

## CHAPTER 5 : THE LABOUR SECTOR

### *Summary*

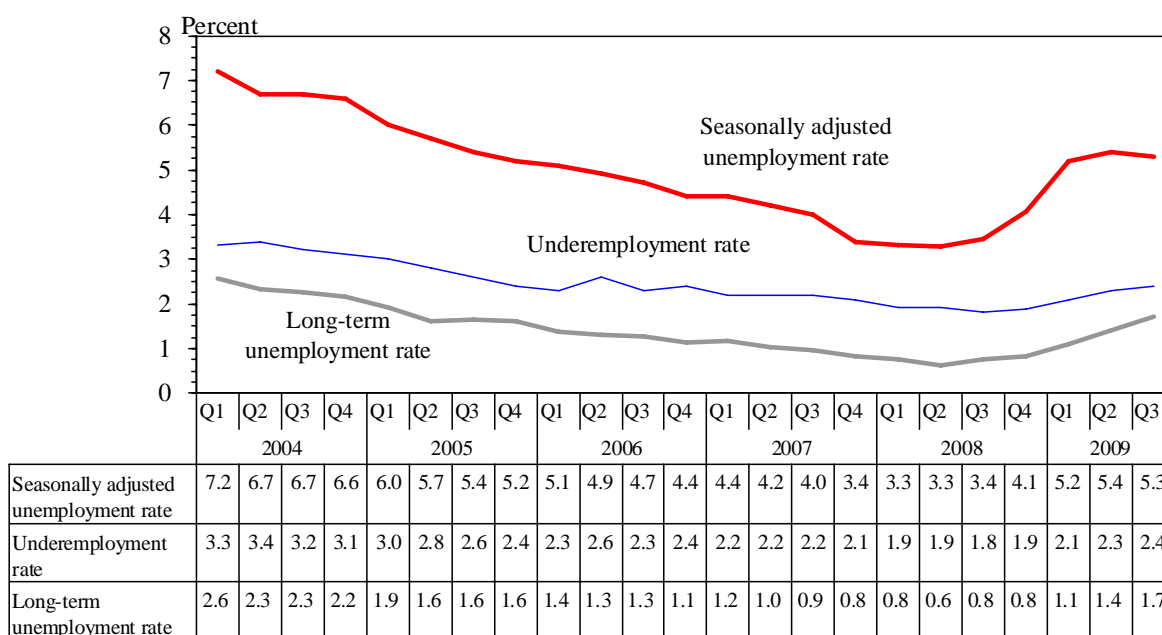
- *Following the economic rebound in the second quarter, the labour market also showed signs of stabilisation in the third quarter. The seasonally adjusted unemployment rate fell to 5.3% in the quarter, the first decline since the onset of the global financial crisis in September 2008. The underemployment rate registered only a slight increase by 0.1 percentage point to 2.4%, with its movement holding broadly stable in recent months.*
- *Total employment was still lower on a year-on-year basis, yet the job loss has generally slowed towards the end of the third quarter. The year-on-year decline in private sector vacancies also narrowed somewhat in June 2009 as compared to March 2009. Most recent data from vacancies received by the Labour Department was more encouraging, marked by a significant rebound of 33% in September over June.*
- *With the economy still facing a shortfall in demand relative to capacity, labour earnings in June remained on a decline in most sectors, in both nominal and real terms. Yet, in tandem with the economic recovery, more up-to-date information from the General Household Survey likewise showed relative improvement in average employment earnings in the third quarter.*
- *The near term employment outlook will very much depend on the pace of economic recovery, which in turn hinges on a sustained improvement on the external front. If business conditions continue to improve, employers can be expected to adopt a more positive attitude towards hiring new hands, which would then help ease the pressure on unemployment in the near term.*

### **Overall labour market situation**

5.1 Labour market conditions, after a period of successive worsening, stabilised during the third quarter of 2009 in tandem with the economic rebound. Though still exhibiting a considerable degree of weakness, a number of more positive developments emerged in the labour market towards the end of the third quarter. The most encouraging sign was the decline in the seasonally adjusted unemployment rate<sup>(1)</sup> by 0.1 percentage point to 5.3% in the third quarter of 2009. This marked the first decline since the onset of global economic and financial crisis in September 2008<sup>(2)</sup>, in which the seasonally adjusted unemployment rate has successively risen by a cumulative 2.1 percentage points from 3.3% in June – August 2008 to 5.4% in the second

quarter of 2009. At the same time, the pace of worsening in underemployment situation also tapered. Having risen by 0.2 percentage point each in the first quarter and second quarter of 2009, the underemployment rate<sup>(3)</sup> notched up only slightly by 0.1 percentage point over the second quarter to 2.4% in the third quarter of 2009.

**Diagram 5.1 : The unemployment rate decreased by 0.1 percentage point in the third quarter of 2009**



## Total employment and labour supply

5.2 *Total employment*<sup>(4)</sup> remained on a decline, both on a year-on-year and seasonally adjusted quarter-to-quarter basis. These figures suggest that the labour market was still lagging behind in the initial stage of economic recovery and that it would still take some time for employment to catch up. Yet, compared to the situation in the Asian Financial Crisis, labour market conditions in many sectors have exhibited a greater degree of resilience in the current global financial crisis, even though in terms of the scale of disruptions the current crisis is much more severe than the regional crisis ten years ago (see Box 5.1 for details).

5.3 Analysed by occupation, the higher-skilled segment registered a job loss of 3.5% in the third quarter over a year earlier, larger than the 1.1% decline in the second quarter. On the other hand, the lower-skilled segment recorded a job gain of 0.8% in the third quarter, somewhat larger than the 0.2% increase in the second quarter. Conceivably, the divergence of employment change in two skill segments is due to some down-drift in the job hierarchy as some previously engaged in higher-skilled jobs moved down to the lower-skilled

segment. When compared with the employment level just before the outbreak of global financial crisis (June – August 2008), the higher-skilled segment suffered a cumulative job loss of 3.9% (51 100 jobs), while the lower-skilled segment recorded a marginal job gain of 0.7% (15 700 jobs).

5.4 Even though employment went down when compared to the second quarter, the pace of job loss actually tapered significantly towards the end of the third quarter. Further analysis of employment composition in the third quarter also indicated some subtle and initial signs of improvement. Specifically, the fall in employment in the third quarter was mainly concentrated in part-time workers, which may be related in part to the drop-out of middle aged females from the workforce. The number of full-time employee jobs held up better, with nil change in the third quarter over the year, as against an overall 0.8% decline in total employment over the same period. As a result, the share of full-time employees in total employment rose to 83.1% in the third quarter, from 82.4% a year earlier.

5.5 The *labour force*<sup>(5)</sup>, after some exceptionally strong growth in the first half of this year, returned to a growth that was broadly in line with the growth in population of working age. The labour force growth was particularly fast earlier on, due to the increase in middle aged females seeking work, a common phenomenon during economic recession. With the economy progressively stabilising, total labour force amongst the middle aged females gradually edged back to a more normal level. As a result, the overall labour force participation rate (LFPR) moved back to 61.0% in the third quarter of 2009, only marginally higher than that of 60.9% a year earlier.

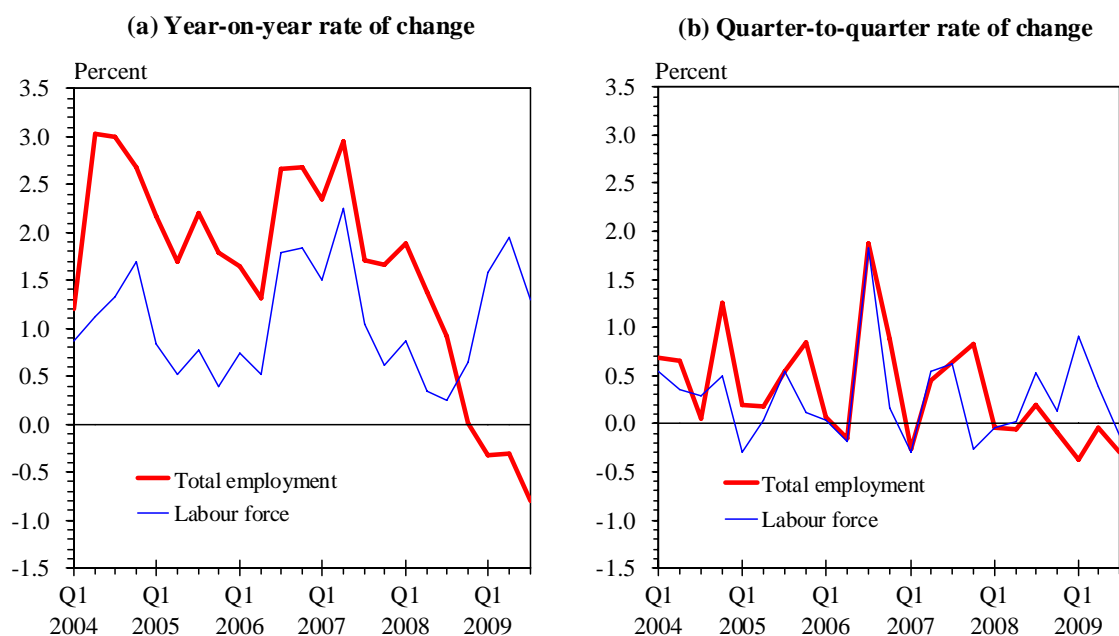
**Table 5.1 : The labour force, and persons employed, unemployed and underemployed**

		<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed<sup>(a)</sup></u>	<u>Persons underemployed</u>
2008	Annual	3 648 900 (0.5)	3 518 800 (1.0)	130 100	69 000
	Q1	3 637 100 (0.9)	3 519 000 (1.9)	118 200	69 900
	Q2	3 638 200 (0.3)	3 517 100 (1.4)	121 100	67 900
	Q3	3 657 400 (0.2)	3 523 700 (0.9)	133 600	66 300
	Q4	3 661 900 (0.6)	3 520 700 (#)	141 200	69 000
2009	Q1	3 694 900 (1.6)	3 507 600 (-0.3)	187 200	79 200
	Q2	3 709 200 (2.0)	3 506 200 (-0.3)	203 000	84 900
<i>Three months ending</i>					
	Jul	3 719 000 (2.1)	3 505 300 (-0.4)	213 800	88 600
	Aug	3 712 100 (1.4)	3 495 300 (-1.0)	216 800	88 200
	Sep	3 704 700 (1.3)	3 495 500 (-0.8)	209 100	89 900
		<-0.1>	<-0.3>		

Notes : (a) These include first-time job-seekers and re-entrants into the labour force.  
 ( ) Year-on-year % change.  
 <> % change between the second quarter and third quarter of 2009.  
 <#> Less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : Employment contraction continued due to a decrease in total labour force in the third quarter**



## Profile of unemployment

5.6 The unemployment rate fell in the third quarter of 2009, as the drag of global recessionary forces on the local domestic front eased somewhat. The growth in the number of unemployed persons likewise kept on tapering. On a quarter-to-quarter comparison, the number of unemployed persons increased by 6 100 to 209 100 in the third quarter, but this was merely due to the usual seasonal surge during the summer months. After adjusting for seasonality, the seasonally adjusted unemployment rate decreased by 0.1 percentage point to 5.3% in the third quarter of 2009. Over the same period, the movements of unemployment rate (not seasonally adjusted) varied between different skill segments, with that for the higher-skilled holding steady at 3.1%, while that for the lower-skilled falling by 0.3 percentage point to 5.8%. Compared to the situation just before the outbreak of global financial crisis (June – August 2008), the unemployment rate for lower-skilled workers had risen by a total of 2.1 percentage points, while that for higher-skilled workers registered a smaller increase of 1.7 percentage points.

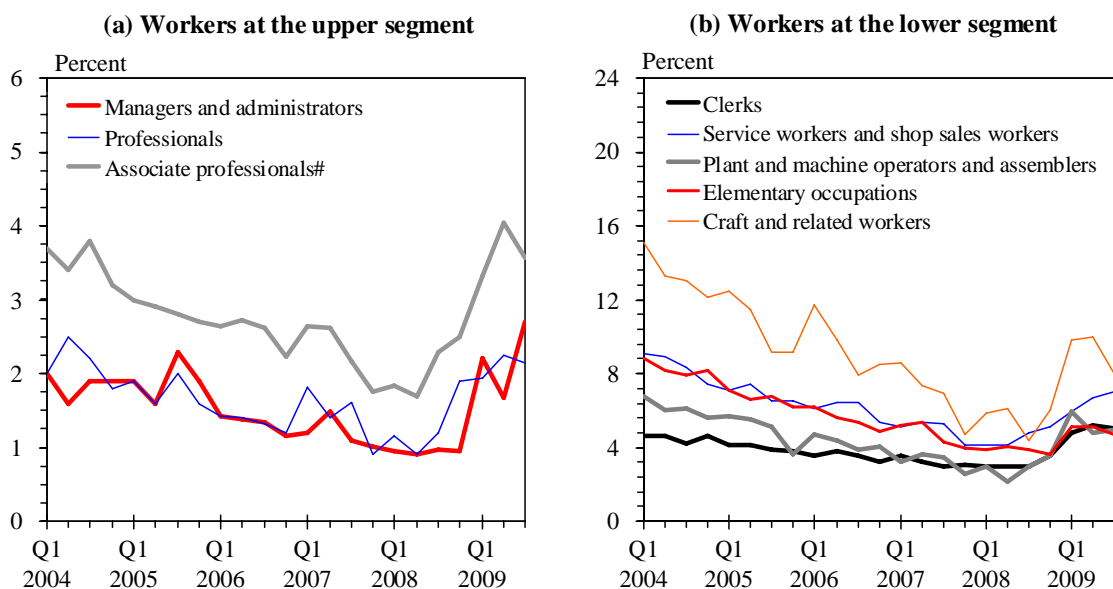
5.7 Analysed by economic sector, the improvement in unemployment situation during the third quarter was most distinct in the construction sector, thanks to the Government's efforts in boosting public construction works and also the revival in the property market. As the external sector stabilised, unemployment situation in the import/export trades and trade-related sectors such as the manufacturing and transportation, storage, postal and courier services sectors generally improved over the period. Unemployment situation in the financing and real estate sectors also improved in tandem with the asset market rebound. In terms of other socio-economic characteristics, the decrease in unemployment rate was most apparent among individuals engaged as craft and related workers, associate professionals and elementary occupations, as well as workers aged 35-54 and workers with lower secondary education.

**Table 5.2 : Unemployment rate by major economic sector**

	2008				2009		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Import/export trade and wholesale	2.4	2.4	2.5	3.3	4.6	4.9	4.9
Retail	4.0	4.4	4.6	5.4	6.0	6.5	6.7
Accommodation and food services	5.2	4.6	5.6	6.2	7.3	8.2	8.3
Transportation, storage, postal and courier services	3.3	2.8	2.9	3.9	5.8	4.9	4.4
Information and communications	1.9	2.4	2.1	3.3	4.6	4.8	4.3
Financing and insurance, real estate, professional and business services	2.5	2.3	2.6	2.3	3.6	4.0	3.8
Public administration, social and personal services	1.3	1.1	1.6	1.4	1.8	2.0	2.3
Manufacturing	4.0	4.3	4.6	5.0	6.2	6.8	6.2
Construction	7.5	7.6	5.5	6.1	11.2	11.8	9.4
Overall (seasonally adjusted)	3.3	3.3	3.4	4.1	5.2	5.4	5.3

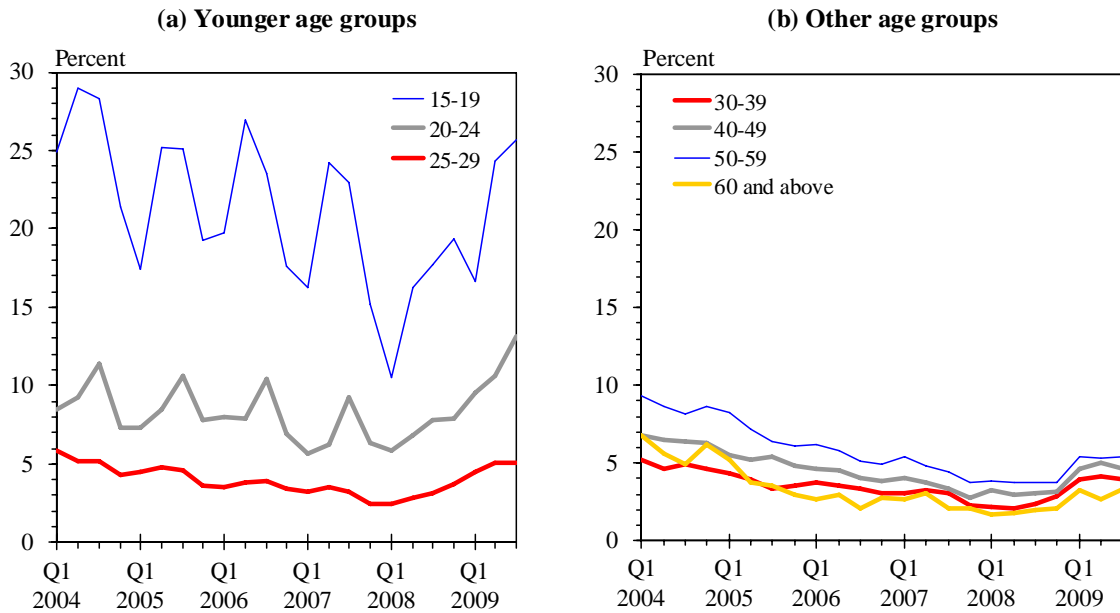
Source : General Household Survey, Census and Statistics Department.

**Diagram 5.3 : Unemployment rate\* in most occupations also showed decreases in the third quarter**



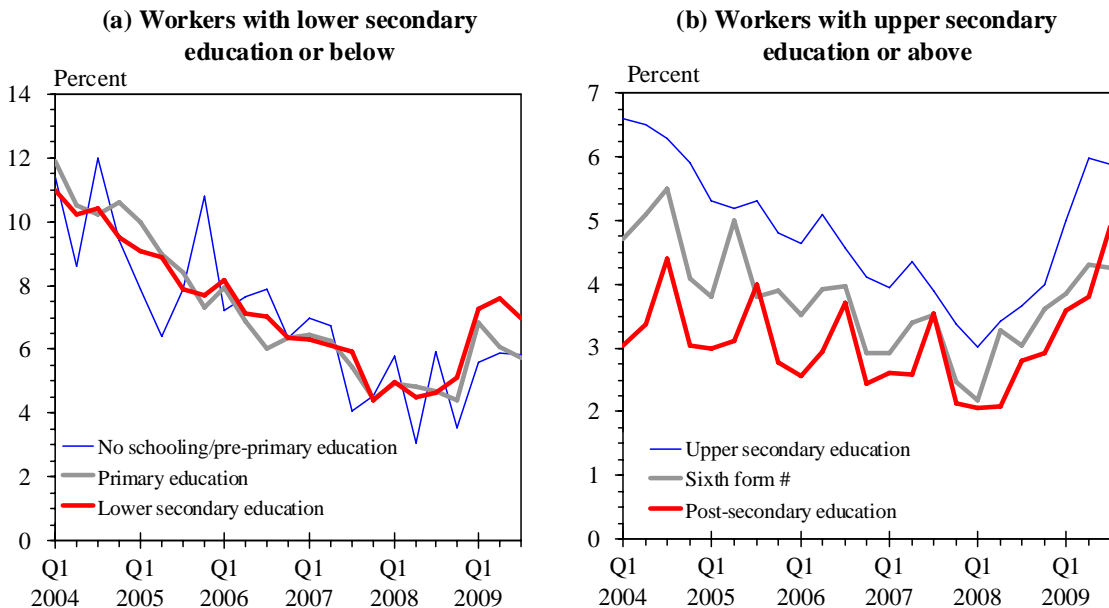
Notes : (\*) Not seasonally adjusted, and not including first-time job seekers and re-entrants into the labour force.  
 (#) Including technicians and supervisors.

**Diagram 5.4 : Except for the younger age groups, unemployment situation\* held stable for most age groups in the third quarter**



Note : (\*) Not seasonally adjusted, but including first-time job seekers and re-entrants into the labour force.

**Diagram 5.5 : Except for those with post-secondary education, unemployment situation\* in most groups either held stable or improved in the third quarter**



Notes : (\*) Not seasonally adjusted, but including first-time job seekers and re-entrants into the labour force.  
 (#) Including craft courses.

5.8 Indicators measuring the intensity of unemployment still indicated considerable slack in the labour market. The long-term unemployment rate (i.e. six months or longer) rose further from 1.4% to 1.7% over the period. Yet signs of stabilisation also began to emerge in other indicators. Specifically, the median duration of unemployment lengthened only slightly to 89 days in the third quarter of 2009 from 87 days in the preceding quarter. This already

represented a relative improvement as against the drastic increase by 13 days in the median duration of unemployment between the first and the second quarters. Also, the proportion of layoffs among the unemployed (excluding first-time job seekers) fell further, from 70.7% in the second quarter to 68.5% in the third quarter of 2009.

### **Profile of underemployment**

5.9 The pace of worsening in underemployment situation likewise slowed, with the underemployment rate up only slightly to 2.4% in the third quarter from 2.3% in the second quarter. Yet, the rise was still very distinct in sectors like cleaning services (up by 1.2 percentage points to 3.7%) and food services (up by 1.0 percentage point to 3.3%). Analysed by occupation, service workers and shop sale workers recorded the largest increase in underemployment rate, by 0.8 percentage point to 2.6%.

## Box 5.1

### Comparison of current labour market conditions by selected sectors with the situation following the Asian Financial Crisis of 1997

Further to the analysis of labour market conditions by skill segment in the preceding report, this box article compares the current performance of selected sectors as against the situation under the Asian Financial Crisis (AFC) in 1997.

Sectors hardest hit under the current crisis in terms of employment, namely the trading, retail, food services, construction and financial services sectors are selected for analysis. These sectors altogether accounted for 56% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1).

**Table 1: Increases in unemployment among selected sectors**

	% of labour force at Jul-Sep 09	Unemployment rate			Proportion of increase in overall unemployed persons
		Jun – Aug 08 (before the outbreak of global financial crisis)	Jul – Sep 09	Change over the period (% point)	
<b>Trading<sup>(*)</sup></b>	<b>15.9%</b>	<b>2.2%</b>	<b>4.9%</b>	<b>+2.7</b>	<b>18.9%</b>
<b>Food services</b>	<b>6.5%</b>	<b>5.5%</b>	<b>9.1%</b>	<b>+3.6</b>	<b>11.2%</b>
<b>Retail</b>	<b>8.5%</b>	<b>4.3%</b>	<b>6.7%</b>	<b>+2.4</b>	<b>9.6%</b>
<b>Construction</b>	<b>7.8%</b>	<b>6.3%</b>	<b>9.4%</b>	<b>+3.1</b>	<b>11.3%</b>
<b>Financial services<sup>(^)</sup></b>	<b>6.0%</b>	<b>1.5%</b>	<b>3.3%</b>	<b>+1.8</b>	<b>4.8%</b>
<b>Total</b>	<b>100.0%</b>	<b>3.5%</b>	<b>5.6%</b>	<b>+2.1</b>	<b>100.0%</b>

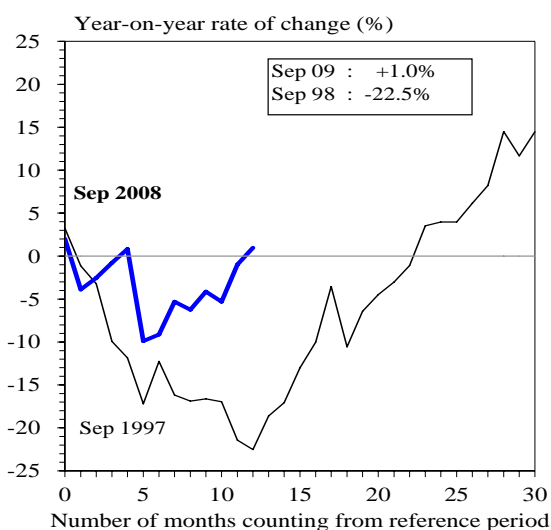
Notes: (\*) The trading sector includes import/export trades and wholesale trade.

(^) The financial services sector includes financing and insurance.

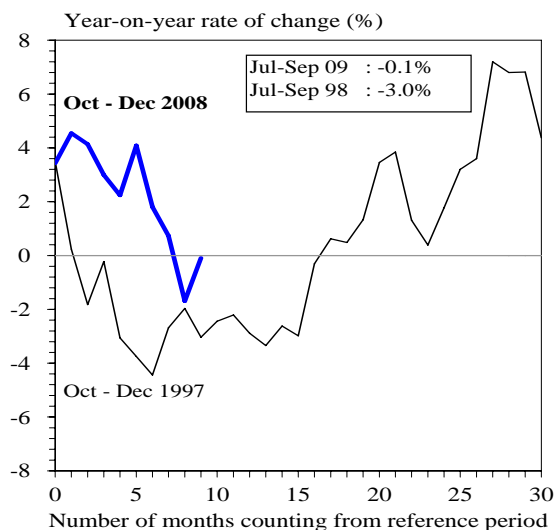
### Consumption-related sectors

In July – September 2009, the retail and food services sectors together took up 15% of total labour force. Shortly after the outbreak of the global financial crisis, unemployment rates in these two sectors rose sharply and accounted for 21% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1). However, when compared to the AFC, local consumer sentiment this time round held up much better, buttressed mainly by a rebound in asset markets and support from Government's relief measures (Charts 1a and 2a). As a result, the job loss in the retail sector was much lesser in the current crisis than that during the AFC (Chart 1b). The decline in employment in the food services sector was also much less drastic in the first six months after the outbreak of the global crisis, though with slightly more job loss in the latest period (Chart 2b).

**Chart 1a : Retail sales volume index (s.a.)**

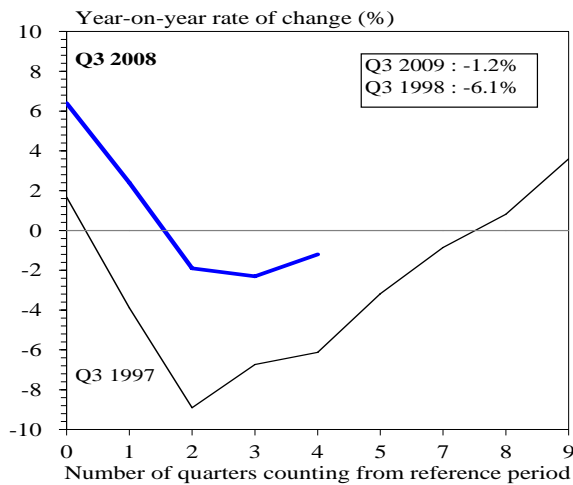


**Chart 1b : Employment in the retail sector**

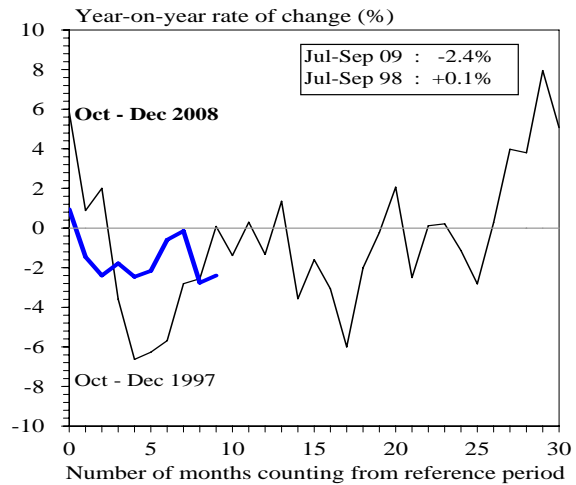


## Box 5.1 (Cont'd)

**Chart 2a : Restaurant receipts (volume)**



**Chart 2b : Employment in the food services sector**

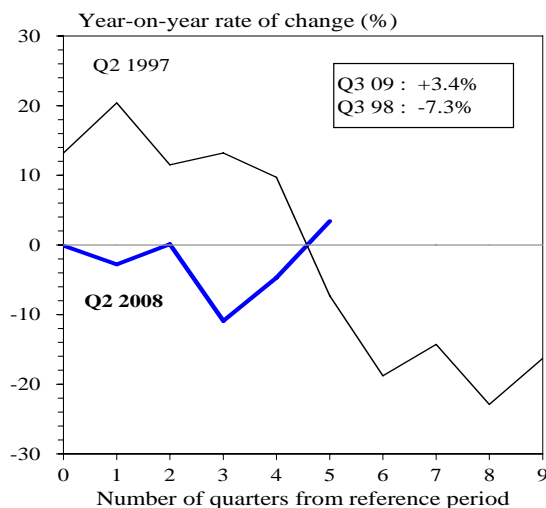


## Construction sector

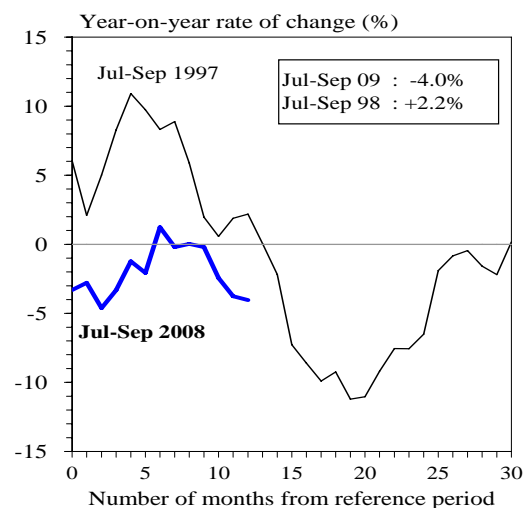
The construction sector made up 8% of the total labour force in July – September 2009 and accounted for 11% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1). The construction sector suffered heavily under the negative shocks of the current crisis, exacerbating the sluggishness in private construction works which were already apparent before the crisis (Chart 3a). As a result, employment conditions in this sector worsened significantly and almost instantly after the outbreak of the global financial tsunami, at a pace that was much more drastic than in the AFC (Chart 3b). However, the job losses would have been even larger if not for the Government's efforts in expediting the small construction projects and the launch of "Operation Building Bright" in May 2009.

Reflecting Government's efforts on this front, public sector building and construction grew sharply by 11.1% in the second quarter and then by 34.4% in the third quarter, partially offsetting the respective declines of 8.4% and 4.5% in private sector works over this period. As a result, when compared to the pre-crisis level at June – August 2008, the cumulative job loss amounted to only 6 600 in July – September 2009. Unemployment rate in the construction sector also went successively lower, from 12.7% in February – April 2009 to 9.4% in July – September 2009. In contrast, the unemployment rate kept on rising during the AFC. With the recent rebound in property market, the construction sector is expected to show further improvement in the coming months.

**Chart 3a: Real gross value of investment in building and construction**



**Chart 3b: Employment in the construction sector**

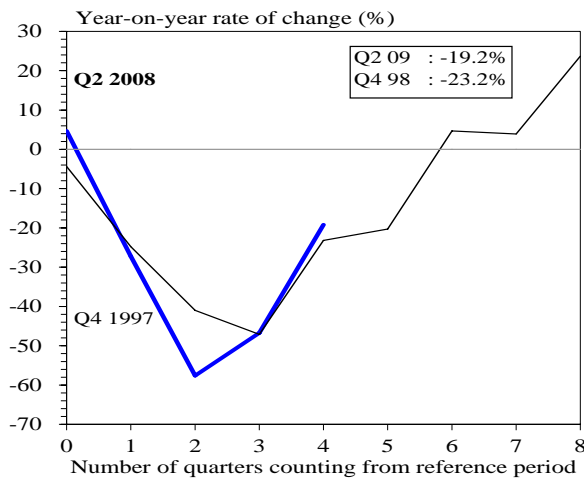


## Box 5.1 (Cont'd)

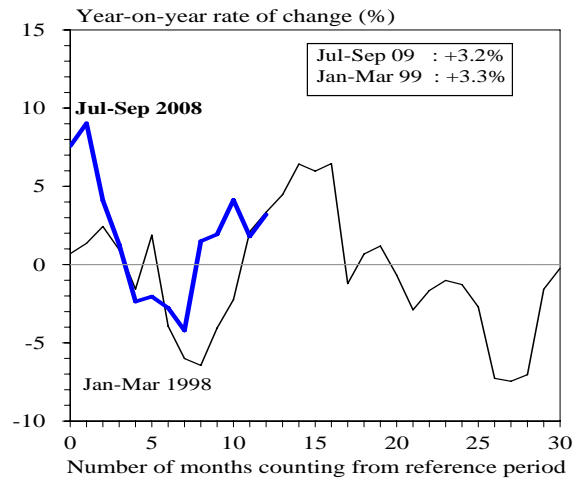
### Financial services sector

The financial services sector, as a high value-added sector, contributed only 6% of total labour force in July – September 2009 (Table 1). While activities in this sector plummeting sharply in the aftershock of the global crisis, the employment situation held up much better this time as compared to the AFC. Alongside the recent rebound in this sector (Chart 4a), job shedding was largely arrested by the first quarter of 2009, and employment reverted to positive year-on-year increases since March – May 2009. By the third quarter of 2009, there was actually a cumulative job gain of 2 300 when compared to the pre-crisis level (Chart 4b).

**Chart 4a : Business receipt index in the financing sector**

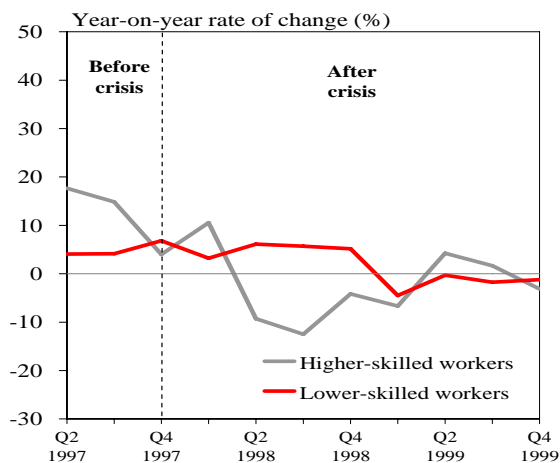


**Chart 4b : Employment in the financial services sector**



A greater reduction in earnings immediately following the current crisis as compared with the AFC also helped to prevent large scale job shedding. Recently, some financial institutions have begun to award bonuses which have been held back in late 2008 / early 2009. A strong rebound in employment earnings in this sector was therefore observed (Charts 5a and 5b).

**Chart 5a : Average earnings\* of the financial services in AFC**



**Chart 5b : Average earnings\* of the financial services in the current crisis**



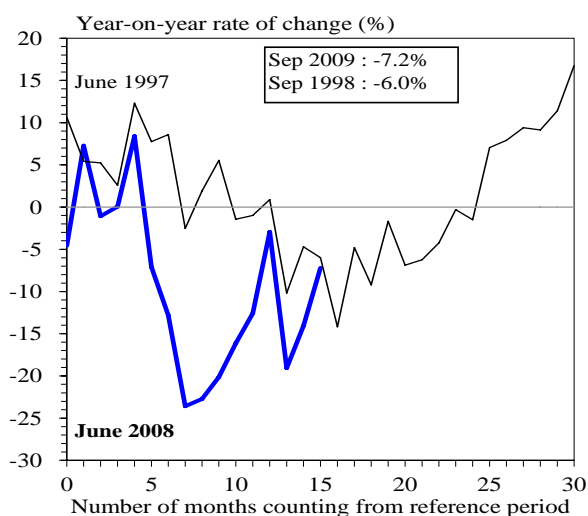
Note: (\*) Excluding foreign domestic helpers.

## Box 5.1 (Cont'd)

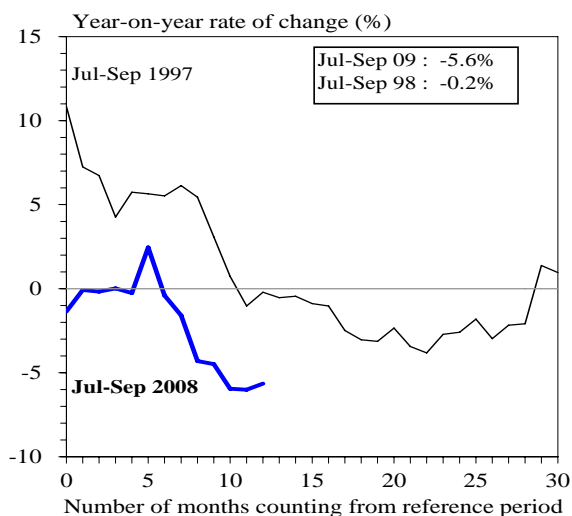
### Trading sector

Under the current crisis, recession swept through almost all economies on a global scale, leading to a severe contraction in global trade worst in decades. The extent of negative shocks was clearly much more drastic than that during the AFC. This explains the sharp plunge in Hong Kong's exports and hence the heavier drag on employment in the trading sector as compared to the situation in 1997/98 (Charts 6a and 6b). This sector alone accounted for 16% of total labour force and 19% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1). Employment in this sector went down by 5.6% in July – September 2009 year-on-year, as compared to only 0.2% decline in July – September 1998.

**Chart 6a : Hong Kong's exports (volume)**



**Chart 6b : Employment in the trading sector**



### Conclusion

The negative external shocks of this once-in-a-century crisis were truly on a global scale, and clearly much more severe than that in the AFC. Despite this, Hong Kong's labour demand has exhibited greater resilience in most sectors, thanks to the Government efforts in preserving employment in various sectors, greater restraint on the part of employers in laying off workers, and employees' willingness in accommodating reduction in earnings and shorter working hours.

## **Profile of employment in establishments**

5.10 Quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only after a considerable time lag, with the latest figures referring only to June 2009. In view of this limitation, attempts have been made to bring the analysis more up-to-date, using information from supplementary sources.

5.11 Comparing June 2009 with a year earlier, total employment in private sector establishments contracted by 1.5%, larger than the 1.0% decline in March 2009. By economic sector, notable job losses were observed in the manufacturing (down 6.2%), import/export trade and wholesale (down 5.3%), and information and communications (down 3.3%) sectors; offsetting the job gains recorded in the sectors of human health services (up 4.9%), education (up 4.5%), and cleaning and similar services (up 2.7%). By establishment size, larger enterprises in the private sector still retained some capacity for job creation with a gain of 5 500 jobs (0.4%), whereas jobs in small and medium-sized enterprises (SMEs)<sup>(6)</sup> were down by 43 700 (3.6%) from a year earlier. Meanwhile, the number of employees in the civil service rose by another 1.1% over a year earlier, same as the increase in March 2009. This reflected accelerated recruitment, as part of the Government's measures to mitigate the impact of the global recession.

5.12 In addition to regular employment and placement services, the Labour Department (LD) has organised large-scale and mini-job fairs at various locations to respond speedily to the recruitment needs of employers and offer convenient services to job seekers. In the first nine months of 2009, the LD has organised fourteen large-scale job fairs and 314 mini-job fairs. At the same time, the Employees Retraining Board responded flexibly to the training needs of the society by adjusting the allocation of training places. The Board plans to provide 123 000 training places in 2009-10 and has reserved resources to provide an additional 20 000 training places should the need arise.

5.13 Faced with the entry of fresh graduates and school leavers into the labour market in recent months, the Government has enhanced its employment programmes to encourage employment among youths and launched the "Internship Programme for University Graduates" in August this year. By the end of September, about 800 graduates have secured employment in Hong Kong through the Programme. The participating tertiary institutions and LD will continue to provide job-matching services to assist graduates to secure internship positions.

**Table 5.3 : Employment by major economic sector**

	<u>2008</u>					<u>2009</u>	
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>
Import/export trade and wholesale	582 500 (-0.6)	586 200 (0.1)	585 400 (-0.1)	582 000 (-0.5)	576 600 (-1.8)	559 800 (-4.5)	554 200 (-5.3)
Retail	236 000 (2.8)	233 400 (3.3)	236 100 (2.8)	237 800 (3.6)	236 900 (1.5)	232 000 (-0.6)	232 600 (-1.5)
Accommodation and food services	241 500 (2.0)	238 200 (1.8)	241 900 (3.7)	245 100 (2.5)	240 700 (*)	238 200 (*)	238 800 (-1.3)
Transportation, storage, postal and courier services <sup>(a)</sup>	156 300 (3.5)	155 500 (5.1)	157 000 (3.1)	156 900 (3.8)	155 800 (1.8)	158 000 (1.6)	156 900 (-0.1)
Information and communications	88 600 (3.6)	86 900 (2.2)	89 800 (5.3)	89 900 (5.2)	87 700 (1.7)	86 100 (-0.9)	86 900 (-3.3)
Financing and insurance, real estate, professional and business services <sup>(a)</sup>	577 100 (3.4)	573 700 (5.2)	578 600 (3.8)	581 800 (3.7)	574 400 (1.1)	572 700 (-0.2)	577 500 (-0.2)
Social and personal services <sup>(a)</sup>	401 600 (3.6)	396 600 (3.3)	399 000 (2.9)	405 000 (4.5)	406 000 (3.8)	407 100 (2.6)	411 600 (3.2)
Manufacturing	132 500 (-3.5)	135 200 (-2.9)	133 000 (-3.7)	131 300 (-3.7)	130 600 (-3.8)	125 700 (-7.0)	124 700 (-6.2)
Construction sites (manual workers only) <sup>(7)</sup>	49 400 (-1.5)	50 500 (0.3)	49 600 (-3.0)	48 100 (-2.1)	49 400 (-1.3)	51 900 (2.8)	48 900 (-1.2)
<i>All establishments surveyed in the private sector<sup>(a)(b)</sup></i>	<i>2 476 400 (1.8)</i>	<i>2 467 200 (2.5)</i>	<i>2 480 800 (2.1)</i>	<i>2 488 900 (2.2)</i>	<i>2 468 900 (0.5)</i>	<i>2 442 200 (-1.0)</i>	<i>2 442 600 (-1.5)</i>
		<i>&lt;0.8&gt;</i>	<i>&lt;0.3&gt;</i>	<i>&lt;0.4&gt;</i>	<i>&lt;-1.0&gt;</i>	<i>&lt;-0.7&gt;</i>	<i>&lt;-0.3&gt;</i>
<i>Civil service<sup>(c)</sup></i>	<i>154 000 (0.1)</i>	<i>153 500 (-0.2)</i>	<i>153 700 (*)</i>	<i>154 300 (0.4)</i>	<i>154 300 (0.3)</i>	<i>155 100 (1.1)</i>	<i>155 400 (1.1)</i>

Notes : Employment figures enumerated from business establishments, as obtained from the Quarterly Survey of Employment and Vacancies, are somewhat different from those enumerated from households, as obtained from the General Household Survey. This is mainly due to difference in sectoral coverage: while the former survey covers selected major sectors, the latter survey covers all sectors in the economy.

(a) Starting from March 2009, the survey coverage has been expanded to include more economic activities in some of the industries due to the change in industrial classification based on the Hong Kong Standard Industrial Classification Version 2.0. The activities newly covered are in the industries of transportation, storage, postal and courier services; professional and business services; and social and personal services.

(b) The total figures on private sector employment cover also employment in mining and quarrying and in electricity, gas and waste management, besides employment in the major sectors indicated above.

(c) These figures cover only those employed on civil service terms of appointment. Judges, judicial officers, ICAC officers, locally engaged staff working in Hong Kong Economic and Trade Offices outside Hong Kong, and other Government employees such as non-civil service contract staff are not included.

( ) % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change.

(\*) Less than 0.05%.

Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.  
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

## **Vacancies**

5.14 Given the still cautious business sentiment in the second quarter of 2009, firms were generally conservative towards expansion and staffing plans in June, leading to a continued marked decline in job vacancies over the period. In June 2009, private sector vacancies were still significantly down by 38.9% over a year earlier, yet this was smaller than the 50.6% decrease in March 2009. Declines occurred among all sectors, especially in financing and insurance (down 60.4%), import/export trade and wholesale (down 51.9%), transportation, storage, postal and courier services (down 49.1%) and professional and business services (excluding cleaning and similar services) (down 48.7%).

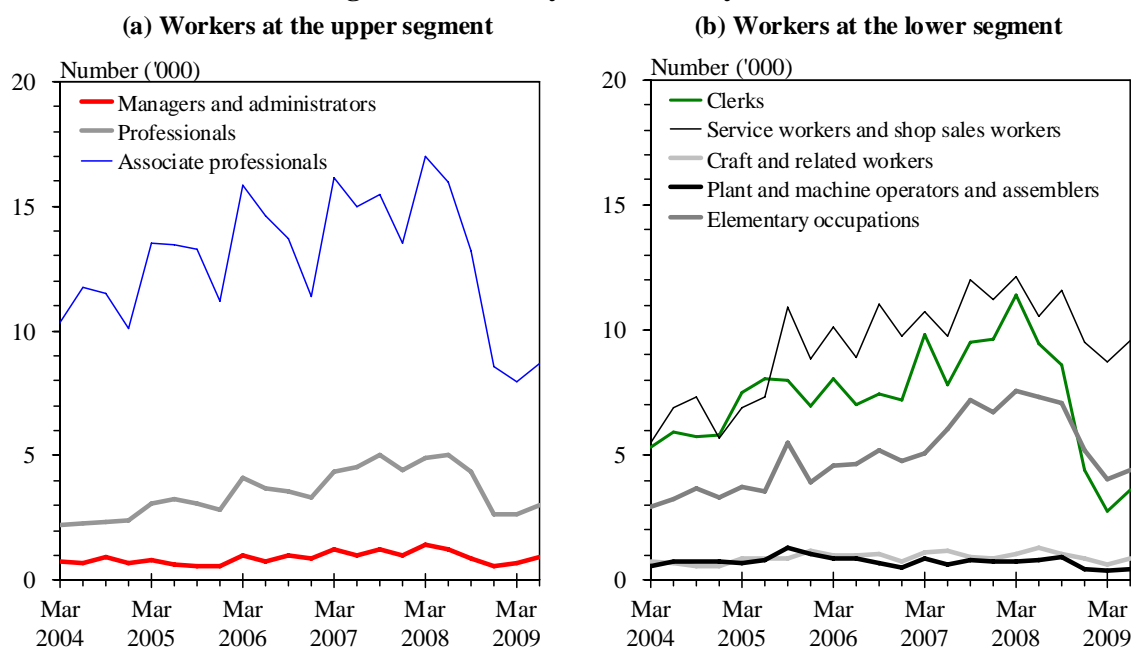
5.15 Analysed by occupation category, job vacancies for higher-skilled and lower-skilled workers were all sharply lower, by 43.1% and 35.7% respectively in June 2009 over a year earlier. Declines were most drastic among clerks (down 61.4%), followed by plant and machine operators and assemblers (down 47.1%), associate professionals (down 45.6%) and professionals (down 40.1%). Compared to the unemployment numbers in June 2009, this gave a ratio of 16 job vacancies per 100 unemployed, slightly higher than the level of 15 for March 2009. The corresponding ratio for lower-skilled jobs increased marginally from 12 in March 2009 to 13 in June 2009, while that for higher-skilled jobs remained unchanged at 31. These figures suggest that the excess supply conditions in the labour market had not worsened further, for both the higher- and lower-skilled segments during the second quarter. By establishment size, vacancies at SMEs and large enterprises were both significantly lower by 39.5% and 38.3% respectively in June 2009 when compared to a year earlier, yet the declines were again slightly less profound when compared with the figures of March 2009.

5.16 The vacancy rate rose slightly from 1.1% in March 2009 to 1.3% in June 2009 over the period, though still visibly lower than that of 2.0% a year ago. As compared to a year earlier, notable decreases were seen in the financing and insurance (from 2.5% to 1.0%), accommodation services (from 2.1% to 0.9%), and arts, entertainment, recreation and other services (from 3.8% to 2.7%) sectors.

5.17 Regarding the civil service, the total number of vacancies in June 2009 was 5 200, down from 6 200 a year earlier. Given the efforts on the part of the Government to speed up civil service recruitment, the filling of vacancies in this direction can be expected to continue apace correspondingly over the remainder of this year.

5.18 The latest information showed that the Labour Department (LD) posted some 61 000 private sector vacancies in September 2009, representing a decrease of 9.9% over September 2008 but an increase of 15.6% over August 2009. On a quarter-to-quarter comparison, the average number of private sector vacancies in the third quarter of 2009 also increased by 20.9% over the second quarter. These figures suggest that employers adopt a more positive attitude in hiring new hands towards the end of the third quarter. The LD will continue to closely monitor labour market conditions and to provide employment and placement services to assist the unemployed in seeking jobs. The Department will continue to strengthen the dissemination of vacancy and employment information and offer user-friendly services to job seekers.

**Diagram 5.6 : Vacancies in most occupations edged up in the second quarter, though still distinctly down for a year earlier**



**Table 5.4 : Vacancies by major economic sector**

	<u>Number of vacancies</u>							Vacancy rate in Jun 2009 (%)	
	<u>Annual Average</u>	<u>2008</u>					<u>2009</u>		
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>		
Import/export trade and wholesale	7 600 (-17.1)	9 900 (-4.2)	9 000 (-0.6)	7 200 (-18.0)	4 100 (-50.1)	3 300 (-67.1)	4 300 (-51.9)	0.8	
Retail	5 000 (7.6)	5 700 (14.7)	5 200 (25.5)	5 500 (9.8)	3 500 (-19.7)	2 900 (-49.6)	3 700 (-29.4)	1.5	
Accommodation and food services	5 500 (5.0)	5 400 (24.6)	5 600 (21.7)	5 400 (-19.4)	5 700 (5.6)	5 200 (-4.2)	4 500 (-19.2)	1.8	
Transportation, storage, postal and courier services <sup>(a)</sup>	1 700 (-12.0)	2 300 (28.4)	1 900 (0.3)	1 600 (-24.9)	900 (-50.8)	1 000 (-58.2)	1 000 (-49.1)	0.6	
Information and communications	1 900 (-9.7)	2 100 (-5.0)	2 400 (26.1)	2 200 (-6.2)	800 (-55.5)	900 (-57.8)	1 500 (-36.7)	1.7	
Financing and insurance, real estate, and professional and business services <sup>(a)</sup>	13 100 (-9.6)	16 300 (10.1)	14 300 (2.9)	13 100 (-14.0)	8 600 (-38.2)	6 800 (-58.4)	7 400 (-48.2)	1.3	
Social and personal services <sup>(a)</sup>	10 500 (9.9)	12 400 (41.5)	11 100 (30.2)	11 200 (8.7)	7 300 (-31.2)	7 100 (-42.6)	8 400 (-24.2)	2.0	
Manufacturing	1 600 (-9.2)	2 000 (0.1)	2 000 (12.4)	1 500 (-16.2)	1 100 (-36.2)	700 (-67.1)	700 (-67.2)	0.5	
Construction sites (manual workers only)	# (26.3)	# (*)	# (87.5)	# (57.7)	# (-26.7)	# (-92.1)	# (-86.7)	*	
<i>All establishments surveyed in the private sector<sup>(a)(b)</sup></i>	46 900 (-4.0)	56 200 (14.0)	51 600 (12.5)	47 800 (-8.7)	32 200 (-33.1)	27 800 (-50.6)	31 500 (-38.9)	1.3	
		<-3.3>	<-2.6>	<-11.5>	<-19.8>	<-28.5>	<20.3>		
<i>Civil service<sup>(c)</sup></i>	5 800 (127.7)	5 500 (366.2)	6 200 (94.4)	5 500 (81.6)	5 800 (114.8)	5 300 (-3.8)	5 200 (-15.8)	3.2	

Notes : Vacancy rate refers to the ratio of vacancies to total employment opportunities (actual employment plus vacancies).

(a) Starting from March 2009, the survey coverage has been expanded to include more economic activities in some of the industries due to the change in industrial classification based on the Hong Kong Standard Industrial Classification Version 2.0. The activities newly covered are in the industries of transportation, storage, postal and courier services; professional and business services; and social and personal services.

(b) The total figures on private sector vacancies cover also vacancies in mining and quarrying and in electricity, gas and waste management, besides vacancies in the major sectors indicated above.

(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

( ) % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change.

(#) Less than 50.

(\*) Less than 0.05%.

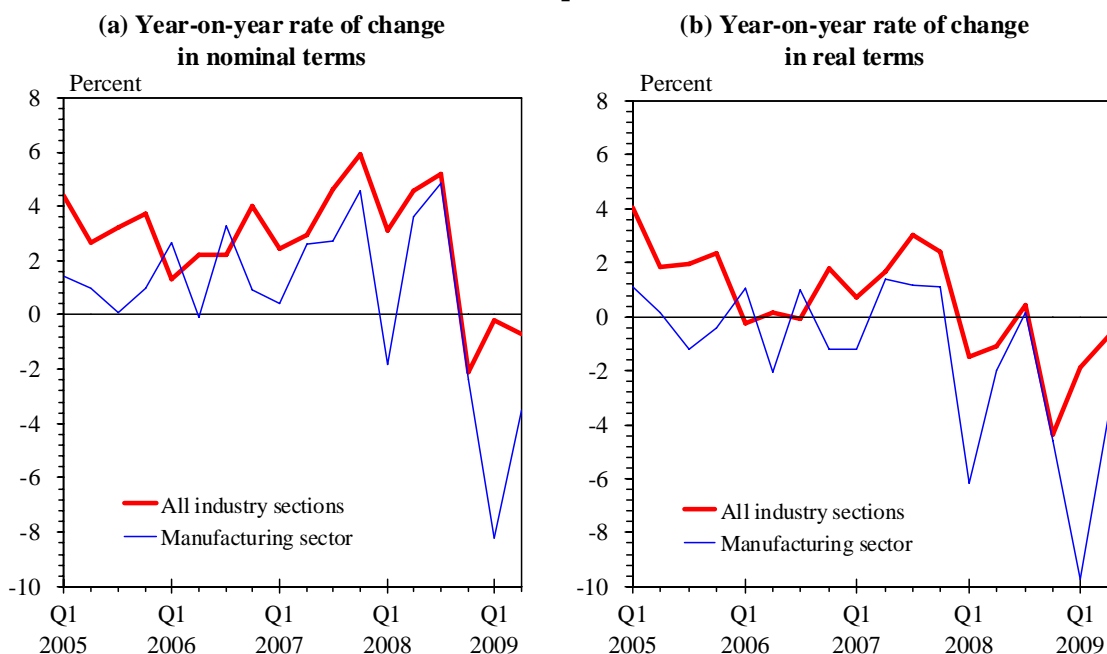
Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.  
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

## Earnings and wages

5.19 *Labour earnings*<sup>(8)</sup>, as measured by payroll per person engaged in the private sector, fell by 0.7% in nominal terms in the second quarter of 2009 over a year earlier. This was larger than the 0.2% decline in the first quarter of 2009. After adjusting for inflation, labour earnings in real terms<sup>(9)</sup> also fell, by 0.7%. Yet, after netting out seasonal factors, private sector payroll actually increased by 1.7% in nominal terms and 2.2% in real terms in the second quarter over the preceding quarter, suggesting that labour earnings have begun to stabilise.

5.20 Decreases in nominal payroll were nearly across-the-board. However, a number of economic sectors had showed signs of stabilisation, thanks to the recent pick-up in economic activities. Earnings in financial and insurance, and real estate activities were only marginally down, by 0.2% and 0.3% respectively year-on-year in the second quarter of 2009, representing distinct improvement against the corresponding year-on-year declines of 9.8% and 14.2% in the first quarter. This was mainly due to an increase in variable bonuses paid as both the financial and property markets have staged a strong rebound. Workers in the information and communications sector even enjoyed positive earnings year-on-year growth of 2.3% in the second quarter, after a 3.2% cut in the first quarter.

**Diagram 5.7 : Payroll fell slightly both in nominal and real terms in the second quarter of 2009**



5.21 The Salary Indices for Managerial and Professional Employees pointed to a larger pay reduction in the upper segment over the past year. Comparing June 2009 with a year earlier, the index decreased by 1.6% in money terms and 1.4% in real terms<sup>(10)</sup> in respect of staff remaining in the same occupation and the same company during the period. When the newly recruited and promoted employees were also taken into account, the index decreased by 2.6% in money terms, and 2.4% in real terms.

5.22 *Labour wages*, as a measure of regular payment to employees at the supervisory level or below, fell by 1.9% year-on-year in nominal terms in June 2009. This was larger than the 0.9% decrease recorded in March 2009. After adjusting for the change in prices, labour wages in real terms declined by 0.3% year-on-year in June 2009, as against a 1.4% decline in March 2009. The smaller decline in real labour wages than nominal wages reflected in part the cushion rendered by the Government's various relief measures.

5.23 In June 2009, decreases in nominal wages were more notable in the accommodation and food service activities (down 3.5%), import/export and wholesale and retail trades (down 2.2%) and manufacturing (down 2.1%) sectors. Transportation was the only sector that had a positive growth in wages of 0.4% over a year earlier. In terms of occupation category, some lower-skilled groups such as miscellaneous non-production workers and craftsmen both recorded a mild increase in wages, by 0.2%. In contrast, year-on-year declines were seen in the remaining occupations of service workers (down 3.4%), operatives (down 2.7%), supervisory and technical workers (down 2.5%), and clerical and secretarial workers (down 1.1%).

5.24 Latest statistics from the General Household Survey, though not strictly comparable to data obtained from business establishments, revealed that in the third quarter of 2009, overall average monthly employment earnings<sup>(11)</sup> of employed persons (excluding foreign domestic helpers) rose further by 3.5% over a year earlier, following an increase of 1.6% in the second quarter. Lower-skilled workers suffered a decline of 1.1% in average earnings, though relatively improved from a 1.4% decline in the second quarter. Earnings of higher-skilled workers saw a larger increase of 7.5%, following a 3.5% increase in the second quarter.

## Notes :

- (1) For a person aged 15 or above to be classified as unemployed, he or she should: (a) not have a job and not be performing any work for pay or profit during the reference period (i.e. seven days before enumeration); and (b) be available for work during the reference period; and (c) be seeking work during the 30 days before enumeration.

Notwithstanding the above, the following types of persons are also considered unemployed: (a) persons without a job, having sought work but not available for work because of temporary sickness; (b) persons without a job, available for work but not having sought work because they will take up new jobs or start business at a subsequent date, or expect to return to their original jobs; and (c) discouraged workers not having sought work because they believe work is not available to them.

Even at full employment, some frictional unemployment is bound to exist as workers move between jobs in order to obtain better terms of employment. The precise level of unemployment which can be described as purely frictional varies amongst economies, depending on the structure and characteristics of their labour markets.

Starting from May 2008, the seasonally adjusted unemployment rate is compiled by the X-12 ARIMA method to replace the previous X-11 ARIMA method. The seasonally adjusted unemployment rates since November 2006 – January 2007 have also been revised using the new method. The X-12 ARIMA method, being an update to the X11-ARIMA method, has now been a standard method used by statistical offices for performing seasonal adjustment of statistical series in many countries/territories. Since the two seasonal adjustment methods are indeed very similar, the revision made to the seasonally adjusted unemployment rate series due to the use of the new method is insignificant.

- (2) Labour force and employment statistics compiled from the General Household Survey for the period from Q1 2008 to Q4 2008 have been revised to take into account the results of the revised population of 2008.
- (3) The main criteria for an employed person aged 15 or above to be classified as underemployed are: involuntarily working less than 35 hours during the reference period (i.e. seven days before enumeration), and either available for additional work during the reference period or seeking additional work during the 30 days before enumeration.

Following these criteria, employed persons taking no-pay leave due to slack work during the reference period are also classified as underemployed if they had worked less than 35 hours or were on leave for the entire reference period.

- (4) Figures enumerated from household data. The employed population is defined here to include those persons aged 15 or above who performed work for pay or profit or had a formal job attachment during the reference period (i.e. seven days before enumeration).
- (5) The labour force, or the economically active population, is defined to include all persons aged 15 or above who either were engaged in productive work during the reference period (i.e. seven days before enumeration) or would otherwise have been engaged in productive work but were unemployed.

- (6) Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as small and medium-sized enterprises (SMEs) in Hong Kong. Yet, establishments with the same main business registration number (BRN) and engaging in activities of the same industry sector are grouped into one business unit for the purpose of calculating the number of SMEs. Thus, a business with a lot of small chain stores each employing a small number of employees will be considered as a single large enterprise, instead of separate SMEs.
- (7) Taking into account off-site workers and related professional and support staff, employment in the entire building and construction sector actually decreased by 4.0% in the third quarter of 2009.

Employment for the construction sector as a whole is enumerated from the General Household Survey carried out by the Census and Statistics Department. Apart from site workers, it also includes non-site workers engaged in minor alteration and addition, repair, maintenance and interior decoration work on existing buildings. In addition, it includes professionals, administrative and other support personnel engaged in that sector, such as engineers, architects, surveyors and contract managers, as well as general clerical staff.

- (8) In addition to wages, which include all regular payments like basic pay and stipulated bonuses and allowances, earnings also cover overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in sectoral and occupational coverage, the movements in average earnings, as measured by payroll per person engaged, do not necessarily match closely with those in wage rates.
- (9) Different consumer price indices are used for compiling the real indices of labour earnings and wages, taking into account their relevance to the respective occupation coverage. Specifically, the Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for earnings received by employees at all levels of the occupational hierarchy. The CPI(A), being an indicator of consumer prices for the middle to lower income groups, is taken as the price deflator for wages in respect of workers in occupations up to the supervisory level, and also in respect of manual workers engaged in the construction sector.
- (10) The Consumer Price Index (C) is used for compiling the Salary Indices for Management and Professional Employees in real terms.
- (11) The average (mean) monthly employment earnings are easily affected by extreme values in the survey sample, more so when reckoned for higher-end workers. They should therefore be interpreted with caution, in particular when they are compared over time.