economy continues to expand, with a net 31.0% of employers intending to increase permanent staff levels, a softening of 1.0pp from last quarter. SA employer sentiment has softened for a third consecutive quarter despite improvements in the State economy. Employers remain cautious with a net 24.9% indicating an intention to increase their permanent staff levels, down 1.5pp.
- ▮ Reflecting the considerable impact of the Federal Election on the ACT labour market, employer sentiment in the Territory fell 10.5pp to +26.0%. Employer sentiment in Western Australia declined 6.0pp from last quarter as the sense of nervousness around the Government's resources tax made itself felt. While many employers are holding their staff levels steady until they feel more confident about the implications of the tax, others are still undertaking recruitment, with a net 44.4% of employers indicating plans to increase their permanent headcount during the October–December 2010 period.
- ▮ The easing in sentiment nationally has been fairly broad-based across the economy with just under half of the industries surveyed for the October–December 2010 recording a decline in sentiment this quarter and the other half recording an increase. Resources employers reported the first decline in sentiment in 18 months. Down 3.3pp, a net 48.8% of employers are still reporting plans to increase their permanent staff levels over the coming three months. A net 43.7% of employers in the construction/property/engineering industry reported plans to increase permanent staff levels over the coming three months, reflecting strong levels of construction activity. Increased demand for lawyers and accountants saw sentiment in the professional services industry rise a further 0.1pp to 52.6%.

PERMANENT EMPLOYMENT EXPECTATIONS

OVERALL

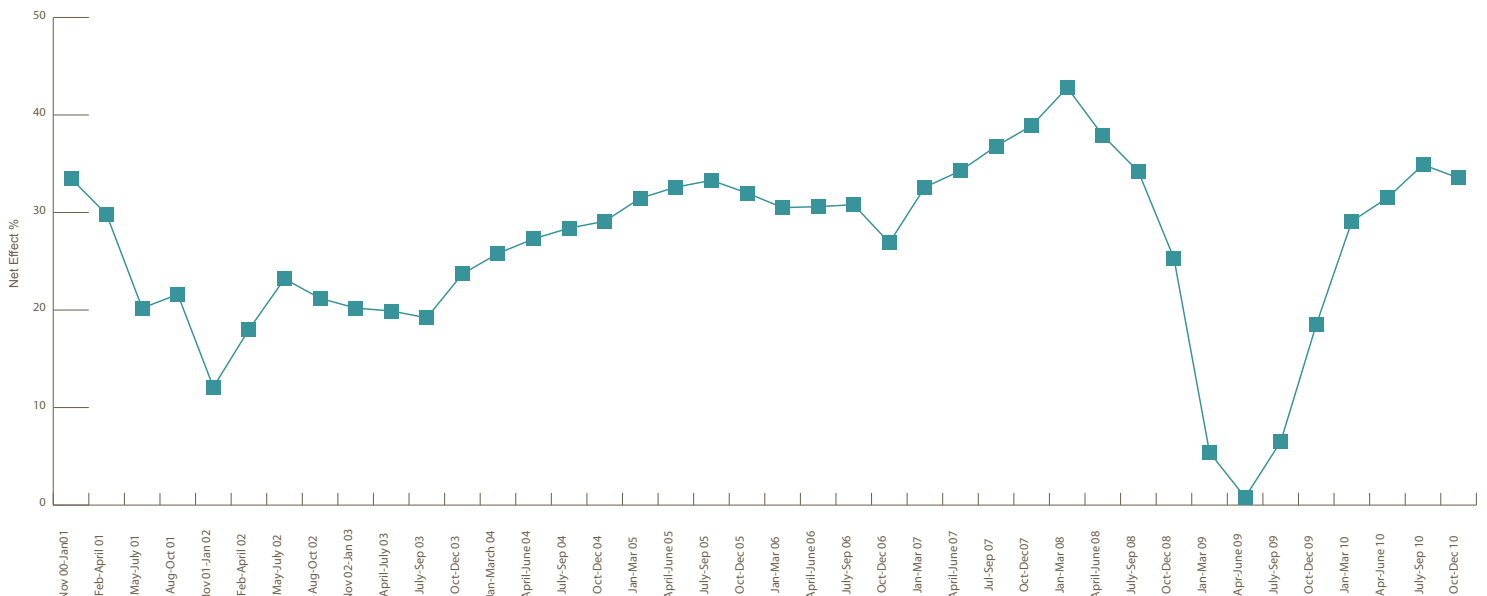
The confidence of Australian employers has consolidated at a high level, with a net 33.5% of employers reporting plans to increase their permanent staff levels during the October–December 2010 period, a level of sentiment very similar to that seen in the September quarter 2008. While this result was 1.5pp lower than that reported last quarter, it may reflect uncertainties about the Federal Government at the time of the survey rather than any lasting change in

the upwards trend in hiring intentions seen over the past year.

The demand for labour has firmed over the past year in line with improving economic growth.¹ Employment levels continue to outperform expectations, with the total number of people employed growing an additional 30,900 in August. The number of full time jobs rose 53,100 in the 11th consecutive monthly increase. The unemployment rate fell to 5.1% in August from 5.3% in July, and is now forecast to fall below 5% by the end of 2010.²

Consistent with developments in the labour market, wage incomes are now showing significant growth, rising 2.9% in the June quarter in the biggest quarterly gain since the December quarter 2006.³ This followed a 1.8% rise in the March quarter and a 0.6% rise in the December 2009 quarter, before which wage incomes fell a total of 2.5% over the first three quarters of 2009.⁴ In a further sign of the strengthening demand for labour, usage of existing staff capacity is also on the rise, with the number of hours worked showing a substantial 1.1% increase in the June quarter.⁵

NATIONAL PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



¹ Statement by Glenn Stevens, Governor, Reserve Bank of Australia: Monetary Policy Decision, 7 September 2010

² 'Aust labour force: genuinely strong FT led jobs rise cuts unemployment rate, continuing downward', Westpac, 9 September 2010

³ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

⁴ 'Australian business indicators', Westpac, 30 August 2010

⁵ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

⁶ BIS Shrapnel Economic Outlook, September 2010

⁷ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

⁸ Statement by Glenn Stevens, Governor, Reserve Bank of Australia: Monetary Policy Decision, 7 September 2010

⁹ BIS Shrapnel Economic Outlook, September 2010

¹⁰ 'Australian business indicators', Westpac, 30 August 2010

PERMANENT EMPLOYMENT EXPECTATIONS

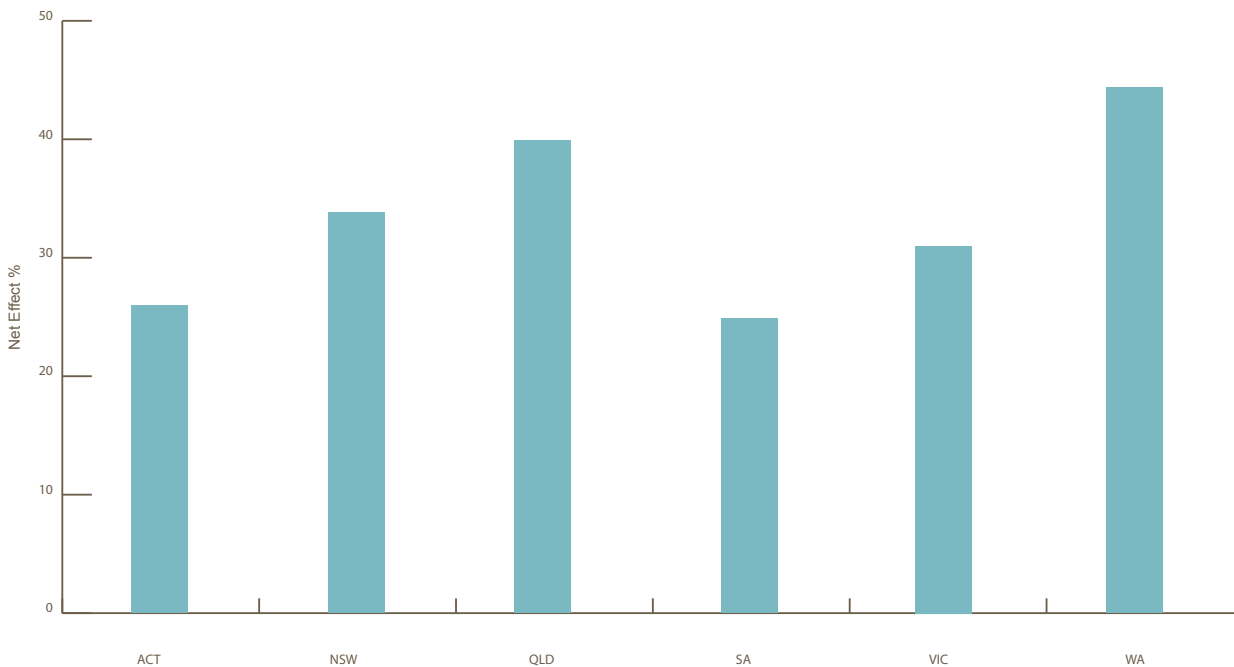
Driving improving demand for labour has been the sustained recovery of the Australian economy, driven initially by high levels of public spending and now by a rebound in spending by the private sector. The economy expanded by a healthy 1.2% in the June 2010 quarter following growth of 0.7% and 1.0% in the March and December quarters, respectively.⁶ This brings growth for the 2009–10 financial year to 3.3%, a much improved result on the 1.2% seen throughout 2008–09.⁷

Indications are that business investment could increase strongly over the year ahead.⁸

Profits jumped 18.9% in the June quarter to be up 27.5% over the year,⁹ with mining profits up a staggering 62.7% over the quarter.¹⁰ Household consumption surged 1.6% in the June quarter, after showing average growth of 0.05% per quarter in 2008, 0.7% per quarter in 2009, and 0.5% in the March quarter this year.¹¹ Notwithstanding the recent dip in consumer confidence, the latest ABS CAPEX survey suggests a favourable investment outlook with investment intentions up for all of the major industry sectors.¹² Notably, miners are looking to lift investment by a staggering 58% over 2010–11 in response to high commodity prices.¹³

As private sector investment gains traction, the labour market is expected to firm further and skill shortages are likely to be keenly felt as early as the first half of 2011. The resultant pressure on wages will be a major contributing factor to a resumption of interest rate rises by the Reserve Bank.¹⁴

PERMANENT EMPLOYMENT EXPECTATIONS (October-December 2010): By State/Territory



¹¹ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

¹² BIS Shrapnel Economic Outlook, September 2010

¹³ 'Australian business indicators', Westpac, 30 August 2010

¹⁴ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010; BIS Shrapnel Economic Outlook, September 2010; and Statement by Glenn Stevens, Governor, Reserve Bank of Australia: Monetary Policy Decision, 7 September 2010

PERMANENT EMPLOYMENT EXPECTATIONS

BY INDUSTRY

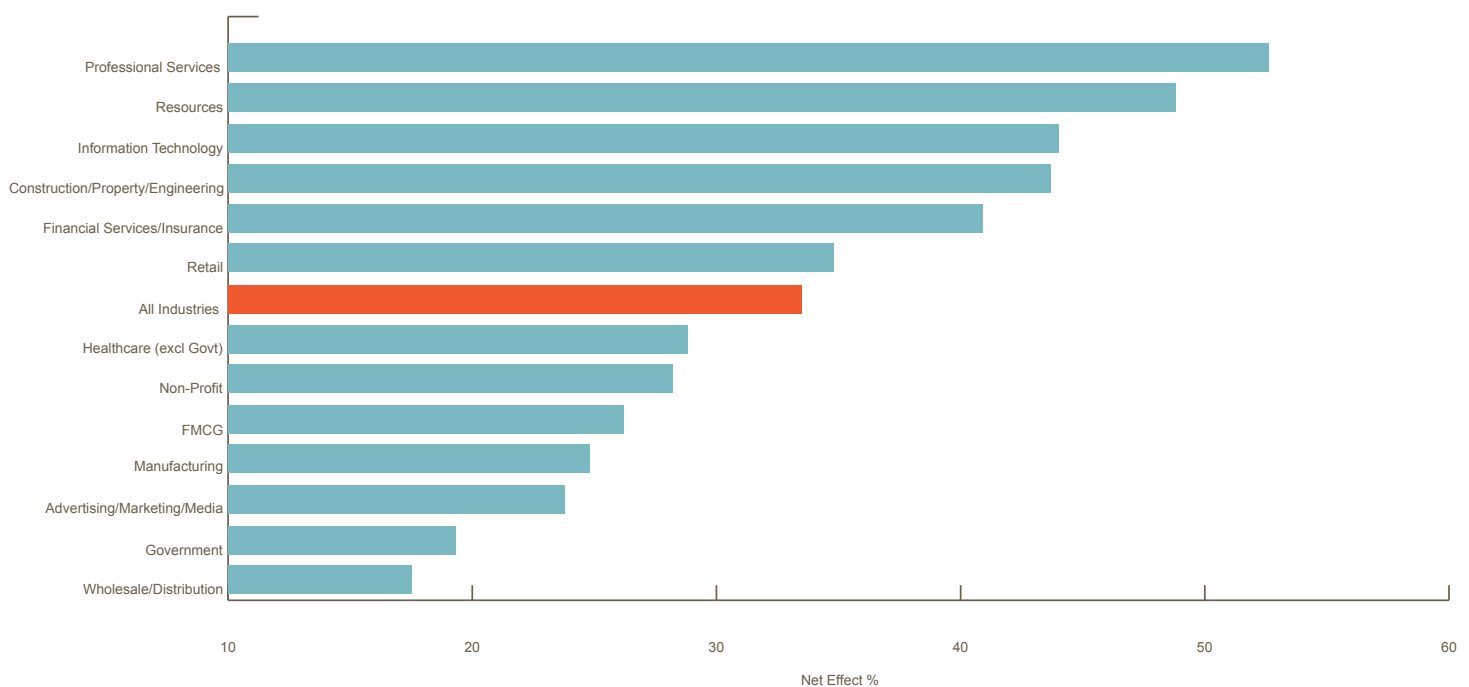
The easing in sentiment nationally has been fairly broad-based across the economy with just under half of the industries surveyed for the October–December 2010 quarter recording a decline in sentiment this quarter and the other half recording an increase. The level of sentiment across industries is nevertheless widely varied.

Employer confidence in the **IT** industry has continued to increase, rising 2.0pp in the sixth consecutive quarter of increasing sentiment. Employers are the most confident they have been in over two years with a net 44.0% indicating an intention to increase their permanent staff levels over the coming three

months. This remains one of the strongest levels of confidence nationally. Organisations across a wide range of industries are currently making significant investments in technology in order to reduce costs, improve efficiencies, transform service delivery and improve customer experience. For example, a number of major financial services providers have embarked on ambitious transformation programs; the mining and resources sector has invested heavily in new technologies to support expansion; and the utilities sector has invested in the delivery of new energy saving technologies and services. A shortage of skilled candidates is reappearing, with architects, business analysts and project managers in high demand in some parts of the country.

Hiring intentions in the **government** sector have recovered most of the decline last quarter with a rise of 3.4pp—a net 19.3% of employers are now reporting plans to increase their permanent staff levels over the coming three months. In Queensland, a gradual lifting of budgetary constraints and structural reforms taking shape have seen some senior managers starting to give the go-ahead for carefully considered recruitment, while in NSW, some positions have needed to be approved in order to maintain the capacity needed to progress projects. On the other hand, Federal Government departments were in caretaker mode at the time of surveying and a significant number of hiring decisions put on hold pending an outcome. The extension of the decision making process to form a new

NATIONAL PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

Government was also a compounding factor in putting decisions on hold. Government employers in SA continue to face considerable uncertainty around the State Government's response to the Sustainable Budget Commission report.

Resources employers have reported the first decline in sentiment in 18 months as the sense of nervousness around the Government's resources tax makes itself felt in hiring intentions. While the big miners have largely been comfortable with the concessions made by Government in the reworked Minerals Resource Rent Tax announced in July, the small miners are still facing credit constraints and uncertainty about the impact of the proposed tax.¹⁵ Down 3.3pp from last quarter, a net 48.8% of employers have nevertheless reported plans to increase their permanent staff levels over the coming three months, well above the levels reported throughout 2009. Given high commodity prices, a high Australian dollar making imported equipment cheaper, and confidence in the strength of demand from China, mining companies are indicating significant upgrades to their investment plans for the near to medium term. Total mining capital investment is projected to soar to nearly \$55 billion in 2010–11, largely underpinned by Chevron's \$43 billion Gorgon liquefied natural gas development in WA.¹⁶

The **professional services** industry has maintained the large gains in confidence reported last quarter, with a net 52.6% of employers indicating an intention to increase

their permanent staff levels over the coming three months. Up 0.1pp from last quarter, this is the strongest result since the March quarter 2008 and the industry remains the most confident across industries nationally. Legal and accounting firms have ramped up demand for lawyers and accountants to meet a recovery in demand from clients in the banking and finance, resources and property and construction sectors. Skill shortages are beginning to emerge in areas such as legal and accounting, and some of the large national law firms have started considering international sourcing of candidates for the first time since the global financial crisis.

A net 43.7% of employers in the **construction/property/engineering** industry have reported plans to increase their permanent staff levels over the coming three months, reflecting strong levels of construction activity. The Federal Government's building program has been the source of strength in the construction sector over the past year, with funding of \$14.7 billion on school building and \$6.6 billion on public housing over two years. Public building work increased by 7.5% in the June quarter to be up 120% over the year. While this is expected to wind down over the coming year, a rotation towards the private sector is emerging, with private infrastructure work rising 2.5% in the June quarter after having contracted 7.3% over the course of 2009. This was largely due to the commencement of work on the \$43 billion Gorgon LNG project in WA.¹⁷ An upswing in the residential sector is also underway in the June quarter, with new residential construction rising 12.5% in the June quarter. Demand for

new housing picked up following the low interest rates in 2009 and government incentives for first home buyers, and this is expected to drive construction activity into 2011.¹⁸ While employer sentiment remains high, the result is nevertheless 7.9pp lower than that reported in our last survey, the first quarterly decline in 18 months.

A net 40.9% of employers in the **financial services** industry have reported an intention to increase their permanent staff levels over the coming three months, with demand for staff driven by the areas of business banking, financial advisory, risk and compliance and transformation projects. Financial services organisations cut back deeply on staff numbers during the global financial crisis and many are still replacing roles lost as well as adding additional capacity to deliver growth. While employer confidence is strong, the result this quarter has nevertheless been dampened by caution in global financial markets, uncertainty around the outcome of the Federal Election and apprehension about regulatory change, with sentiment 10.6pp lower than that reported last quarter.

In the **manufacturing** industry, employer sentiment has declined 4.8pp from last quarter as manufacturers respond to the strong Australian dollar, the higher cost of raw materials and recent uncertainty surrounding the Federal Election. A reasonably strong net 24.8% of employers are nevertheless intending to increase their permanent staff levels over the coming months, reflecting continuing modest increases in manufacturing activity.¹⁹ The industry has recently reported

¹⁵ BIS Shrapnel Economic Outlook, September 2010

¹⁶ BIS Shrapnel Economic Outlook, September 2010

¹⁷ 'Australian construction: rotation to private sector emerges', Westpac, 25 August 2010

¹⁸ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

¹⁹ Australian Industry Group—PricewaterhouseCoopers Australian Performance of Manufacturing Index, August 2010

PERMANENT EMPLOYMENT EXPECTATIONS

strong investment intentions, focused on those sectors set to benefit from a further round to the mining investment boom and strong forecast increases in mining production.²⁰

Employer sentiment in the **advertising/marketing/media** industry has softened 1.2pp, with a net 23.8% of employers now reporting an intention to increase their permanent staff levels over the coming three months. While the vast majority are planning to hold their current headcount steady, there have been pockets of hiring activity. For example, there has been a flurry of recruitment activity by agencies looking to acquire expertise in the digital space, as they expand into the field of social media marketing.

Employer sentiment in the **FMCG** industry has built on the solid increase last quarter with a further rise of 7.4pp. Hiring intentions are at their highest level in almost three years with a net 26.2% of employers planning to increase permanent staff over the coming three months. Employees have now seen almost two years of larger workloads and pay freezes and employers are realising that in order to retain valued staff they need to grow their teams. In addition, there has been increased demand for specialists in category management as more employers recognise the need to develop expertise in this area in order to maintain or improve competitive advantage.

Weaker profits in the **wholesale** industry have seen employer sentiment decline 11.7pp from last quarter, with a net 17.5% now reporting

plans to increase permanent staff. This result is the lowest level of confidence across industries nationally.²¹

Employer sentiment in the **private healthcare** industry has more than recovered the decline reported last quarter with a rise of 4.2pp. Sentiment is now at its highest level since the September quarter 2008 with a net 28.8% of employers reporting plans to increase permanent staff levels over the coming quarter. Demand for staff in this industry is on a long-term growth path due to the ageing of the population, the demand for new and improved health services, technological changes and the growth of community and home based services.

Hiring intentions in the **retail** sector continue to rise as consumer spending picks up. With trend retail sales growing at a 5.2% annualised pace over the last three months,²² hiring intentions are now at their highest level since the June quarter 2008 with a net 34.8% of employers reporting an intention to increase their permanent staff levels over the coming three months. This represents a rise of 10.4pp from that reported last quarter, building further on the increase reported previously.

Sentiment in the **telecommunications** industry has remained steady, with a net 27.3% of employers reporting an intention to increase their permanent staff levels over the coming three months. While developments in mobile technology continue to drive expansion for telcos, considerable uncertainty for the outlook of the industry was stirred up by the

intense political debate over the fate of the National Broadband Network during the Federal Election.

Strong growth in demand for **transport services**²³ has seen employer sentiment in the transport industry remain high, with a net 33.9% of employers indicating plans to increase permanent staff levels over the coming three months.

²⁰ BIS Shrapnel Economic Outlook, September 2010

²¹ BIS Shrapnel Economic Outlook, September 2010

²² 'Aus retail sales perk up a bit', Westpac, 31 August 2010

²³ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

PERMANENT EMPLOYMENT EXPECTATIONS

AUSTRALIAN CAPITAL TERRITORY

- ACT employer sentiment falls 10.5pp to 26.0%
- Government hiring intentions drop 14.2pp for extended caretaker mode

Reflecting the considerable impact of the Federal Election on the ACT labour market, employer sentiment in the Territory has fallen 10.5pp from last quarter, with a net 26.0% of employers reporting an intention to increase their permanent staff levels during the October–December 2010 quarter. This is the first decline in hiring intentions in 18 months.

With Federal Government departments in caretaker mode at the time of surveying, employers in the government sector reported a 14.2pp drop in hiring intentions from last quarter with a significant number of hiring decisions put on hold pending an outcome. Hiring intentions for the sector went from being twice the national average to well below the national average, with a net 15.2% of employers reporting an intention to increase their permanent staff levels during the coming three months. This is the lowest level since the June quarter 2009.

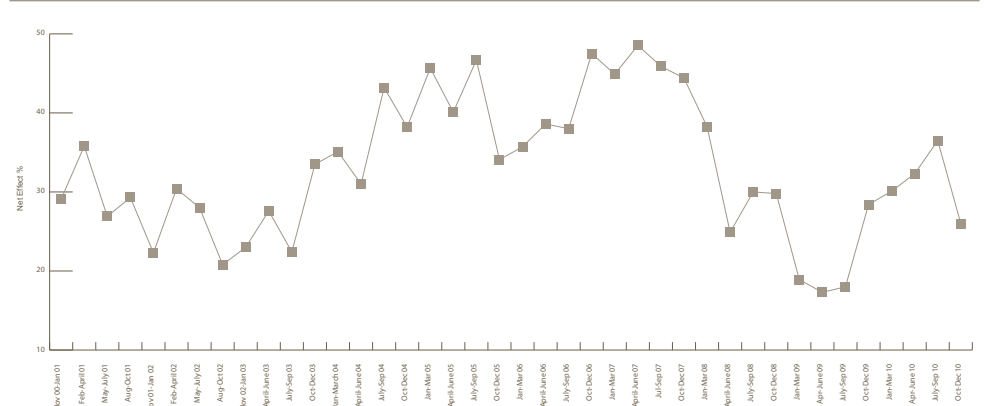
It is important to note that a dip in hiring intentions was to be expected during this time. Additionally, the extension of the decision making process to form a new Government will have been a compounding factor in negative pressure on intentions.

Even though we now have a new Government in place, the medium-term hiring prospects for the ACT are still far from clear. As new portfolios are established and policy agendas prioritised, the influence of specific departmental resourcing requirements will take some time to be reflected in hiring intentions.

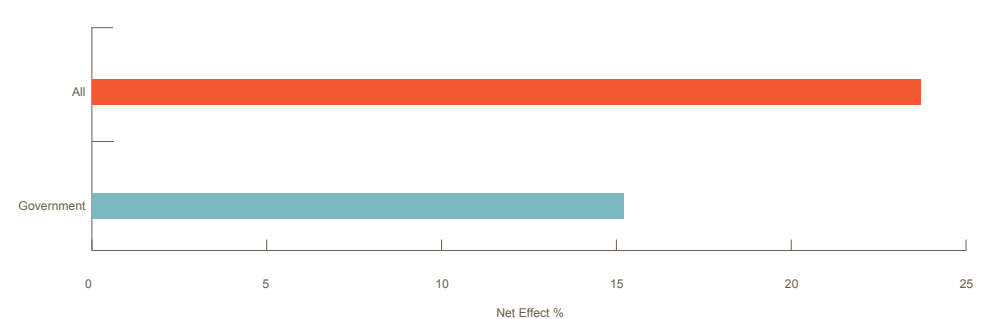
During this time, it is imperative that employers across all sectors in the ACT maintain a

diligent view on their workforce, especially their key talent and high performers. As shown by the recent Hudson 20:20 Series whitepaper, the workforce is already restless and looking at new opportunities now. Any perceived delay in hiring decisions across the Federal Government landscape, could significantly impact the resourcing abilities of departments over the coming weeks.

ACT PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



ACT PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

NEW SOUTH WALES

- NSW employer sentiment increases for a sixth consecutive quarter as demand for labour shows marked improvement
- Professional services sentiment up a further 3.0pp to 46.8%, driven by demand for accountants
- Construction employers remain confident at 45.1%

Employer confidence in NSW has increased again as business conditions continue to improve and demand for labour picks up markedly. Hiring intentions are currently at their highest level since mid-2008, with a net 33.8% of employers reporting an intention to

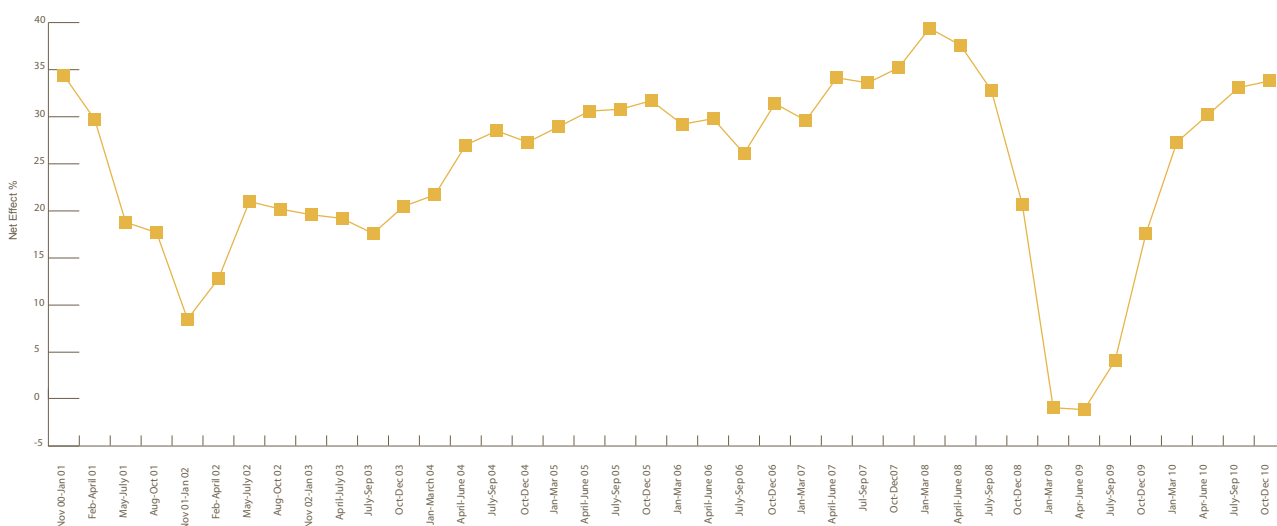
increase their permanent staff levels during the October–December 2010 period. This result is up 0.7pp from last quarter in the sixth consecutive quarter of rising sentiment.

NSW state demand accelerated to 1.3% in the June quarter to be up 5.7% over the year,²⁴ with consumption growth rebounding 1.5% in the quarter after a modest decline in the March quarter.²⁵ Housing investment in NSW rose 6.5% in the June quarter, with new dwelling construction up a very strong 13.2%.²⁶ The NSW unemployment rate is now back to where it was prior to the global financial crisis, falling to 5.0% in August from 5.5% in July and down from the peak of 6.1% in October 2009.²⁷

With the strength in the recovering economy and business confidence continuing to rise, there has been a significant increase in demand for staff with many employers finding that the market is moving quickly and putting greater emphasis on securing top talent. It is not uncommon to see candidates receiving multiple offers in the job market as well as a counter offer from the organisation they are leaving. The excess capacity in the labour market is starting to disappear and skills shortages return which will, in turn, put upwards pressure on wages.

Growing demand for staff and increased recruitment budgets have seen employer sentiment in the professional services industry

NSW PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



²⁴ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

²⁵ 'Aus retail sales perk up a bit', Westpac, 31 August 2010

²⁶ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010 ABS Labour Force 6202.0, August 2010

²⁷ 'Australian construction: rotation to private sector emerges', Westpac, 25 August 2010

PERMANENT EMPLOYMENT EXPECTATIONS

rise to the strongest level since the June quarter 2008. Building on the jump last quarter, hiring intentions have risen a further 3.0pp, with a net 46.8% of employers now indicating plans to increase their permanent staff levels over the coming three months. Spurring the rise is demand from clients in the banking, wealth management and property sectors as well as a new focus on process improvement and efficiency projects across all industries. A shortage of candidates is emerging for mid to senior level accountants and business advisers with specialist skills in product strategy, insurance and 'first mover' firms. Increased merger and acquisition activity has seen a steady increase in demand for lawyers with banking and finance backgrounds, and some of the large national

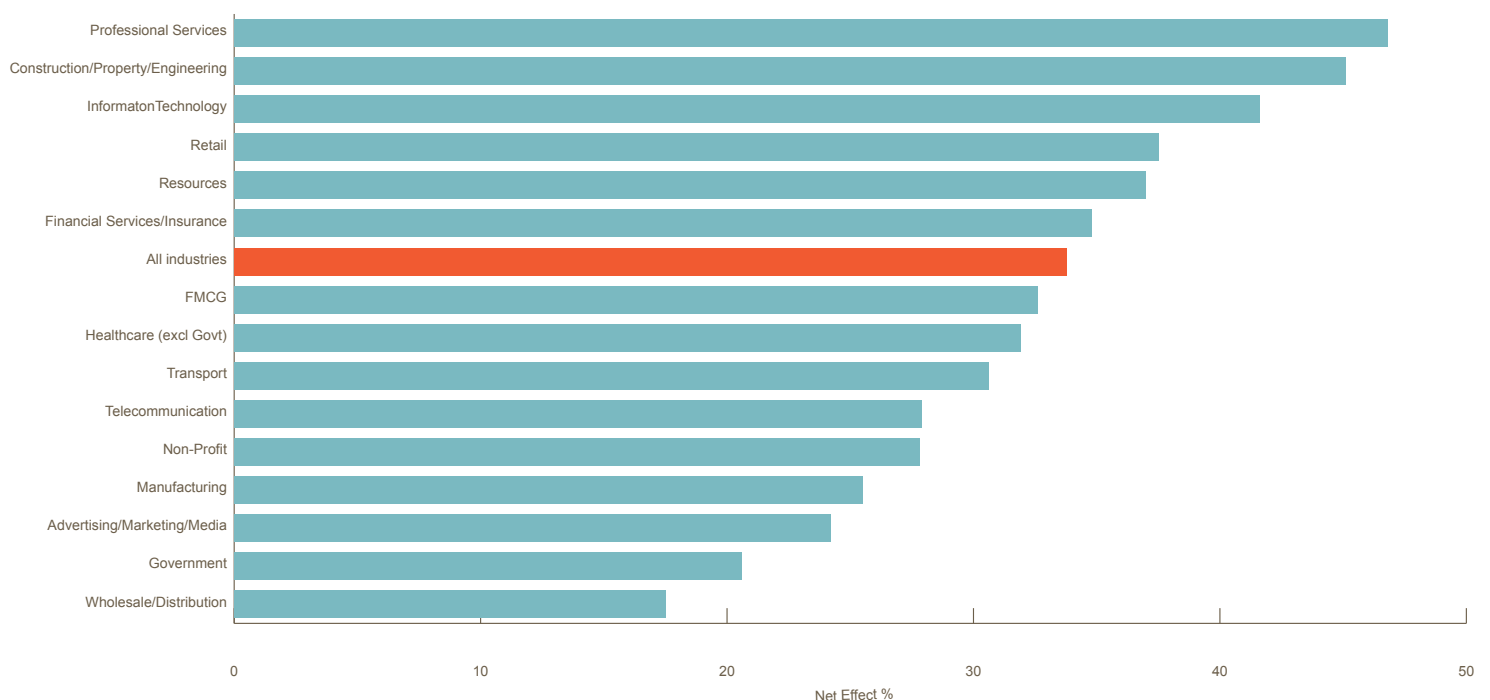
law firms have now started considering overseas candidates for the first time since the global financial crisis. However, while demand for lawyers has increased, vacancies are not yet back to the levels seen before the global financial crisis, with top tier law firms in particular remaining relatively conservative in their hiring.

A net 34.8% of employers in the financial services industry have reported an intention to increase their permanent staff levels over the coming three months, with demand for staff driven predominantly by project opportunities as well as corporate governance work such as risk and compliance frameworks and policy. While employer confidence is still relatively strong, it has nevertheless been dampened by

caution in global financial markets, uncertainty around the outcome of the Federal Election and apprehension about regulatory change, with sentiment 11.1pp lower than that reported last quarter, the first decline in over 18 months.

Reflecting stronger conditions in the construction industry, recruitment activity amongst construction/property/engineering employers has shown steady improvement this year, with a net 45.1% currently indicating plans to increase their permanent staff levels over the coming three months. After five consecutive quarterly increases previously, this result remains the same as that reported last quarter and the highest level since the September quarter 2008. Total construction

NSW PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

work in NSW has increased 7% over the first half of 2010²⁸ and the volume of projects is much greater than last year. Work is continuing on the planning, design and construction of infrastructure projects funded by the State and Federal governments, for example the \$1.7 billion redevelopment of Macquarie University,²⁹ the Bloomfield Hospital redevelopment in Orange and the building of a new correctional centre at Cessnock. Major rail and road projects are also continuing, such as the South West rail link project, the Hume Highway duplication project, and the Hunter Expressway Project. The employment market for projects such as these can be candidate short as they require highly specialised skill sets and often need workers to relocate to regional areas. With many projects yet to move into the construction phase, demand for labour is likely to remain strong.

In the manufacturing industry, employer sentiment has declined 5.8pp from last quarter as manufacturers respond to the strong Australian dollar, the higher cost of raw materials and recent uncertainty surrounding the Federal Election. A reasonably strong net 25.5% of employers are still intending to increase their permanent staff levels over the coming months, reflecting continuing moderate increases in manufacturing activity.³⁰

Hiring intentions in the government sector have increased strongly since last quarter, with a net 20.6% of employers currently reporting plans to increase their permanent staff levels over the coming three months. This result is up a significant 10.6pp from

our last survey. The hiring freeze in the NSW public service has been in place for over 18 months now and many departments have been running with extremely low headcount. It has come to the point where some positions have needed to be approved in order to maintain the capacity to deliver on projects. New projects have also started to begin in response to new government priorities. The increase this quarter may also reflect a seasonal increase in recruitment activity at the beginning of a new budget cycle, and while up from last quarter, sentiment in the industry nevertheless continues to be the lowest across industries in NSW.

New and ongoing technology projects in the banking and telecommunications sectors have seen hiring intentions in the IT industry rise to their strongest level since the June quarter 2008, with a net 41.6% of employers reporting an intention to increase their permanent staff levels over the coming three months, up a further 5.1pp from last quarter. Sentiment in the industry is currently amongst the strongest in NSW.

Sentiment in the telecommunications industry has remained relatively steady, declining just 3.3pp following the large swings seen over the previous 12 months. A net 27.9% of employers are now reporting an intention to increase their permanent staff levels over the coming three months. While developments in mobile technology continue to drive expansion for telcos, considerable uncertainty for the outlook of the industry was stirred up by the intense political debate over the fate of the National Broadband Network during the Federal Election.

Employer sentiment in the advertising/marketing/media industry continues to improve, with hiring intentions building on the small rise last quarter with a further increase of 3.6pp. A number of senior positions that have been vacant for a while have recently been filled within key agencies, and this is likely to have signalled confidence across the industry that leadership teams expect activity levels to continue to improve. There has also been a flurry of recruitment activity by agencies looking to acquire expertise in the digital space, as they expand into the field of social media marketing. A net 24.2% of employers reported and intention to increase their permanent staff levels over the coming three months.

Employers in the FMCG industry have more than recovered the drop in sentiment seen last quarter, with sentiment rising 8.6pp to its highest level since the March quarter 2008. Employees have now seen almost two years of larger workloads and pay freezes. Brand Managers, for example, have experienced a major scaling back in new product development and creative work. Employers are realising that in order to retain their valued staff they need to grow their teams, and a net 32.6% are currently indicating an intention to increase their permanent staff levels in the coming three months. In addition, there has been increased demand for specialists in category management as more employers recognise the need to develop expertise in this area in order to maintain or improve competitive advantage.

²⁸ Approval of \$1.7 billion redevelopment at Macquarie University, NSW Government

²⁹ Australian Industry Group—PricewaterhouseCoopers Australian Performance of Manufacturing Index, August 2010

³⁰ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

PERMANENT EMPLOYMENT EXPECTATIONS

HUNTER/CENTRAL COAST

- L Sentiment declines a further 0.9pp due to political uncertainties and renewed caution in the global economy
- L Resources confidence down a further 6.9pp
- L Construction/property/engineering sentiment remains relatively strong

Employer sentiment in the Hunter/Central Coast region has eased for a second consecutive quarter, reflecting uncertainty over Federal Election results and the future of the resources tax and carbon reduction scheme. For the local operations of some multinational corporations, overseas head offices are also reimposing restrictions on hiring due to renewed caution in the global economy.

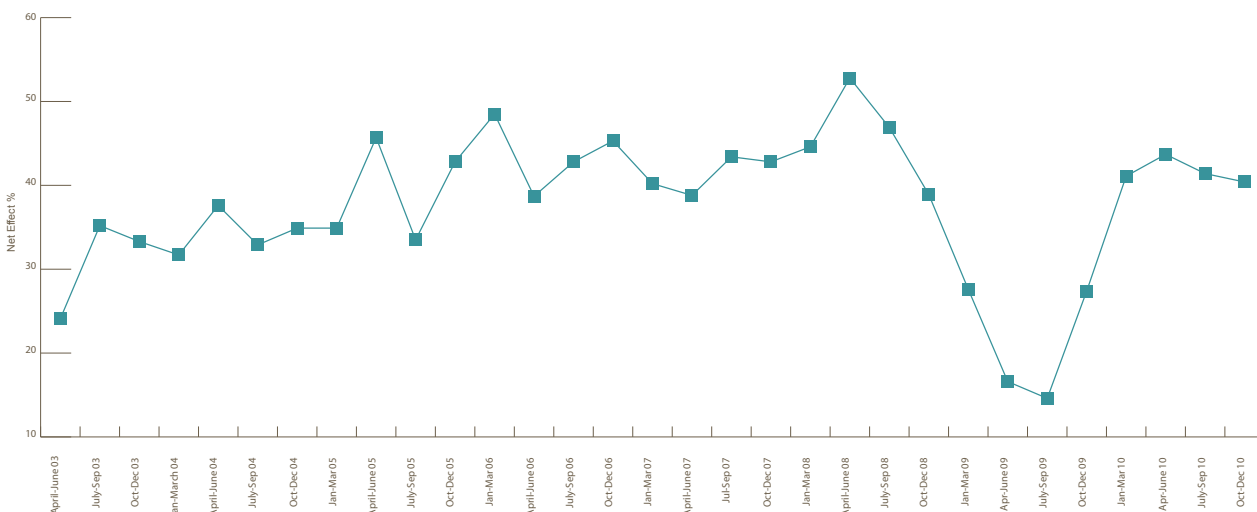
Down 0.9pp from last quarter, a net 40.4% of employers in the region are still intending to increase their permanent staff levels over the coming three months. High coal prices and continued strong demand continue to sustain both private sector investments in and public investments in support of the coal chain. Along with the flow-on effect to indirect suppliers that service the industry, this is driving growth in the local employment market. While employers are currently applying longer lead times and stricter processes in their recruitment activities, hiring intentions remain well above the averages for NSW (33.8%) and Australia (33.5%).

A net 42.0% of employers in the resources industry reported plans to increase their permanent staff levels over the coming three months, driven by continued expansion in the coal supply chain across port, loaders,

haulage and rail infrastructure. Considerable uncertainty about the future of the resources tax and the impact it would have on investment plans has nevertheless seen confidence decline 6.9pp from last quarter.

Strong demand for engineers has seen hiring intentions in the construction/property/engineering industry remain high, with extensive engineering construction work continuing across bridges, roads, port and rail projects. A net 54.5% of employers reported an intention to increase permanent staff levels over the coming three months. This result is nevertheless 5.1pp lower than that reported last quarter, possibly due to construction work from the Building the Education Revolution program coming to a close. Other infrastructure projects have recently been announced but these teams are largely already assembled and will carry over to the next stages.

HUNTER/CENTRAL COAST PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010)



PERMANENT EMPLOYMENT EXPECTATIONS

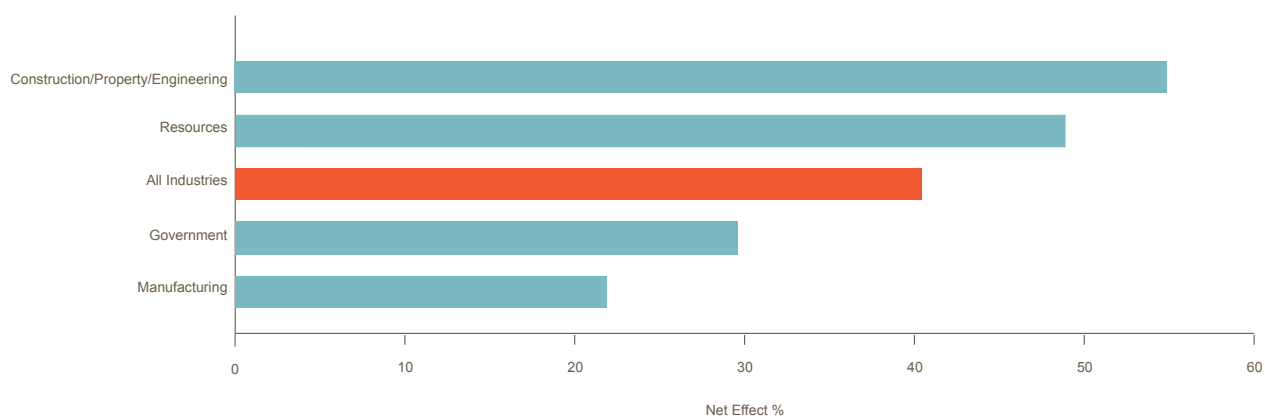
Employers in the manufacturing industry have reported a 28.1pp decline in sentiment, driven by a range of factors. A net 21.9% of employers reported an intention to increase their permanent staff levels over the coming three months. After consistently reporting sentiment well above the national industry average over previous quarters, sentiment in the local industry is now below that recorded for the rest of NSW (+25.5%) and Australia (+29.6%). Larger manufacturers that cut staff heavily during the global financial crisis moved quickly earlier this year to rebuild teams, and this is still ongoing. However, small and medium sized organisations that carried staff through the downturn are still struggling to emerge with any degree of growth. The industry also faced uncertainty over the

outcome of the Federal Election and the flow-on effects this may have for the local industry, for example a possible competitive advantage for manufacturers with expertise in energy efficiency if the carbon tax is implemented.

Employment expectations in the government sector have more than recovered the rapid drop seen last quarter, rising 14.8pp to the highest level in two years. While NSW Government departments remain constrained by a headcount freeze, there has recently been an easing in the freeze for critical positions in some organisations, with some agencies given latitude to meet project requirements. Federal funding for major projects has also created some fixed-term

contract roles within State Government organisations. A net 29.6% of employers reported an intention to increase their permanent staff levels over the coming three months.

HUNTER/CENTRAL COAST PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

GREATER WESTERN SYDNEY

- Employer sentiment rises a further 3.7pp to 24.8%
- Construction/property/engineering sentiment rebounds 23.4pp

Employer sentiment in Greater Western Sydney has built on last quarter's increase with a further rise of 3.7pp, as demand for staff picks up across a range of role types. Now reporting their highest level of sentiment

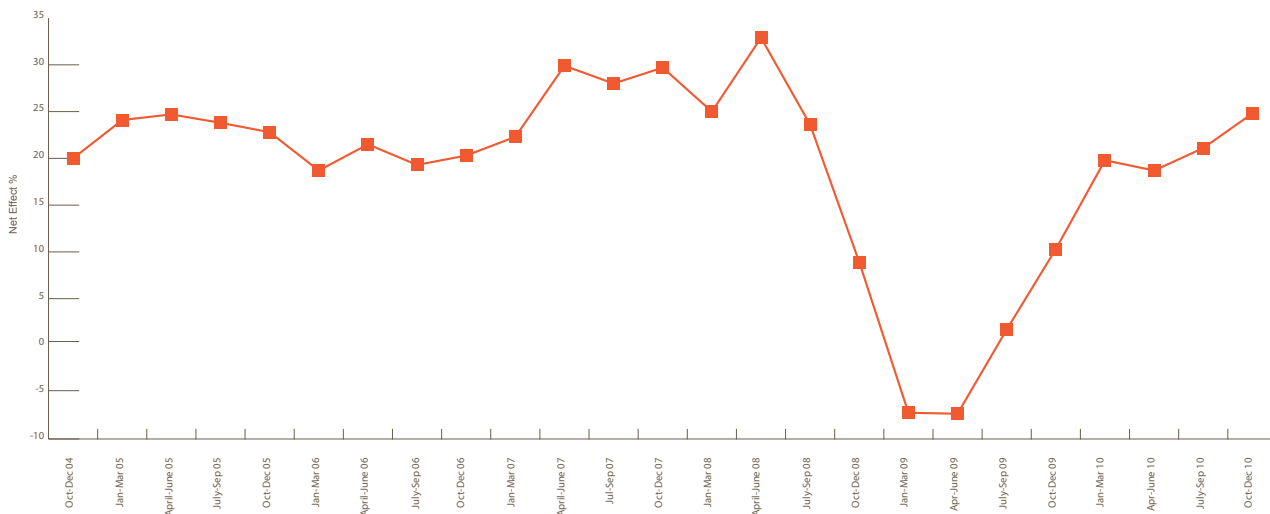
since the June quarter 2008, a net 24.8% of employers are reporting an intention to increase their permanent staff levels over the coming three months. There has been a marked increase in demand for sales, marketing and communications professionals, and demand for accounting and finance professionals is also increasing.

The construction/property/engineering industry has made a strong contribution to employer sentiment in the area this quarter, with increased building activity seeing hiring intentions increase a considerable 23.4pp

from last quarter. New dwelling construction in NSW was up a 13.2% in the June quarter,³¹ and this is expected to continue strengthening into early 2011. Driven by increased recruitment activity within some of the major players, a net 35.9% of employers are currently planning to increase their permanent staff levels over the coming three months.

Employer sentiment in the manufacturing industry has remained relatively low, with local manufacturers continuing to feel the effects of the strong Australian dollar and high cost of raw materials. A net 17.4% of

GWS PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



³¹ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

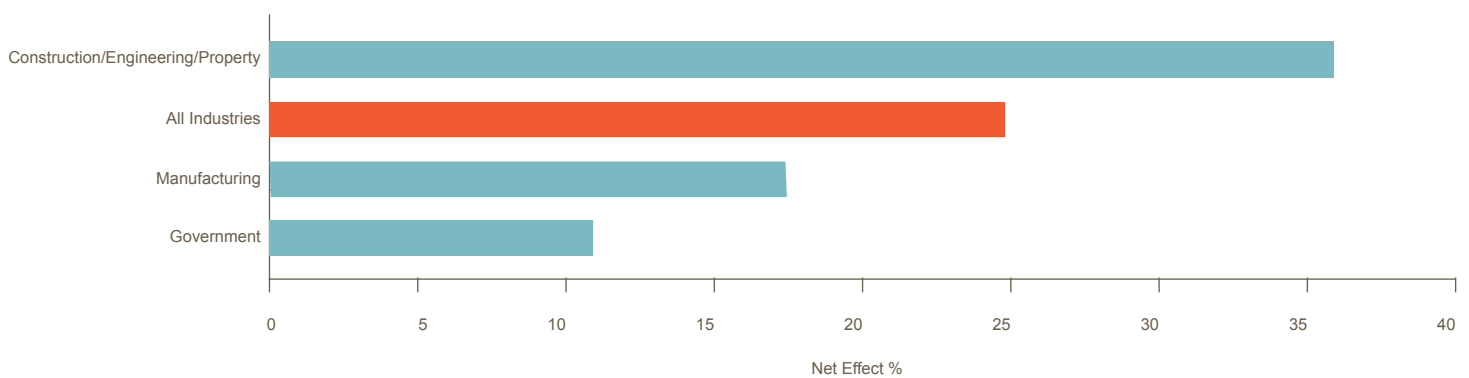
PERMANENT EMPLOYMENT EXPECTATIONS

employers reported an intention to increase their permanent staff levels over the coming three months. While this result is well above the levels recorded throughout 2009, it remains well below the average for the industry in NSW (+25.5%) and Australia-wide (+29.6%).

levels over the coming three months, down 2.1pp from last quarter. While there are some pockets of hiring, for example within BusinessLink, Landcom and Workcover, recruitment activity is not expected to change significantly at least until the State election in March 2011.

Hiring intentions in the government sector remain heavily constrained by the hiring freeze within the NSW public service, which has now been in place for over 12 months. A low net 10.9% of employers are currently reporting an intention to increase their permanent staff

GWS PERMANENT EMPLOYMENT EXPECTATIONS (October-December 2010): By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

QUEENSLAND

- Queensland employer sentiment remains high as employers continue to even out staff levels from the downturn
- Government sentiment rebounds 10.7pp to 34.9%
- Construction/property/engineering hiring intentions strong but slowing

Hiring intentions in Queensland have remained high as employers continue to even out staffing levels following the significant staff reductions that were made last year. A net 39.9% of employers have reported an intention to increase their permanent staff levels during the October–December 2010 period. After having increased continuously for the previous five quarters, this represents a softening of 1.1pp from last quarter, although the result remains the highest level of employer

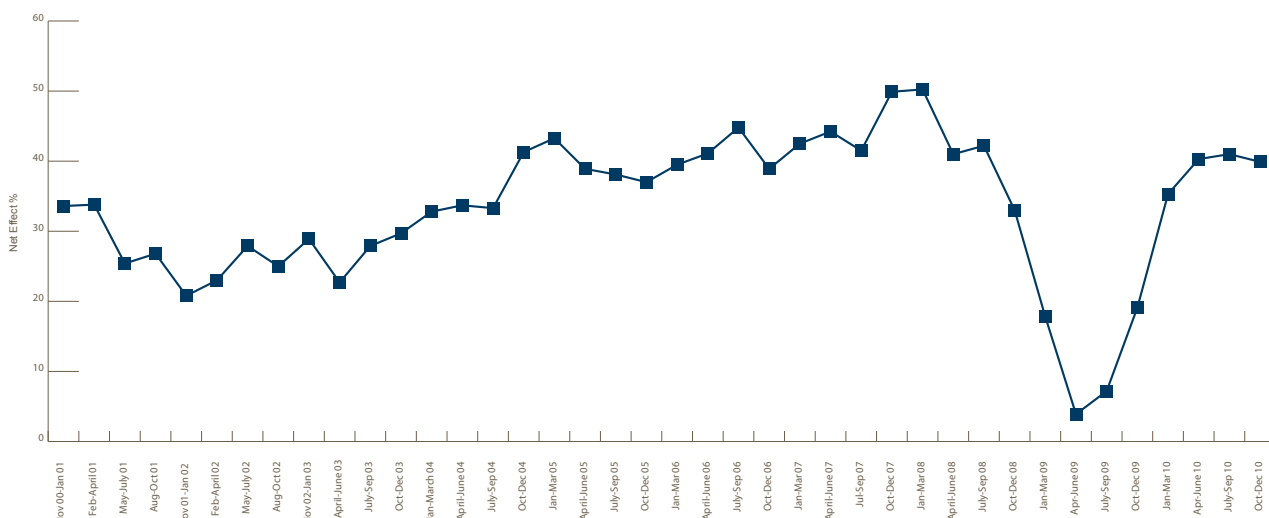
confidence since the September quarter 2008, after that recorded last quarter.

The Queensland economy appears to be recovering well, with State demand rebounding 1.4% in the June quarter and business investment jumping an astounding 12.3% after having declined 24% since the December quarter 2008. Housing investment is also improving, rising 6.9% in the June quarter due to a 12.8% increase in new dwelling investment, while household consumption is also showing improvement compared to that seen throughout 2009, rising 0.8% over the quarter. The main drag on growth during the quarter was public investment, which declined 13%.³²

Following three quarters of declining sentiment previously, hiring intentions in the government sector have rebounded 10.7pp

as employers begin to fill roles left vacant during 2009. The impact of the global financial crisis on state revenues as well as significant reforms to the machinery of government saw government recruitment slow considerably over the past 18 months. With a gradual lifting of budgetary constraints and structural reforms taking shape, senior managers are now starting to give the go-ahead for carefully considered recruitment. While hiring processes remain slow due to the need to consider internal candidates displaced by departmental changes, a net 34.9% of employers are reporting an intention to increase their permanent staff levels over the coming three months. Overall sentiment nevertheless remains impacted by the Government Asset Sale Plan for Queensland Rail, Port of Brisbane, Queensland Motorways, the Abbot Point Coal Terminal and Forestry Plantations Queensland.³³

QLD PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



³² www.qld.gov.au/assetssale/

³³ 'Australian construction: rotation to private sector emerges', Westpac, 25 August 2010

PERMANENT EMPLOYMENT EXPECTATIONS

A relatively strong net 43.6% of employers in the construction/property/engineering industry have reported plans to increase their permanent staff levels over the coming three months, reflecting recent improvements in construction activity. Construction work in Queensland increased a solid 2.4% during the June quarter, partially reversing the 6% decline over the previous six quarters,³⁴ with housing investment growing 6.9% on the back of a 12.8% increase in new dwelling construction.³⁵ Major construction projects are continuing such as the Queensland Children's Hospital, the Gympie Bypass, and ongoing rail and roads projects. A skills shortage has developed for technical roles and employers remain continually on the look out for high calibre candidates that will lift the quality of their teams. While employer sentiment remains

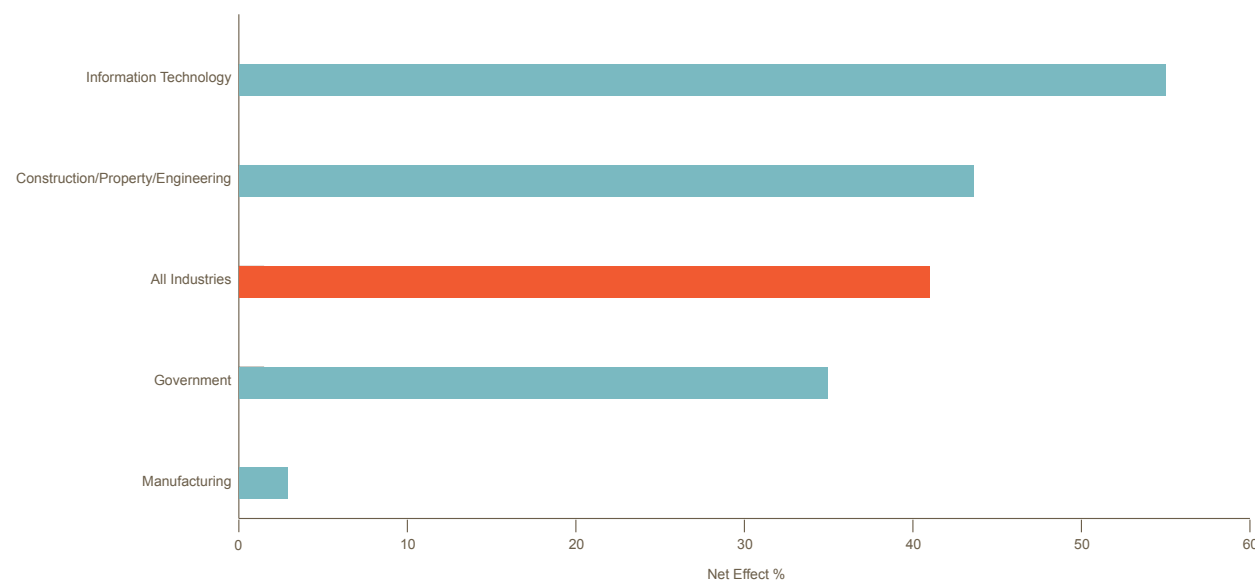
high, the result is nevertheless 10.9pp lower than that reported in our last survey, the first quarterly decline in 18 months. This may be due to the fact that building and construction projects under the Federal Government's Economic Stimulus Plan are beginning to wind down, with noticeably less tenders in the market at the moment than that seen previously. The private sector is not yet ready to re-emerge as the driver of growth as commercial developers are still not confident and remain hindered by a difficulty accessing finance.

The professional services industry continues to make a strong contribution to Queensland employer confidence, with a net 59.7% of employers indicating an intention to increase their permanent staff levels over the coming

three months. This result is nevertheless down 5.1pp from last quarter. Legal and accounting firms have ramped up demand for lawyers and accountants to meet a recovery in demand from clients in the banking and finance, resources and property and construction sectors. Employment levels in these fields are very close to the levels seen prior to the global financial crisis and supply is quickly shortening of qualified lawyers and accountants. Areas where gaps remain are across corporate services functions such as accounting support, IT, human resources and marketing, and it is unclear when these will pick up.

Hiring intentions in the resources industry have been stimulated by the progress of considerable investment projects, as resources

QLD PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



³⁴ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

³⁵ BIS Shrapnel Economic Outlook, September 2010

PERMANENT EMPLOYMENT EXPECTATIONS

companies respond to high commodity prices and strong demand from China. Up 7.6pp from last quarter, a buoyant net 60.6% of employers indicated an intention to increase their permanent staff levels over the coming three months, the strongest result across industries in Queensland. BHP Billiton Mitsubishi Alliance Coal Operations has announced the development of its Bowen Basin Coal Growth project, which will involve the expansion and construction of three mines and a new airport. A pre-feasibility study is currently being undertaken by Bandanna Energy and AMCI for the proposed \$1.5 billion South Galilee coal project west of Rockhampton, while an investment decision is expected on the \$35 billion Australia Pacific LNG project in December. While hiring intentions remain high, however, the local industry remains concerned about the Federal Government's resources tax, particularly second tier resource companies who continue to face uncertainty about the impact of the reworked Minerals Resource Rent Tax.³⁶

PERMANENT EMPLOYMENT EXPECTATIONS

SOUTH AUSTRALIA

- South Australian employer sentiment softens for a third consecutive quarter despite improving State economy
- Government sentiment returns to positive territory but remains very low
- Construction/property/engineering sentiment relatively strong at 39.3%

Employer sentiment in South Australia has declined for a third consecutive quarter due to uncertainty about the Federal Election at the time of the survey as well as the effects of recent turbulence in global financial markets. After a surge in optimism at the beginning of the year, employers across a range of industries are now showing more caution in their hiring intentions, with more

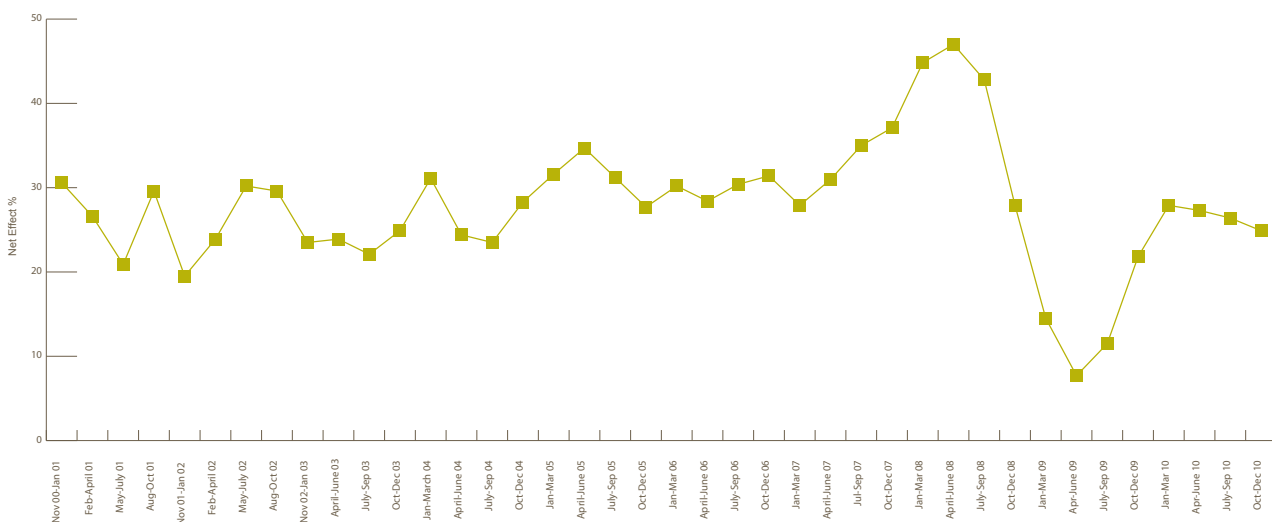
preferring to hold their permanent headcount steady rather than take on additional staff. A net 24.9% of employers indicated an intention to increase their permanent staff levels during the October–December 2010 period, 1.5pp lower than that reported last quarter.

While employers are expressing caution, the South Australian economy continues to show solid momentum with State demand rising 1.3% in the June quarter to be up 5.9% over the year. Household consumption has been the main driver of economic growth, rising 1.8% over the June quarter. Public investment on the other hand declined over the quarter.³⁷

Employer sentiment in the government sector has returned to positive territory after moving into the negative last quarter, with a net 4.8%

of employers now reporting an intention to increase their permanent staff levels over the coming three months. This result is 10.2pp higher than that reported last quarter when a net 5.4% of employers were planning to reduce staff. Employers have faced considerable uncertainty around the State Government's response to the Sustainable Budget Commission report, and while the government does not have an official hiring freeze, most departments have been anticipating reductions so there has been very low activity in recruitment. Interestingly, demand for contractors has remained reasonably steady as employers turn to these resources to get work done in an environment where the outlook for permanent hiring is uncertain.

SA PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



PERMANENT EMPLOYMENT EXPECTATIONS

Skills shortages have emerged in the construction/property/engineering industry for trades, procurement and contract management professionals. A net 39.3% are now reporting an intention to look for permanent staff over the coming three months. There are still a number of construction projects underway, driven by major infrastructure investments by State and Federal Governments. However there is a feeling that with building projects under the Building the Education Revolution program easing and with other major projects already underway, that there may be a lag between these winding down and new private sector projects commencing. This may be the lower levels of employer sentiment than that seen last quarter, with sentiment down 21.3pp from last quarter's two-year high. The residential construction market also remains relatively

slow in comparison to the other States, with housing investment growing just 1.7% in the June quarter, a result that was nevertheless positive after the 6.9% contraction seen in the March quarter.³⁸

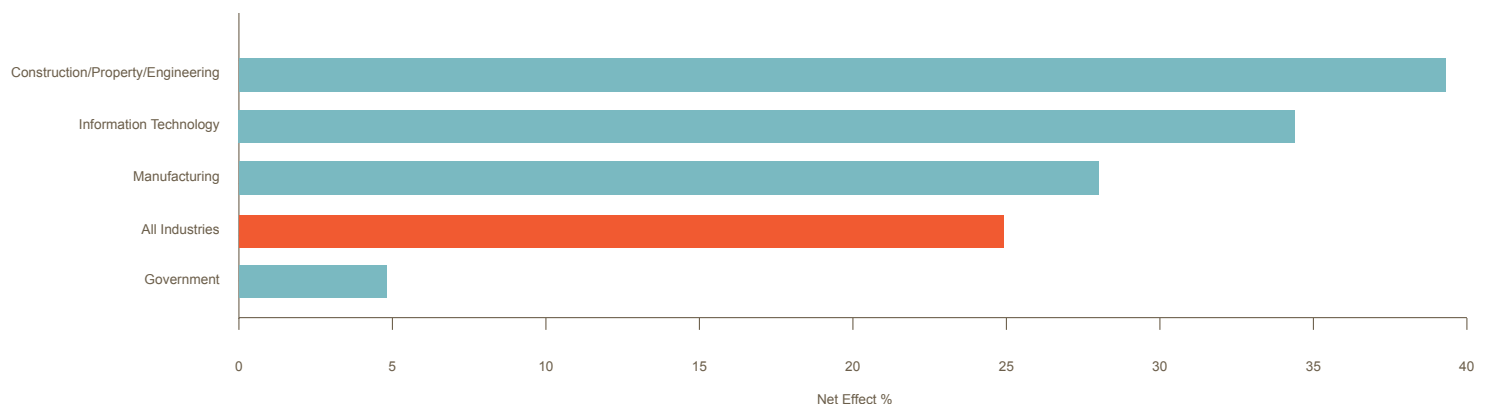
Employers in the manufacturing industry reported a modest increase in confidence as manufacturing activity shows improvement,³⁹ with sentiment rising 2.8pp from last quarter following two quarters of declining sentiment previously. A net 30.0% are now indicating an intention to increase their permanent staff levels over the coming three months.

Hiring intentions in the financial services industry have remained steady, with a solid net 44.1% of employers reporting an intention to increase their permanent staff levels over the coming three months, the same result as last

quarter. The areas that are currently showing the strongest demand for candidates are in business banking and financial advisory.

The National Broadband Network is driving hiring activity in the IT industry and a shortage has already developed for candidates with high level technical telecommunications skills. A net 34.4% of employers indicated plans to increase their permanent staff levels over the coming three months, the same level of sentiment as that recorded last quarter. Weighing on sentiment is uncertainty within the State Government which has put government ICT projects in a state of flux.

SA PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



³⁸ Australian Industry Group–PricewaterhouseCoopers Australian Performance of Manufacturing Index, August 2010

³⁹ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010; and 'Australian construction: rotation to private sector emerges', Westpac, 25 August 2010

PERMANENT EMPLOYMENT EXPECTATIONS

VICTORIA

- Victorian employer confidence remains high as the economy continues to expand
- Financial and professional services sentiment strong at 50.4% and 46.0% respectively
- IT sentiment up 9.9pp with skills shortage rapidly re-emerging

Employer confidence in Victoria has remained at a high level as the State economy continues to expand, with many employers continuing to build teams in response to real growth and opportunity. A net 31.0% of employers reported an intention to increase their permanent staff levels during the October–December 2010 quarter. This result

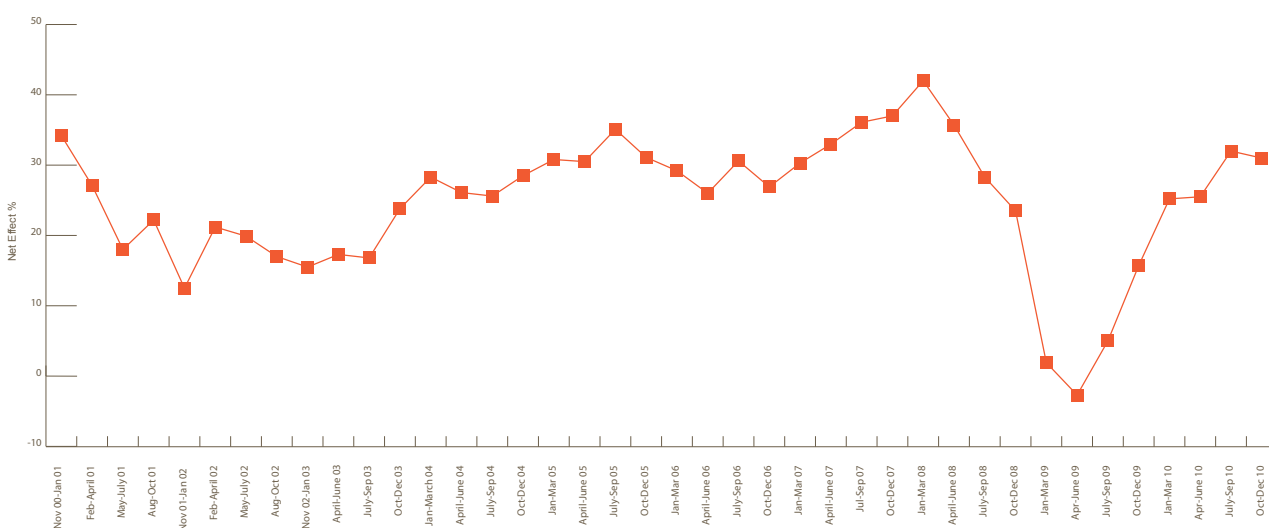
represents a softening of 1.0pp from last quarter, following five consecutive quarterly increases previously, possibly due to uncertainty about the Federal Election at the time of the survey for this Hudson Report, and perhaps also due to some employers having rebuilt teams sufficiently earlier in the year. Despite the decline, the current level of employer sentiment is the highest level since the June quarter 2008, after that recorded last quarter.

The Victorian economy grew by a particularly strong 1.9% in the June quarter, more than twice that seen in the March quarter, to be up 6.0% over the year. Public investment continued to surge, to be up more than 75% over the year to June. Total construction

work was up 4.9% over the quarter, with private sector infrastructure spending surging 12% and new dwelling investment surging 15.3%. Consumption growth was very healthy at 2.0%.⁴⁰

Employer sentiment in the professional services industry has eased after a rush of hiring within legal, accounting and business advisory firms saw hiring intentions rise to a two and a half year high last quarter. While down 12.7pp, a very strong net 46.0% of employers are nevertheless planning to increase their permanent staff levels over the coming three months, the second highest level of confidence across industries in Victoria. Skill shortages are beginning to emerge in areas such as legal and accounting,

VIC PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



⁴⁰ 'Australian construction: rotation to private sector emerges', Westpac, 25 August 2010

PERMANENT EMPLOYMENT EXPECTATIONS

and international sourcing of candidates is back on the agenda for specialist skills. Due to the increasing reliance on professional services firms to support organisations through a growth period, including the provision of outsourced business functions, demand for staff is expected to remain strong for the foreseeable future.

The financial services industry has reported the highest level of confidence across industries in Victoria, with a net 50.4% of employers indicating an intention to increase their permanent staff levels over the coming three months. This result is down just 2.4pp from last quarter after six consecutive quarters of rising sentiment previously. Financial services organisations cut back deeply on staff numbers during the global financial crisis and many are still replacing roles lost as well as adding additional capacity to deliver growth.

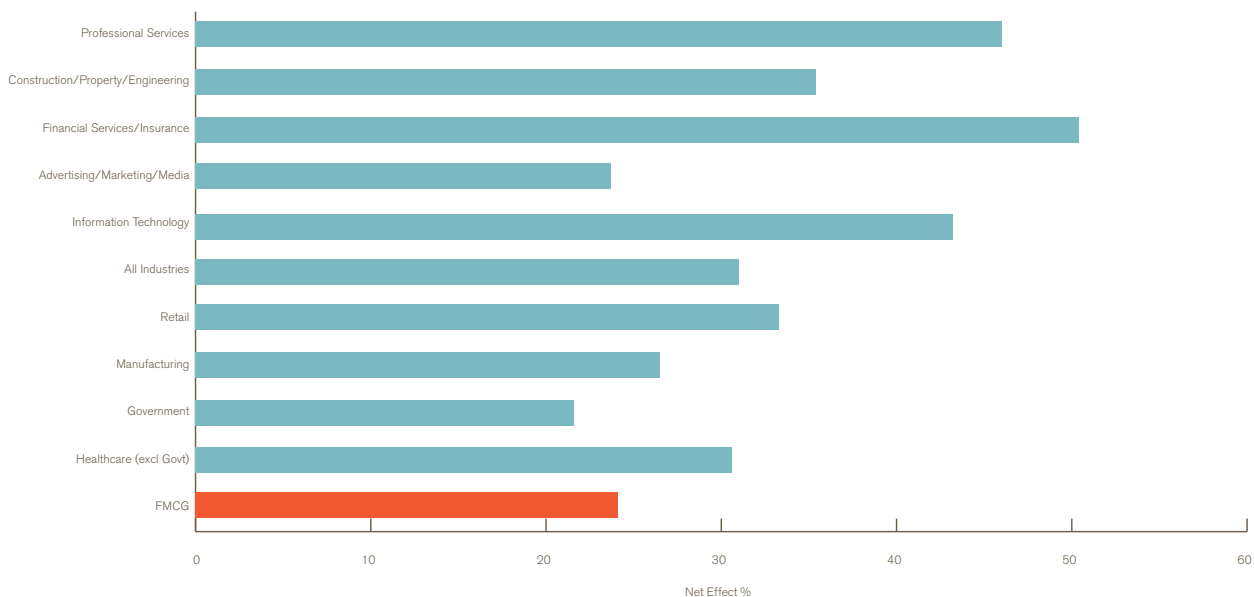
Many employers are already finding it difficult to source applicants with the right mix and level of skills and skill shortages are expected to become apparent over the coming year. The role types expected to increase in greatest demand include brokers and finance market dealers, audit occupations, financial planners, insurance specialists, and superannuation fund administrators and advisors.

A shortage of skilled candidates is also reappearing in the IT industry, with architects, business analysts and project managers in high demand. Hiring intentions amongst IT employers have increased 9.9pp from last quarter and a net 43.2% are now indicating an intention to increase their permanent staff levels over the coming three months. Organisations across a wide range of industries are currently making significant investments in technology in order to reduce

costs, improve efficiencies, transform service delivery and improve customer experience. For example, a number of major financial services providers have embarked on ambitious transformation programs; the mining and resources sector has invested heavily in new technologies to support massive expansion; and the utilities sector has invested in the delivery of new energy saving technologies and services as part of the National Energy Efficiency Initiatives, including implementation of SmartGrid technology. There has also been significant momentum in rolling out smart electricity meters, with Victoria the only state in Australia to have started deploying advanced metering technology to every household.

A net 34.3% of employers in the construction/property/engineering sector have reported an intention to increase their staff levels over the

VIC PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



PERMANENT EMPLOYMENT EXPECTATIONS

coming three months, reflecting ongoing demand across a range of industry professions including engineers, project managers and architects. Construction activity in Victoria has shown solid improvement this year, rising 4.9pp in the June quarter to be up 7% over the first half of 2010.⁴¹ Residential building activity remains strong, rising 7.9% in the June quarter as new dwelling investment surged 15.3%, while private sector infrastructure spending appears to have turned a corner, expanding 12% over the quarter.⁴² There have been record levels of infrastructure funding from the State and Federal Governments and a large number of building and construction projects are proceeding across roads, rail, hospitals and schools. While activity remains strong, employer sentiment is nevertheless 22.4pp lower than that reported last quarter, possibly due to a surge in hiring previously which saw core teams established.

Marginal improvements in manufacturing activity⁴³ have seen employer sentiment in the manufacturing industry remain relatively strong, with a net 26.4% of employers reporting an intention to increase their permanent staff levels over the coming three months. Sentiment is down a fractional 0.1pp from last quarter after five consecutive quarterly increases previously, and remains well above the deep negatives recorded during 2009.

Sentiment in the government sector has built on the modest increase last quarter with a further rise of 0.6pp. A net 21.6% of employers are now indicating an intention to increase their permanent staff levels over the coming three months. While this result remains historically low, projects underway continue to generate demand for staff, driven by major investment programs which saw public spending in Victoria rise 4.0% in the June quarter to be up 15.0% over the year.⁴⁴

Hiring intentions in the retail sector continue to rise as consumer spending picks up. With trend retail sales in Victoria rising at annualised rates of 9.6%, the highest in Australia,⁴⁵ hiring intentions are now at their highest level since the March quarter 2008, with a net 33.3% of employers now reporting an intention to increase their permanent staff levels over the coming three months. This represents a rise of 5.1pp from that reported last quarter, building further on the increase reported previously. Strong growth in consumer spending has also supported employer confidence in the FMCG industry, with hiring intentions rising 8.6pp in the third consecutive quarterly increase. A net 24.1% of employers are now reporting an intention to increase their permanent staff levels over the coming three months.

Employer sentiment in the private healthcare industry has built on the modest increase last quarter with a further rise of 13.6pp. Sentiment is now at its highest level since the March quarter 2008 with a net 30.6% of employers reporting plans to increase permanent staff levels over the coming quarter. Demand for staff in this industry is on a long-term growth path due to the ageing of the population, the demand for new and improved health services, technological changes and the growth of community and home-based services.

⁴¹ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

⁴² Australian Industry Group—PricewaterhouseCoopers Australian Performance of Manufacturing Index, August 2010

⁴³ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010; and 'Australian construction: rotation to private sector emerges', Westpac, 25 August 2010

⁴⁴ 'Aus retail sales perk up a bit', Westpac, 31 August 2010

⁴⁵ 'Australian Economy: Consumers spending again, buying a car & building a house', Westpac, 1 September 2010

PERMANENT EMPLOYMENT EXPECTATIONS

WESTERN AUSTRALIA

- WA employer confidence declines 6.0pp as nervousness about tax implications remains
- Resources sentiment down 13.6pp
- Professional services employers upbeat with hiring intentions up 18.8pp

Employer sentiment in Western Australia has declined 6.0pp from last quarter as the sense of nervousness around the Government's resources tax makes itself felt. The survey for this Hudson Report was also taken after the Federal Election when there was still uncertainty about who would form government.

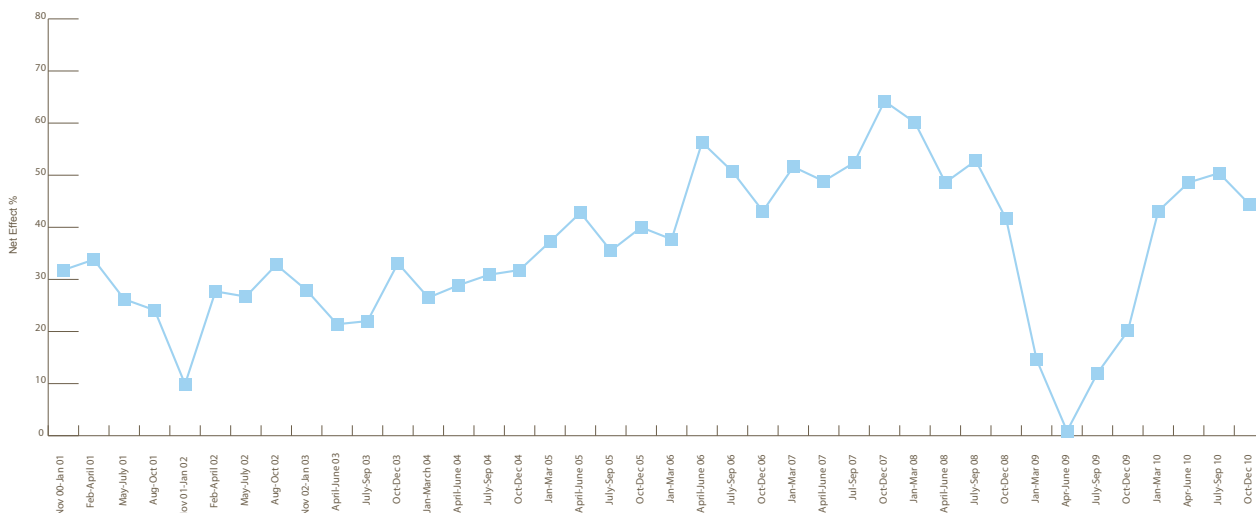
While many employers are holding their staff levels steady until they feel more confident about the implications of the tax, many are still undertaking recruitment, with a net 44.4% of employers indicating plans to increase their permanent headcount during the October–December 2010 period. This remains the strongest level of sentiment across the States and Territories.

The WA economy continues to strengthen, with State demand growing 3.0% in the June quarter to be up 7.9% over the year. Business investment rose by 3.7% in the quarter as infrastructure spending surged 18.6% thanks

to the Gorgon LNG project. Public demand growth was also strong at 5.7% due to a near 10% increase in public investment. Buoyed by the resource industry, consumption growth remained well above the rest of the country in during the June quarter at 2.5%.⁴⁶

Resources employers have reported a significant 13.6pp drop in confidence from that reported prior to the announcement of the original proposed Resource Super Profits Tax, driven by a shift away from increasing headcount towards holding permanent staff levels steady. While the big miners have been comfortable with the concessions made by

WA PERMANENT EMPLOYMENT EXPECTATIONS (November 2000–December 2010)



⁴⁶ BIS Shrapnel Economic Outlook, September 2010

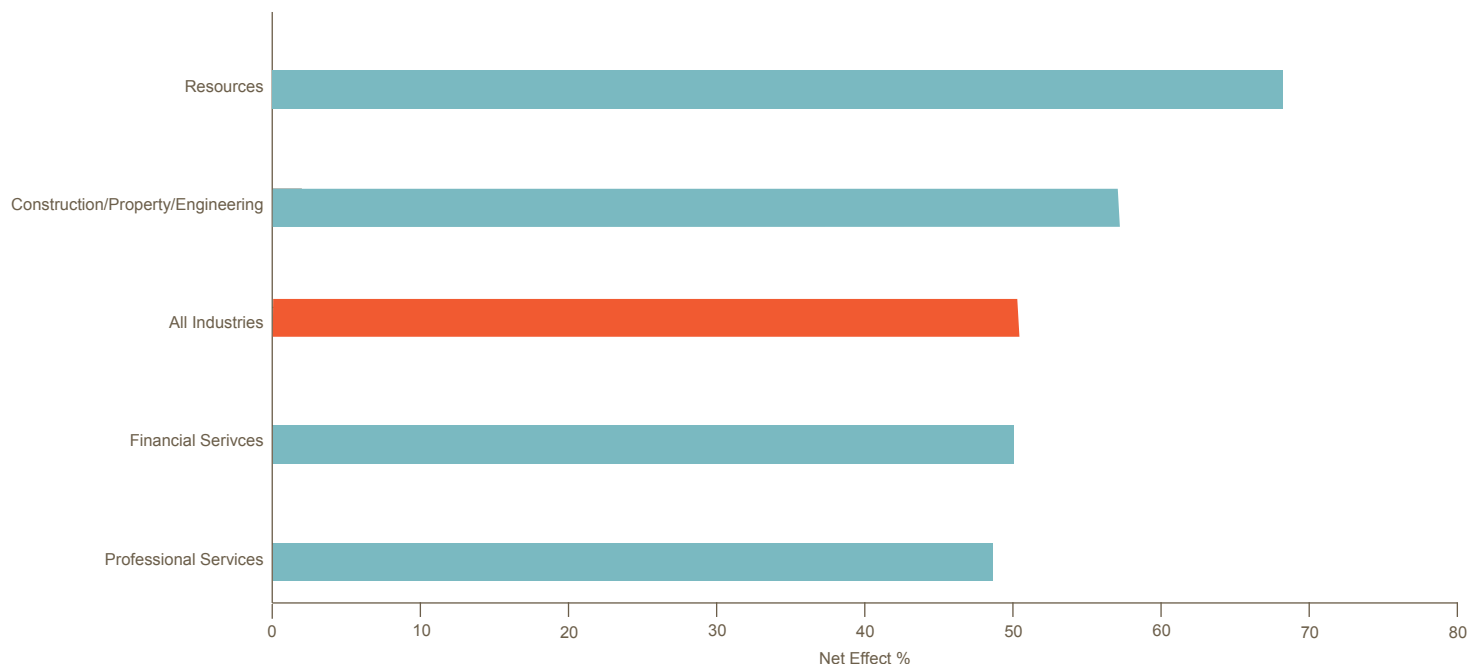
PERMANENT EMPLOYMENT EXPECTATIONS

Government in the reworked Minerals Resource Rent Tax announced in July, the small miners are still facing credit constraints and uncertainty about the impact of the proposed tax.⁴⁷ Overall, a net 54.5% of employers have nevertheless reported plans to increase their permanent staff levels over the coming three months, well above the levels reported throughout 2009. Given high commodity prices, a high Australian dollar making imported equipment cheaper, and confidence in the strength of demand from China, mining companies are indicating significant upgrades to their investment plans for the near to medium term. Both Rio Tinto and BHP have announced updates to their investment programs in recent weeks which have included substantial increases in planned capital expenditure.⁴⁸

A net 45.5% of employers in the construction/property/engineering industry have reported an intention to increase their permanent staff levels over the coming three months, underpinned by strong construction activity driven by the resources industry. Total construction activity in WA surged 12% in the June quarter (up \$1.1 billion), delivering half of the nationwide rise in construction work.⁴⁹ Private infrastructure spending surged 18.6% in the quarter, largely due to commencement of Chevron's \$43 billion Gorgon liquefied natural gas development. While hiring intentions are relatively strong, the result is nevertheless 11.7pp lower than that reported last quarter due to the general feeling of nervousness coming from the resources sector, and more employers are holding their current staff levels steady for the time being.

The professional services industry is one area where hiring intentions have risen this quarter, with confidence up 18.8pp. The rise this quarter more than makes up for last quarter's decline and sentiment is now at its highest level in three years with a net 67.4% of employers indicating an intention to increase their permanent staff levels over the coming three months. Law firms and chartered accounting firms have seen demand for their services increase significantly, in part driven by project work and increased corporate activity but also by a client base that is hesitant to increase headcount in these functions internally. Experienced lawyers and accountants with more than two to three years post-qualification experience are in high demand across most practices and specialisations.

WA PERMANENT EMPLOYMENT EXPECTATIONS (October–December 2010): By Industry



⁴⁷ BIS Shrapnel Economic Outlook, September 2010

⁴⁸ BIS Shrapnel Economic Outlook, September 2010

⁴⁹ 'Australian construction: rotation to private sector emerges', Westpac, 25 August 2010

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