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Expats' Asian Home

The New Breed of Expatriates in Asia

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As Asia grows its share of the global economy, the movement of expatriates to the region is rising. A new breed of Asian expatriates is offering their professional services to multinationals chasing the Asian dollar. This article examines the changing nature of the expatriate population in Asia and what they mean for business.

Crouching Tigers, Hidden Dragons

Asia houses three of the top four economies in the world, measured by purchasing power parity – the People's Republic of China, Japan and India. It is in dire need of human resources. With the fastest rates of economic growth of any region in the world, more talent is now being directed to Asia and expatriate assignments have taken on an increasingly important role in the region.

An expatriate ("expat") is any individual who works in a professional, technical, entrepreneurial or managerial capacity outside their country of birth but does not immigrate to the country where they work. Where once, these positions were mostly filled by Westerners relocated to Asia at great expense, the new breed of expatriates is increasingly likely to be Asian-born, internationally-educated and multilingual, as well as usually conversant with Western and Asian business practices.

Recruiting over the Fence

The trend favouring Asian expats has been in play for some time but its development is likely to have been accelerated by Asia's improving economic outlook and tight labour markets in many Asian countries. Asian unemployment rates in Q406 are at or close to their lowest levels since the late 1990s in countries like Singapore (2.6%), Hong Kong (4.4%), Korea (3.3%) and even Australia (4.6%) and New Zealand (3.7%). These figures understate the tightness of the labour market in the professional, technical and managerial segment, where demand for labour is even greater relative to supply.

In China, research suggests that up to 40% of management positions in international companies may be held by foreigners. Companies are hiring more and more western and western-trained executives – and at an increasingly senior level. Ivo Hahn, the boss of Xecutive, a headhunting organization based in Hong Kong, has placed 20 such individuals with mainland firms in 2006, compared with none at all the year before.¹ In this economic climate, Asia-

¹ "Go East, My Son" in "The Economist" 10 Aug 2006

based companies are facing painful skill shortages and recruiting more expats to fill the gaps.

"It is cheaper to fly someone across Asia than it is to bring them from the US or Europe, and acclimatization is likely to be easier for someone from within the region," explains Nadia Pan, regional human resources director for Leo Burnett².

An increased emphasis on profitability has also led to the downward spiral of compensation packages. In fact, multinational corporations (MNCs) have been cutting back on expatriate perks since before 2000. In Hong Kong, for example, the classic expat deal is nearly at its demise.

"Companies don't need to [provide] incentives for people to go abroad to work any more," says Dana Breitenstein, Asia-Pacific director of Cendant Intercultural, a management-training consultancy. "In fact, international experience is now becoming more and more crucial for people to move up within a company."

More than 50 percent of the Asian HR managers Cendant interviewed said that they expect an increase in intra-regional moves, compared with just half that figure in 2001.

The other compelling reason for the trend is strategic. The chase to secure more local sales has led to a growing preference for Asian executives with global exposure as companies seek to gain a better understanding of the emerging markets in the region. Asian directors, for instance, are now in high demand among Western businesses setting up shop in Asia. Requests for board members from the region have risen 50 percent over the past one and a half years³.

From Brain-Drain to Brain-Gain

In past decades, governments in developing countries were fighting the brain-drains that robbed them of valuable human capital, as their best and brightest nationals studied abroad and opted to stay in the developed Western world.

The tide may now have turned. Some Asian countries are seeing an exponential increase in foreign executives working in the region. At the start of the millennium, China recorded nearly as many foreigners entering the country as those leaving (see Figure A).

² "Recruiting from their backyard", Aquent In The News, 2004

³ The Straits Times, "Asian directors sought after by boards in US, Europe", 2007

Figure A – Current expatriate populations in Asia Pacific (2006)

Country	Outbound expatriates	Inbound expatriates
Australia	267,314	-
China	1,649,711	1,500,000
Hong Kong	587,400	250,000**
India	1,928,199*	>50,000
Japan	575,992	-
Korea	312,538	-
Singapore	140,000	90,000***

Source: Spire's estimates based on data from multiple media and government sources. Outbound expatriates refer to nationals of each country who reside overseas. Inbound expatriates refer to foreign nationals residing in each country.

* May include significant numbers of skilled foreign workers as well as expatriates. All other data refers either primarily or exclusively to expatriates.

** Spire estimate based on consideration of 517,300 foreign residents in Hong Kong (according to Hong Kong Immigration Department data as at Dec 06) & excluding non-professionals/technicians/managers.

*** Number of employment pass holders (ie professional/technical/managerial) in Singapore as at 2006 – does not include dependents.

The foreign working population, too, is under-going a shift towards Asian countries of origin. In Thailand, for instance, the largest expat groups by far are the Japanese, Chinese and Indians. In a 2003 Amcham Survey, a third of the foreigners found to be residing in China were Japanese, while Koreans accounted for 8.7 percent.

Hong Konger Ponch Poon, is an example⁴. Raised and educated in Vancouver, he returned to Asia in 1993 to work for a local bank. "My long-term plan is to be where the action is, in Asia," he says. He has since moved to take on several CFO positions with MNCs based in Hong Kong and Guangzhou. "My grand strategy is to build up experience in a Western MNC environment and at the same time gain exposure on how business is conducted in China. For companies that want to be successful in the world's biggest market, finance executive with my kind of knowledge will be invaluable."

Case Studies

China's Mission: Becoming a World-Class Nation

In China, the annual growth rate in the number of returnees was 13 percent in the 1990s and climbed to about 20 percent since year 2000. The Chinese government has been and still is active in encouraging overseas academics and entrepreneurs to return as well as attracting more foreigners to work in China. To achieve this, the central government has endeavored to transform the overall domestic political, administrative and economic environment, while individual

⁴ CFOAsia.com, "Move On Up"

cities compete aggressively against each other with myriad incentives of their own.

The number of expatriates in China reached a record high of more than 1.5 million in April 2006. It is likely that the majority of these expatriates are people of Chinese ethnic origin from Taiwan, Hong Kong, Southeast Asia and elsewhere. Approximately 300,000 were Hong Kong nationals. According to the Shanghai Municipal Labor and Social Security Bureau, 51,000 foreign people were working in Shanghai mid 2006, with over half of them employed in the service industry such as marketing.

With the influx of foreigners in China, social enclaves have emerged for respective foreign nationalities, such as the Korean Town in Qingdao City and Nigeria Town in Tianjin City. Indians, too, are a big community in China, and new Indian-owned businesses are mushrooming. The China TeaNet Group is already helping local Indian companies to set up shops to cater to the Indian population, with potential to serve the local Chinese community as well.

India: The World's Services Export Powerhouse

India is known to be a major exporter of expatriates, with many Indians holding management positions in international companies located in Asian countries. However is also receiving an increasing number of inbound expats. According to reports in 2006, over 50,000 expatriates have flocked to work in India, of which nearly a quarter reside in Bangalore. A rapidly growing economy has made India a more attractive place for expats to work in and it is no longer tagged as a 'hardship posting'.

To address skilled labour shortages, India launched the Overseas Citizenship of India program in December 2005. The program provides anyone born in India, or whose parents or grandparents were born there, a multi-entry, multi-purpose, lifelong visa, making it even easier to live and work in India. The inflow of expats into India will include an increasingly large component of foreign nationals of Indian ethnicity.

Singapore: A Growing Hub for Regional Headquarters

It is estimated that more than 140,000 Singaporeans are living overseas – or 230,000 if permanent residents are included⁵. This figure is fairly high, considering Singapore's relatively small labour force of a little over 3 million.

Partly as a result of these high levels of emigration and partly due to demand-supply imbalances in the labour market, attracting skilled foreigners has become a priority for the city-state. For years, Singapore has had to look to larger labor markets – China, India and neighboring Malaysia and Indonesia – for skilled workers, but more recently the government having launched a campaign to

⁵ The Straits Times, Mar 15 2007

attract “foreign talent” to its shores. Between 1990 and 1998, the number of foreigners working in Singapore more than doubled to 702,000. They now account for more than 20 percent of the labour force, and of that figure nearly one in seven is an expatriate. Singapore's status as a regional headquarters (RHQ) hub and the location of over 7,000 international companies has also fuelled the influx of foreign workers and expatriates.

One of Singapore's major sources of expats is China. One Western diplomat estimates that 60,000 Chinese nationals now work in Singapore⁶. Among them is probably the largest group of skilled technical expatriates in the country. However the population of Indian expats appears to be rapidly catching up.

The Indonesian Professional Association in Singapore, a non-profit organization with the mission to enhance networking among Indonesian executives, boasts over 2,000 members – though this figure is probably a fraction of the number of Indonesians working as expatriates in Singapore.

In spite of skepticism in some quarters of the local population, the Singapore government is pursuing more measures in opening its doors to expatriates, hoping that they will take up permanent residency and sink roots. Aside from alleviating short-term labour market shortages, this will add to Singapore's long-term population base, which is declining because of sub-replacement birth rates.

The Expatriate Commuter

Many Asian-based international firms also count commuter assignees as an important part of their in-house expatriate population. Commuter assignments are temporary positions – usually with a duration of six to 12 months – and most commonly undertaken on an intra-regional basis. In Asia, 75 percent of temporary human resource movements are intra-Asian commuter assignments, such as from Korea to China, or between Singapore and Malaysia.

ECA International, a HR consultancy, conducted their Commuter and Rotational Assignments Policy Survey in mid-2006, which showed that out of all expatriate assignments in 2000, nearly one-fifth were commuter assignments (long- and short-term assignments made up 67.7 percent and 15.3 percent respectively). By 2010, commuters are predicted to make up a quarter of assignments.

The Influence of the Expat Community

Foreign working populations have the power to influence a host country's economic and cultural environment to varying degrees. In the past, when westerners dominated expatriate populations in Asia, they brought with them new consumption trends, besides their knowledge and skills. Examples include microbreweries in Shanghai, Spanish restaurants in India and Irish pubs in Japan.

⁶ “The China Factor”, Ben Dolven. Far Eastern Economic Review. Hong Kong; Mar 18, 1999. Vol.162, Iss. 11

The same is true today, but with a more diverse mix of nationalities within the expatriate population.

A good example can be found in Shanghai, where the earning power of expatriates is very much in evidence. Although foreigners are reported to make up a mere one percent of the total population in Shanghai, they are responsible for over 14 percent of the personal income tax paid⁷.

Expats can also play a major role in promoting use of foreign languages, helping to meet demand created by underlying economic exchanges. Bill Hammerton, a former BBC soundman from Hampshire, UK, moved to Thailand in 2005 and launched the country's first English-language radio station, Radiobangkok.net. Originally set up to cater to foreigners, more and more Thai nationals are embracing the international music and news it offers. Indeed well over 5% of the Thai population are now estimated to be fluent in English.

The development of the education sector in the UAE affords another example. When the seven existing Emirates came together in a federation in 1971, there was no consistent education system in place. But partly due to the influence of (and with the assistance of) expats, the UAE established its first university in 1977 and the college system in 1988, with English being taught in all state-run schools.

The new Expats – a flourishing niche

An influx of expatriates into a country naturally heightens the demand for "specialty lifestyle products." In fact, expats have been known to single-handedly promote the adoption of homegrown goods and services abroad.

Japan, for instance, has a network of Brazilian nationals living and working in the towns and cities in Aichi and Shizuoka Prefectures, and in and around Gunma Prefecture. Oizumi Town in Gunma Prefecture has the highest density of Brazilian residents, at about 5,000⁸. The increasing Brazilian population has led to the establishment of 100 Brazilian-themed restaurants and retail outlets in the area.

Silicon Valley serves a wide variety of gastronomic delights catering to its legions of expatriates. The cuisines available range from Middle Eastern to Asian, such as the Afghani House Restaurant, GOJO Ethiopian Restaurant, China Chen, Pho No1 Noodle House and Shiok! A Taste of Singapore.

Banks like HSBC, Bank of China and Royal Bank of China have attempted to tap the expatriate market in Asia by offering sophisticated products and services that cater only to expats. These include special products in the categories of international banking and offshore savings, wealth management, tax planning, retirement planning and estate planning, among others.

⁷ The People's Daily, as cited in "Expatriate Influence in a World-Class City" in ShanghaiExpatriate.com, June 08, 2006.

⁸ Channel News Asia, "Growing number of social problems with Brazilian immigrants in Japan", March 2007

The Ascott Group provides another example of corporate success in meeting the needs of Asia-based expatriates. The Ascott Group is an international serviced residence owner-operator. The company has been expanding its operations throughout the region to meet rising demand, building new projects in Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Another sector that thrives on expatriate demand is education services. Singapore, for instance, hosts 21 international schools that have been established to serve the children of the expatriate community, including the Australian International School, the Global Indian International School and the Singapore Japanese School. Hong Kong hosts several international institutes as well, such as the Australian International, Canadian International, and Chinese International schools, among others. And in Thailand, there are over 25 schools in Bangkok alone that provide an English education for the children of expatriates.

Recreation-wise, organizations like the Indian Engineers Cricket Club cater to the need for specific groups of expats to pursue their national pastimes abroad. In fact, Indian films command a growing market in Britain, the US, Canada, Singapore, Dubai, Australia and New Zealand, thanks to the legions of Indian expatriates residing in these areas. And even though Bollywood may account for only two percent of worldwide box office receipts currently, it is expected to more than double its share of the global market in the years to come⁹.

Expat career service providers are not taking a breather either. Innovative products and services are being launched every so often. The portfolio includes headhunting through matchmaking/dating services to pre-employment screening assessments for both employers and employees. Even courier services are receiving a shot in the arm, being increasingly used to relocate the beloved pet animals of expatriates to their host countries.

E-communities – the path to the Expat market

The advent of highly involved "E-communities" is allowing vendors to reach out to consumers in new, personalized ways and empowering consumers through information sharing and "team buying".

E-communities are web portals that bring together individuals with a common profile or shared interest in particular hobbies, sports or subjects. Spire estimates that Asia plays host to over 50,000 E-communities with over 1,000 subscribers each. Of this number, between 10,000 and 20,000 are based in Korea, which is a leader in this space.

Expatriates represent an interesting niche within the broader E-community landscape in Asia. Currently, many expat portals flourish by providing information on relocation to different areas as well as providing useful introductions and

⁹ The Financial Express, "Bollywood earnings on the upswing", 20 March 2007

networking services to their subscribers during their stay in their host countries. Some examples are ExpatExchange.com, ExpatriateLifestyle.com, Asiaxpat.com and even online papers like The Expatriate Literary Circle Magazine.

There are also forum threads that are started by spouses of expatriates, where they arrange social meetings and discuss issues relating to family-building.

Given the above-average incomes of expatriate populations, these E-communities are an exciting path of outreach to an attractive segment.

Conclusion

There can be little doubt that expatriate populations in Asia are poised for growth and that the intra-Asian expats will be its fastest growing segment. In the current climate of healthy economic growth and tight labour markets, Asia needs to import managerial, technical and professional talent from abroad to compensate for domestic skill shortages. This is most famously the case in China, where many international companies face huge challenges recruiting and retaining managers. However it is also an increasing trend in other highly internationalized Asian economies with high levels of inward foreign direct investment (such as Hong Kong, Thailand, Malaysia and Singapore) and those facing severe imbalances in the supply and demand of professionals (such as Australia, New Zealand and, to a more limited extent, Japan).

The demand for expats in Asia raises the question of where the supply of expats will come from. The answer seems to be that intra-Asian sources are growing the fastest. India has thus far been a major supplier of expats into the rest of Asia, mainly to fill positions in IT and in general management. Hong Kong, Taiwan and Singapore also appear to be major source countries for expats, particularly for those positions in China.

The rise of the Asian expat represents an attractive niche opportunity for vendors of products and services – particularly in countries like China, Hong Kong, Singapore and Thailand where their numbers are fairly substantial. They are also a highly addressable segment, given the prevalence of expat-oriented E-communities. However Asian expats also represent something much more important – a stimulus to increasing cultural exchange, cross-fertilization of ideas and, ultimately, innovation.