



Hong Kong Institute of Human Resource Management

Asia Pacific Federation of Human Resource Management

Country Report

Hong Kong Report (August 2012)

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Part I - Brief General Economic Profile of Hong Kong

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

Gross Domestic Product

According to preliminary data on Gross Domestic Product (GDP) released by the Census and Statistics Department, GDP rose slowly at 1.1% in real terms in Q2 2012 over a year earlier, after a 0.7% growth in the first quarter (revised from the earlier estimate of 0.4%), dragged by a slowdown in external trade. On a seasonally adjusted quarter-to-quarter comparison, real GDP shrank marginally by 0.1% in the second quarter, after a 0.6% growth in the preceding quarter (also revised from the earlier estimate of 0.4%)

Consumer Price Index

Consumer price index (CPI) (ie underlying inflation rate) dropped to 1.6% in July year-on-year. In the first half of the year, the CPI recorded a gradual downward trend from the highest point of 6.1% in January 2012.

Unemployment Rate

The labour market remained in a state of full employment. The seasonally adjusted unemployment rate stood at 3.2% from May to July 2012, which has remained unchanged since March 2012. The underemployment rate also remained low at 1.5% in the May to July period.

Hong Kong Population Projections 2012-2041

The Census and Statistics Department released the Hong Kong Population Projections 2012-2041 in July with major projections as below:

- The Hong Kong population will grow by 1.4 million to 8.47 million over the next 30 years.
- The number of people aged 65 and above will increase notably from 13% in 2011 to 30% in 2041.
- The population aged below 15 will drop from 12% in 2011 to 9% in 2041.
- The dependency ratio (ie, those “under 15” and those “65 and over” for every 1,000 persons aged 15 - 64) will grow significantly to 645 economically inactive people – children and retirees – for every 1,000 workers by 2041.
- The ban on Mainland women giving birth in Hong Kong will leave the city with 330,000 fewer workers than it had previously expected.

Economic Forecast

Given the weak outturn of a 0.9% year-on-year real economic growth in the first half of 2012, and that downside risks on the external front have increased, the Hong Kong economy is expected to attain a modest growth for 2012. The GDP growth rate in real terms is forecast to slow down to 1% - 2% for 2012.

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Downside risks remain in the global economy, amid the lingering concerns over the setback in the eurozone economy, and the fragile fiscal positions of many of its member states. Meanwhile, the US economic recovery has lost some momentum in recent months, clouded further by the uncertainties in the election year and its “fiscal cliff”.

Amid increasing headwinds to the global economy, the external environment would remain tough and continue to overshadow Hong Kong's export outlook in the short term. However, with the Asian economies generally having sounder fundamentals, many of them including China have gradually eased their policy to support growth in recent months. This should provide some positive support to the region's demand.

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 – Second Quarter 2012** conducted by the Hong Kong Institute of Human Resource Management (HKIHRM), the weighted average turnover rate during Q2 2012 was 5.0%, 1.7 percentage points higher than Q1 2012 (3.3%) and 0.7 percentage point higher than Q2 2011 (4.3%).

The weighted average vacancy rate during Q2 2012 was 4.4%, 0.1 percentage point higher than Q1 2012 (4.3%) and 0.8 percentage point lower than Q2 2011 (5.2%).

The net growth in new positions during Q2 2012 was 0.9% (weighted average), 0.1 percentage point higher than both Q1 2012 (0.8%) and Q2 2011 (0.8%).

B. Pay Trend

With ongoing concerns about the fluctuating economic situations, employers continued to adopt a prudent approach on pay rises, according to the results of the **HKIHRM April 2012 Pay Trend Survey**. The survey covered a total of 94 companies from 17 sectors, with a total of 134,800 full-time salaried employees.

Base Pay Adjustment – January to April 2012

The overall average base pay adjustment recorded for the 67 surveyed companies was 3.8% (weighted average), 0.1 percentage point higher than the figure recorded for the same period last year (3.7%).

97% of companies surveyed offered an overall base pay increase as compared to 100% in the same period 2011. One surveyed company recorded an overall zero base pay adjustment while another one with overall negative base pay adjustment

Bonus Payment – January to April 2012

Of the 94 companies providing data on bonus payment, 44 companies reported that they had a guaranteed-bonus policy. One company changed its policy in 2012 and incorporated the guaranteed bonus into base pay across 12 months. Forty-three companies awarded a guaranteed bonus to their employees, with the average bonus size being 1.01 months of base pay, same as last year's figure.

Meanwhile, a total of 63 companies with a non-guaranteed bonus scheme confirmed their bonus payment during the survey period. Of their eligible employees, 97.7% were awarded a non-

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guaranteed bonus, with the average bonus size being 1.66 months of base pay. This compared with 97.4% of eligible employees actually awarded a bonus of 1.46 months of base pay on average in the same period last year.

Part III - Update on Major HR-related Legislations/Regulations and Political and Social Issues

Hong Kong

Minimum Wage Ordinance

According to the Minimum Wage Ordinance (MWO) which came into effect on 1 May 2011, a review on the statutory minimum wage (SMW) rate should be conducted every two years.

Assigned with this task, the Minimum Wage Commission (MWC) would recommend to the Chief Executive any revisions to the SMW rate. The MWC is expected to submit its recommendation report by the end of October 2012.

The HKIHRM made a submission to the MWC in May in response to a call for views from the MWC on minimum wage level review. The Institute's President, together with the Chairperson of its Minimum Wage and Standard Work Hours Taskforce, attended a consultation session organised by the MWC in June 2012 to further elaborate on the views of the HKIHRM.

Standard Work Hours

According to the Secretary for Labour and Welfare, a standard work hours report has been completed and submitted to the Executive Council for consideration. The government will set up a special committee to discuss the policy direction.

Paternity Leave

Starting from 1 April, eligible government employees will enjoy five working days of paternity leave on full pay on each occasion of childbirth. All full-time government employees, including civil servants, non-civil service contract staff and political appointees, who have no less than 40 weeks of continuous service immediately before the expected or actual date of childbirth, are eligible for paternity leave.

Meanwhile, according to the Secretary for Labour and Welfare, statutory paternity leave of three to five days could be introduced in Hong Kong in 2013. The government estimated the overall man-hour cost incurred would be between \$300 million and \$400 million a year, or about 0.02% of the total labour cost. The Labour Advisory Board will discuss the issue and the legislative process is expected to start next year.

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Mandatory Provident Fund Schemes

The Legislative Council passed an amendment to the Mandatory Provident Fund Schemes Bill, allowing employees to transfer their contribution accounts and accrued benefits to a trustee of their choice effective 1 November 2012.

New Hong Kong Government Lineup

The lineup of principal officials of the fourth-term Government of the Hong Kong Special Administrative Region was appointed on 1 July. The officials were nominated by Chief Executive-elect Leung Chun Ying. They include 15 principal officials on non-civil service terms appointed under the accountability system, and five principal officials heading the disciplined services, the Independent Commission Against Corruption and the Audit Commission.

Mainland China

1) Eliminate double taxation in China for Hong Kong and Macau tax resident employees

The State Administration of Taxation (SAT) issued Announcement [2012] No 16 (Announcement 16) on 26 April to address the double taxation issue encountered by Hong Kong and Macau tax residents who exercise their employment duties in mainland China. Announcement 16 took effect on 1 June and is applicable to employment income derived from this date.

Measures to eliminate double taxation include:

- More favourable formula to determine PRC Individual Income Tax (IIT)
- Practical ways of counting workdays for IIT purposes
- New rule for sourcing bonus payments

2) Value-added tax

China will extend a pilot value-added tax (VAT) reform to 10 more cities and provinces from 1 Aug including Beijing, Tianjin, Jiangsu, Zhejiang, Anhui, Fujian, Hubei, Guangdong, Xiamen and Shenzhen, according to the State Council. The reform aimed at easing the tax burden on companies in the logistics and modern service sectors. Under the reform, logistics service providers and other service firms, such as those in the information technology sector, are required to pay taxes based on the value they add to their finished products, replacing the current sales tax on their total sales. The SAT said if implemented countrywide, the VAT will reduce the government's tax revenue by more than 100 billion yuan.

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Part V - Updates on the HKIHRM

1) 35th Anniversary

The HKIHRM is celebrating its 35th Anniversary in 2012. A series of celebratory events are being organised throughout the year to further reinforce its role as the leading HR professional body in Hong Kong, including the HR Excellence Awards, a mentorship programme and 35th Anniversary Dinner.

2) International and Mainland Collaboration

- a) Ms Margaret Cheng, Vice-President of HKIHRM, delivered a presentation entitled "Why a Global Mindset for HR" at the two-day International HR Conference held in Colombo, Sri Lanka by the Institute of Personnel Management Sri Lanka on 26 and 27 June.
- b) Mr Lawrence Hung, Executive Council member of HKIHRM, together with Executive Director Ms Kwan Kin Mei, participated in the SHRM Annual Conference and Exhibition held in Atlanta in the US by the Society for Human Resource Management (SHRM).
- c) A delegation of the Institute took part in the ASTD 2012 International Conference and Exposition in the US held by the American Society for Training and Development in May.

3) Membership

As of 31 July 2012, the Institute has over 4,700 members, with 550 of whom being corporate members.

4) Leadership

President	Mr Francis Mok
Vice Presidents	Ms Margaret Cheng
	Mr David Li
	Ms Monisa Wan

5) Upcoming Events

HKIHRM 35th Anniversary Dinner cum HR Excellence Awards 2012 Presentation Ceremony
21 September 2012, Conrad Hong Kong Hotel

2012 Hong Kong Pay Trend Seminar
1 November 2012, Hong Kong Conference and Exhibition Centre

Annual Conference: "Global Trends and the Changing Role of HR"
27 – 28 November 2012, Hong Kong Conference and Exhibition Centre

(Latest updates on the HKIHRM events please go to www.hkihrm.org)