

Box 6.2

An update on the self-employment situation⁽¹⁾

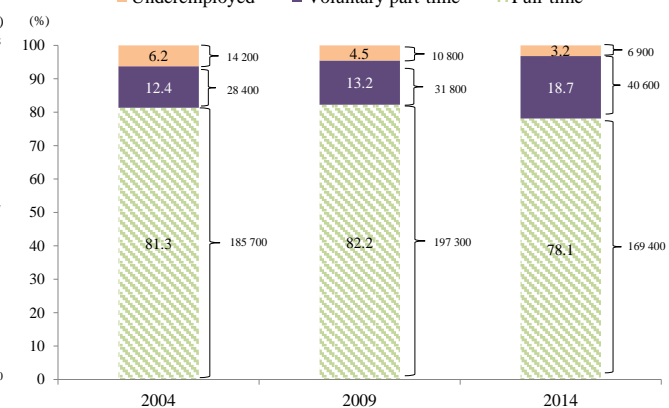
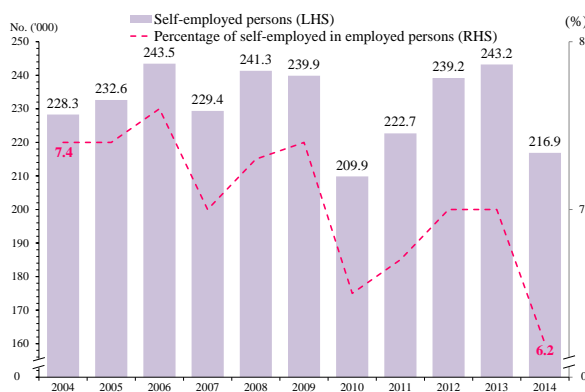
The prevalence of the internet has provided a platform for peer-to-peer exchange and facilitated on-demand service provision. Recently there has been growing attention in some advanced economies including the US and the UK about the phenomenon of a sharing (or “gig”) economy and what it entails for employment. One aspect of a gig economy is the potential rise in self-employment, as workers are more mobile and contract flexibly as freelancers on short-term work engagements. This article looks at the trends in self-employment to see if there is any evidence of an emerging gig economy.

Recent trends in self-employment

During the period 2004-2014, the number of self-employed persons hovered between 209 900 and 243 500. Its share in total employment likewise moved up and down, reaching a low of 6.2% in 2014 (*Chart 1a*). Around 80% of self-employed worked on a full-time basis, though both the number and share of self-employed full-timers have declined somewhat over the past ten years (*Chart 1b*). This conceivably suggests that some previously self-employed persons might have been re-absorbed into conventional employment as the economy recovered. Meanwhile, the number of self-employed persons working voluntarily on a part-time basis went up from 28 400 in 2004 to 40 600 in 2014, while also taking up a visibly higher share among all the self-employed, hinting that more individuals might have opted for self-employment as a voluntary choice between flexibility and job security.

Chart 1a: Trend in self-employment

Chart 1b: Self-employment by employment status



Note: The percentages may not add up to 100 due to rounding.

Factors affecting self-employment situation

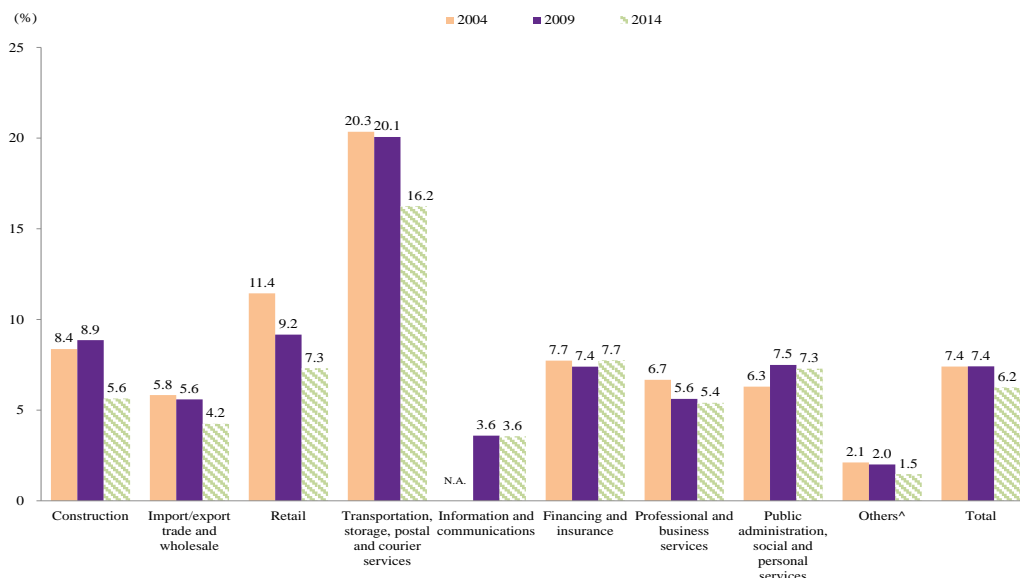
The impact of economic cycles on self-employment is mixed. While self-employment may turn more prevalent during a down-cycle due to redundancy or the need to share family’s financial burden, it may also increase in an up-cycle alongside more vibrant economic activities and increased business opportunities, including for instance those opened by a gig economy. *Chart 1a* seems to hint a higher incidence of self-employment during the early phase of recovery from SARS and the Global Financial Tsunami in 2008-09. There were also views that upon the implementation of Statutory Minimum Wage (SMW), some employers might see the incentive to ask their employees to change the mode of service provision to self-employment, for the purpose of mitigating the wage bills. This is further investigated by looking into the socio-economic characteristics of the self-employed persons and how these characteristics have evolved in the past decade.

(1) Unless otherwise specified, the data quoted in this article exclude foreign domestic helpers.

Box 6.2 (Cont'd)**Self-employment by sector**

In 2014, self-employment was more prevalent in such sectors as transportation, storage, postal and courier services, retail, financing and insurance, and public administration, social and personal services (*Chart 2*). Many of the self-employed persons worked as drivers and mobile machine operators for road transport, personal service workers in domestic household activities and beauty and body prettifying treatment, salespersons and models, insurance and pension funding agents, as well as teaching associate professionals. The self-employed ratios in the transportation and retail sectors went down somewhat over the years, while those in financing and insurance, public administration, social and personal services held up or increased. In so far as the low paying sectors (LPS)⁽²⁾ as identified by the Minimum Wage Commission (MWC) are concerned, the self-employed ratios of most individual LPS (excluding government employees and live-in domestic workers) remained broadly unchanged at their respective pre-SMW levels during 2011-2013. Yet a marked increase was seen in hairdressing and other personal services (up from 26.2% in 2010 to 32.5% in 2013), before falling back somewhat together with many other sectors in 2014.

Meanwhile, the self-employed ratio in information and communications held stable at a relatively low level in recent years, but this figure conceivably had not fully reflected the scope of self-employment among IT professionals, who might also be engaged by enterprises in other sectors on a freelance basis to design and build up sophisticated and innovative IT applications for the sake of productivity enhancement.

Chart 2: Self-employed ratio by sector^(#)

Notes: (#) Due to the adoption of Hong Kong Standard Industrial Classification (HSIC) Version 2.0 in 2009, data before 2008 are not strictly comparable with those in later years, more so for the Information and Communications sector and hence not shown here.

([^]) Manufacturing, accommodation, food and beverage activities, real estate and other sectors have only a low incidence of self-employment and are grouped in "Others".

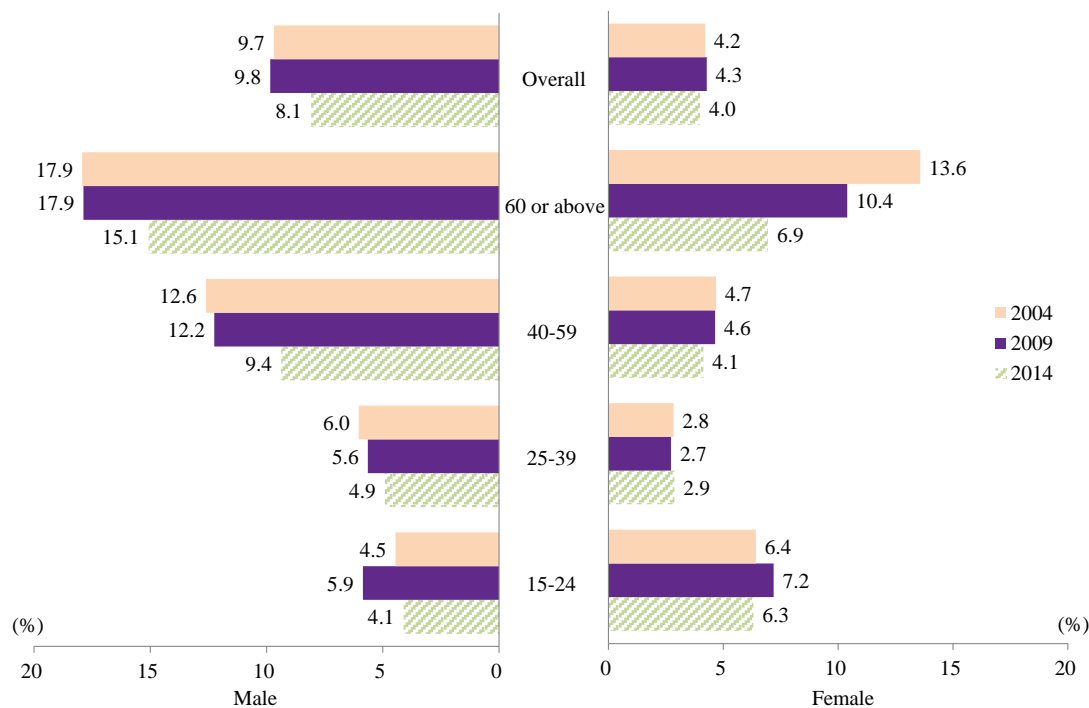
(2) These include: (i) retail; (ii) restaurants; (iii) estate management, security and cleaning services; as well as other LPS (including elderly homes, laundry and dry cleaning services, hairdressing and other personal services, local courier services, and food processing and production).

Box 6.2 (Cont'd)

Self-employment by gender and age

In terms of gender, self-employment was more prevalent among males over the past ten years, especially those aged 40 or above, though the respective incidence rate has fallen somewhat in recent years. Meanwhile, the self-employed ratio of females, who were conceivably those preferring more flexibility and chose to be voluntarily self-employed in order to achieve a better work-family balance, has held relatively steady⁽³⁾ (*Chart 3*). On the other hand, self-employment among the younger workers who were conceivably the ones most likely to ride on the innovation tide with technological know-how and entrepreneurship, has been relatively steady in the past ten years.

Chart 3: Self-employed ratio by gender and age



Self-employment by educational attainment and occupation

Analysed by educational attainment, the lesser educated generally had a higher incidence of self-employment, with a self-employed ratio of 8.4% among those with lower secondary education or below in 2014, compared to 6.2% for those with upper secondary education and 4.9% for those with post-secondary education (*Chart 4a*). Yet the self-employed ratios across different education levels in 2014 were lower when compared to 2004, more so among those with lower secondary education or below.

(3) The sharp decline in the self-employed ratio of females aged 60 or above had to be viewed in conjunction with the notable increase in employed older age females. Indeed, the number of self-employed in this age-sex cohort almost doubled from 2 800 to 5 400 in the past decade.

Box 6.2 (Cont'd)

Mirroring the education and sectoral profile, self-employment remained most prevalent in such lower-skilled occupations as plant and machine operators and assemblers in 2014 (*Chart 4b*). However, comparing 2014 with 2004, an almost across-the-board decline in self-employed ratio was witnessed in the lower-skilled segment. On the contrary, the self-employed ratio in the higher-skilled segment held more or less steady, surpassing that of the lower-skilled segment in 2014. In particular, the self-employed ratio among professionals rose visibly by 1.3 percentage points from 3.3% in 2004 to 4.6% in 2014. Most of them worked in health services, creative and performing arts, specialised design, information technology service, and legal activities. Although they only accounted for 5.9% of all self-employed persons in 2014, considering their major work nature, the rising prominence of this segment appeared to conform to the idea of an emerging gig economy.

Chart 4a: Self-employed ratio by educational attainment

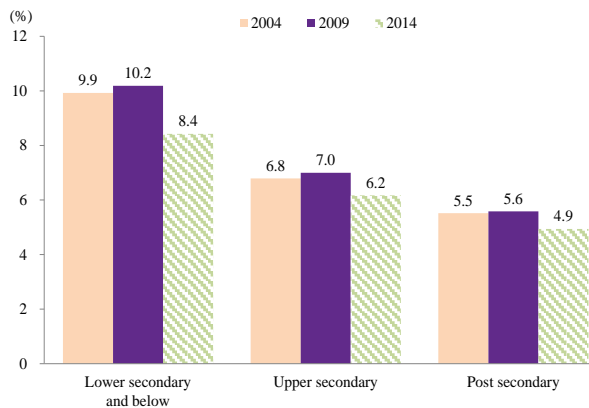
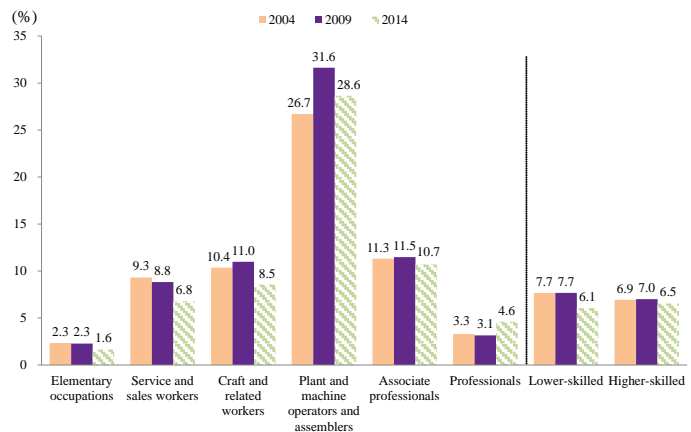


Chart 4b: Self-employed ratio by occupation



Concluding remarks

The above review of the socio-economic characteristics of self-employed persons in the past decade shows no strong evidence as yet of a growing gig economy. While self-employment has not become more widespread after the implementation of SMW, it remained most prevalent in some lower-skilled jobs such as drivers and mobile machine operators for road transport, salespersons etc., as well as among the older age groups and the lesser educated. However, the self-employed ratio in these “conventional” groups has fallen somewhat in the more recent years, while that in the higher-skilled segment rose, particularly in areas such as the health, legal, creative and technical industries. That there is only weak data support for an emerging gig economy is in line with the observation in the West, and may suggest that gig economy is still at an infant stage. Although self-employment is but one aspect of a gig economy, in view of the potential new work paradigm and the social implications that an emerging gig economy might bring, such as employment benefits and worker protections, it would be meaningful to keep monitoring the self-employment situation from time to time for any sign of a new structural trend in employment.