



**Hong Kong Institute of Human Resource Management**

**Asia Pacific Federation of Human Resource Management**

**Country Report**

**Hong Kong Report (August 2011)**

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**Part I - Brief General Economic Profile of Hong Kong**

**(Gross Domestic Product, Consumer Price Index, unemployment rate and economic forecast based on government statistics and information)**

**Gross Domestic Product**

According to the latest preliminary figures of Gross Domestic Product (GDP) released by the Census and Statistics Department, the real GDP increased by 5.1% in Q2 2011 over a year earlier. On a seasonally adjusted quarter-to-quarter comparison basis, the GDP declined by 0.5% in real terms in Q2 2011.

**Consumer Price Index**

Inflationary pressure notched up more rapidly alongside economic growth in the first half year of 2011. The overall consumer prices rose by 5.2% in Q2 2011 over the same period in 2010. Netting out the effects of all government's relief measures, the year-on-year rate of increase in the Composite Consumer Price Index (CPI) (ie the underlying inflation rate) in Q2 2011 was 5%, mainly due to higher food prices and private housing rentals. On a seasonally adjusted basis, the average monthly rate of increase in the Composite CPI for the 3-month period from April to June 2011 was 0.6%.

**Unemployment Rate**

The labour market continued to flourish with the seasonally adjusted unemployment rate decreased to 3.5% for the period from April to June 2011. Meanwhile, the underemployment rate remained low at 1.8% in the same period. The lower unemployment rate was a result of a vibrant economy and job creation.

**Economic Forecast**

In the first half of 2011, the economic outlook of Hong Kong remained positive with a continuous upward trend in pay adjustment and vacancies. On the other hand, unemployment rate continued to drop. However, the financial crises in the US and some European countries have affected such positive sentiment. The local stock market experienced some turbulence in early August while property prices also moved downward amid the negative economic sentiment. In response to such drastic changes in the economic climate, the Financial Secretary of Hong Kong stated that the fundamentals of the Hong Kong economy are strong and trading of shares was conducted in an orderly manner.

In the remaining four months in 2011, Hong Kong as an externally-oriented economy still has to face some risk factors. In the international arena, the sovereign debt problem in some countries may prevail. The fragile fundamentals of many advanced economies will be the focal point of the global economy. In Hong Kong, worries about the housing market bubble and the inflationary pressure still top the list among the major issues of public concern. Meanwhile, the credit tightening policy and rising inflation in the Mainland are also issues attracting public attention.

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## **Part II - Latest HR Trends in Hong Kong**

### **A. Manpower Trends – Employee Turnover, Job Vacancies and Job Growth**

According to the ***Quarterly Survey on Manpower Statistics – First Quarter 2011*** conducted by the Hong Kong Institute of Human Resource Management (HKIHRM), the weighted average turnover rate during Q1 2011 (3.5%) was higher than that in Q4 2010 (2.7%) and Q1 2010 (2.54%). The turnover rate went upward as Q1 is traditionally a peak season for job seeking.

The weighted average vacancy rate during Q1 2011 was 5.2%, 1.5 percentage points higher than Q4 2010 (3.7%) and 2.14 percentage points higher than Q1 2010 (3.06%).

The net growth in new positions during Q1 2011 was 1.2%, 0.5 percentage points higher than Q4 2010 (0.7%) and 0.36 percentage points higher than Q1 2010 (0.84%). A net growth in positions has been recorded since these data were collected in Q1 2005 (except Q1 2009).

### **B. Pay Trend**

With a promising economic outlook for 2011, an upward pay adjustment continued in the first four months of 2011, according to the results of the ***HKIHRM April 2011 Hong Kong Pay Trend Survey***.

#### **Base Pay Adjustment – January to April 2011**

The overall average pay adjustment recorded for the 68 companies was 3.7% (weighted average), 1.9 percentage points higher than the figure recorded for the same period in 2010 (1.8%). Among these companies, pay increase had become a prevailing trend, with 95.2% of them making an overall pay increase. The remainder adopted a pay freeze for their staff. No overall pay reduction was recorded.

#### **Bonus Payments – January to April 2011**

Of the 90 companies providing data on bonus payments, 41 companies had a guaranteed-bonus policy. All these companies awarded a guaranteed bonus to their employees, with the average bonus size being 1.01 months of base pay.

On the other hand, a total of 62 companies with a non-guaranteed bonus scheme confirmed a bonus payment during the survey period. Of their eligible employees, 97.4% were awarded a non-guaranteed bonus, with the average bonus size being 1.46 months of base pay. This compared with the 94.5% of eligible employees actually awarded a bonus of 1.27 months of pay in the same period in 2010.

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**Part III - Update on Major HR-related Legislations/Regulations**

**Hong Kong**

**Minimum Wage Ordinance effective on 1 May 2011**

The Minimum Wage Ordinance (MWO) came into effect on 1 May 2011. Under the MWO, all employees in Hong Kong should receive a statutory minimum hourly wage of not less than HK\$28. It is also stipulated that employers should keep a record of the total number of hours worked by the employees in a wage period within which the employees earn HK\$11,500 or below. According to the Labour Department, the implementation of MWO is smooth. Employers at large comply with the MWO stipulations while no significant complication was observed with regard to employee relations.

The HKIHRM conducted a MWO Survey in June 2011 to gauge views from the HR professionals, and to understand the actual practices adopted by different companies to tie in with the stipulations of the MWO, and the difficulties they encountered. The survey covers 117 companies from 17 business sectors with a total of 120,268 employees. For a brief survey summary, please visit this link: [https://www.hkihrm.org/ihrm\\_eng/ih\\_hrr\\_sur\\_01.asp?id=104](https://www.hkihrm.org/ihrm_eng/ih_hrr_sur_01.asp?id=104)

**Mainland China**

**1) Updates on Mainland minimum wages and labour force**

According to the Human Resources and Social Security Minister of China, minimum wages rose by an average of 24% in 2010, while the average monthly salary of a migrant worker gained 13% to 1,690 yuan. Labour shortage was particularly encountered by certain industries, especially the labour-intensive manufacturing and service sectors in the east. About 24 million urban residents and eight million rural workers were expected to join the labour force this year, among whom some 6.6 million are university graduates.

**2) Social Insurance Law**

Under the Social Insurance Law which has been effective since 1 July 2011, all overseas people who have worked on the Mainland for more than six months will have to pay social security insurance, which covers medical insurance, unemployment benefits, workplace injury protection, maternity leave and a housing provident fund. Some countries are negotiating with the Chinese Government on exemption for their nationals.

**3) Amendments to Individual Income Tax**

Amendments to China's Individual Income Tax Law will come into effect on 1 September 2011, following an announcement by the State Administration of Taxation in July. The monthly tax threshold for foreigners has been raised by 1,500 yuan to 3,500 yuan, same as for Chinese taxpayers. Meanwhile, the deductions for expenses, a special subsidy for foreigners, have been reduced by 1,500 yuan to 1,300 yuan.

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**Part V - Updates on the HKIHRM**

**1) International Collaboration**

- a) The HKIHRM staged the first ever 3-day programme (6 – 8 July 2011) with the theme “An International Perspective on 21st Century Employment Relations (ER) and Union Management” in conjunction with the Chartered Institute of Personnel and Development (CIPD) from the United Kingdom. This is one of the collaborations aiming at bringing in training programmes of international standing, following the signing of a Memorandum of Understanding (MOU) with the CIPD.
- b) The Institute has also successfully entered into a partnership with the HR People and Strategy (HRPS), a US-based professional body. A MOU will also be signed with the HRPS at the Annual Conference of the Institute to be held in November this year.
- c) The Institute has approached the Society for Human Resource Management in the US for potential joint efforts in human capital research as well as mutually benefited arrangement on membership privilege, as well as potential Joint programmes.
- d) To honour the Institute’s commitment to the Asia Pacific Federation of Human Resource Management (APFHRM), Mr Eddie Ng, Co-chairperson of HKIHRM’s China and International HRM Committee, paid a visit to Hanoi in Vietnam from 2 to 5 July and met with various HR groups to explore potential interest in obtaining membership of the APFHRM. The initial response was very positive. The Institute is planning to visit Ho Chi Ming City as the HR groups there seem to be more active and of larger scale. The Institute paid a visit to Macau to explore similar potential interest in membership from 18 to 20 August.

**2) Membership**

As of 31 July 2011, the Institute has over 4,500 members, including more than 500 corporate members.

**3) Leadership**

|                        |                   |
|------------------------|-------------------|
| <b>President</b>       | Mr Francis Mok    |
| <b>Vice Presidents</b> | Ms Margaret Cheng |
|                        | Mr David Li       |
|                        | Ms Monisa Wan     |

**4) Upcoming Event**

**Annual Conference: “Building People Advantage for Business Sustainability”**  
22 – 23 November 2011, Hong Kong Conference and Exhibition Centre

**Website:** [http://www.hkihrm.org/ihrm\\_eng/ih\\_eve\\_con.asp](http://www.hkihrm.org/ihrm_eng/ih_eve_con.asp)

(Latest updates on the HKIHRM events please go to [www.hkihrm.org](http://www.hkihrm.org))