Modest growth of 4.3% in Hong Kong salaries despite a global slowdown

- **Hong Kong salary increase projected at 4.3% in 2017**
  Compensation budgets projected to increase by 4.9%

- **Unemployment rate remains low at 3.4%**
  - **Higher voluntary employee attrition**
    15% in July 2015-June 2016 vs. 12.6% over a year earlier

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**For immediate release**

**Hong Kong, 8 November, 2016** – Aon Hewitt, the global talent, retirement and health solutions business of Aon plc (NYSE: AON), has shared the latest trends in compensation and total rewards at its Aon Hewitt Annual Rewards Conference – 2016 Hong Kong.

The slowing of the global economy will have little effect on the unemployment rate in Hong Kong and the workforce will see a modest growth of 4.3% in their salaries in 2017 according to the Aon Hewitt 2016 Total Compensation Measurement (TCM) Study Hong Kong.

**Key insights from the Aon Hewitt 2016 TCM Study Hong Kong are:**

- Salary increases in Hong Kong have been trending down over the last few years.

- When observing salary budget allocations and bonuses, overall salary increase in 2017 is projected to remain relatively aligned across employee levels.

- Variable pay-outs (as a proportion of fixed pay) increased slightly over 2015, reflecting the superior business performance in 2016.

- Higher variable pay opportunities at higher levels cause greater differences in pay from one level to the next. This reflects the importance companies place on results-based compensation for strategic positions.

- Graduates entering the job market in 2017 can expect to earn a projected 4.3% more than those who entered the market in 2016. Those taking up entry level jobs in sales and marketing can expect a higher salary compared to administration and accounting, indicating a shortage of skills in these functions.

- 4.8% salary increase projected for construction/engineering and 4.6% projected for hi-tech higher than other industries. This is also indicative of the lack of talent in these industries.

- Professional services will see the biggest jump in salaries from 4% in 2016 to 4.5% in 2017.
- Triggered by the oil and gas crisis, the transportation sector will see a relatively lower salary increase rate from 3.5% to 3.2%.

- Base salary for Directors/Top Executives remains higher in Shanghai compared to Hong Kong over the past 3 years.

- Total compensation for local directors/top executives and senior management also continues to be higher in Shanghai compared to Hong Kong.
Top talent attractions are competitive fixed compensation, career development, and work environment, including culture and flexible work and competitive variable compensation.

Stable employment market, higher attrition and increase in salaries projected to make it difficult for Hong Kong employers to attract and retain talent

The unemployment rate in Hong Kong remains stable with a seasonally adjusted unemployment rate at 3.4% in July-September 2016. However, this has led to a rise in voluntary turnover and higher employee attrition of 15% in June 2015-July 2016 period vs. 12.6% a year earlier.

Says Gary Chin, Aon Hewitt Rewards Practice Lead: “An increase in voluntary turnover amidst a stable job market signals that employees continue to explore better external opportunities and have high demands from their employers. Apart from meeting the talent’s needs and expectations, companies face the challenge to devise innovative people policies and programmes to differentiate themselves from competitors in the market and shape a positive employee experience, in order to sufficiently attract and retain critical talent. When such differentiators are in place, it is also important for organisations to clearly communicate them across the board, as employee understanding can essentially help foster a sense of adequacy and further enhance engagement.”

The total attrition rate of 17.7% and rise in voluntary resignation cautions companies to work harder to engage and retain their existing pool of talent. At 26.9%, the services industry has the highest attrition rate and retail employers will find it difficult to retain their talent.

Aon Hewitt 2016 TCM Study Hong Kong further reveals that employers perceive the same reasons for employee turnover over the past 3 years—better external opportunities, limited growth opportunities within the organisation, and external equity of compensation. To mitigate this, the study found that the top three retention measures, in order of importance, are:

1. Accelerated career development
2. Timely and meaningful feedback from managers
3. Improved work-life balance
Tzeitel Fernandes, Managing Director of Aon Hewitt Hong Kong, says: “Effective rewards management now requires firms to go beyond benchmarking and market trends. Firms are leveraging technology to increase efficiency and effectiveness of their human resources departments and relying more on predictive analytics to help decision making. For example, analytics can look at insurance claims histories to help design targeted Wellness programmes which will ultimately bring down the cost of the insurance plans as employees become more healthy.”

Despite the economic volatility, employers in Hong Kong need to revisit their total rewards and compensation approach, for while they may perceive increasing pay as the reason for employee turnover, employees are considering all aspects of their jobs and rewards as a whole when choosing to stay in an organisation or accepting a new offer of employment.

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