

Goa, India
August 2013

1. Current economic and political situations in the country

Economy and labour market situations

Gross Domestic Product

According to the data on Gross Domestic Product (GDP) released by the Census and Statistics Department, Hong Kong's economy grew moderately in Q2 2013, by 3.3% in real terms over a year earlier, slightly up from the 2.9% growth in Q1. On a seasonally adjusted quarter-to-quarter comparison, real GDP expanded by 0.8% in Q2, up from the 0.2% growth in Q1.

Consumer Price Index

Consumer price index (CPI) (ie underlying inflation rate) edged up further on a year-on-year comparison in July to 6.9%. Taking the first seven months of 2013 together, CPI rose by 4.3% over a year earlier.

Unemployment Rate

The labour market remained in a state of nearing full employment. In Q2, total employment increased further to another new high, pushing the seasonally adjusted unemployment rate down to 3.3%, from 3.5% in Q1. The underemployment rate also stayed low at 1.6%.

Economic Forecast

Given the actual outturn of the 3.1% year-on-year real GDP growth in the first half of 2013, and the slightly reduced downside risks to the global economy, Hong Kong's economic growth this year will likely lie within the upper-half of the previous range forecast. The latest GDP growth forecast for 2013 as a whole is revised by the Hong Kong Government to 2.5% - 3.5% from 1.5% - 3.5% in May.

Inflation is still expected to edge up in the coming months as the past increases in private housing rentals continue to feed through. The underlying consumer price inflation forecast for 2013 is revised slightly downward to 4% from 4.2% announced earlier.

Manpower Trends – Employee Turnover, Job Vacancies and Job Growth

According to the Quarterly Survey on Manpower Statistics – First Quarter 2013 conducted by the Hong Kong Institute of Human Resource Management (HKIHRM), the weighted average turnover rate during Q1 2013 was 3.5%, 0.3 percentage point lower than Q4 2012 (3.8%) and 0.2 percentage point higher than Q1 2012 (3.3%). The survey covers a total of 101 companies with 144,190 employees.

The weighted average vacancy rate during Q1 2013 was 4.3%, 0.4 percentage point lower than Q4 2012 (4.7%) and same as Q1 2012 (4.3%).

The net growth in new positions during Q1 2013 was 0.9% (weighted average), 0.1 percentage point higher than Q4 2012 and Q1 2012 (both at 0.8%).

Pay Trend

Amid general concern about possible economic fluctuations, the average base pay adjustment in the first four months of 2013 remained steady, according to the results of the HKIHRM April 2013 Pay Trend Survey. The survey covers a total of 86 companies from 17 sectors, with a total of 123,607 full-time salaried employees.

Base Pay Adjustment – January to April 2013

The overall average base pay adjustment recorded for the 50 responding companies was 4.5% (weighted average), 0.7 percentage point higher than the figure recorded for the same period last year (3.8%) and close to the forecast adjustments of 4.6% and 4.4% announced by the HKIHRM in November 2012 and March 2013 respectively.

Bonus Payment – January to April 2013

Eighty-six companies provided data on bonus payment.

Guaranteed Bonus

Of the 86 companies, 41 companies reported that they had a guaranteed-bonus policy. They awarded a guaranteed bonus to their employees, with the average bonus size being 0.99 month of base pay as compared to 1.01 months of base pay recorded in the same period last year.

Non-guaranteed Bonus

Of the 86 companies, 48 companies with a non-guaranteed bonus scheme confirmed their bonus payment during the survey period.

Of their eligible employees, 97.7% (51,780 employees) were awarded a non-guaranteed bonus, with the average bonus size being 1.61 months of base pay. This compared with 97.7% of eligible employees actually awarded a bonus of 1.66 months of base pay on average in the same period last year.

Updates on Mainland Minimum Wages

According to the Ministry of Human Resources and Social Security, 17 regions in Mainland China had adjusted their minimum wages in the first half of the year, at an average of 17.6%. The highest monthly and hourly levels were set by Shanghai at 1,620 yuan a month, and by Beijing and Xinjiang at 15.2 yuan an hour.

Updates on Mainland Value-added Tax

The State Council announced that the reform programme to replace the business tax with a value-added tax (VAT) had been expanded nationwide from 1 August 2013. It also included enterprises in the radio, film and television industries, alongside those in the transport industry and some modern service sectors. China would charge 17% VAT for leasing tangible assets, 11% for transport, and 6% for selected modern services. For small businesses with annual revenue of five million yuan or lower, the preferential rate is 3%. The nationwide expansion is expected to cut 120 billion yuan in taxes on companies in the pilot sectors this year.

Amendments to Labour Contract Law in China

Below are some major amendments to the Labour Contract Law with effect from 1 July 2013:

- The three characteristics of dispatch workers, temporary, auxiliary and substituted, have been nailed down. Temporary dispatch workers should work for no more than a total of six months for the company. For auxiliary, it means that the dispatch worker should be in a position that is not the company's primary business. As to substituted, it means that the worker can take over the job of the company's employee who is on maternity leave and other conditions of the like.
- A ceiling on the number of dispatch workers in the company is set.
- A more detailed equal pay for equal work in the future is required, not only in amount, but also in distribution. Employee benefits same as ordinary workers should be provided.
- Required registered capital of a labour dispatch company is increased from 500,000 yuan to two million yuan.
- Any company which does not meet the requirements would be fined 5,000 yuan to 10,000 yuan for each employee at the company.

2. HR challenges

HR profession in Hong Kong are facing the following challenges:

- **Higher Minimum Wage Level**
With effect from 1 May 2013, the statutory minimum wage level is raised from HK\$28 to HK\$30 per hour. The monetary cap on the requirement of employers keeping records of the total number of hours worked by employees is also revised from HK\$11,500 to HK\$12,300 per month.
- **Standard Working Hours**
The government announced the formation of a Standard Working Hours Committee in April 2013. The 24-member committee, which comprises representatives of employees and employers, academics and officials, will focus on six major areas including the objective of standard working hours policy, the flexibility, the possibility of leading to more part-time and casual workers, the impact on small- and medium-sized enterprises and different business sectors, the working modes of different sectors and the legislative direction. It is expected to submit its recommendations to the government at the end of its three-year term.

3. HKIHRM projects and initiatives

- **HR Excellence Awards**

The HKIHRM presents the HR Excellence Awards to recognise organisations and individuals who achieved business success through outstanding people management strategies and practices. The HR Excellence Awards 2013 was kicked off in April and the award presentation ceremony will be held on 8 October 2013.

- **2013 Hong Kong Pay Trend Seminar**

The Pay Trend Seminar provides participants with an overview of economic trends, the latest market data as well as strategies and practices on compensation and benefits. The seminar furnishes HR professionals with useful tools to make thorough decisions amid a fluctuating economic environment. The 2013 Hong Kong Pay Trend Seminar will be held on 31 October 2013.

- **Annual Conference and Exhibition**

The HKIHRM will hold its 33rd Annual Conference and Exhibition on 26 - 27 November 2013. The 2-day conference, which comprises plenary and concurrent sessions, will bring together an impressive line-up of over 40 senior business leaders, HR professionals from the business community, academia and consultancies, as well as government units from Hong Kong and overseas countries. A wide range of pressing issues on imperative people management, HR strategies and business-related topics will be shared and discussed at the conference.

- **International and Mainland Collaborations**

1. The HKIHRM was invited by the Hong Kong Trade Development Council to be one of the supporting organisations in the "HR Forum", one of the highlighted events of the SmartHK Expo held on 28 - 29 August 2013 in Guangzhou, China. The forum saw a full house of local and overseas business and HR leaders.
2. The HKIHRM joined hands with MBA Center, Shanghai University and China International Intellectech Corp to organise the Sharing Forum in Shanghai: Innovative HRM on 31 July 2013 for HR professionals there. HKIHRM President delivered a welcome speech and Mr Alan Tin, Co-Chairperson of the Institute's China and International HRM Committee, introduced the Institute to over 80 participants.

4. HKIHRM membership

As of August 2013, the Institute had over 5,000 members, with some 600 of whom being corporate members.

Francis Mok
President
Hong Kong Institute of Human Resource Management