



Hong Kong Institute of Human Resource Management

Asia Pacific Federation of Human Resource Management

Country Report

Hong Kong Report (March 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 the latest preliminary figures released by the Census and Statistics Department, the real Gross Domestic Product (GDP) increased by 3% in Q4 2011 over a year earlier, compared with a 4.3% increase in Q3 2011. For 2011 as a whole, Hong Kong's GDP increased by 5.0% in real terms over 2010. On a seasonally adjusted quarter-to-quarter comparison basis, GDP increased by 0.4% in real terms in Q4 2011.

Consumer Price Index

Inflation prevailed during most of 2011. The overall consumer prices rose by 6.1% in January 2012 over the same month in 2011. Netting out the effects of all government's one-off relief measures, the year-on-year rate of increase in the Composite Consumer Price Index (CPI) (ie the underlying inflation rate) in January 2012 was 6.7%, mainly due to the difference in the timing of the Lunar New Year, which occurred in January this year but in February last year, resulting in a surge in the charges for package tours, the costs for meals bought away from home and the prices of other fresh sea products in January 2012.

Unemployment Rate

The labour market continued to flourish with the seasonally adjusted unemployment rate decreased to 3.2% in November 2011 to January 2012. Meanwhile, the underemployment rate increased slightly to 1.5% in the same period. The lower unemployment rate was a result of the continued increase in labour demand due to the vibrant business activity in the run-up to the Lunar New Year.

Manpower Projection to 2018

The Labour & Welfare Bureau released a manpower projection to 2018 in Hong Kong in February. Key findings of the study are as follows:

A) Manpower Supply Projection (2010 – 2018)

Item	Anticipated Growth Rate	Population	
		2010	2018
average annual growth rate	0.6%	3.42 million	3.58 million
average annual growth rate - female manpower	1.5%	1.48 million	1.67 million

- Share of female manpower supply in the overall local manpower supply to grow from 43.3% to 46.7%

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In terms of education:

Education Level	Anticipated Average Annual Growth Rate	Population	
		2010	2018
Post-graduate	7.1%	155,300	267,900
Upper secondary	-0.1%	1,314,900	1,303,800
Lower secondary and below	-3.0%	1,017,300	795,200

B) Manpower Requirements Projection (2010 – 2018)

Item	Anticipated Growth Rate	Population	
		2010	2018
average annual growth rate	1.1%	3.28 million	3.6 million

i) In terms of economic sector

Economic Sector	Projected Manpower Requirement in 2018		Projected Change from 2010 to 2018	Project Average Annual Change from 2010 to 2018
	Number	% share	Number	%
Agriculture, fishing and quarrying	3,000	0.1	-700	-2.6
Manufacturing	94,100	2.6	-27,000	-3.1
Electricity, gas, water, and waste management	17,100	0.5	+1,900	+1.5
Construction	315,200	8.8	+44,100	+1.9
Import, export, wholesale and retail trades	921,800	25.6	+47,700	+0.7
Accommodation and food services	295,300	8.2	+29,900	+1.3
Transportation, storage, postal and courier services	345,800	9.6	+24,500	+0.9
Information and communications	108,100	3.0	+15,200	+1.9
Financial services	253,100	7.0	+46,200	+2.5
Real estate	135,100	3.8	+16,100	+1.6
Professional and business services	370,100	10.3	+41,200	+1.5
Social and personal services	737,600	20.5	+72,700	+1.3
Total	3,596,400	100	+311,800	+1.1

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ii) projected manpower requirements of the four pillar industries in 2018

Four industries	Pillar	Projected manpower requirement in 2018	Projected change from 2010 to 2018	Projected average annual change from 2010 to 2018
		Number	Number	%
Financial services		253,100	+ 46,200	+ 2.5
Trading and logistics		781,700	+ 21,100	+ 0.3
Professional services		347,400	+ 58,700	+ 2.3
Tourism		247,400	+ 49,900	+ 2.9

iii) projected manpower requirements of the six industries in 2015

Six industries	Projected manpower requirement in 2015	Projected change from 2009 to 2015	Projected average annual change (2009-2015)
	Number	Number	%
Education services	80,600	+ 18,400	+ 4.4
Medical services	86,000	+ 14,000	+ 3.0
Testing and certification services	14,500	+ 1,800	+ 2.3
Environmental industries	41,700	+ 9,300	+ 4.3
Innovation and technology	35,800	+ 8,300	+ 4.5
Cultural and creative industries	207,100	+ 18,800	+ 1.6

C) Manpower Resource Balance

Education Level	(I) Projected Manpower Supply in 2018	(II) Projected Manpower Requirement in 2018	(III) = (I) – (II) Projected Manpower Resource Balance in 2018 (surplus (+)/ shortfall (-))
Lower secondary and below	795,200	786,700	+8,500
Upper secondary, craft, technician and sub-degree	1,732,700	1,754,600	-22,000
First degree and above	1,054,600	1,055,000	-500
Total	3,582,400	3,596,400	-14,000

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Economic Forecast

The medium term prospects for the Hong Kong economy is expected to remain positive, yet the concern about uncertainties in the global economy prevails. The GDP growth rate in real terms is forecast to slow down to 1% - 3% in 2012 while the underlying inflation may reach 3.5%.

The global economy will likely continue to face a relatively high degree of uncertainty, given that the sovereign debt problem in the eurozone and the fiscal issues in the US are of structural nature, which will take time to be fully resolved. Hong Kong will continue to ride on the growing economic prowess of the region and China while continuing its striving for development into a knowledge-based, high value-added economy. The government will further explore new markets and growth areas, and the continued investment in human capital and infrastructure should bolster productivity and ensure sustainable economic growth in the longer run.

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 – Third Quarter 2011** conducted by the Hong Kong Institute of Human Resource Management (HKIHRM), the weighted average turnover rate during Q3 2011 (4.3%) was same as that recorded in Q2 2011 and 0.7 percentage point higher than Q3 2010 (3.6%).

The weighted average vacancy rate during Q3 2011 was 4.7%, 0.5 percentage point lower than that in Q2 2011 (5.2%) and 0.8 percentage point higher than Q3 2010 (3.9%).

The net growth in new positions during Q3 2011 was 1.4%, 0.6 percentage point higher than Q2 2011 (0.8%) and 0.1 percentage point higher than Q3 2010 (1.3%).

B. Pay Trend

Despite a falling sentiment on economic development, the average base pay adjustment continued to rise, according to the results of the **HKIHRM 2011 Hong Kong Pay Trend Survey**. The survey covered a total of 103 companies from 17 different industrial or business sectors. A total of some 146,000 full-time salaried employees are included in the survey.

Base Pay Adjustment in 2011

Of the 98 companies providing data on base pay adjustment, the overall average base pay adjustment was 4.2% (weighted average), 2.3 percentage points higher than the figure recorded for the same period in 2010 (1.9%). All companies offered a base pay increase as compared to 95.3% in the same period in 2010.

Bonus Payment in 2011

Of the 99 companies providing data on bonus payment, 48 companies reported that they had a guaranteed-bonus plan, indicating that 36.5% of the total surveyed employees are eligible for a guaranteed bonus. Among those employees awarded a bonus, the overall average bonus size was one month of base pay.

Meanwhile, a total of 99 companies reported that they provided a non-guaranteed bonus plan with 87 companies providing data on the size of bonus payment in 2011. Of their eligible employees, 84.8% were awarded a non-guaranteed bonus, with the average bonus size being 1.43 months of base pay. This compares with 79.6% of eligible employees actually awarded a non-guaranteed bonus of 1.21 months of pay in the same period in 2010.

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

Hong Kong

Minimum Wage Ordinance

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 gave advice on minimum wage implementation in a consultation session to the Minimum Wage Commission (MWC) in December 2011. The MWC started the statutory minimum wage rate review in the first quarter of 2012, when the required economic and employment data become available. The MWC will submit the review report to the Chief Executive by November 2012.

The HKIHRM conducted a Minimum Wage Ordinance (MWO) Survey in October 2011 to solicit views on the introduction of standard work hours, and issues surrounding the impact of the MWO in the long-run. The survey covers 95 companies from 15 business sectors with a total of some 148,000 employees. For a brief survey summary, please visit this link: http://www.hkihrm.org/ihrm_eng/ih_pre_01.asp?id=141

Standard Work Hours

According to the Labour Department, the research on standard work hours is underway and a comprehensive report will be submitted to the Labour Advisory Board and the Panel on Manpower of the Legislative Council of Hong Kong in mid-2012.

Chief Executive Election

The election of the fourth term Chief Executive will be held on 25 March, with 1,200 Election Committee members being eligible to vote. The fourth Chief Executive term will begin on 1 July 2012.

Hong Kong Diploma of Secondary Education (HKDSE) Examination

In September 2009, the Hong Kong Government implemented the New Academic Structure (NAS) comprising of three years of junior and three years of senior secondary education, followed by four years of undergraduate education. Students under the NAS will take the HKDSE Examination for the first time in late March this year. The HKDSE makes use of Standards-referenced Reporting of assessments. Standards-referencing aims at reporting candidates' results against a set of prescribed levels of achievement based on typical performance of candidates at those levels. Candidate's results indicate the standards achieved in terms of knowledge and skills regardless of the performance of the other candidates taking the same examination. This reporting system also enables stakeholders to understand explicitly what the candidates know and can do when they have achieved a certain level of performance. It is

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believed that this new academic structure would provide all-rounded education and inject new blood of talents to Hong Kong's workforce.

Mainland China

1) Updates on Mainland minimum wages and labour force

The Ministry of Human Resources and Social Security (MHRSS) stated that 24 provincial or regional governments have raised minimum wages by an average of 22% this year. Various provinces/cities have announced an increase in the statutory minimum wage. Below are some recently reported increases:

Province / Municipality	Shenzhen	Beijing	Shanghai	Sichuan	Shaanxi	Jiangxi	Hubei
Monthly Minimum Wage (RMB)							
Before adjustment	1,320	1,160	1,280	650 – 850	680 – 860	500 – 720	600 – 900
After adjustment	1,500	1,260	1,450 – 1,460	800- 1,050	790 – 1,000	610 – 870	750 – 1,100

Under the 12th Five Year Plan (2011-2015), the minimum wage in China will increase 13% annually, according to the MHRSS. The central government aims to raise the number of skilled workers from 28.6 million to 34 million by 2015, up 19%, and further develop the service industries in China.

The MHRSS issued stern warnings on the bleak job market outlook for China this year, with an estimated 25 million urban job seekers entering the labour market and employers having trouble getting staff with the right skills. About 6.8 million university and college graduates would enter the job market this year, more than six times as many as a decade ago. The Ministry warned that structural unemployment, a mismatch between demand and available skills, would worsen. The government would put more resources into job training, give priority to creating jobs for university and college graduates and give incentives to encourage graduates and rural workers to start their own businesses.

2) Social Security Law

Some points have been summarised as below based on a MHRSS circular issued in early December 2011 titled "Notice Clarifying Certain Issues Regarding the Participation in the Social Security Scheme by Foreign Employees Working in China":

- the effective date for social security contribution for foreign employees working in China is 15 October 2011 or the commencement date of their employment in China (whichever is later);
- companies have to complete the registrations for their foreign employees who have obtained work permit and worked in China in 2011 by 31 December 2011, otherwise, there will be a daily late payment surcharge of 0.05%;
- foreign employees entitled to protection under a Totalisation Agreement should produce a copy of the Certificate of Coverage from their home country within 3 months upon

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obtaining the work permit; otherwise, contributions can only be stopped after the certificate is submitted and prior contribution is not refundable.

3) Retirement Pension

According to the MHRSS, the amount of retirement pension increased by 10% starting from 1 Jan 2012 in view of inflation and the need to maintain a reasonable standard of living.

Part V - Updates on the HKIHRM

1) 35th Anniversary

The HKIHRM is celebrating its 35th Anniversary in 2012. A series of celebratory events will be rolled out throughout the year to further reinforce its role as the leading HR professional body in Hong Kong, including the HR Excellence Awards, business leader forum, and mentorship programme.

2) International and Mainland Collaboration

- a) In November 2011, the HKIHRM signed a Memorandum of Understanding with HR People and Strategy from the United States to bring more benefits to members of both organisations and enable frequent professional exchange.
- b) Following the first collaboration between the HKIHRM and the Chartered Institute of Personnel and Development (CIPD) from the United Kingdom in 2010, the two parties are conducting the second joint survey titled “2012 Resourcing, Talent and Learning Survey”. The survey aims at identifying key HR trends and developments in recruitment practices, talent management as well as organisational learning and talent development. It will cover Mainland China, Hong Kong, Taiwan, Singapore, Malaysia and South Korea. Survey results will be released in August / September.
- c) Mr Eddie Ng, Co-chairperson of HKIHRM’s China and International HRM Committee, together with Ms Kwan Kin Mei, the Institute’s Executive Director, visited the Faculty of Human Resource Economics and Management of the National Economics University in Hanoi, Vietnam and exchanged views with faculty members. A meeting was arranged with a group of HR practitioners from multi-national companies in Ho Chi Ming City.
- d) Mr Francis Mok, President of HKIHRM and Mr Eddie Ng attended as speakers in the American Society for Training & Development (ASTD) - Singapore Training & Development Association (STADA) Asia Pacific Conference 2011 held in Singapore during 16 – 18 November 2011.
- e) To enhance the presence of the HKIHRM in the Mainland and to better serve members’ needs and promote HR professionalism, the Institute has set up four regional chapters, namely East (centred around Shanghai), South (focusing on Guangzhou and Shenzhen), North (centred around Beijing) and West (focusing on Chongqing and Chengdu) to address the vast geographical and diverse people management issues of the Mainland.

The Institute paid a visit to Beijing in August and organised a members’ gathering in Guangzhou in October 2011 for more exchanges with HR professional bodies, leading corporations and education institutes. On 24 and 25 February 2012, the Institute organised two free sharing sessions in Shanghai and Suzhou respectively. Some 20

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members joined the Institute to meet around 40 HR professionals and business leaders in these two Mainland cities.

3) Membership

As of 29 February 2012, the Institute has over 4,700 members, including some 500 corporate members.

4) Leadership

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

5) Upcoming Events

HR Excellence Awards
April - September, 2012

Annual Conference
November, 2012

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