

Globalization Partners provides [employer of record services](#) for clients that want to hire employees and run payroll without first establishing a branch office or [subsidiary in Hong Kong](#). Your candidate is hired via Globalization Partners' Hong Kong PEO in accordance with local labor laws and can be onboarded in days instead of the months it typically takes. The individual is assigned to work on your team, working on your company's behalf exactly as if he or she were your employee to fulfill your in-country requirements.

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Our Global Employer of Record Platform™ and Global PEO service enables clients to run payroll in Hong Kong while HR services, tax, and compliance management matters are lifted from their shoulders onto ours. As a Global PEO expert, we manage employment contract best practices, statutory and market norm benefits, and employee expenses, as well as severance and termination if required. We also keep you apprised of changes to local employment laws in Hong Kong.

Your new employee is productive sooner, has a better hiring experience and is 100% dedicated to your team. You'll have peace of mind knowing you have a team of dedicated employment experts assisting with every hire. Globalization Partners allows you to harness the talent of the brightest people in 170 countries around the world, quickly and painlessly.

Hong Kong is located off the [southern coast of China](#) and is an autonomous Chinese territory, empowered to make agreements directly with foreign states and a member of APEC. With 7.2 million people, Hong Kong is one of the most densely populated places in the world.

When negotiating terms of an employment contract and offer letter with an employee in Hong Kong, it may be useful to keep the following standard benefits in Hong Kong in mind:

Hiring, Negotiating and Doing Business in Country

When negotiating with employees, remember that while business in Hong Kong generally has the same fast pace we are used to in the U.S, negotiations often can be slower than in the U.S. Typically negotiations pay a lot of attention to details and data and time should be allowed for forging relationships in order to get deals done.

It is important in Hong Kong to address people in the proper manner. Many people adopt an English first name or nickname. It is polite and easier to ask your contact what they prefer to be called. Another important note is that similar to mainland china, married woman usually retains their maiden name and will not use their husband's name at all. It is important to use the person's title when addressing someone. A quick tip, you can never be too polite with business negotiations in Hong Kong.

Employment Contracts in Hong Kong

In Hong Kong, employment contracts can be oral or written, but it best practice to put a strong, written contract in place, English or Chinese, which spells out the terms of the employee's [compensation](#), benefits, and termination requirements. An offer letter and [employment contract in Hong Kong](#) should always state the salary and any compensation amounts in Hong Kong Dollars (HKD) rather than a foreign currency. The employment contract template is part of the service with Globalization Partners; no need to draft a separate template if you use our employer of record and PEO service in Hong Kong.

Bonuses in Hong Kong

In Hong Kong, a 13th month or "End of Year Bonus" is not required but is often granted to employees in Hong Kong. If this bonus is granted there are strict regulations around payment. A commission plan may be seen as replacing this for a sales employee.

An annual bonus or commission may be equal to 2-3 month's salary when the economy is strong.

Working Hours in Hong Kong

There is no legislation governing the number of working hours per week, but there is a requirement that employees are entitled to one rest day in every period of seven days.

Vacation Leave in Hong Kong

By law, Hong Kong employees are entitled to 7 vacation days after serving a period of 12 months. This increases progressively to a maximum of 14 days after 9 years of service. Most employers provide at least 14 vacation days to white-collar professionals, and senior executives may command more (3-4 weeks).

“Use it or lose it” policies are not permissible in Hong Kong. However, the law does allow an employee to choose payment in lieu of that part of his vacation entitlement which exceeds 10 days. For example, an employee who is entitled to 12 days’ annual vacation can take 10 days’ vacation and accept payment of the equivalent wages for the 2 days’ vacation. Employers cannot put a cap on the number of days carried over and there is no statutory limit. An employer can also require an employee to take vacations if they provide 14 days’ notice (see paragraph below).

Hong Kong Sick Leave

In Hong Kong, an employee is generally entitled to a sick leave allowance if s/he has taken at least four consecutive days, has a medical certificate, and has accumulated a sufficient number of paid sick days.

Paid sick days may be accumulated at a rate of two days for each month of employment for the first year, and four days per month for each year thereafter. No more than 120 paid sick days can be accumulated.

Sick pay is granted at a rate equivalent to 4/5ths of the average daily wages earned by the employee in the prior 12 months, or time since hire if the employee has been with the company for less than 12 months.

Employees cannot be terminated while on sick leave, except in cases of gross misconduct.

Hong Kong Maternity Leave

An employee is eligible for 10 weeks’ paid maternity leave, if:

- she has worked for the employer for at least 40 weeks prior to the date of the scheduled leave
- she has given notice of her intention to take leave
- she has presented a medical certificate with the expected date of confinement if required to do so by her employment.

If the employee has worked for fewer than 40 weeks, she is eligible for 10 weeks of maternity leave without pay, as long as she gives proper notice as above.

Maternity pay is given at a rate of 4/5ths of the average daily wages earned by the employee in the prior 12 months, or time since hire if the employee has been with the company for less than 12 months.

Maternity leave can be taken from four weeks before the expected date of confinement, with the agreement of the employer. If the employee does not choose a date or does not get agreement from her employer, the maternity leave begins four weeks before the expected date of confinement. If the date of confinement occurs before the scheduled maternity leave, that becomes the date on which maternity leave begins.

Male employees who have been employed no less than 40 weeks and provided notice to the employer are eligible for paternity leave. Male employees must notify the employer at least 3 months prior to the expected date of delivery of the child. If the employer requests, the employee must provide the employer with a signed written statement with the mother's name, expected date of delivery, and that he is the child's father. The employee is guaranteed 3 days of paternity leave which may be taken from four weeks before the expected due date until 10 weeks after the birth. Employees are generally entitled to paternity pay at a rate of 4/5ths of their average wages.

Termination/Severance in Hong Kong

The length of required notice to terminate an employment contract varies with the length of contract; 1 month's termination notice on behalf of the employer or employee is the generally agreed term and may be used as a guideline after the probation period.

There is no notice period required within the first month of probation. During the probation period, but after the first month, a 7-day notice period is required. After the probation period, a contract can stipulate a notice period that is not less than 7 days. It is important to clearly outline the notice period within the employment contract because without it stipulated in an agreement there is a minimum of one month notice period.

An employee is eligible for Severance Payment if they have worked more than 24 months and less than 5 years in a continuous contract and the termination reason was either for:

- redundancy*
- lay off**
- a fixed-term contract was completed and not renewed due to redundancy.

An employee is eligible for Long Service Payment if they have worked for more than 5 years and the termination reason was for one of the following reasons.

- The employee is dismissed but not due to serious employee misconduct or redundancy*
- A fixed-term contract was completed and not renewed
- Death of the employee
- Retirement of an employee who is 65 or older
- Employee resignation due to ill health

The formula for the severance payment is two-thirds of the employee's monthly wages for every year of service with a maximum payment of HK\$390,000. You can offset the severance payment with any employer contributions to the MPF fund (pension fund). This often drastically reduces the severance payment.

Employment Taxes in Hong Kong

The Mandatory Provident Fund, often abbreviated as MPF, is a compulsory saving scheme which is required to prepare the residents of Hong Kong for retirement. Most employees and their employers are required to contribute monthly to mandatory provident fund schemes provided by approved private organizations, according to their salaries and the period of employment. The amount contributed has minimum amounts required (typically 5%) by the Hong Kong government; however, the amount over and above the statutory minimum is often negotiated as a supplementary benefit provided by employers. We suggest budgeting 5% on top of salary for the MPF fund in Hong Kong. Globalization Partners has a Hong Kong MPF fund in place so you can ensure you are in compliance with the statutory regulations from day one.

Health Insurance Benefits in Hong Kong

Hong Kong has a public/private health care system. All Hong Kong residents have access to the public health-care system and insurance is not required nor is it a part of any payroll deductions. The public system provides excellent coverage at a low cost, however there are often long waits and few English-speaking providers.

Additional Benefits in Hong Kong

Health and life insurance are often provided to employees as a supplementary benefit. Most executives request supplementary health and life insurance; smaller companies may provide an allowance in lieu of arranging insurance. Globalization Partners can arrange health insurance for employees in Hong Kong as part of our professional employee leasing service.

Generally, we recommend budgeting 20% for benefits cost on top of the gross salary to allocate the total employer's cost including benefits in Hong Kong, including the MPF allocation.

Hong Kong Holidays

There are 12 statutory holidays in Hong Kong:

- January 1st
- Lunar New Year's Day
- the second day of Lunar New Year
- the third day of Lunar New Year
- Ching Ming Festival
- Labour Day, the first day of May
- Tuen Ng Festival
- Hong Kong Special Administrative Region Establishment Day, being the first day of July
- the day following the Chinese Mid-Autumn Festival
- Chung Yeung Festival
- National Day October 1st
- Chinese Winter Solstice Festival or Christmas Day (at the option of the employer)

There are 5 additional holidays that some employers offer:

- Good Friday
- The day following Good Friday
- Easter Monday
- The Buddha's Birthday – 8th day of the 4th month (Lunar calendar)
- Day Following Christmas Day

If the employer requires the employee to work on a statutory holiday, the employer should arrange an alternative holiday within 60 days before or after the statutory holiday, and the notice should be provided to the employee no less than 48 hours before the alternative holiday. If the holiday falls on a weekend, the employee should be provided the next working day as a holiday. An employer cannot provide compensation in lieu of a national holiday.

Why Globalization Partners

Establishing a branch office or [subsidiary in Hong Kong](#) to engage a small team is time-consuming, expensive and complex. [Labor law in Hong Kong](#) has strong worker protections, requiring great attention to detail and an understanding of local best practices. Globalization

Partners makes it painless and easy to expand into Hong Kong. We can help you hire your candidate of choice, handle HR matters and payroll, and ensure that you're in compliance with local laws, without the burden of setting up a foreign branch office or subsidiary. Our Hong Kong PEO and [Global Employer of Record Platform](#) provides you peace of mind so that you can focus on running your business.

If you would like to discuss how Globalization Partners can provide a seamless employee leasing or PEO solution for hiring employees in Hong Kong, please [contact us](#).

[Request a Proposal](#)