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In the last few days, The Employers' Federation of Hong Kong (EFHK) has received the results of its 2009 annual pay trend survey. This is the most up-to-date available data on pay and the labour market in Hong Kong, having been completed in mid-February.

Survey results

The survey shows, among other things, that:

- Average annual pay increases during the whole of 2008 were in the order of 4.5%;
- Companies had earlier budgeted for a similar or slightly higher amount for 2009 but have drastically lowered their budgets in the last few months;
- Annual pay increases in the first two months of 2009 averaged a little over 1%; the average was 2.7% if companies that froze pay altogether are excluded. These figures look likely to be repeated among companies who review pay later in the year;
- In fact well over 50% of companies surveyed have frozen salaries to protect jobs;
- Some redundancies have sadly been inevitable. Apart from senior levels in the banking industry, these have mainly occurred in manufacturing and trading at all job levels.

John Chan EFHK Chairman says: "Despite the growing recession, these results show that employers are making every effort, as we have advised, to retain jobs; employees for their part seem to be realistic about salary freezes and even pay cuts to keep their jobs."

Economic data

"The crisis has overtaken us rapidly," continues Mr Chan, "and no one knows when it will end – though end it surely will. Because the external environment for Hong Kong and the Mainland is getting so much worse so quickly, little we can do internally will alleviate the pain in the short-term."

EFHK notes that some industries are doing better than others. However, there seems to be no doubt that the second quarter of 2009 will be worse overall than the first and that we may see few signs of recovery until the end of this year at the earliest.

EFHK's is therefore sending pragmatic messages to its members:

- There is on the whole no reason for any increases in pay in the foreseeable future. Companies need to preserve jobs rather than pay out more in wages.;

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- While more redundancies are very likely, we strongly urge companies to think long and hard before adding to Hong Kong's unemployment problem. In the long run we will all be better off by trying to maintain employment and spending power than by taking short-term expedients to reduce staff;
- As always, the situation varies widely between industries and companies even in the present economic climate. Selective recruitment – and even labour force expansion – may be appropriate in some cases.

“We recognise that each company must take its own path towards survival and future prosperity,” Mr Chan acknowledges. “However, keeping a loyal and productive workforce during these hard times will give a company a competitive advantage when things recover.”

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