

## Working in East Asia

# Region reduces its reliance on expatriates

**Tim Smedley reports on how the financial crisis has shifted the spotlight on to local talent**

**A**n executive expatriate package in Asia has traditionally included a housing allowance, school fees, perhaps even a car with a driver. But for many, that ship has now sailed, say recruiters in east Asia – and anyone who would like to climb on board needs to move fast.

“We are increasingly moving away from expatriates and have been all the time I’ve been in Asia,” says Dan Chavasse, regional managing director in Asia, for recruiter Michael Page.

Based in Hong Kong for 13 years and presiding over more than a dozen offices around east Asia, he says the change is noticeable every year and is a trend that has sped up with the global financial crisis. “It’s getting to the stage where you’re quite surprised when someone tells you they’ve got a housing allowance,” he says.

“Western expats just aren’t in massive demand any more over here. Most of us who are here got our jobs by being moved here by our companies. It’s unusual for a client to come to us and say we’re looking to hire a Brit or an Aussie or a US citizen.

“Much more in demand are what we call Asian expats: Malaysians, Singaporeans and Taiwanese moving into places like mainland China because they speak Chinese and have a much better value-add than a westerner.”

In Asia, until a few years ago, expatriate recruitment in financial services and beyond was soaring. The biggest problem for places such as Singapore was increasing the number of places in international schools fast enough to meet the demand for the expatriates’ dependants.

The financial crisis caused a retraction in investment banking and corporate banking. With very limited merger and acquisition activity or initial public offerings, business dipped for the law and accounting firms that depend on such activity. Anything exposed to financial services is still feeling the pinch even now, reports Mr Chavasse.

Senior positions can still be found for westerners across east Asia, but are more prevalent in what Mr Chavasse calls “hardship postings”, a category in which he includes Beijing.

In the more traditional postings, such as Hong Kong and Singapore, managing directors and presidents of multinationals will frequently be expatriates. But recruiters in the region stress that this is changing as local talent is becoming stronger.

But while the trend for local talent is moving only in one direction, it still has some way to go before all opportunities dry up – and different countries are at different stages of progress. “When talking about expatriate recruitment the emerging markets are where you need to go to get your expat packages,” says Singapore-based Justin Birch, director at RP International, a telecoms and IT recruitment specialist.

“Indonesia, Philippines, Thailand possibly, Vietnam and Cambodia – those are the places to look. In Singapore, Malaysia and Hong Kong there is still a demand for expatriates but typically on a local contract.”

Local contracts, however, are becoming increasingly attractive as extravagant expatriate packages dwindle. “Localised contracts look very similar to a ‘western contract’ in terms of salary,” says Mr Birch. “Plus you get all the benefits of Asia: the warm weather, domestic help, good international schools, cheaper general cost of living.”

Property is expensive in areas such as Singapore and Hong Kong, and salaries are having to keep pace. Also, currency fluctuations can mean local contracts are better than retaining a sterling-based package, for example.

“If you’re on £100,000 in the UK and you are told you will still be paid that in Asia, that sounds great,” says Mr Birch, “and four years ago when the exchange rate was 2.8 Singapore dollars to the pound, it was. Now, it’s 1.9 to the pound – a vast difference – and Singapore has become much much more expensive.”

Mr Birch says that what he calls “high-end revenue producers” – those with finance and commercial expertise – are in demand. Legal advice remains more typically an expatriate function, while technical and sales experience are also valuable. At senior executive “C-suite” level, locally owned businesses, which are the majority,

quite often have one or two expatriates in place.

There are also opportunities for enthusiastic young managers seeking international experience. “The shortage in east Asia is in the middle ground,” says Mr Chavasse. “People aged from 28 to 40, that’s the sweet spot – if you’ve got transferable skills, speak Chinese and English, and are a well-qualified professional, you won’t go short of opportunities.” Such people are in demand globally, however.

The jobs market in China, where growth is producing a seemingly insatiable appetite for talent, is more complex. A leadership and talent briefing from Russell Reynolds Associates, the executive search and assessment firm, said Chinese local knowledge is the most valued attribute. The level of revenue derived from local consumption where products and solutions are not highly differentiated, means that local talent or Asian expatriates are most sought after.

But Elisa Hukins, who leads the firm’s executive assessment work in Asia-Pacific, says: “Some creative organisations have a ‘buddy system’ whereby local senior hires are partnered with a globally savvy colleague who co-manages decisions.”

The Russell Reynolds report says in summary: “Historically, expatriates were the more expensive option, but the compensation gap between the two is narrowing quickly...Organisations face a difficult choice: to bring experienced expatriates into key roles, even though they don’t understand China, or to hire local executives who have not worked in global organisations and who often have less significant leadership track records.”

In reality, there will probably be a mix of the two for some time yet.

While expatriates in Asia shift from being westerners to other Asian nationals, Asian companies are increasingly looking to send Asian employees to their western divisions. The English speaking world remains a big draw for international expatriates.

All this change is drawing western recruiters to the region. Already this year, for example, finance recruiter Emerald Group has opened a Singapore office and executive recruitment firm Harvey Nash has opened an office in Hong Kong. The new levels of local recruitment are creating a demand for western experience.