

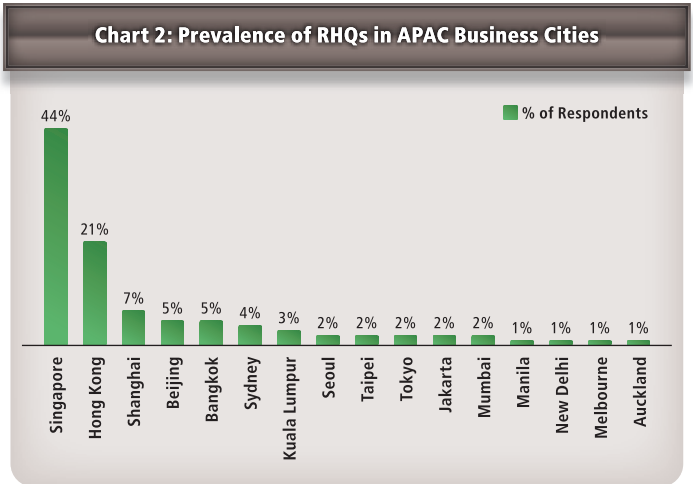
Regional Hubs in Asia and Pay 設立亞洲地區總部及薪酬比較



Multi-National Companies (MNCs) from all over the world are jumping on the bandwagon to carve their niche in the rapidly growing Asian markets. In fact, for some, Asia constitutes the bulk of their global business, while for others, Asia's share of the total global business is getting larger. In the eyes of many, Asia is essentially China and India – the two giants with huge domestic markets of 1.3 and 1.2 billion people respectively and emerging to become the future superpowers of the world. The rest of Asia is small and seems to matter little. So, when it comes to setting up their regional headquarters (RHQ) in Asia, would not China or India seem the natural choice? Shanghai has been touted to be the competitive RHQ in Asia. Is it already gaining a strong foothold, winning over more global MNCs? How about Delhi or Mumbai? In which locations are MNCs more likely to set up their RHQ in Asia? This article examines the key RHQ trends and current pay levels of regional functions in key cities. Throughout this article, sub-regional refers to 2 to 7 countries, while regional refers to 8 countries or more.

The rest of the Asian cities have a very small number of such offices, including Sydney with 4% and New Delhi at 1%.

Chart 2: Prevalence of RHQs in APAC Business Cities



Total no. of regional offices: 122

Source: HRBS Executive Pay Survey 2010

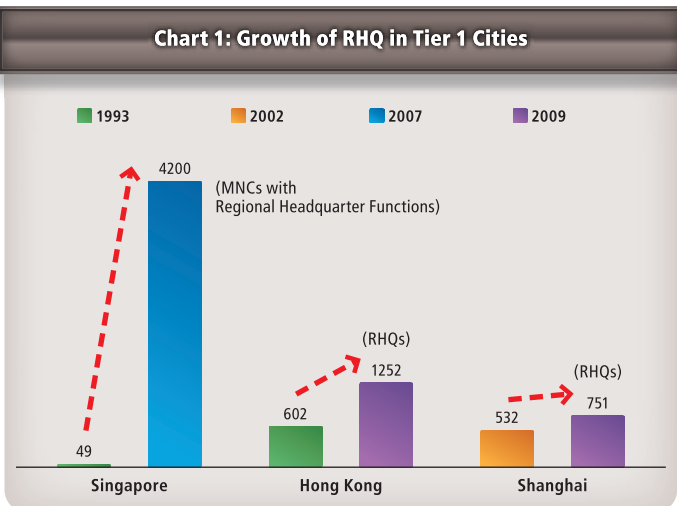
RHQ Trends in Asia

As of December 2009, the number of RHQs in Shanghai was 751 (People's Daily Online, 2009). This is around 60% of the 1,252 in Hong Kong (Census and Statistic Department, HK, 2009), and 18% of the 4200 located in Singapore (Singapore EDB 2007). Though the numbers might not be directly comparable because of differing definitions of RHQ, the numbers clearly put Singapore ahead of Hong Kong, followed by Shanghai. It is noteworthy that the number of RHQs in Singapore grew nearly 86 times from the 49 recorded back in 1993 (Zilva, 2004). The number of RHQs in Hong Kong only doubled from the 602 recorded in 1993 (People's Daily Online, 2009) (Chart 1).

Critical Considerations Driving RHQ Location

"Access to Markets" is the top criteria for choice of RHQ location. This is logical as no one would locate their RHQ far away from their business concentration. Singapore's geographical location in the heart of Asia Pacific and its accessibility to North-east Asia, South & West Asia and Australasia certainly lands weight in this aspect. On top of this geographical advantage is its taxation advantages and the transparency of its legal system. "Availability and Cost of Qualified Labour" is second only to "Access to Markets & Clients" (Chart 3).

Chart 1: Growth of RHQ in Tier 1 Cities



Sources: [1] Singapore EDB [2] Zilva, 2004 [3] People's Daily Online, 2009 [4] Census and Statistics Department, Hong Kong, 2009

Chart 3: Factors affecting RHQ location

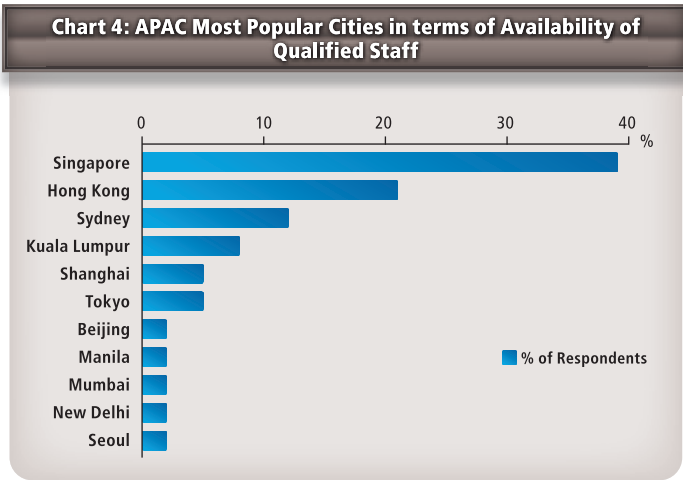
| Factor | Median | Average |
|---|--------|---------|
| Access to Markets & Clients | 1.0 | 1.5 |
| Availability and cost of qualified labour | 2.0 | 2.5 |
| Ease of travelling (Air Transport & Infrastructure) | 4.0 | 3.7 |
| Language and cultural affinity | 3.0 | 3.2 |
| Corporate Taxation and Contributions | 4.5 | 4.3 |
| Housing and Amenities | 6.0 | 5.5 |

1 = Highest; 6 = Lowest
Source: HRBS Survey, August 2010 (42 respondents from Hong Kong, Singapore and Shanghai)

That Singapore is clearly ahead as a regional hub in Asia among MNCs is further substantiated by HRBS Executive Pay Survey 2010 (Chart 2). Among 122 companies, 44% have their regional offices in Singapore, followed by 21% in Hong Kong and 7% in Shanghai.

Hong Kong is noticeably trailing Singapore when it comes to availability of highly-skilled foreigners. However, it is perceived to be the second most competitive city in talent availability (Chart 4).

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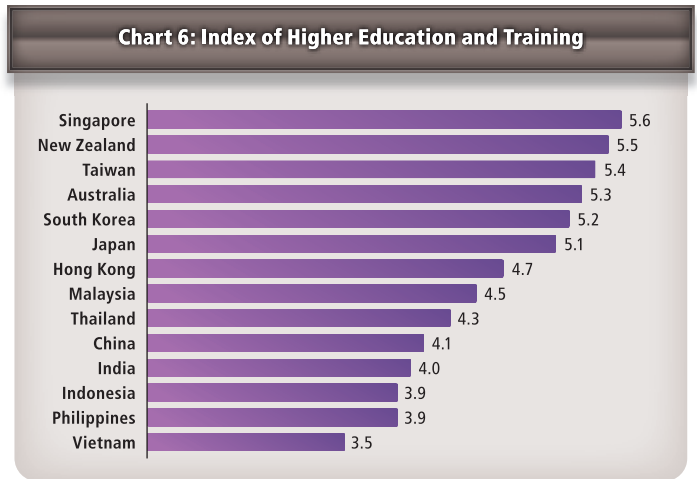
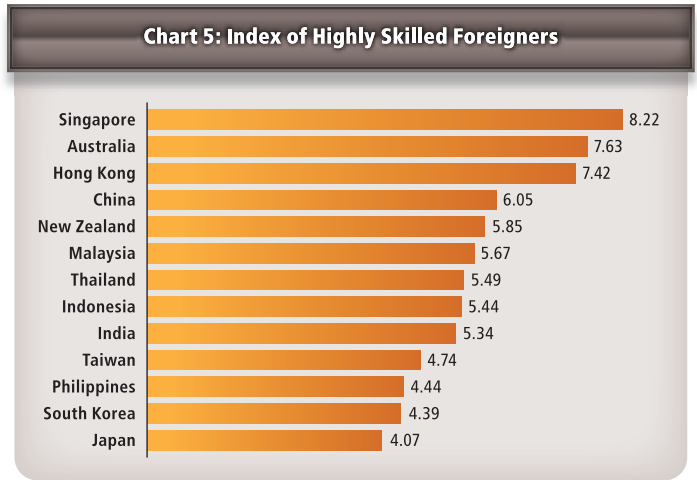


Sources: Cushman & Wakefield 2008

The Singapore government's sustained efforts in attracting foreign skilled workers have resulted in a foreign-talent-rich island state (Chart 5). According to recent statistics, 36% of Singaporeans are foreigners compared to 7.1% in Hong Kong and 0.4% in Shanghai (Guideme Singapore 2010, Time 2006, Bpovia 2009).

Singapore's focus on developing its higher education system has resulted in the city-state exceeding its target of attracting 10 world-class foreign institutions to plant their seeds there, successfully wooing 15 of them within a decade. The fourth publicly-funded university, the Singapore University of Technology and Design (SUTD), is scheduled to open its doors in 2011. Hong Kong and China have a fair bit to catch up in higher education and training (Chart 6).

Talent is relatively scarce in Shanghai. The heavily populated city of 19 million is ironically trailing significantly in terms of availability of qualified staff, falling three places behind Hong Kong, which is positioned second (Chart 4). Most employers in China, Shanghai included, have faced perpetual difficulty finding and keeping qualified specialists and managers. China also suffers brain drain as some of its best and brightest prefer to reside in other countries. Nevertheless, the Chinese government has stepped up on boosting its competitiveness in the labour market, unveiling a National Medium and Long-term Talent Development Plan (2010-2020) to work out favourable policies in terms of taxation, insurance, housing, children and spouse settlement, career development, research projects, and government awards for high-calibre overseas talents who are willing to work in China.



Sources: IMD World Competitiveness Yearbook (2009), The Global Competitiveness Report 2009-2010 (2009 World Economic Forum)

Table 1: Pay Premium of Sub-Regional Jobs over Country Jobs

| | Singapore | Hong Kong | Shanghai |
|-------------|-----------|-----------|----------|
| Jr. Manager | 5% | 8% | 25% |
| Sr. Manager | 1% | 3% | 10% |
| Director | 1% | 9% | 6% |
| VP | 3% | 11% | 5% |

Table 2: Pay Premium of Regional Jobs over Country Jobs

| | Singapore | Hong Kong | Shanghai |
|-------------|-----------|-----------|----------|
| Jr. Manager | 9% | 20% | 28% |
| Sr. Manager | 3% | 15% | 12% |
| Director | 10% | 17% | 16% |
| VP | 6% | 16% | 18% |

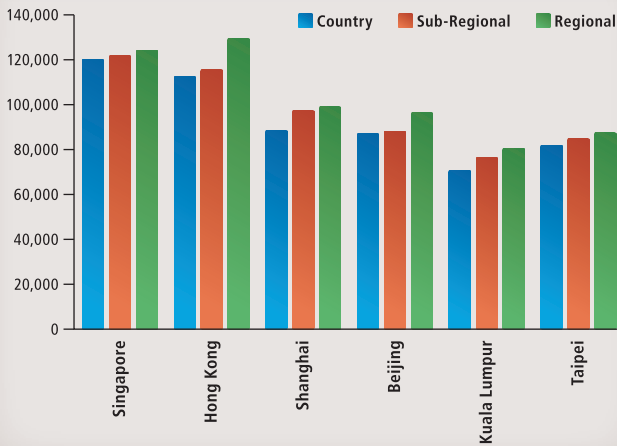
Regional Jobs – How Much Do They Fetch?

Regional jobs are paid more than local jobs, and where regional jobs are not commonly located, the pay premium gets higher. It is harder to find candidates with regional skill sets there. This trend is reflected in Charts 7 and 7A (senior managerial jobs) and Charts 8 and 8A (functional directors). Table 1 and Table 2 summarize the pay premium sub-regional or regional jobs command in key cities as compared to local jobs.

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Chart 7: Senior Managers (Median Annual Base Salary in USD, HRBS Ranks 17-19)



7A: Senior Managers By Role

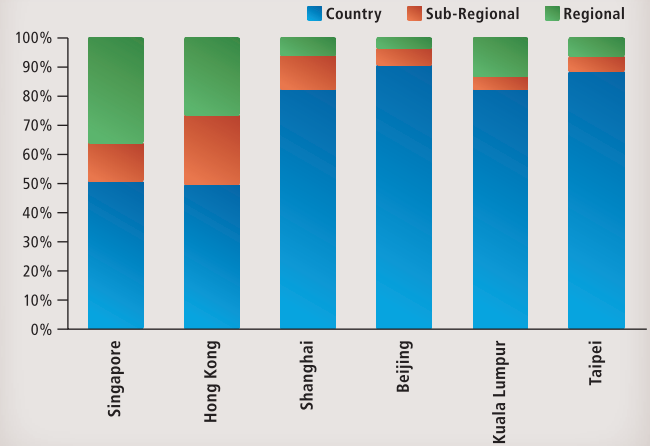


Chart 8: Directors (Median Annual Base Salary in USD, HRBS Ranks 20-22)

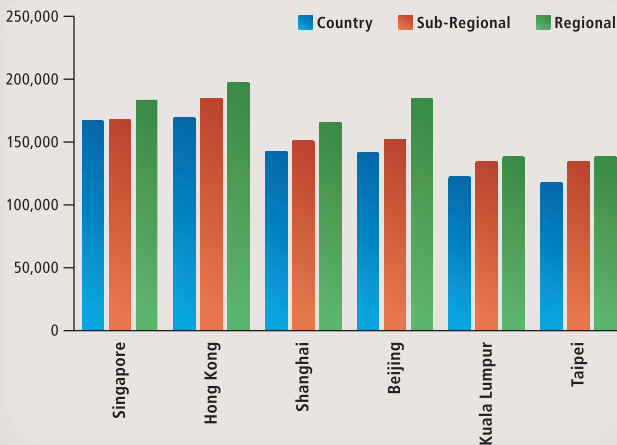
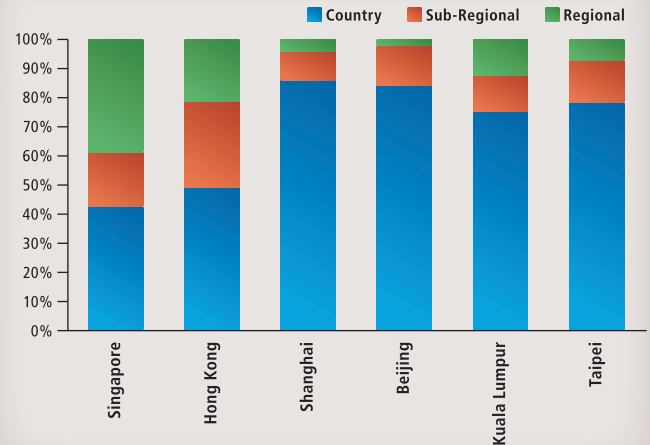


Chart 8A: Directors By Role



Source: HRBS Executive Pay Survey 2010

Future RHQs and Pay

In the next 5 years, Hong Kong is perceived to be the least attractive among top-tier cities for MNCs to set up their RHQs. Hong Kong, being the gateway to mainland China, is likely to firm its ground as a favoured location due to its workforce, tax and infrastructure advantages, but it might gradually lose out to Shanghai when the rapidly developing metropolitan city catches up. In the August 2010 study conducted by HRBS among 42 regional HR leaders, only 21% of the respondents voted for Hong Kong as the most attractive RHQ location, while 38% and 41% voted for Singapore and Shanghai respectively.

Shanghai is no doubt the city that will continue to attract more RHQs. In terms of business environment, infrastructure and workforce development, Shanghai has yet to catch up with Singapore and Hong Kong. But in May 2009, the Chinese government announced its intention to build Shanghai to be the major international finance and logistics centre of China, on par with New York and London, by 2020. Shanghai's attractiveness to

investors is therefore almost guaranteed. Today, Shanghai's relatively cheaper talent is only available for junior managerial positions. Shanghai's cost of qualified labour is commensurate with that in Singapore and Hong Kong for higher management jobs.

Singapore is well poised to maintain its leading position with its competitive workforce, tax & infrastructure advantages, transparency of the law, independent and business friendly environment as well as central geographical location in the center of Asia. But, Singapore's position as the regional hub across Asia may over time see erosion as a result of competition from Shanghai. Still, Singapore's position as RHQ in South Asia region is fairly secure.

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