

Hong Kong Country Report

APFHRM Meeting in Bangladesh 12 March 2016

1. Current Economic and Political Situations in the Country

Economy and labour market situations

Gross Domestic Product

Hong Kong's Gross Domestic Product (GDP) increased by 2.3% in real terms in the third quarter of 2015, with a slip by 0.5% compared to the second quarter of 2015.

Consumer Price Index

Hong Kong's CPI reached 2.6% in January 2016. The upside risks to inflation should remain limited in the near term, given the muted global inflation and soft international commodity prices.

Unemployment Rate

The labour market remained stable. The seasonally adjusted unemployment rate for the period from November 2015 to January 2016 stood at 3.3%, the rate that has remained the same since July 2015. Underemployment rate remained at 1.4% from November 2015 to January 2016.

Economic Forecast

Hong Kong's economy is expected to retain modest growth in the near term marked by increasing downside risks. Recovery of advanced economies is slow and patchy, with descending pressures on emerging market economies still prominent. The government's forecast of Hong Kong's GDP growth for 2015 is 2.4%. According to International Monetary Fund's forecast, Hong Kong's economic growth in 2016 may reach 2.5%, with the inflation rate below 3%. US interest rate hikes, volatility of the financial markets, China's economic slowdown, and the continuous fall in mainland tourist numbers are believed to be factors affecting Hong Kong's GDP growth in 2016.

Manpower Trends - Employee Turnover, Job Vacancies and Job Growth

The overall average staff turnover rate of 10.8% (weighted average) was recorded for the first half of 2015, according to the Survey on Manpower Statistics conducted by the HKIHRM. Hong Kong's unemployment rate has remained within the range of 3.2% to 3.3% between May 2014 and December 2015. Industries which have a higher unemployment rate include construction, retail, hotel, and catering services while industries which suffer serious manpower shortage include IT and communications, financial services and insurance services.

The overall hiring intention remained optimistic in the first half of 2015. The vacancy rate for the first half of 2015 (weighted average) was 6%, 0.8 percentage point higher than that in the second half of 2014 (5.2%). The net growth in new positions during the first half of 2015 was 4.8% (weighted average), 2.3 percentage point higher than that of the second half of 2014 (3.4%).

HKIHRM's Pay Trend Survey

According to HKIHRM's November 2015 Pay Trend Survey which covered 96 companies involving a total of some 131,000 full-time salaried employees, employers would take a cautious approach to their pay strategies in 2016 considering the current economic uncertainties and business challenges looming over Hong Kong, especially in certain business sectors such as retail which were deeply affected by the drop of mainland visitor arrivals. However, employers in sectors such as construction and engineering would offer higher pay rise to retain and attract staff due to talent shortage.

Base Pay Adjustment

The overall average base pay adjustment recorded for the 90 companies was 4.3% (weighted average) in 2015, 0.3% lower than the forecasted adjustment of 4.5% announced by the HKIHRM in October 2014.

Of the 131,000 employees concerned, all received a positive base adjustment, no responding companies received a zero base pay adjustment and no employee received a negative adjustment.

Bonus Payment

Close to 44.8% of the 96 responding companies indicated that they had a guaranteed bonus policy. The average amount of bonus offered in 2015 was 1.01 months of the base pay.

Among the 96 surveyed companies, 84 companies with a non-guaranteed bonus scheme confirmed their bonus payment during January and February 2015. Of their eligible employees, 94.8% (30,423 employees) were awarded a non-guaranteed bonus, with the average amount of bonus being 1.51 months of the base pay.

2016 forecast

For 94.1% of responding companies which have budgeted pay adjustment for January to April 2016, the average projected pay adjustment in 2016 was 3.8% (weighted average)

HKIHRM's Talent Shortage Survey

HKIHRM conducted an online survey on talent shortage from July to October 2015 involving 334

companies. 93% of the responding companies found it quite difficult or extremely difficult to find the right talent to fill vacancies.

The top 5 business sectors that faced talent shortage included logistics/transport/transport services at 64%, followed by IT at 50%, business/professional services at 39%, wholesale/import & export/trading/distribution at 36%, and restaurant/catering at 33%.

Regarding recruitment, 62% of the employers indicated that recruiting general/supporting level staff presented the biggest challenge while only 17% of the employers found it difficult to fill in positions at top management level. It was also found that job positions that employers had difficulty to fill included sales staff (31%), engineers (25%), technicians (25%) and IT staff (22%).

Over 95% of the participating companies revealed talent shortage impacted their business at various levels. 88% of the responding companies indicated that the most significant impact was increasing workload or pressure on staff. Other types of impact on business reported by the responding companies included affecting staff moral/staff engagement (59%), increasing employee turnover (59%) and increasing compensation/operation costs (42%)

2. HR Challenges

Update on Standard Working Hours

The Standard Working Hours Committee (SWHC) has accepted the proposal made in October 2015 that the wage protection level is increased to cover employees with a monthly salary of HK\$25,000 or below. SWHC has agreed in principle to recommend exploring a legislative approach to mandatorily require employers and employees to enter into written employment contracts that will specify clearly terms relating to working hours, overtime work arrangements and overtime compensation.

However there has been a deadlock between the employer representatives and employee representatives in the Committee over the issue of legislation. Employer representatives refuse to make it mandatory for bosses to pay their staff overtime after working beyond a certain number of hours a day and only support legislation that requires employers to state in their staff contracts the number of hours they should work and how they should be compensated. The labour side insist that a working week of between 40 and 44 hours, with workers paid 1.5 times their usual wage rate for overtime must be legislated.

A full report prepared by the Committee is expected to be submitted to the government in June 2016 on standard working hour legislation before the Committee dissolves.

Competition Law

The Competition Ordinance has been in force since 14 December 2015. Implementation guidelines have been developed to outline how the Competition Commission expects to interpret and give effect to the competition rules and address certain procedures under the Ordinance. In relation to HR practices and employment matters, the main concerns will likely be related to practices such as wage fixing, exchange of competitively sensitive HR-related information, and non-solicitation agreements between competitors.

Retirement Protection

The Commission on Poverty has started a six-month public consultation which ends on 21 June 2016 to gather views on retirement protection schemes and Mandatory Provident Fund offsetting arrangement.

Manpower Issues

The 2016 Policy Address was announced in January 2016. Hong Kong Government has adopted various measures to sustain Hong Kong's long-term human capital development, with key highlights as follows:

The Airport Authority will establish a civil aviation academy to nurture local and regional aviation management talent to further strengthen Hong Kong's edge as a major regional aviation hub. The MTR Corporation Limited will set up an academy to train personnel in rail management and operation to raise the quality of local and regional rail services.

Labour Department's Construction Industry Recruitment Centre was launched in January 2016 to provide workers with a clear career ladder, boost skills and professional development, and attract new entrants to the construction industry. Moreover, the Government will collaborate with the Construction Council to provide training for skilled labour and attract local workers to join the industry.

The Government has launched the Navigation Scheme for Youngsters in Care Services to offer employment and training opportunities to youngsters interested in providing care services in the welfare sector. A total of 1000 training places will be provided in stages by five NGOs.

3. HKIHRM Projects and Initiatives

HKIHRM Annual Conference and Exhibition

The HKIHRM 35th Annual Conference and Exhibition was held on 24 and 25 November 2015 with about 2,200 delegates and visitors. This year's Conference boasted a strong line-up of about 50 speakers from the business community, HR profession, academics from Hong Kong and overseas who addressed a wide range of topics on strategic HR management and people management. An exhibition and a symposium took place concurrently with about 50 organisations offering the latest ideas in HR products and services.

The 36th Annual Conference and Exhibition is scheduled to take place on 24 and 25 November 2016.

HR Excellence Awards

The HKIHRM presents the HR Excellence Awards to recognise organisations and individuals who achieve business success through outstanding people management strategies and practices. The application phase of the 2015 - 2016 edition completed in early Dec 2015, followed by the first round of interviews with entrants in February and the final round interview with finalists in June. The

judging panel is led by Mr Greg So, Secretary for Commerce and Economic Development of Hong Kong. Results will be announced in September at the Gala Dinner.

Pay Trend and Benefits Seminar

The 2015 Pay Trend and Benefits Seminar was held on 3 November to provide participants with an overview of Hong Kong's economic development and challenges, as well as the latest trends of pay and benefits in the coming year. Last year, the seminar attracted more than 200 participants from the HR and business sectors. The 2016 Pay Trend and Benefits Seminar will take place on 2 November 2016.

Setting Competency Standards for Hong Kong's HRM Sector

The HKIHRM has successfully completed Phase I Environmental Scanning and Phase II mapping out of HR tasks and functions for writing Specification of Competency Standards for the HRM sector for Qualification Framework. The Institute has now embarked on the Phase III, which involves the in-depth content development of each HR task resulting from the HR functional matrix.

International Collaborations

The HKIHRM and the UK-headquartered CIPD will jointly organise seminars and professional programmes throughout 2016, including HR Business Partner Development Master Class, Global Remuneration Professional and Certified Compensation Professional courses.

4. HKIHRM Membership

As of March 2016, the HKIHRM had over 5,300 members, around 600 of whom were corporate members.

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