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To: News Editors

### **Year-end concerns**

The Employers' Federation of Hong Kong is urging its members to:

- Preserve jobs and retain competent and effective staff as much as possible, even if this might require reducing salaries, a shorter working week, unpaid leave or reducing costs in other ways;
- Keep salary and necessary cost increases to a minimum – and only where thoroughly justified. Use variable pay effectively in preference to salary increases and
- Communicate their policies and news honestly and thoroughly. Determined and compassionate leadership will be critical for the morale of employees.

“It is all too evident that the world’s major economies and that of Hong Kong are entering a period of negative growth and severe recession,” said Federation Chairman John Chan. “The only questions are how deep the recession will be and how long it will last.”

It is also clear to Federation members that the Mainland economy is suffering and will continue to suffer: Hong Kong cannot escape the effects of global trends.

“Now is the time to tighten our belts and prepare to ride out what all analysts believe will be one of the most difficult periods in recent economic history,” said Mr Chan. “Of some comfort is that living costs – at least for the lower paid – are lower than they were a year ago. While the middle class is still facing some inflation, this is likely to fall as the recession bites further.”

In the present economic climate, job losses are occurring every day and seem likely to continue in the New Year. Mr Chan stressed: “For the sake of Hong Kong as a whole, the Federation believes that priority should be given to preserving jobs and skills as much as possible, knowing that this will be essential when recovery comes. On the other hand, there can be no question of increasing pay – except in very special cases for key people.”

Mr Chan acknowledged that there may be companies, however well managed, that cannot afford to keep people employed with little work for them to do. “Where job losses are inevitable, we hope companies can achieve this through natural attrition, voluntary separation or early retirement,” he continued.

“Finally,” Mr Chan urged, “We need to retain and to communicate a sense of practical and determined optimism. This is going to be an extremely difficult time for us all but it will pass. We shall survive and we will prosper once more as we have done before. Hong Kong excels at this.”

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