香港僱主聯合會
Employers' Federation of Hong Kong

Press Release

15 September 2005

To: News Editor

No scope for across-the-board pay increases

The Employers' Federation of Hong Kong has recently contacted its members to discuss pay trends. It has observed mixed signals about the future of the economy.

The economy

"Hong Kong seems to be doing well. Deflation is largely behind us. We have good growth and low inflation," notes Chairman Victor Apps.

"Yet the Employers' Federation of Hong Kong is concerned about the future," Mr Apps says. "Many economists believe that we could be heading for another recession in 2006."

The world economy, led as ever by the USA, gives Hong Kong most cause for concern. Personal (and national) borrowing is at an all-time high – almost all of it against record high house prices. Low interest rates have so far meant that there has been plenty of money available for household spending. However, if oil prices continue to be exceptionally high, interest rate rises to counter inflation will make much domestic borrowing unaffordable.

In turn this will slow spending, precipitate a collapse in house prices with drastic effects on the banking industry and consumer spending - and the world will once again be in recession.

"Hong Kong cannot escape the effects of this," Mr Apps warns. "And it is against this background that we must consider structural cost increases, such as those caused by rises in base pay, in the coming year."

Pay

The Federation's surveys in January and August show an average pay increase of between two to three per cent in 2005. However most companies also say that they have not raised salary scales (or base pay for all employees) for several years. Such pay increases that have been awarded have been focused on high performers and adjusting anomalies only. Special bonuses and performance-related pay have reflected good company and personal performance.

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“This has been - and remains - the approach recommended by the Employers’ Federation, ” comments Mr Apps firmly.

The Federation considers that:

- ***There is no justification for any general pay increase***. Inflation is low; labour turnover is stable in most industries; economic uncertainties mean it would be dangerous and unsustainable to add to fixed costs;

- ***Companies should continue to reward performance and productivity increases.*** Sometimes this may mean increasing pay. Better, however, would be to make one-off payments to employees that will be well-appreciated and will not add permanently to fixed costs;

- ***Companies must consider the whole employment experience.*** Many studies in Hong Kong show that pay ranks below some other factors that employees consider will motivate or retain them. Workload, supervision, career development and working conditions are all more important to employees than pay;

- ***Companies, as always, will need to consider pay anomalies and market forces in their industry and make the necessary adjustments to correct them.*** However this does not always mean increasing pay for those deemed to be behind. Sometimes it can mean also freezing pay (or even reducing it) for those who are overpaid.

There should be no general, across-the-board, increases to pay. Mr Apps counsels: “We recommend that, where necessary and justified, the ***average cost of all permanent increases to pay should be kept within an average of two per cent in 2006.”***

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