



# Hong Kong Country Report

## APFHRM Meeting in Manila Apr, 2017

### 1. Current Economic and Political Situations in the Country

#### Economy and labour market situations

##### Political Situation

Mrs Carrie Lam Cheng Yuet-ngor, former Chief Secretary of the Hong Kong SAR Government was elected on 26 March 2017 as the new Chief Executive of the Hong Kong SAR Government. The Chief Executive-elect will take office on 1 July 2017.

##### Gross Domestic Product

In 2016, Hong Kong's economic growth moderated to 1.9% in real terms, from 2.4% in 2015.

##### Consumer Price Index

Hong Kong's Consumer Price Index (CPI) registered a year-on-year increase of 0.6% for January and February 2017. The overall inflation for the full year of 2016 was 2.3%, a slip of 0.2% compared to year 2015.

##### Employment Situation

Hong Kong's current labour market conditions remain tight. The seasonally adjusted unemployment rate stood at 3.3% for the period from December 2016 to February 2017, with the underemployment rate at 1.2%, registering a total working population at 3.943 million.

The average pay adjustment for Hong Kong employees for the period from January to April 2017, according to the findings of HKIHRM's 2016, will be 3.5%.

According to HKIHRM's Manpower Statistics in 2016, Hong Kong's overall average staff turnover rate for the second half of 2016 was 10.5%, with the job vacancy rate in the second half of 2016 at 6.6%. Employers' hiring intention for the first half of 2017 remains positive and steady. Individual industries such as business services/professional services, and financial services/banking/insurance show the strongest hiring intention in the first half of 2017. Only a small fraction of the employers surveyed (3.9%) indicated they would reduce hiring in the first half of 2017.

### **Economic Forecast**

The decline in tourist arrivals led to a drop in the value of retail sales by 8.1% in 2016, after the decline of 3.7% for 2015. In 2016, overall visitor arrivals to Hong Kong reached 56.7 million, a drop of 4.5% year on year, and those from the Chinese Mainland declined by 6.7%. According to official estimates, visitor arrivals to Hong Kong are forecasted to drop by 2.2% in 2017.

Exports of goods registered growth of 1.7% for 2016, from a slip of 1.7% for 2015; while exports of services dropped 3.1% for 2016. For 2017, the external environment is expected to improve whereas domestic demand will continue to be supported by the largely stable income and employment conditions.

In the latest round of review in February 2017, the government forecast Hong Kong's economic growth for 2017 at 2% to 3%.

## **2. HR Challenges**

### **Mandatory Provident Fund (MPF) Offsetting**

Hong Kong's population ageing is expected to be most rapid in the coming 20 years with the proportion of over 65s reaching 23% in 2024 and 30% in 2034 respectively. Retirement protection for Hong Kong employees has become one of the top priorities spelt out in the Chief Executive's 2017 Policy Address. Mandatory Provident Fund (MPF) is an important part of Hong Kong's multi-pillar retirement protection system. The Policy Address proposes to progressively abolish the offsetting mechanism of severance payments or long-service payments with MPF contributions to maximise retirement protection for

employees, together with other measures to strengthen Hong Kong's social security assistance for the elderly and needy.

### **Standard Working Hours**

The Standard Working Hours Committee completed a proposal in January 2017 in which it put forward the idea of requiring the employers to state working hours and overtime payments clearly in employment contracts in a bid to protect the interests of lower-income grassroots workers. The Committee recommended several suggestions in the proposal including enacting legislation to make it mandatory for the business sector to pay low-income grassroots workers overtime payments at a rate no less than their regular hourly wage or relevant compensation leave arrangements.

### **Statutory Minimum Wages**

The Statutory Minimum Wage rate will be raised from its prevailing level of \$32.5 per hour to \$34.5 per hour, an increase of 6.2%, effective from 1 May 2017.

## **3. HKIHRM Projects and Initiatives**

### **HKIHRM Research Studies**

#### **HKIHRM's Second Half Yearly Survey on Manpower Statistics survey**

The overall average staff turnover of 10.5% (weighted average) was recorded for the second half of 2016 while the average vacancy rate was 6.6% (weighted average) during the same period according to the HKIHRM's Second Half Yearly Survey on Manpower Statistics. The top three sectors with the highest job vacancy rate included retail (12%); business services/ professional services (11.5%); and construction/property development/real estate (10.8%). In contrast, the top three sectors with the lowest job vacancy rate were electricity/gas/petrol (2.4%); transport/services allied to transport (storage) (1.9%) and financial services/ banking/ insurance (1.8%).

Employers remained positive in hiring despite economic uncertainties. 72.4% of the companies indicated to remain hiring and 15.8% of employers reported to increase hiring while 7.9% of the employers expressed a hiring freeze in the first half of 2017. Top industries were reported to increase hiring in the first half of 2017 included business services/professional services (40%) and financial services/banking/insurance (33.3%). Manufacturing (33.3%) and business

services/professional services (20%) were among the sectors with the strongest intention to freeze hiring in the first half of 2017. Only 3.9% of the employers surveyed will reduce hiring in the first half of 2017.

### **HKIHRM's Pay Trend Survey**

HKIHRM's November 2016 Pay Trend Survey that covered 89 companies from 16 industries involving a total of some 133,000 full-time salaried employees. Based on the data provided by the 88 responding companies, the overall base pay adjustment in 2016 was 3.5%. The top three business sectors with the highest pay adjustment in percentage in 2016 included construction (4.7%), NGO (4.7%) and public utilities (4.1%).

42.7% of the surveyed companies reported that they had a guaranteed bonus policy. Data revealed that the proportion of employers implementing a guaranteed bonus policy has been on a decline over the past few years.

According to the findings, the base pay adjustment projection for Hong Kong employees in 2017 for the period from January to April 2017 would be 3.5%.

### **HKIHRM's Stress in the Workplace Survey**

The Institute conducted a survey on stress in the workplace from July to August 2016 polling 191 employers and employees. Findings reveal that long working hours, heavy workload and inadequate staffing are identified to be the main causes of workplace stress among Hong Kong employees. Other key sources of work-related stress derived from pressure in meeting business target and poor relationships with supervisors.

In view of employee demographic, it was found that middle-aged employees are most likely to experience stress, especially those in the 35 to 44-year-old age group (58%) and in the 45 to 54-year-old age group (49%). Findings also indicated that gender difference, marital status and parenthood did not show any direct link to employee stress.

By business sector, employee stress level is reported to be the highest in industries such as hi-tech/information technology, oil/chemicals/energy, restaurants/catering, banking/insurance, and estate/property management.

The most probable impact on the workforce as a result of employee stress is employee turnover. 68% of the companies surveyed reported that stress on employees had resulted in employee turnover, followed by other negative consequences including decreased productivity (49%), and declining or inconsistent work performance (47%)

The top three mitigating measures considered to be effective in helping employees relieve stress included special leave/work hour arrangement (86%), flexi-work/flexi-time option (83%) and making necessary changes in organisation structure/work teams (76%).

### **HKIHRM HRM Specification of Competency Standards**

The Institute has completed the fourth developmental phase with the writing of the Specification of Competency Standard (SCS) for Hong Kong's HRM sector under the Qualifications Framework (QF). A set of over 200 Units of Competency across seven HRM functional areas such as the range of applications, levels, credits and assessment criteria have been endorsed by the Cross-Industry Training Advisory Committee (CITAC) of the QF. The project is moving on to the final stage smoothly, and an industry-wide consultation with HKIHRM's members and HR professionals from various industries and business sectors on the draft of the HRM SCS will commence from 11 April 2017 for a period of three months.

### **HKIHRM 40<sup>th</sup> Anniversary**

The HKIHRM is celebrating its 40th Anniversary in 2017 with a line-up of events for members, including a photo display of the Institute's historical moments on social media networks, a cocktail reception in September and also editorial features of the Institute's development and achievements in the *Human Resource Journal* and major Hong Kong newspapers.

### **HKIHRM Annual Conference and Exhibition**

With the key theme of Transformation: People, Strategy, Organisation as its key theme, the two-day 36<sup>th</sup> HKIHRM Annual Conference and Exhibition in 2016 attracted over 1,800 delegates, HR practitioners, business executives and visitors from local and overseas. The Hon Matthew Cheung Kin-chung, GBS, JP,

Secretary for Labour and Welfare of the Government of the HKSAR, was the Guest of Honour of at the Conference.

Over the two days, 19 concurrent sessions were organised for HR practitioners with topics ranging from reward management, talent management and development, employee engagement, HR-led social networking, digital learning to local employment policy. An admission-free exhibition took place alongside with about 40 exhibitors offering a variety of HR products and services together with a series of symposia that was open to the public.

The 37<sup>th</sup> HKIHRM Annual Conference and Exhibition is scheduled to take place on 21 and 22 November 2017.

#### **HKIRM HR Excellence Awards (2015/2016 edition)**

The HKIHRM HR Excellence Awards Ceremony 2015/16 took place on 20 September 2016 at the Hong Kong Convention and Exhibition Centre. 15 awards were presented to 11 winning organisations and individuals to recognise their remarkable people management strategies and practices that had made a significant impact on corporate culture and business success.

Guest of Honour, Mr Godfrey Leung King-kwok, JP, Under Secretary for Commerce and Economic Development of the HKSAR Government officiated at the ceremony attended by 200 guests.

Mr Jasper Tsang Yok-sing, GBM, GBS, JP, the 2<sup>nd</sup> President of the Legislative Council of Hong Kong will be the Chairman of the Judging Panel of the HKIHRM HR Excellence Awards 2017/2018.

#### **HKIHRM Training Needs Seminar**

The 2016 Annual Training Needs Seminar cum ATD Post-Conference Sharing was held on 26 August 2016 and around 120 HR practitioners attended the event. The seminar focused on the major findings of the 2015 Training and Development Needs Survey. During the seminar, speakers from renowned companies shared their insights on other hot training-related topics and trends such as using technology for effective staff engagement as well as compliance training for employees.

The 2017 Annual Training Needs Seminar cum ATD Post-Conference Sharing is scheduled to take place on 4 August 2017.

### **HKIHRM Pay Trend and Benefits Seminar**

The 2016 Pay Trend and Benefits Seminar was held on 2 November 2016, and attracted over 180 participants from the HR and business sectors who were given an overview of Hong Kong's economic development and manpower challenges, as well as the latest trends of pay and benefits in the year 2017.

The 2017 Pay Trend and Benefits Seminar is scheduled to take place on 2 November 2017.

## **4. HKIHRM Membership**

As at March 2017, the HKIHRM had over 5,300 members, around 600 of whom were corporate members.

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