



# Analysts predict dismal pay raises in Hong Kong this year

Candidates are being urged to manage their high salary expectations.

Firms in Hong Kong are scrambling to meet salary expectations this year as more candidates seek higher pay increments amidst a recovery from last year's bleak conditions. After being stuck in the doldrums, the city is slowly regaining strength with more jobs up for grabs. However, candidates cannot really expect much in the way of paychecks.

Recruitment processes are taking much more time, as cost-wary employers seek highly qualified candidates who they can bargain salaries with. Job applicants need to account factors such as stable employment history, relevance of experience, and training, amongst others, before they come up with their desired salary range. Employers have also begun looking at long-term career progression as a major consideration before they take in new hires and offer more attractive figures.

Analysts expect salary increments to be between 3-5% for internal moves and 15-20% for external moves. As industries push for increased digitalisation in their operations, professionals with skills in data analytics, mobile apps



Eddie Cheng



Michael Smith



Christine Wright

development, and IT security can command salary increases higher than the average. Meanwhile, contractors can expect even higher salary increments.

In the world of big data, candidates who are able to show skills of transforming customer insights and data into business opportunities are deemed worthy of premium salary packages. Analysts at MichaelPage observe that companies are increasing investments in digital functions as well as rearranging their budgets to move in this direction. IT candidates can expect more opportunities and higher salary offers as this trend progresses amid talent shortages. Meanwhile, contractors who have desired skillsets can also expect even higher salary increments.

## All about the numbers

The push for digitalisation across major sectors in Hong Kong has led to an unprecedented high demand for technology experts, which the current supply has not been able to meet in terms of numbers and quality. The city remains attractive to startups who wish to foray into mainland China, thus employers have been increasingly seeking

technology savvy individuals who are skilled in app development, social media, and marketing.

Eddie Cheng, manager, IT, Morgan McKinley, says that demand for IT experts, particularly change management professionals, cyber security experts, and advance network and infrastructure specialists is not slowing down. The local market is not really lacking in talent, however, employers are looking at specific skill sets that most local IT experts do not yet have. In fact, a lot of international companies are willing to hire data scientists and data analytics talent from overseas either on a contractual or permanent agreement, if only to satisfy their needs.

## Best paying industries

Robert Half's Salary Guide 2017 shows that the best paying industries for IT/technology professionals are private banking/wealth management, consultancies/software vendor, and insurance. At present, 73% of Hong Kong technology professionals feel that they are being paid fair wages in relation to their job roles and duties.

Analysts at Robert Half reveal that several positions and departments across Hong Kong's major sectors will be expecting more increases than others. Finance and accounting managers of small and medium-sized companies are set to receive an 11.1% increment this year, with a maximum of \$720,000 this year from a maximum of \$660,000. in 2016. Finance managers of small and medium-sized companies can also expect up to 8% in increases, with some receiving as much as \$960,000.

Robert Half reveals that finance and accounting employees would be willing to receive a lower salary in return for flexible working hours, option to work from home, medical benefits, increased holiday allowance, and accommodation benefits in that order. Nonetheless, Hong Kong CFOs agree that the most appealing factor to a career in financial services is still salary and bonus. In a survey, 56% of the CFOs forecast that salaries will grow, but only for top performers. Around 34% think that salaries will grow for all financial

services professionals, and 10% predict that salaries will stay about the same for those working in the sector.

Directors for treasury and accounting in the financial services sector can expect the highest increases of up to 10%, from \$1.2m in 2016 to \$1.32m this year. On the other hand, plenty of departments under operations can expect stagnant salary bases this year except for a few bright spots in positions such as VP for fund accounting and SVP for client services and marketing support, who are forecast to receive increases of 6.5% and 3.6%, respectively.

Regardless of the industry, contractors in Hong Kong can expect above-market base salaries as the temporary candidate market continues to grow and remain strong this year. Wright says that global banks will continue to employ contractors to lead urgent projects and relieve the strain on permanent headcount. Analysts at Hays Asia have seen an increase in the number of employers providing more benefits to keep contractors motivated such as medical benefits and increasing annual leave entitlements, besides the above average pay.

### Managing expectations

**Michael Smith**, managing director, Randstad Singapore, Hong Kong, and Malaysia, says that salary increases and bonuses this year will be highly dependent on the profession and industry. Randstad's Workmonitor Research Report for Q416 revealed an average of 68% expected salary increases and 59% expected bonuses in Singapore and

Hong Kong, surpassing the global averages of 49% for salary raises and 53% for bonuses.

Salaries in Hong Kong will be mostly stable this year, and employers will be looking for candidates who can manage their salary expectations and meet the company halfway.

**Christine Wright**, managing director, Hays Asia says that the private banking sector in the city has prioritised tightening the risk culture. This is expected to generate demand for qualified candidates who may command higher salaries. However, economic uncertainty has plagued compliance and client on-boarding, hence, salary increases are expected to be less frequent than in the past years.

"We have seen high demand for office professionals across most industries and sectors, particularly for executive assistants and senior secretaries. However, the focus for most organisations has been on replacement hiring rather than increasing total headcount. Salaries remain lacklustre as employers want more from the candidates they hire as we have seen increased hiring criteria around language and computer skills. Chinese language skills are required for most roles in financial services and this is likely to continue throughout the year," Wright adds.

Analysts at MichaelPage forecast that salary increases in Asia will remain modest in 2017. Half of the respondents indicate that the average pay hikes in their companies will be between 1% and 5%, and employers are looking at other employee engagement initiatives to keep their staff and motivate them as they progress in their careers.

## COSTLIEST CITY FOR EXPATS

Hong Kong is the Asia Pacific region's most expensive location for expatriates and the second-most expensive on a global scale. This was one of the findings of the latest Cost of Living survey published by ECA International. To ensure that an employee's spending power is maintained when they are sent on international assignment, a cost of living allowance is often provided as part of the pay package. This allowance will be affected by differences in prices as well as exchange rate movements between that employee's home and host countries. Hong Kong is up one place from second position in the regional rankings. From a global perspective, it has climbed seven places to become the second-most expensive location for expatriates – its highest ever rankings on both fronts. Since 2011, Hong Kong has risen steadily in both the regional and global rankings.

"Hong Kong has continued to get more expensive for expatriates. Over the past few years, the HK dollar has appreciated against most major currencies, owing to its peg to the US dollar, which has pushed up the price of goods and services relative to those in locations whose currencies have weakened against the greenback," said Lee Quane, regional director – Asia, ECA International. "For companies who send staff into Hong Kong and provide cost of living allowances to protect their purchasing power, they will likely need to increase them to ensure that their employees' buying power remains protected.

"ECA International has been conducting research into cost of living for over 45 years. It carries out two main surveys per year to help companies calculate cost of living allowances so that their employees' spending power is not compromised while on international assignment. The surveys compare a basket of like-for-like consumer goods and services commonly purchased by assignees in over 460 locations worldwide. Certain living costs, such as accommodation rental, utilities, car purchases and school fees are usually covered by separate allowances.

### Cost of living in other locations

Tokyo has fallen by one place to second-most expensive location in Asia. All other ranked locations in Japan maintained their positions in the regional rankings. On a global scale, there has been some movement – other than Tokyo (retaining 7th position globally), all other ranked Japanese cities have fallen by four places, with Yokohama (16th), Nagoya (17th) and Osaka (18th). "Prices in Japan have remained stable over the past year. The yen, on the other hand, has weakened against most major currencies, contributing to the decline of Japanese cities in our rankings," explained Quane. "This means that for many companies, the cost of maintaining their assignees' purchasing power while posted here has fallen and international assignees based in Japan may see their cost of living allowances decrease."

Macau has climbed both the regional and global rankings this year, approaching the regional top ten and now making the global top 25. It ranks 11th in Asia Pacific and 25th in the world. Since 2012, it has risen by 17 places in the regional rankings – the third-highest climber in Asia Pacific over this period. "Furthermore, the strength of the currency owing to its peg to the strong Hong Kong dollar has also contributed to Macau becoming the second-most expensive location in the Pearl River Delta, overtaking Guangzhou and Shenzhen."

### CFOs' forecast of the salaries of the financial services professionals in their company in 2017



Source: Independent survey commissioned by Robert Half among 100 CFOs in Hong Kong.

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