

Wellington, New Zealand

March 2014

1. Current economic and political situations in the country

Economy and labour market situations

Gross Domestic Product

According to the government's Budget 2014/15, Hong Kong's economy grew steadily at 2.9% in 2013, up from 1.5% in 2012.

Consumer Price Index

Inflation was broadly stable in 2013 with the underlying inflation rate averaging at 4%, slightly down from 4.7% in 2012.

Unemployment Rate

The labour market remained in a state of nearing full employment. From November 2013 to January 2014, the seasonally adjusted unemployment rate was 3.1%. The under-employment rate for the same period was 1.3%.

Economic Forecast

Uncertainties are still expected in the global economy. As such, the Hong Kong Government forecasted a GDP growth rate at 3% - 4% and an underlying inflation rate at 3.7% in 2014.

Manpower Trends – Employee Turnover, Job Vacancies and Job Growth

According to the Quarterly Survey on Manpower Statistics – Second Quarter 2013 conducted by the Hong Kong Institute of Human Resource Management (HKIHRM), the weighted average turnover rate during Q2 2013 was 5.2%, 1.7 percentage points higher than Q1 2013 (3.5%) and 0.2 percentage point higher than Q2 2012 (5%). The survey covered a total of 103 companies with 144,582 employees.

The weighted average vacancy rate during Q2 2013 was 5%, 0.7 percentage point higher than Q1 2013 (4.3%) and 0.6 percentage point higher than Q2 2012 (4.4%).

The net growth in new positions during Q2 2013 was 1.1% (weighted average), 0.2 percentage point higher than Q1 2013 and Q2 2012 (both at 0.9%).

Pay Trend

The HKIHRM released findings of its 2013 Pay Trend Survey in November 2013, which covered a total of 97 companies from 17 sectors with some 152,000 full-time salaried employees. The survey results revealed that a lack of clear indicators in the global economic outlook might have prompted employers to remain prudent in their pay strategies. However, when talent shortage was still an issue to address in some sectors, flexibility in pay adjustments for talent retention was certainly necessary for corporate development and sustainability.

Base Pay Adjustment in 2013

The overall average base pay adjustment recorded for 76 companies which had provided relevant data was 4.4% (weighted average), 0.1 percentage point lower than the figure recorded for the same period in 2012 (4.5%). The figure was very close to a forecast of 4.6% announced by the HKIHRM in November 2012 and identical to another forecast of 4.4% announced in March 2013.

75 out of these 76 companies (98.7%) offered an overall base pay increase as compared to 97.9% in the same period of 2012. One surveyed company recorded an overall zero base pay adjustment while no surveyed company recorded an overall negative base pay adjustment.

Bonus Payment for 2013

All 97 companies provided data on bonus payment. Among them, 46 companies reported that they had a guaranteed-bonus policy. Among all the surveyed employees, 38.3% of them were eligible for a guaranteed bonus. Among those employees being awarded a bonus, the overall average bonus size was 1.01 months of base pay. The figure is same as that recorded in 2012.

A total of 58 companies with a non-guaranteed bonus policy confirmed their bonus payment during the survey period. Of their eligible employees, 71.8% were awarded a non-guaranteed bonus, with the average bonus size being 1.58 months of base pay. This compared with 77.2% of eligible employees actually awarded a bonus of 1.61 months of base pay on average in the same period in 2012.

Base Pay Adjustment Forecast for 2014

38 participating companies, which would have base pay adjustment in the period from January to April 2014, confirmed their budgeted adjustment and provided data. Among these 38 companies, 97% (37 companies) indicated that they would have an overall budgeted pay increase while 3% (one company) forecasted no pay adjustment. No company projected a pay reduction. For these 38 companies which have budgeted pay adjustments, the overall forecast adjustment is 4.4% (weighted average).

Updates on Mainland Minimum Wages

In 2013, 26 Mainland provinces adjusted their minimum wages with an average increase of 18%. The increment was same as that in 2012 but lower than the average increase of 22% in 2011. Shanghai recorded the highest monthly minimum wage level at 1,620 yuan while Beijing and Xinjiang saw the highest hourly minimum wage level at 15.2 yuan.

The minimum wage in Shenzhen was adjusted to 1,808 yuan per month for full-time workers and 16.5 yuan per hour for part-time workers from 1 February 2014.

2. HR challenges

HR profession in Hong Kong is facing the following challenges:

- **Standard Working Hours**
The government's Standard Working Hours Committee has embarked on a series of consultations to gauge views from different stakeholders.
- **Paternity Leave**
A bill on paid mandatory paternity leave will be submitted to the Legislative Council. Under the government's legislative proposal, new fathers would get three days' off on an 80% pay – the same benefit as maternity, sick or work injury leave. The benefit will apply both to husbands and to unmarried men who can prove they are the fathers of the child. The bill is expected to be passed this year.
- **Population Policy**
The government's Steering Committee on Population Policy released a consultation paper on population policy and launched a four-month consultation in October 2013 to seek public views on measures to address various issues such as an ageing population, a low fertility rate and a shrinking labour force.

The HKIHRM invited the Committee to host a focus group for its members in January 2014. Views collected were incorporated in a submission by the HKIHRM to the government.

3. HKIHRM projects and initiatives

- **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 HR Excellence Awards 2013 presentation ceremony was successfully held on 8 October 2013. The award programme will begin to receive entries from late March this year.
- **Hong Kong Pay Trend Seminar**
The Pay Trend Seminar, a follow-up event of the Pay Trend Survey held on 31 October 2013, provided participants with an overview of economic trends, the latest market data as well as strategies and practices on compensation and benefits. It attracted some 250 attendees.
- **HKIHRM Annual Conference and Exhibition**
The HKIHRM successfully held its 33rd Annual Conference and Exhibition on 26 and 27 November 2013. A broad range of internationally renowned speakers from various countries such as Australia, mainland China, India, Singapore and the United States with diverse backgrounds shared their views in three plenary sessions and some 20 concurrent ones. Over 1,700 delegates and visitors from around 430 organisations and government units attended the event for talks, workshops and peer networking. An exhibition concurrently took place to feature some 50 reputable service providers who demonstrated the latest and most innovative HR products and services. The 34th Annual Conference and Exhibition will be held on 7 and 8 October 2014.

▪ **International and Mainland Collaborations**

1. On 1 November 2013, the HKIHRM joined hands with the China Association for Labour Studies, Macao Human Resources Association and Chung-Hua Labour and Employment Relations Association at the 5th Two-Shore Four-Place ER Conference held in Macau. Mr Francis Mok, President of HKIHRM, delivered a keynote speech at the opening ceremony. Mr Lawrence Hung and Mr Alan Tin, Co-Chairpersons of the China and International HRM Committee, together with Ms Julita Leung, Chairperson of the Minimum Wage and Standard Work Hours Taskforce, shared with the audience their views on a range of HR issues including HR market integration and evolution, sourcing and staffing as well as HR trends in Hong Kong.
2. The HKIHRM and the American Society for Training and Development (ASTD) jointly presented an ASTD-HKIHRM Post-Conference Sharing Session on 18 November 2013. Distinguished speakers highlighted the latest learning and development trends through Webinar and an ASTD Excellence in Practice Award winner shared how its company achieved training and development success. It was well-received with some 100 participants.
3. Mr Francis Mok represented the HKIHRM to speak at the BSHRM 3rd International HR Conference 2014 organised by the Bangladesh Society for Human Resources Management on 1 February 2014, giving insightful views on leadership pipeline and succession planning.

4. HKIHRM membership

As of March 2014, the HKIHRM had more than 5,300 members, with about 600 of whom being corporate members.

Francis Mok
President
Hong Kong Institute of Human Resource Management