

1. The business environment

Labour relations and working conditions

The employment market

By the end of 2006, the total labour force was approximately 3.6 million, of whom 54% were male and 46% female. The seasonally adjusted unemployment rate in the quarter September to November 2006 was 4.4%.

In 2005, about 5.2% of the employed labour force was involved in manufacturing industries; 34.5% in wholesale, retail, the import/export trade, restaurants and hotels; 15.1% in community, social and personal services; 10.5% in transport, storage and communications; and 15.0% in finance, insurance, real estate and business services.

Employment relations legislation

The Employment Ordinance is the main piece of legislation governing conditions of employment in Hong Kong. It covers a comprehensive range of employment protection and benefits for wage protection, rest days, paid annual leave, paid sick leave, maternity protection, termination of employment contracts and the operations of employment agencies.

In addition, the Employees' Compensation Ordinance establishes a no-fault, non-contributory employee compensation system for work injuries. Employers must be in possession of a valid insurance policy to cover their liabilities both under the Employees' Compensation Ordinance and at common law for any work injuries of their employees.

Besides, the Occupational Safety and Health Ordinance provides for the safety and health protection to employees in the workplace, both industrial and non-industrial. It is basically an enabling ordinance setting out requirements in general terms.

Trade unions

Industries in Hong Kong enjoy good management-labour relationships. Trade unions in Hong Kong are relatively weak and exert little pressure in pay negotiations.

Government intervention is limited to imposing safeguards necessary to ensure the basic benefit, health and safety of the workforce. The Labour Department and Fire Department monitor the safety of working conditions and campaign vigorously to reduce hazards.

The Labour Relations Division of the Labour Department provides voluntary conciliation and in-person consultation services to employers and employees on matters relating to conditions of employment and their right and obligations. Labour Tribunals, as a part of the judiciary, provide a quick, inexpensive and effective platform of settling disputes between employers and employees.

Working hours

There are no statutory restrictions on the hours of work for employees aged 18 and over. Most of offices in Hong Kong operate five-and-a-half days each week, and factories six days. The government offices operate five days each week. It is a trend that more offices operate five days each week. Employees must be granted at least one day off in every period of seven days.

Under the Women and Young Persons (Industry) Regulations of the Employment Ordinance, young persons aged over 15 but below 18 are restricted to work a maximum of eight hours a day (between 07:00 and 19:00 only), and six days a week. Overtime employment, night work and working on rest days and statutory holidays are also prohibited for this category of labour. The Employment of Children Regulations prohibits the employment of children

under the age of 15 in industrial undertakings.

Paid holidays

Employees are entitled to at least seven days' paid annual leave after completion of 12 months' continuous employment. The Employment Ordinance also provides that an employee is entitled to one extra day of annual leave for each completed year of employment, commencing from the third year, up to 14 days per year in total.

Termination of employment

In the event of dismissal, employees should be given a minimum period of notice or payment in lieu of notice. Under the Employment Ordinance, and under certain circumstances and conditions, long-service payments or severance payments have to be made to employees who retire or who are dismissed.

Wages and salaries

There is no statutory minimum wage (except for domestic servants recruited from countries such as Thailand, the Philippines and Indonesia). Remuneration reflects the supply and demand of labour.

Salaries are normally calculated on a time basis, for example, hourly, daily or monthly, or on an incentive basis depending on the volume of work performed. Shift working and overtime work occur frequently and are readily accepted.

It was once a common practice that on top of the basic monthly salaries, employees were paid an additional one month's salary as a guaranteed year-end bonus at Chinese New Year which usually falls at the end of January or early February. However, this practice has been gradually abandoned or replaced by non-guaranteed performance-based incentives.