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The Employers' Federation of Hong Kong has advised employers to concentrate on good people management practices to retain key staff and to reward high-performing staff through performance-related bonuses, while avoiding across-the-board salary increases.

Federation Chairman, John Chan Cho-chak, warned that Hong Kong must be extremely cautious about relying on any real global economic recovery in 2010. "Indeed there is evidence that the world may be in line for a 'double dip' recession. In any event, preserving jobs has to remain our main concern. Increasing costs by permanent increases to salaries limits our ability to preserve jobs", Chan said.

Chan recalled that, last year, the Federation had urged employers to do all they could to avoid redundancies. He noted with satisfaction that this seemed to have been successful. "At 5.2%, unemployment in Hong Kong has not risen as fast as feared – despite there being a 1.2% increase in the labour force", Chan noted.

Mr Chan added that, in many ways, Hong Kong has survived the worst global recession in three generations quite well. With signs of recovery in the property and stock markets, public opinion in Hong Kong is more confident. Some commentators are forecasting a return to growth. Some manufacturers are seeing more orders and re-opening factories.

Yet elsewhere the picture is gloomier. Unemployment is still rising in the EU and USA; GDP fell by 4.2% on the second quarter. "International trade which is the life-blood of Hong Kong, is still falling steadily," cautioned Mr Chan. "The boosts brought about by stimulus packages are coming to an end as the last money is spent. We are still far from a 'business as usual' situation".

In recent consultations with its members, the Federation found that representatives of close to 60 prominent companies all reported concerns about their business prospects in 2010, although the depth of concern varied among different sectors. One or two sectors are recruiting more aggressively than others, but overall there is no sign of any real pressure in the labour market.

Chan was, however, cautiously optimistic about the longer term. "The outlook for next year may be daunting but there is much we can do to survive and to stay competitive for global growth that will surely return in due course. I am confident in the future prosperity of Hong Kong," he said.

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