



Global Health & Benefits Update

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January 2007

GERMAN COMPANIES PLANNING TO HIRE IN 2007

German companies like Continental and Adidas plan to hire and increase spending in 2007 as profits rise, helping Germany, the biggest economy in Europe, to keep growing after it enjoyed its fastest expansion in six years. Executives at 18 of the 26 German companies that participated in an annual survey said that they expected earnings to improve. Twenty-two said they would invest as much or more than they did in 2006, and 14 plan to employ more workers. Most respondents said they expected economic expansion to continue in 2007 and said that a sales-tax increase being introduced in Germany would dampen growth only temporarily. This optimism reflects the improving economic conditions that helped push German unemployment to a four-year low and stimulated consumer spending. As one German executive summarized, "The German economy is ready to take off."

JAPAN WAGES FLAT

Shinzo Abe, the new Japanese prime minister vowed to continue the decade-long trend of economic reform and restructuring in Japan upon his victory to office in 2006. Over the past five years, Japan has experienced gradual but steady growth. In fact, third quarter numbers for 2006 mark the 19th straight quarter of growth. The unemployment rate reached an eight-year low (4%) in 2006. Even in this environment of GDP growth and a tightening job market, wages for Japanese workers are remaining steady. The Japanese Health, Welfare, and Labor Ministry reports that over the past eight years, the average annual salary decreased by 400,000 yen (about \$3,400) or 10%. This trend was barely reversed in 2006, but there has yet to be any sign of a surge upward. In 2006 so far, average annual salary has increased by less than one half percent.

Salary stagnation is not necessarily good news for HR managers in Japan. While low and mid-level employees are experiencing fewer wage increases, salaries and bonuses for directors and top executives have doubled in the past five years. Stock options, introduced to Japan ten years ago, are also becoming more common and larger in size. Much of the money saved by companies not raising employee compensation has also been lost to rising fuel and raw materials costs.

TALENT FLOWS BOTH WAYS BETWEEN HONG KONG AND THE MAINLAND

More Hong Kong residents are looking to China for better job opportunities. China's economy is growing at a rapid pace and the country has a shortage of local talent with international business experience. Average income in 2007 in Hong Kong has risen only 3% from 2006. Salaries for Hong Kong residents working in China, however, increased by around 25%, raising their salaries to levels equivalent to those they could expect in Hong Kong. Hong Kong residents are generally the highest paid Asian expatriates in China. Furthermore, the cost of living in most Chinese cities is significantly cheaper than Hong Kong. The combination of these factors makes China a very attractive option for talented Hong Kong residents. There are currently around a quarter of a million Hong Kong residents working in China, most of them in professional positions.

FIEs operating in mainland China often find it advantageous to hire Hong Kong residents for management positions. They generally speak some Mandarin and English fluently, but have more experience in Western-style business environments, and do not require extensive cultural training. The Hong Kong government is aware of the recent brain-drain trend and has recently begun implementing strategies of its own to attract talent to Hong Kong. One such strategy is the "Quality Migrant Admission Scheme." This program, initiated by Hong Kong immigration authorities in July 2006, aims to attract foreign talent from a variety of fields. The scheme is open to nationals of many countries worldwide, but targets mainland Chinese with exceptional skills or academic qualifications. Those with finance and accounting skills are a particular focus of the program. During its first four months of operation, however, the program has admitted less than 100 skilled workers into Hong Kong for employment.



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