

“The War for Talent – Is There a Ceasefire”

In a speech at the April 30th 2009 monthly meeting in Beijing of the CIMG (China International Mining Group) Peter Arkell, Swann Global’s Managing Director Asia, considered what had happened to the talent market, particularly in the China mining industry, since the impact of the Global Financial Crisis (GFC). These monthly CIMG meetings are a chance for the mining community in China to gather and collaborate on the issues of the day.

In the speaker’s notes below, Peter Arkell takes a look at where the talent market stood at the end of Q3 in 2008 and what has happened since the world was changed so significantly as a result of the GFC.

INTRO

1. Thank you for the opportunity to speak to CIMG. Swann Global (Slide #1) is a Sustaining Sponsor and Member of the CIMG as well as being a member of the China Mining association (CMA)
 - a. Our China Offices are located in Beijing, Shanghai and Hong Kong, having established our full time presence in China in 2004.
 - b. We believe that we are perhaps the only executive search firm in the world with a global mining specialization as well as having a China presence. Certainly we feel as much a part of the mining community here as any service provider could feel.
 - c. Part of our contribution to the mining community here as been our annual salary survey of the international mining community. The fourth study is about to be conducted in Q2 this year. We are looking forward to strong participation of the CIMG membership as always.

2. Over the past years of the commodities boom, the “War for Talent” has been a catch cry in the recruiting business.
 - a. This has been not just in the mining sector, but across the board
 - b. Personally, I did not necessarily subscribe to this “war for talent” clarion call
 - i. I recall the CIMG meeting, at the Natural Science Academy I think it was, where we were discussing the issues confronting the small or artisan miners compared to the large enterprises



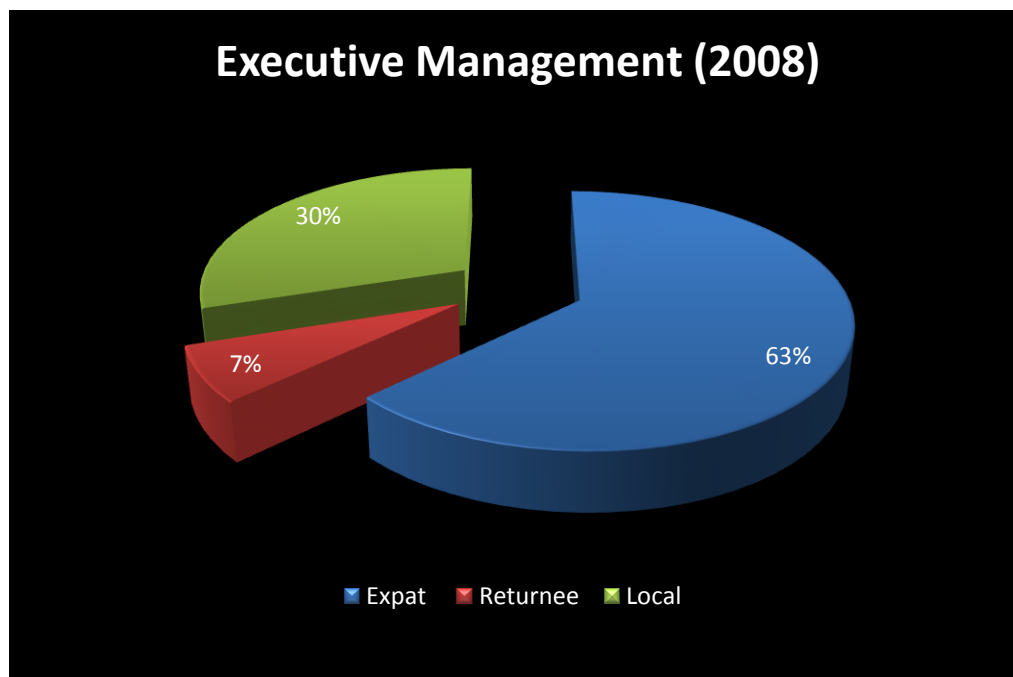
- ii. The numbers discussed there were incredible.
 - a) 7 million people are working in China's mining sector
 - b) Given that 5 million of those are working in artisan or small enterprises, that meant that there are 2 million people working in the medium to large mining enterprises in China.
 - c. So I have been counter conventional wisdom for the past few years
 - d. Maybe it isn't a "War for Talent" but more akin to a Rollercoaster (Slide #2)
3. But there can be no denying the difficulty of some roles. Over the past year we have found it tough to find a:
- a. Chinese mining engineer who speaks English, has open cut experience with an international company. Or a
 - b. Metallurgist or process engineer, Chinese or foreigner, who is ready willing and able to take an opportunity in China; Be they able to speak Mandarin/English hardly mattered. Or a
 - c. OH&S specialist, especially one familiar with international standards. Or a
 - d. Technical Marketing Manager, familiar with the Chinese market, with excellent technical skills, say in blast furnace technology and iron making, who is not only able to access the Chinese markets here, but able to communicate to R&D departments back in Australia, Canada, Brazil or wherever.
4. Our old mate Roric Smith often used remind me of the bad old days, when the last bubble burst and every second taxi in Perth was driven by a geologist. His joke from those days was
- a. What's the difference between a pizza and a geologist? A pizza can feed a family of four (Slide #3)
 - i. Sad to reflect on those days & sobering to consider where we are
 - a) In China
 - b) Abroad
5. But I must say that, in my experience in China, this is the first time that I can recall such significant numbers of very senior people either out of work or being repatriated.

DISCUSSION

1. The Swann Global 2008 Salary Survey was conducted in Q3/Q4 of 2008. (Slide #4)
 - a. The title of the summary published from that survey was Significant Pay Increases as Talent Supply Tightens
 - b. So that Survey perhaps can tell us something about the final days of the Boom as it was reflected in China

2. The past few years have been a time when a major driver was to find “Chinese faces” to head operations here and as a result, the Executive Returnees were a significant talent target. But because their numbers were limited, they became the most expensive option. In other words, the average compensation for a Returnee Executive Manager has been more than the average Ex Pat

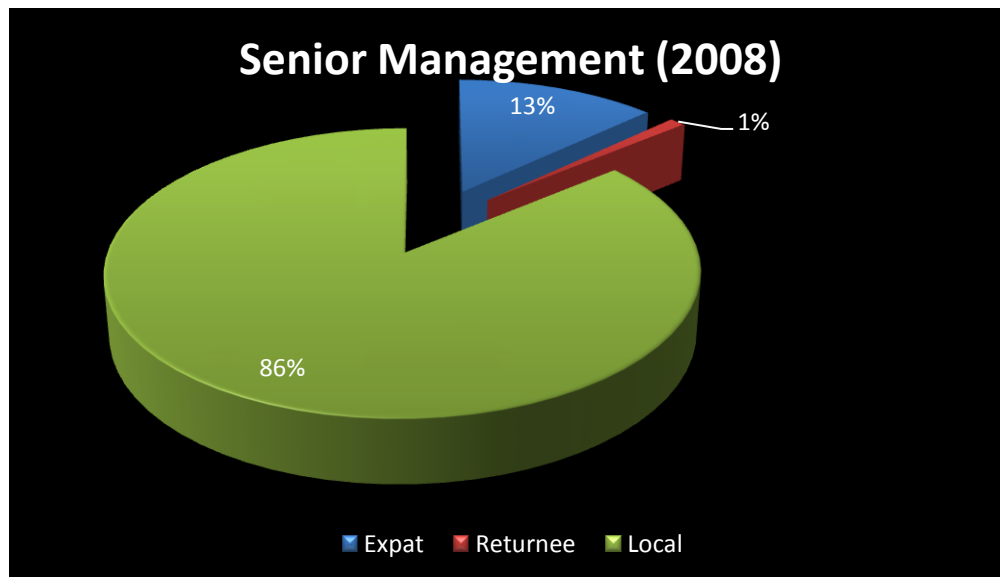
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- a. Clearly the number of Local Executives is a big feature of this graph. While not Returnees, many of these Executives have had many years now working for international companies
 - i. And because they have also been in high demand, their salary rates increased at the remarkable rate of 60% over the 2007 figure

- ii. And the Expats in this category also increased their compensation at the healthy rate of 16% in the 2008 survey
3. Taking a look at the next level below Executive Managers; the composition of the Senior Management took a deeper contribution from the Local talent pool

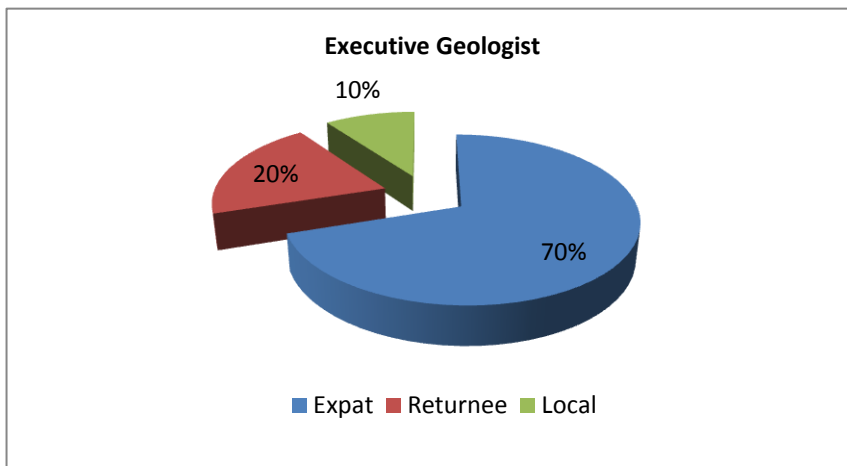
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- a. In the Survey, all of these categories had very significant increases in their compensation over the level reported in the 2007 survey
 - i. In the case of the Expats and the Locals, the increase in the Mean compensation was in the vicinity of 50% on the previous year's Means.

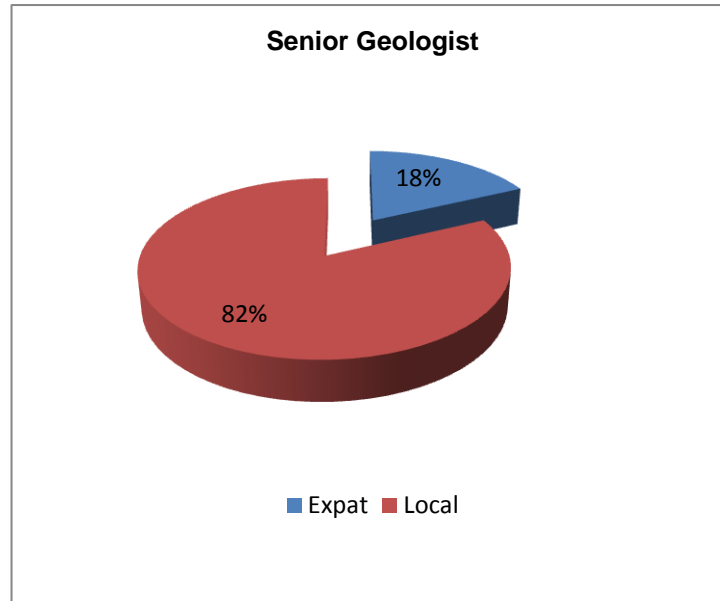


4. Looking at Geologists, very surprisingly, the survey's population of executive geologists had a different balance in its composition compared with the executive Managers. (Slide #7)
 - a. There is a much higher number of Returnees in this category. Although, it should not come as a surprise, as the opportunities for Chinese professionals to join international firms as geologists is probably greater than it is for management roles.



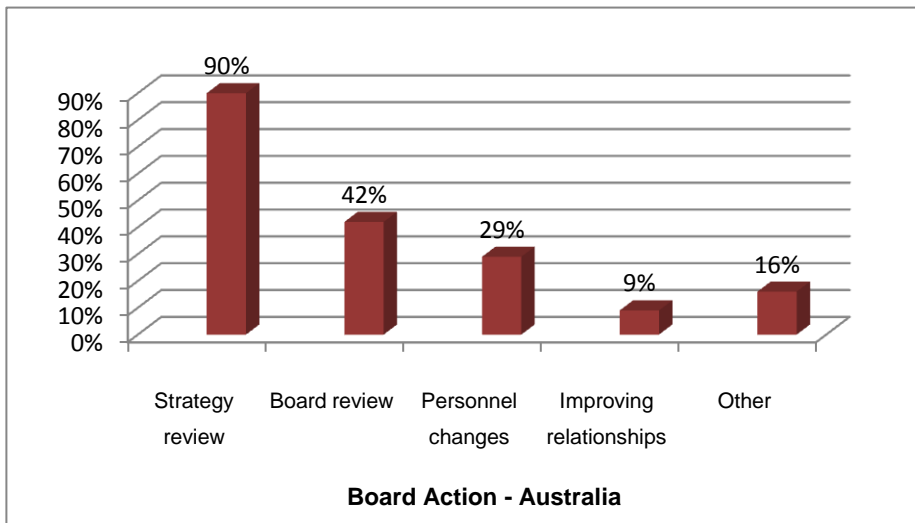
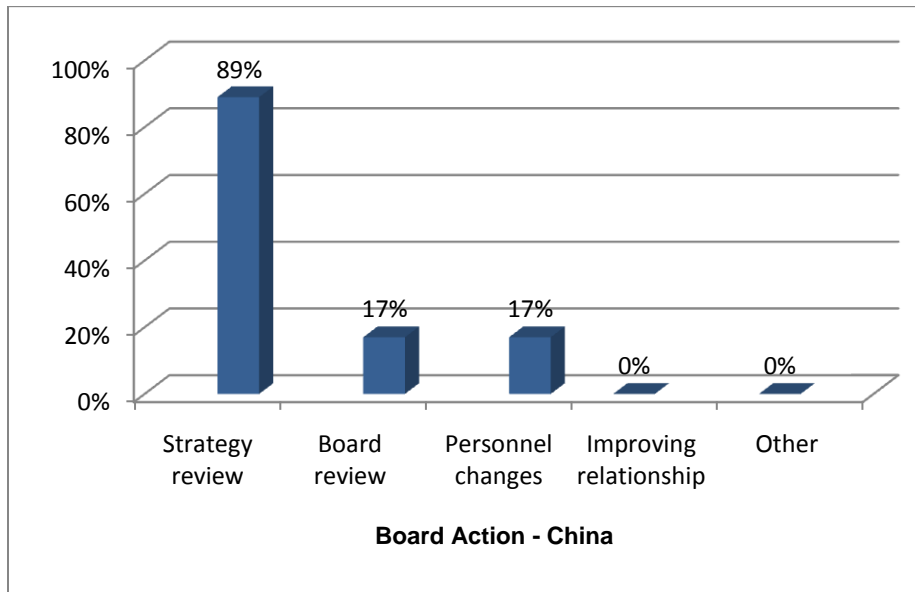
- b. But it is a shift from the exec Managers
 - i. Remember, Returnees were at 7% in Exec Management compared to 20% in Exec Geologist and
 - ii. Locals were at 30% in Exec Management and down to 10% in Exec Geologist
 - c. Salaries in this group of professionals saw the mean increasing at the rate 28%

5. For Senior Geologists, the make-up of the population was more reflective of the corresponding Senior Management group (Slide #8)



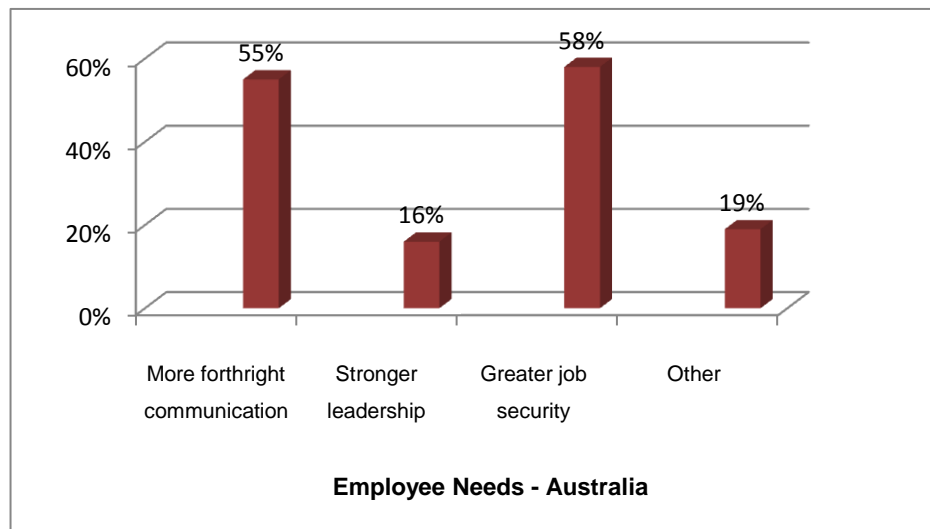
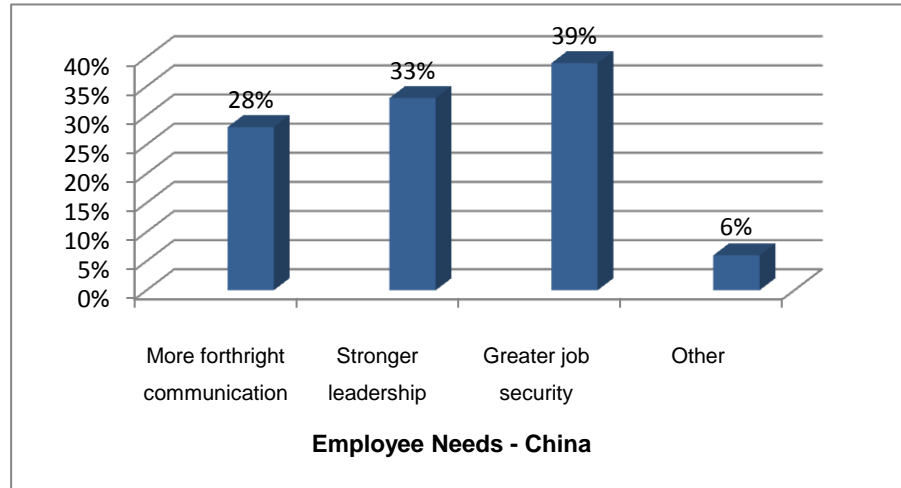
- a. It's dominated by Local geologists.
- i. The previous year had a much different look to it
 - a) Expats 26%, Locals 68% and Returnees 6%
 - b) So Returnees had disappeared as a group in this category and were replaced by Local Senior Geologists
 - ii. But in spite of the increasing dominance of Local Senior Geologists, the overall Mean for this group increased by 100% on the previous year
6. To get an up to date picture of the business climate Swann Global conducted Business sentiment Surveys (Slide #9)
7. In Q1 2009 Swann Global conducted a Business Sentiment Survey of clients here (international companies as distinct from Chinese firms) as well as in Australia and Canada. We have not seen the Canadian report yet, but there are some points of interest to be noted coming from a study that takes a snapshot during the global economic crisis

8. With regard to staffing in this very difficult climate it is interesting to review what actions Boards are taking in China and in Australia now. (Slide #10)



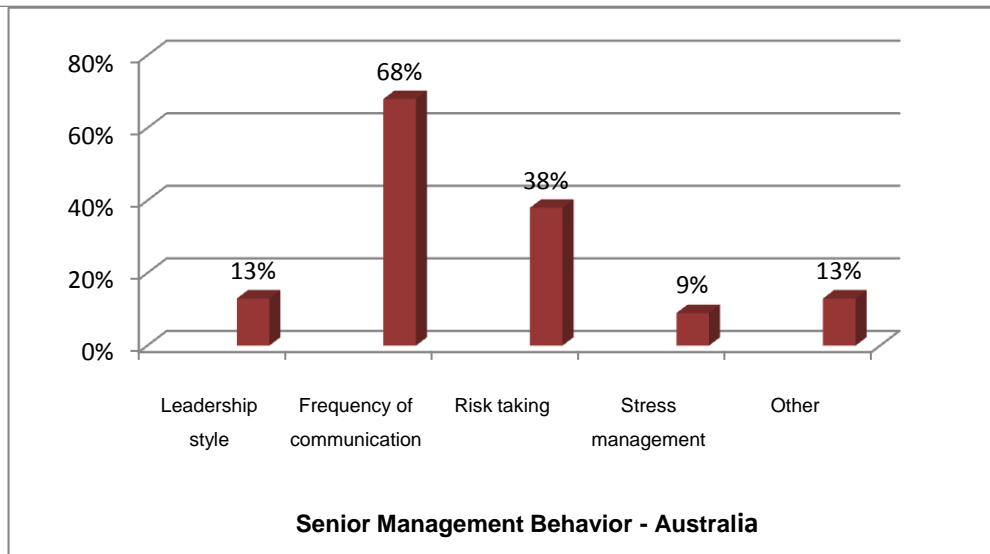
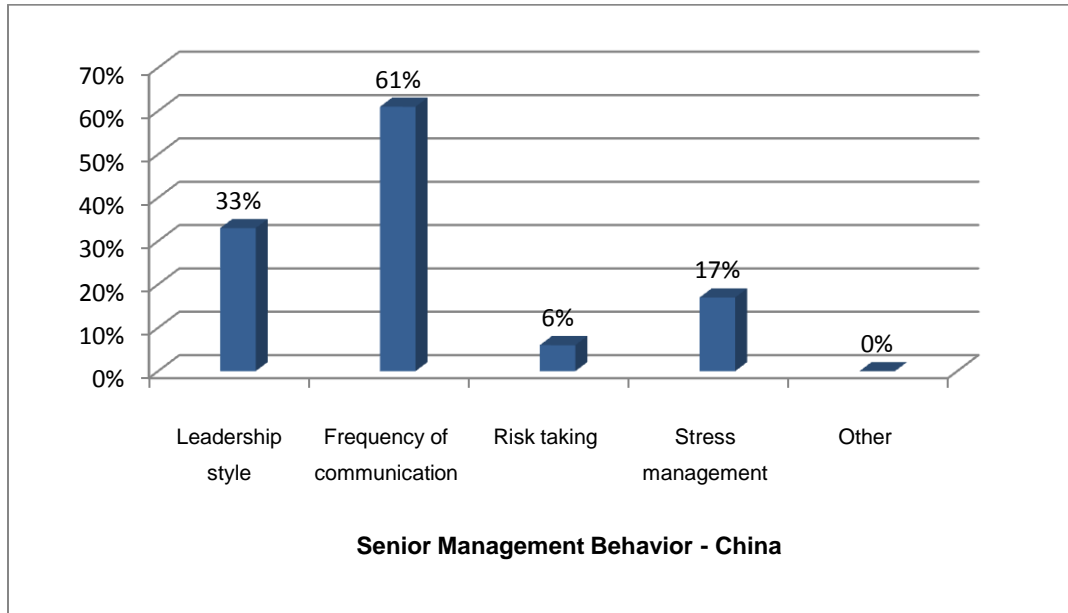
- a. While it might be high, 17% and 29% respectively, it was surprising that Personnel Changes did not rate much higher in the surveys

9. But for the Employees' Needs, the results are also quite telling (Slide #11)



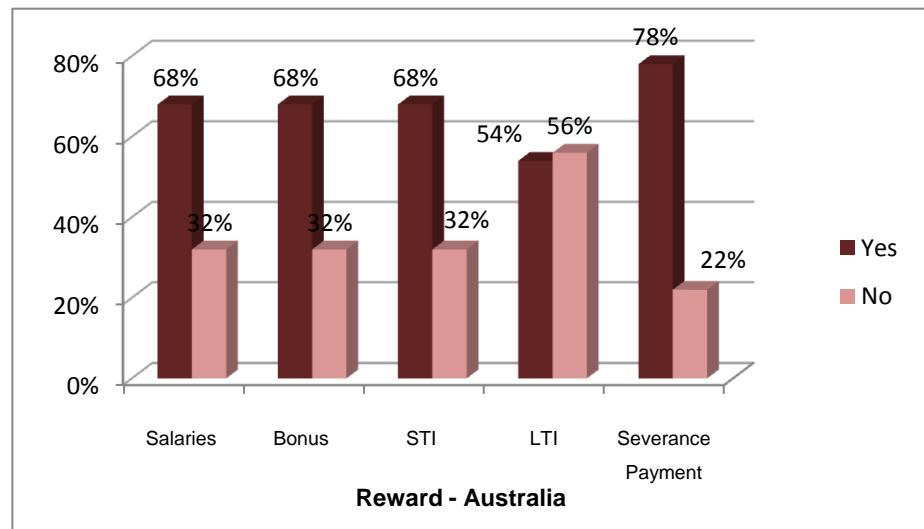
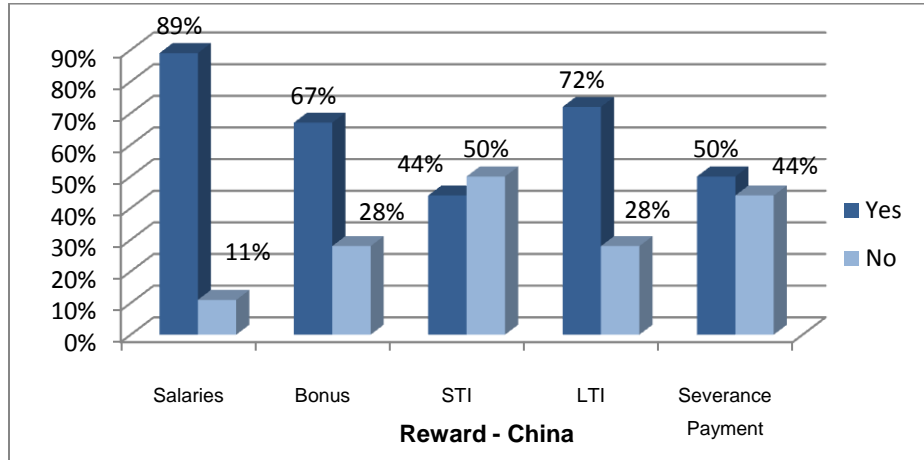
- a. It would be interesting to hear your views on the differences. Is it surprising that
- i. Australians are more concerned about Job Security at the moment?
 - ii. Australians are looking for more direct/forthright communication?
 - iii. That Chinese seek stronger leadership?

10. And how is the global economic crisis affecting the way managers are operating in China and Australia? This question asked managers how they are adjusting their management style/behavior in these difficult times. (Slide #12)



- a. Again the differences are interesting and worth some speculation about the varying responses
- i. A higher rate of adjustment to leadership style in China – not sure in what direction the change took.
 - ii. But Managers in China had a lower response to risk taking than the counterpart in Australia
 - iii. While a much higher number of managers in China were dealing with stress

11. Finally, with regard to this Business Sentiment Survey, a comparison of what is important with regard to compensation at the moment (Slide #13)



- a. These numbers were a Yes/No response and it is very interesting how different regions had a marked order of priority.



SOME OBSERVATIONS OF TODAY IN CHINA AND ABROAD (Slide #14)

1. At the recent Coaltrans conference the demand was hot for international coal
2. Companies, such as Vale, are bringing 300 super size ships per year full of iron ore to China
 - a. Building 16 huge 400,000 ton tankers to ease the freight demand. These are due into service in 2011
3. The Canadian Mining Industry Human Resources Council said that payrolls in that country in their coal, metal and non-metal mineral sector have dropped 11.5% in the second half of 2008. But also said
 - a. But they face a labor shortfall of 60,000 to 90,000 by 2017 as the workforce ages
4. Chinese companies are looking at opportunities to invest. Not just Chinalco/Rio Tinto or OZ Minerals
 - a. It was remarkable to see the “Beauty Pageant” of 30 Canadian miners parade their projects to a room full of Chinese investors at PDAC

WHAT IS THE RIGHT RESPONSE (Slide #15)

1. It was very interesting to hear Zhang YaQin, the Chairman of Microsoft China speak of his company’s response to the global financial crisis at the Advance Asia 50 Summit in Shanghai this month. They have a three pronged strategy
 - a. Significantly increase R&D spending globally to \$US9.5b in the coming year
 - b. Ensure all cost are looked at closely in order to minimize waste/duplication etc
 - c. Engage the best possible talent that is available and attract them to Microsoft

2. From Swann Global’s observation point, with a particular watch on this natural resources sector, some companies are still hiring. Clearly many are tightening and many are taking this opportunity to take drastic action to “clean up” their people structures.
 - a. Only yesterday, a major company, with a “hiring freeze”, called for assistance in finding some specialist talent!

- b. Among those who are actively in the market are (Slide #16)
 - i. Astute companies that see this as the time to get talent while its available
 - a) Companies understand that there are assets now on the market at reasonable prices.
 - b) Astute companies are saying that “there are talented people on whom we’ve had a watch for some time, but they’ve been out of reach”. They are now moving on these talented people while they are less settled
 - ii. Commodities in demand continue to drive companies to find talent.
 - a) Gold, Coal are two that continue to develop
 - iii. Chinese Companies, especially those with a view to acquiring assets abroad
 - a) Of particular interest are professionals who have the ability to “build the bridges” in the same way that Returnees have done for international companies entering the Chinese market

FINALLY (Slide #17)

- 1. China isn’t a bad spot to be in the current climate. While the number of international people of high caliber “between jobs” is unusually high
 - a. I’m sure all of you can think of examples of people who have been part of the fabric of our community here in China and who are now having their roles reviewed
- 2. This is a cycle. I feel very pleased to be part of this China story as the wheel turns.

AND AN ADVERT FROM YOUR SUSTAINING SPONSOR (Slide #18)

Swann Global’s Salary Survey 2009 has been brought forward and will be conducted during this Q2 period. All CIMG members are encouraged to participate. It’s FREE.

And you get, as a participant:

- 1. Access to the collected data
 - a. Companies can ask for comparative studies of the China data with their own pay scales
 - b. Advice on future compensation plans
 - c. Access to the Summary Report