

Hong Kong Country Report

APFHRM Meeting in Bangkok, Thailand Oct 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 1.6% in real terms in the second quarter of 2016, and the HKSAR government estimates the full year economic growth in 2016 will remain between 1% and 2%.

Consumer Price Index

Hong Kong's Composite Consumer Price Index (CPI) grew by 2.3% in July 2016 year on year. The HKSAR government expects that inflation in the coming months will stay modest in view of global inflation rates at low levels.

Employment Situation

Hong Kong's labour market has remained stable since the beginning of the year despite the economic downturn, with the unemployment rate in the first and second quarters of 2016 standing at 3.4%, which can be regarded as full employment. By industry, accommodation services and tourism-related sector (5.3%), retail (5.5%), real estate (3.1%), and finance (2%) saw a rise in unemployment rate in the second quarter while construction (4.2%) and insurance (2.6%) registered a fall in unemployment rate in the second quarter. Underemployment rate remained at 1.4% in the first and second quarters.

Economic Forecast

External factors such as weak demand from global markets, decline in the number of mainland visitors' arrivals and the slowdown of China's economy have put Hong Kong's economy under press. In the first half of 2016, the total

number of visitors to Hong Kong was 27.16 million, a drop of 7.4% year on year while the number of mainland visitors declined by 10.6% to 20.42 million for the same period year on year. For the first seven months of 2016, the value of Hong Kong's total exports of goods slipped by 4.1% year on year. On the backdrop of China's economic growth for 2016 set at the range of 6.5 % to 7%, the Hong Kong government estimates that the city's GDP growth for 2016 will remain at 1-2%, with Hong Kong's overall inflation likely to stay tamed at around 2% for 2016. In mid-August, the Chinese Central Government approved the share-trading link between Hong Kong's and Shenzhen's stock markets, which will further strengthen Hong Kong's status as an international financial centre and create demand for talent in finance and banking services.

Manpower Trends - Employee Turnover, Job Vacancies and Job Growth

The overall average staff turnover of 10.2% (weighted average) was recorded for the first half of 2016 while the average vacancy rate was 5.2% (weighted average) during the same period according to the HKIHRM's 2016 Half-Yearly Manpower Statistics Survey. The top three sectors with the highest job vacancy rate included community/social/personal services (10.2%); retail (10.1%); and construction/property development/real estate (7.8%). In contrast, the top three sectors with the lowest job vacancy rate were electricity/gas/petrol (2.7%); telecommunication (2.6%); and transport/services allied to transport (storage) (1.0%).

Employers showed a stronger inclination to freeze and reduce hiring and became cautious in their recruitment in view of Hong Kong's economic slowdown. 17.3% of employers reported to increase hiring in the second half of 2016 while there was a significant increase of employers opting to freeze hiring (15.5%) and reduce hiring (7.3%). Top industries that reported to increase hiring in the second half of 2016 included telecommunication (75%), business services/professional services (50%) and electricity/gas/petrol (33.3%) while sectors such as manufacturing (28.6%); transport/services allied to transport (storage), community/social/personal services; financial services/banking/insurance; construction/property development/real estate were reported to reduce hiring in the second half of 2016.

2. HR Challenges

Standard Working Hours

The Standard Working Hours Committee (SWHC) completed its second round of public consultations on 24 July 2016. 400 written public submissions on

standard working hours legislation were received. An independent consultancy company is now consolidating and analysing the views gathered from various channels and will submit a report to the government. The employer and the labour sides of the SWHC reached a consensus on 18 Mar 2015 to regulate working hours through a contractual legislative approach that stipulates in the employment contract the monthly salary, standard working hours and overtime compensation arrangements.

On the Institute's position on Standard Working Hours, HKHIRM

- supports the implementation of the 'big frame', which requires employers to specify terms of working hours and overtime pay when entering employment contracts with employees;
- advocates Hong Kong employers to formulate appropriate contractual terms based on the operations of individual companies, including compensating overtime work, in order to attract and retain talent and the 'big frame' approach should allow flexibility for different industries/sectors to address their own manpower needs; and
- recognises that the 'small frame' implementation is far more complex and requires further research and study across various industries. The Institute intends to engage HR practitioners from different sectors to solicit input and views.

Mandatory Provident Fund (MPF) Offsetting Arrangements

The HKIHRM conducted a survey from 21 January to 26 February 2016 polling 338 members who were HR practitioners responsible for developing and implementing the HR policy of their organisations. It was found that 65% of the Institute's members were in favour of eventually abolishing the MPF offsetting mechanism for making severance and long-service payments to employees.

For top three reasons given by HR practitioners who supported abolition of MPF offsetting, 92% cited having better retirement protection for employees as a major reason, followed by 69% who revealed their organisations would be perceived as a caring and considerate employer, with another 69% reflecting that the abolition would offer more protection for redundant staff during unemployment. 45% of the polled HR participants expressed that offering tax credits to organisations could be an alternative to abolition of MPF offsetting while 42% proposed that partial offsetting of a certain percentage of employers' MPF mandatory contribution could be an option.

Employment (Amendment) Bill 2016

The Bill gazetted on 12 February 2016 requires an employer to reinstate or re-engage an employee who has been dismissed unreasonably or unlawfully, by order of the Labour Tribunal, without the need to first secure the agreement of an employer before making a reinstatement order as the current Employment Ordinance stipulates. On 6 September 2016, members of the Labour Advisory Board (from employer representatives and labour unions) reached an agreement to set the additional compensation at HK\$ 72,500 paid to employees who have been unreasonably or unlawfully dismissed by employers.

3. HKIHRM Projects and Initiatives

HKIHRM Annual Conference and Exhibition

The HKIHRM 36th Annual Conference and Exhibition will be held on 24 and 25 November at Hong Kong Convention and Exhibition Centre with **Transformation: People, Strategy, Organisation** as this year's theme. With the Hon Matthew Cheung, Secretary for Labour and Welfare of the HKSAR Government as the Guest of Honour, the Conference boasts the CEO Plenary, the Senior HR Forum, the Inspirational Speaker session, plus more than 20 concurrent sessions, featuring a strong line-up of speakers from across the globe including Mr Kevin Sneader, Chairman of McKinsey & Company's Asian offices, Mr Benjamin Vuchot, Regional President, Asia North DFS Group, Ms Janet Man, Senior Director, Talent & Diversity McDonald's High Growth Markets & Foundation Asia among many others who will provide industry insight, practical takeaways and inspirational ideas. Last year, the two-day event received more than 2,000 delegates and visitors.

HKIRM HR Excellence Awards (2015/2016 edition)

The HKIHRM organises the HR Excellence Awards to recognise organisations and individuals who achieve business success through outstanding people management strategies and practices. 15 award winners will be announced at the Award Presentation Ceremony cum Gala Dinner on 20 September with Mr Godfrey Leung, Under Secretary for Commerce and Economic Development of the HKSAR Government as the Guest of Honour.

HKIHRM Benefits Survey

As a major research effort conducted by HKIHRM once every three years, the 2015 Benefits Survey took place from May to August 2015, polling 210 organisations from 22 industry or business sectors that covered a total of 129,000 full-time salaried employees. As one of the most comprehensive benefits surveys

of its kind specific to Hong Kong, the 142-page survey report covers 30 employee benefit areas including different leave entitlements, retirement schemes, medical benefits, meal benefits, transportation benefits, long-service recognition benefits, accommodation benefits, and staff retention programmes. The findings reflect that employers have recognised the importance of employee well-being and work-life balance as key strategies to improve employee engagement, loyalty and retention. A marked increase in company numbers is seen to offer birthday leave and have medical and dental benefits extended to the dependents of eligible employees.

The basic/initial annual leave entitlement across all employee levels in all business sectors ranged from 10 days to 19 days on average. 58.2% of companies offered sick leave entitlement to meet the statutory minimum requirement while 21.1% of employers offered sick leave benefit better than the statutory requirement. 93.7% of employers imposed service requirement for maternity leave payment on eligible employees in compliance with the Employment Ordinance. Major medical benefits provided by employers included clinical (outpatient) benefit (96.2%), hospitalisation benefit (95.7%), dental benefit (59.5%) and medical check-up (47.4%). The average retirement age for employees across the 22 industry and business sectors covered in the survey was 62. As for work-life balance initiatives, the majority (83.7%) of companies provided these for their staff. A five-day work week was mostly adopted by employers, with 89.7% of the surveyed organisations practicing this policy.

HKIHRM Pay Trend and Benefits Seminar

The 2016 Pay Trend and Benefits Seminar will take place on 2 November 2016 to provide senior business executives and HR professionals with an overview of Hong Kong's current economic developments and challenges, as well as a review of pay adjustment levels and employee benefits in 2016 and projections in 2017.

International Collaborations

On 8 August 2016, the HKIHRM entered into a reciprocity professional membership recognition arrangement between the HKIHRM's Professional Members M.I.H.R.M. (HK) designation and the Canada-based Human Resources Management Association (HRMA)'s Certified Human Resource Professional (CHRP) designation established by the two professional bodies. The HKIHRM Professional Members M.I.H.R.M. (HK) will be eligible to obtain the CHRP designation from the HRMA, and vice versa. Fellow Members of both associations are offered M.I.H.R.M. (HK) and CHRP designations respectively.

HKIHRM Annual General Meeting

The HKIHRM 23rd AGM was held on 28 June 2016, and David Li was re-elected as President (2016-2017).

The following Council Members were also re-elected as:

- Vice-President - Margaret Cheng
- Vice-President - Lawrence Hung
- Vice-President - Alice Wong
- Treasurer - Dave Li

4. HKIHRM Membership

As at 31 March 2016, the HKIHRM had over 5,500 members, around 600 of whom were corporate members.

David Li

President

Hong Kong Institute of Human Resource Management