CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market, after embarking on an improving trend between mid-2009 and early 2010, showed somewhat mixed developments in the second quarter of 2010. More specifically, the seasonally adjusted unemployment rate edged up from 4.4% in the first quarter to 4.6% in the second quarter alongside a marginal decline in total employment.*

- *Yet except for the slight rise-back in overall unemployment rate, there were actually several positive developments in the labour market, marked by decreases in both long-term unemployment and underemployment, a further pick-up in wages and earnings among employees across a broad spectrum of sectors and a sharp rise in job vacancies.*

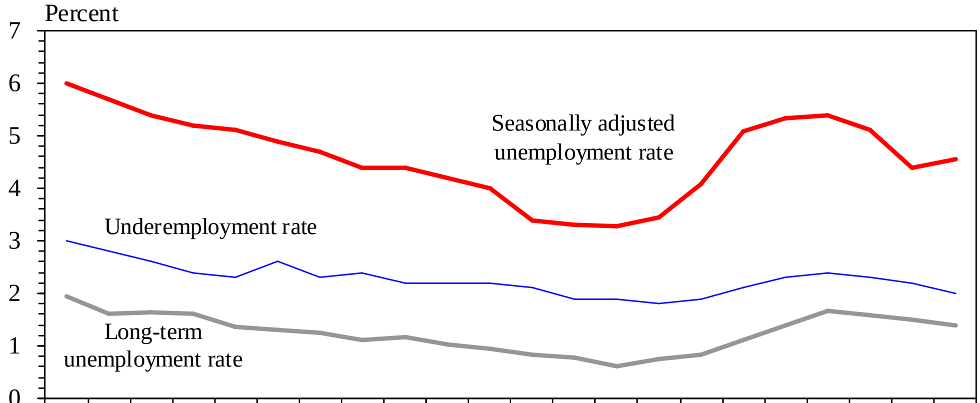
- *Indeed, the bounce-back in unemployment rate, when matched with the concurrent surge in vacancies, indicated that the relapse was at least in part frictional, due to more workers in search of employment opportunities with better terms and conditions. A number of supplementary evidence also lent support to this development, including the continued decline in the proportion of dismissals among job-seekers; the increase in new hirings by companies resulting in a notable rise in the number of employees accompanied by a concomitant fall in the self-employed; and the recent change in the employment mix towards higher-skilled jobs.*

- *Labour earnings improved almost across the board during the first half of 2010, indicating that the general improvement in the economy had begun to trickle down to benefit workers on a wide front.*

Overall labour market situation

5.1 The labour market, after a buoyant start in 2010, showed mixed developments in the second quarter. For this particular quarter, the number of unemployed persons rose by 11 200 to 171 800, thereby pushing the seasonally adjusted unemployment rate(1) back up by 0.2 percentage point to 4.6%, the first quarterly increase since mid-2009. Yet the intensity of work among the employed improved slightly, as borne out by a continued decline in the underemployment rate(2), by 0.2 percentage point to 2.0%. Moreover, while total employment was marginally lower during the quarter, the decline was mainly due to a reduction in the number of self-employed persons whereas the number of employees actually rose further to an all-time high. When viewed in conjunction with the concurrent increase in job vacancies, the slight decrease in employment was in large part frictional, caused by workers temporarily breaking from employment whilst awaiting or actively seeking jobs with better terms and conditions. As to wages and earnings, the uptrend established since mid-2009 sustained well into the first half of 2010. More notable increases in labour earnings was observed among higher-skilled workers especially those engaged in the professional and business services, and financing sectors.

Diagram 5.1 : The unemployment rate bounced up in the second quarter of 2010 after a sustained downtrend since mid-2009



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2005				2006				2007				2008				2009				2010	
Seasonally adjusted unemployment rate	6.0	5.7	5.4	5.2	5.1	4.9	4.7	4.4	4.4	4.2	4.0	3.4	3.3	3.3	3.4	4.1	5.1	5.3	5.4	5.1	4.4	4.6
Underemployment rate	3.0	2.8	2.6	2.4	2.3	2.6	2.3	2.4	2.2	2.2	2.2	2.1	1.9	1.9	1.8	1.9	2.1	2.3	2.4	2.3	2.2	2.0
Long-term unemployment rate	1.9	1.6	1.6	1.6	1.4	1.3	1.3	1.1	1.2	1.0	0.9	0.8	0.8	0.6	0.8	0.8	1.1	1.4	1.7	1.6	1.5	1.4

Total employment and labour force

5.2 *Total employment*(3), after recording a notable 0.8% gain in the first quarter of 2010 on a seasonally adjusted quarter-to-quarter basis, declined marginally by 0.1% in the second quarter. Nevertheless, the figure showed signs of improvement lately, with a bounce-back in the latest three-month period of April – June from that of March – May. Moreover, total employment was still 0.2% higher in the second quarter than a year earlier, following a 0.1% increase in the preceding quarter.

5.3 At present there is no seasonally adjusted data series on employment and labour force by component. An analysis of the relevant breakdowns has thus to be carried out based on the unadjusted figures.

5.4 Among the major economic sectors, social and personal services, retail trade, and accommodation and food services registered more noticeable decreases in employment during the second quarter, following the seasonal upsurges in the first quarter upon the impact of the Lunar New Year. On the other hand, real estate, import and export trade, and information and communications witnessed some increases in employment, thanks to the generally robust economy and property market locally.

5.5 A more detailed analysis revealed that the recent decline in employment occurred mainly in lower-skilled jobs, which went down by 17 600 in the second quarter, led by the drops in service workers and shop sales workers and in craft and related workers. But this decrease should be viewed in conjunction with the notable gain in higher-skilled jobs by 13 000 over the same period, in particular among professionals and associate professionals. Conceivably, a considerable proportion of employees who previously had moved down the job hierarchy to retain employment during the 2009 recession were able to return to higher-skilled positions more recently, amid the further improvement in the economic environment. In terms of other socio-economic attributes, the decline in employment was more visible among persons aged 15-29 and those with lower secondary or tertiary education attainment.

5.6 On the supply side, the *labour force*(4) fell by 0.7% in the second quarter of 2010 from a year earlier, but the figure actually bounced up by 0.1% on a seasonally adjusted quarter-to-quarter basis. The labour supply is expected to pick up further during the summer months upon the seasonal influx of fresh graduates and school leavers into the labour market ***(Box 5.1)***. The Government will continue to monitor the situation and act proactively in helping these new entrants to find jobs.

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

	Labour force		Persons employed		Persons unemployed[(a)]	Persons underemployed
2009 Annual	3 676 600	(0.8)	3 479 800	(-1.1)	196 700	86 400
Q1	3 681 700	(1.2)	3 494 000	(-0.7)	187 700	78 500
Q2	3 688 600	(1.4)	3 485 700	(-0.9)	202 900	84 000
Q3	3 692 200	(1.0)	3 483 000	(-1.2)	209 200	89 300
Q4	3 653 400	(-0.2)	3 480 700	(-1.1)	172 600	83 800
2010 Q1	3 657 300	(-0.7)	3 496 700	(0.1)	160 600	80 000
Three months ending						
Apr	3 655 200	(-0.7)	3 490 400	(0.2)	164 800	76 500
May	3 655 700	(-1.0)	3 483 300	(-0.3)	172 400	74 700
Jun	3 664 000	(-0.7)	3 492 100	(0.2)	171 800	73 700
		<0.1>		<-0.1>		

Notes : (a) These include first-time job-seekers and re-entrants into the labour force.

( ) % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change for April – June 2010.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Total employment increased slightly in the second quarter of 2010 over a year earlier

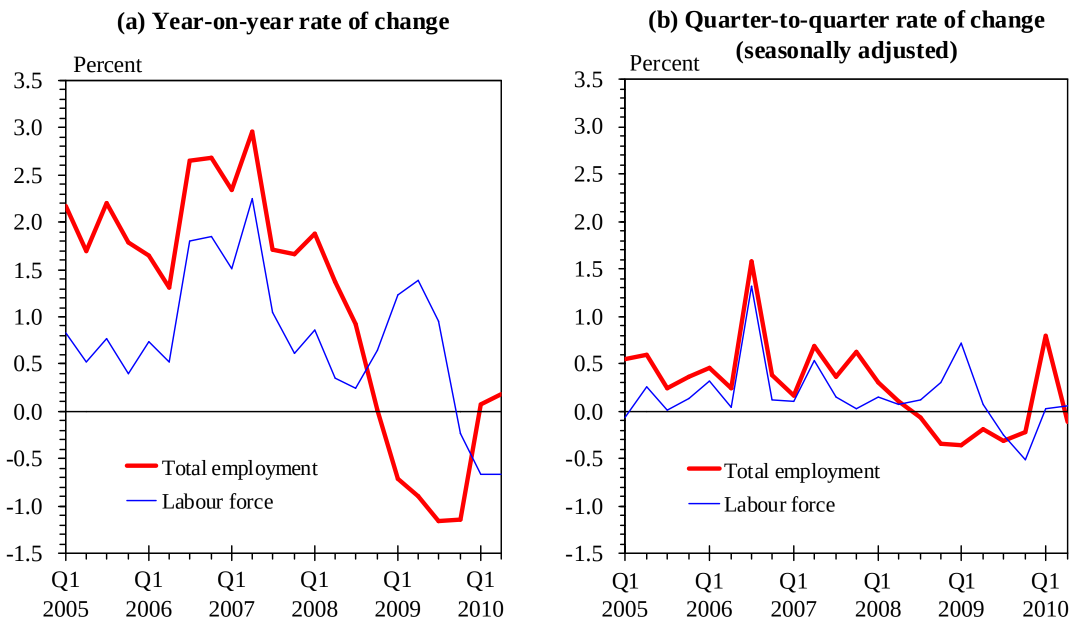


Table 5.2 : Labour force participation rates by sex (%)

		Male	Female	Both sexes combined
2009	Q1	69.6	53.7	61.1
	Q2	69.7	53.5	61.1
	Q3	69.8	53.3	60.9
	Q4	68.7	52.7	60.1
2010	Q1	68.7	52.4	60.0
	Q2	68.6	52.4	59.9

Source : General Household Survey, Census and Statistics Department.

Table 5.3 : Labour force participation rates by sex and by age group (%)

	2005	2006	2007	2008	2009	2010 Q2
Male						
15-19	15.8	14.3	14.8	13.0	12.6	9.7
20-24	69.5	69.0	67.6	65.8	64.8	60.2
25-29	95.3	95.6	95.0	94.3	94.8	93.8
30-39	96.8	96.7	97.1	96.5	96.3	96.6
40-49	95.4	95.2	95.5	95.1	95.0	95.1
50-59	83.7	83.3	83.3	84.0	84.3	84.4
≧60	18.3	19.3	19.6	20.0	21.2	21.9
Overall	71.1	70.9	70.5	69.7	69.4	68.6
Female						
15-19	13.3	13.1	13.5	12.4	11.4	7.9
20-24	72.6	71.1	71.7	69.5	66.2	60.7
25-29	86.2	87.2	87.4	87.3	87.0	86.2
30-39	75.1	75.5	76.2	76.8	77.0	76.3
40-49	63.7	65.1	66.6	66.7	68.5	68.8
50-59	44.3	45.7	46.7	48.5	48.8	49.4
≧60	4.2	4.5	5.2	5.7	6.6	7.4
Overall	51.8	52.6	53.1	53.1	53.1	52.4
Both sexes						
15-19	14.5	13.7	14.2	12.7	12.0	8.8
20-24	71.2	70.1	69.8	67.7	65.5	60.5
25-29	90.3	90.9	90.7	90.3	90.4	89.4
30-39	84.5	84.6	85.1	85.1	85.1	84.7
40-49	78.8	79.3	80.1	79.8	80.7	80.5
50-59	64.1	64.5	64.9	66.1	66.5	66.7
≧60	11.0	11.7	12.1	12.6	13.7	14.4
Overall	60.9	61.2	61.2	60.9	60.7	59.9

Source : General Household Survey, Census and Statistics Department.

Box 5.1

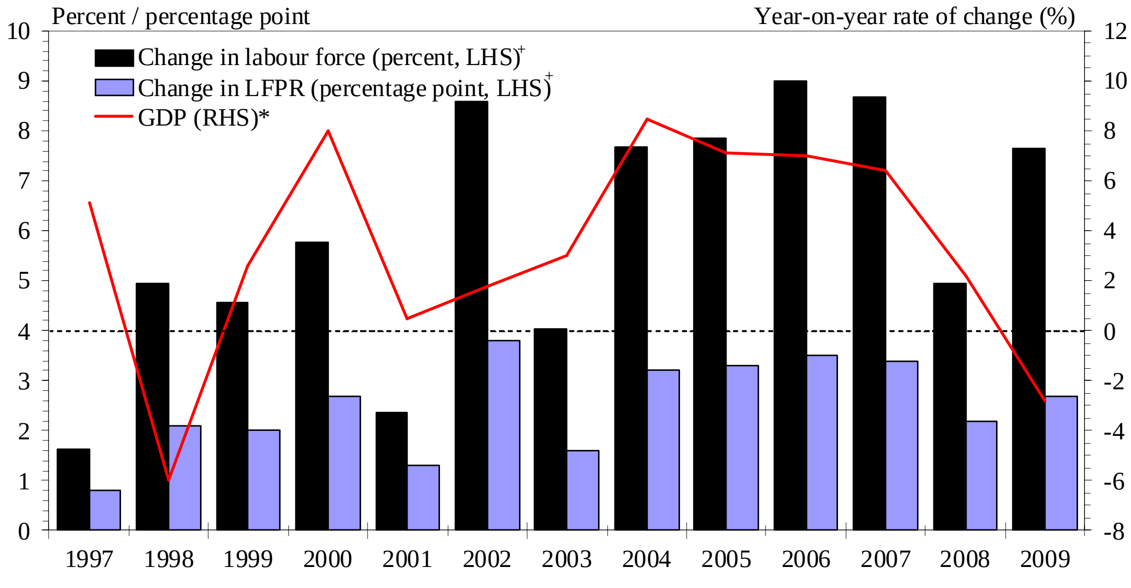
Seasonal pattern of youth workers[1]

Influx of young graduates and school leavers during summer has been a regular feature of labour markets worldwide, and Hong Kong is no exception. By applying the X-12 ARIMA method to perform seasonal adjustment on the labour force data between 1997 and 2009, it is observed that labourers aged 15-24 typically posted notable seasonal upsurges between March – May and June – August, before decreasing steadily afterwards as some of these youth workers returned to school.

Seasonality versus cyclicality

During 1997 to 2009, the youth labour force (comprising people aged 15-24) grew by an average of 6.0% between March – May and June – August in each year (translating into an average increase of 2.5 percentage points in their labour force participation rate (LFPR)). Yet growth fluctuated widely between individual years. In particular, the growth in this particular labour segment experienced visible slowdowns during 1997 to 1999, 2001, 2003 and 2008, when the increase in LFPR was relatively tame amid the anaemic economic performance and weaker labour market conditions.

Chart 1 : Youth labour supply typically expands during summer months



Notes : (+) Changes in labour force and LFPR between March - May and June - August.
(*) GDP figures on an annual basis.

Labour supply versus unemployment

Given that these new entrants into the labour force are largely inexperienced, in terms of both on-the-job know-how and job-hunting process, it is not inconceivable that many of them would remain unemployed at least in the short term. Reflecting this, there was a high

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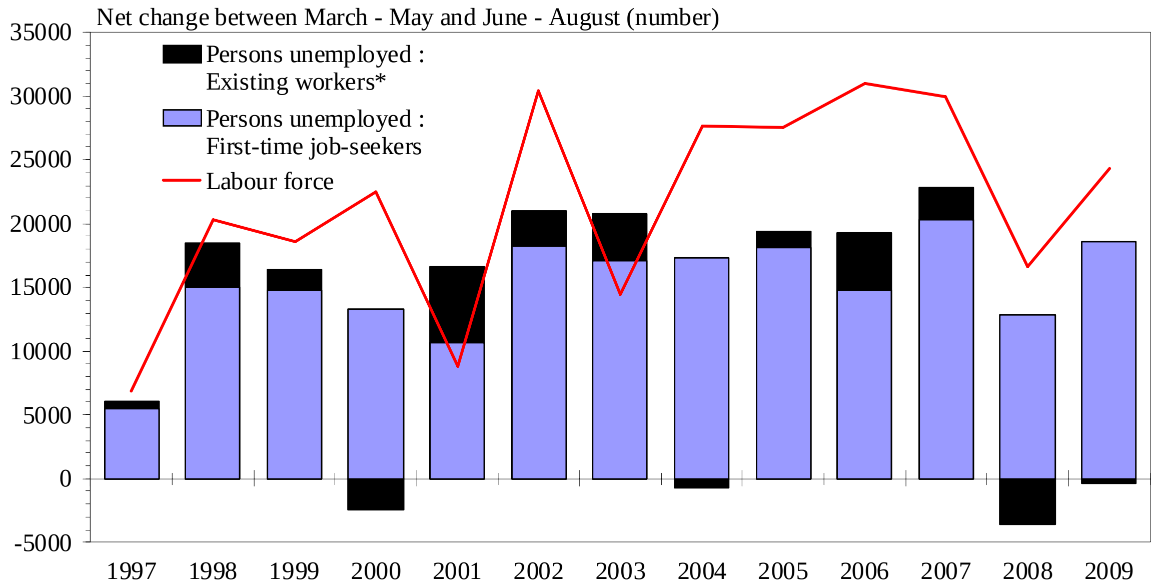
[1] Youth workers are defined as those in the labour force who are aged 15-24.

Box 5.1 (Cont'd)

correlation of 0.80 between changes in the labour force and the number of first-time job-seekers during March – May to June – August each year for persons aged 15-24. For the whole period of 1997 to 2009, the increase in first-time job-seekers between March – May and June – August on average contributed to 76.1% of the expansion in labour force for this age group. Also worthy of note was that the growth in youth labour supply would more readily translate into higher unemployment when the economy underwent cyclical downturns and job creation was slow. An estimation showed that over the period 1997-2009, the increase in the number of unemployed youth between March – May and June – August on average corresponded to 86.0% of the increase in labour force.

Chart 2 : The increase of youth labour supply in summer largely reflected a surge in first-time job-seekers



Note : (*) Including re-entrants.

Conclusion

The discussion above provides a quantitative perspective on the impact of youth workers entering the labour force during the summer months of 1997-2009. While similar seasonal effects can be expected for the coming years, the actual outturn will depend on such factors as the youth's perception of labour market conditions and the number of new jobs to be created by employers. The Government will closely monitor developments on this front.

Profile of unemployment

5.7 The unemployment figures, having been generally on a downward trend since mid-2009, rose back slightly in the second quarter of 2010. On a quarter-to-quarter basis, the number of unemployed persons (not seasonally adjusted) went up by 11 200 to 171 800. The seasonally adjusted unemployment rate rose by 0.2 percentage point to 4.6%, from 4.4% in the preceding quarter. Among the major economic sectors, noticeable increases were observed in professional and business services, retail trade and manufacturing. Notwithstanding the rebound in their numbers unemployed, the professional and business services sector and the manufacturing sector had actually posted job gains during the quarter while retail trade, alongside the manufacturing sector, registered a substantial reduction in unemployment versus their peaks in 2009. In addition, the notable decreases in the numbers unemployed in the transportation sector as well as in the decoration, repair, and maintenance for buildings sector helped buffer the overall unemployment situation to some extent. Also noteworthy was a further decline in the proportion of dismissals among the unemployed persons, indicating that the recent increase in the number of job-seekers was in part due to people leaving their jobs on their own accord, conceivably in a bid for more favourable employment opportunities and conditions.

5.8 In terms of occupation categories, unemployment rose quite noticeably among associate professionals and unskilled workers, while there were decreases among plant and machine operators and, to a lesser extent, among managers and administrators as well as professionals. Regarding other attributes, persons aged 15-29 faced a general rise in unemployment rate, but the unemployment situation in other age groups was steady. In terms of education profile, the recent increase in unemployment was relatively more apparent among workers with tertiary education.

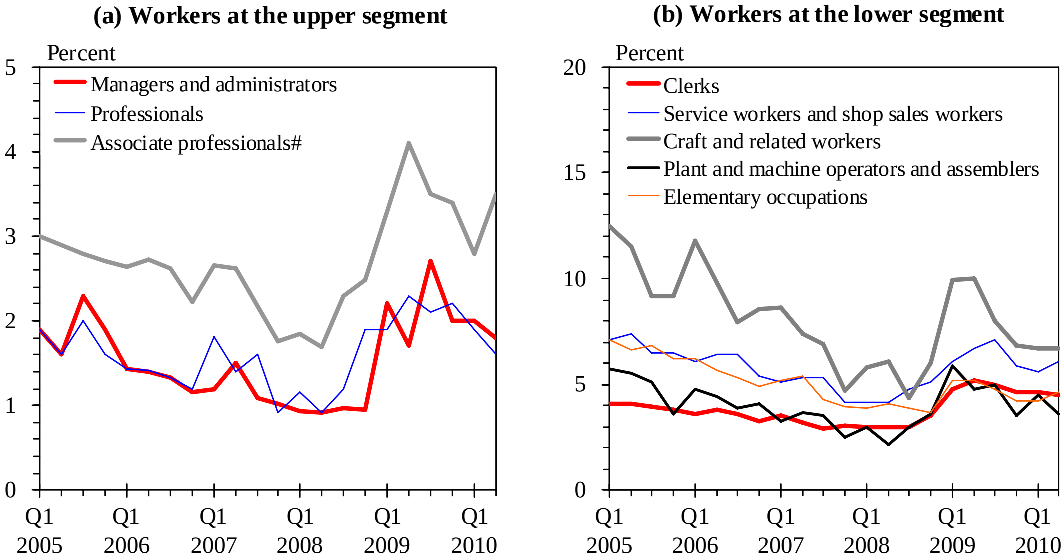
Table 5.4 : Unemployment rate by major economic sector

	2009				2010	
	Q1	Q2	Q3	Q4	Q1	Q2
Import/export trade and wholesale	4.6	4.9	4.8	4.0	4.3	4.5
Retail	6.1	6.5	6.8	5.8	5.1	6.0
Accommodation and food services	7.3	8.3	8.5	7.1	6.8	6.6
Transportation, storage, postal and courier services	5.8	5.0	4.3	3.9	4.1	3.8
Information and communications	4.8	4.8	4.3	5.4	4.5	4.7
Financing, insurance, real estate, professional and business services	3.6	4.0	3.8	3.7	3.4	3.8
Public administration, social and personal services	1.8	2.0	2.4	2.0	1.8	1.9
Manufacturing	6.2	6.8	6.2	5.2	4.5	5.9
Construction	11.3	12.0	9.4	7.4	8.0	7.6
Overall	5.1 (5.1)	5.5 (5.3)	5.7 (5.4)	4.7 (5.1)	4.4 (4.4)	4.7 (4.6)

Note : ( ) Seasonally adjusted unemployment figures.

Source : General Household Survey, Census and Statistics Department.

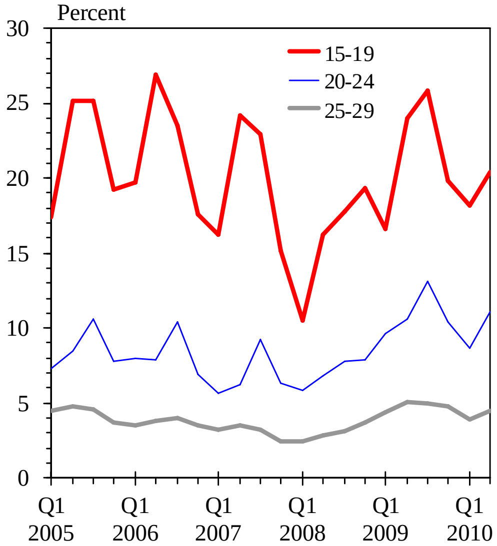
Diagram 5.3 : Mixed movements were observed in unemployment rates* for different occupation categories



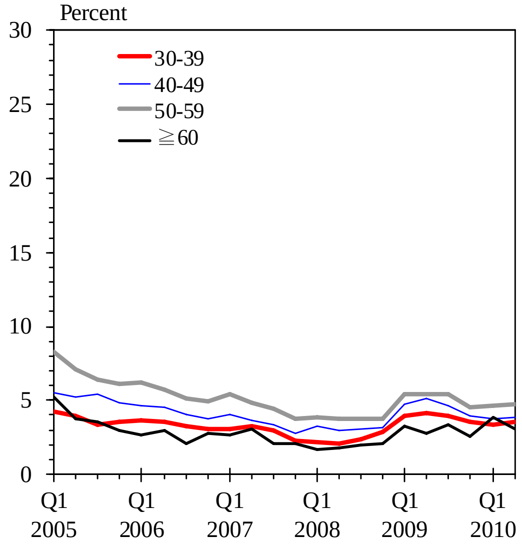
Notes : (*) Not seasonally adjusted, and not including first-time job-seekers and re-entrants into the labour force.
(#) Including technicians and supervisors.

Diagram 5.4 : Unemployment rate* for younger persons aged 15-29 showed a relatively larger increase

(a) Younger age groups



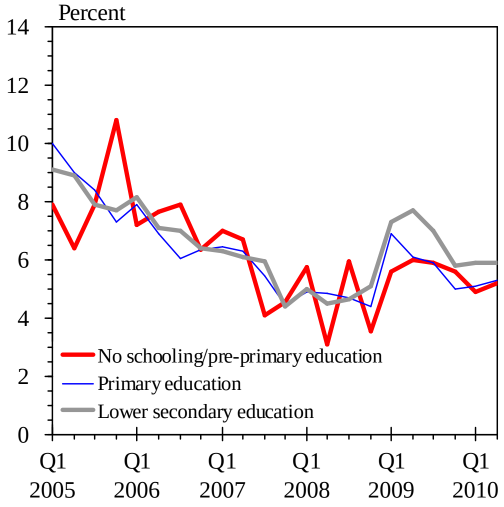
(b) Other age groups



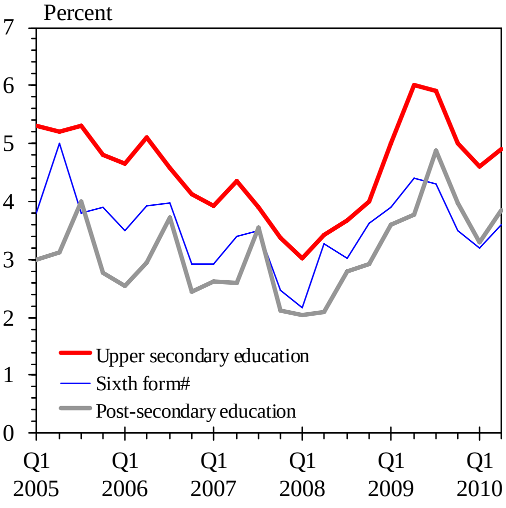
Note : (*) Not seasonally adjusted, but including first-time job-seekers and re-entrants into the labour force.

Diagram 5.5 : More noticeable rise in unemployment rate* was found in the upper end of the educational attainment spectrum

(a) Workers with lower secondary education or below



(b) Workers with upper secondary education or above



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

5.9 The intensity of the unemployment situation can be assessed by reference to the long-term unemployment (i.e. unemployed for six months or longer) figures. The latest data available indicated a further decrease in the number of long-term unemployed persons from 54 700 in the first quarter of 2010 to 50 400 in the second quarter. When compiled as a proportion of the labour force, the long-term unemployment rate likewise fell to 1.4%. Furthermore, the share of dismissed or laid-off workers among all the unemployed persons shrank markedly further to 55.8% in the second quarter, from 70.5% a year earlier and 62.1% in the preceding quarter. Combined with the continued high level of vacancies, this suggested that a large part of the latest rise in unemployment was frictional in nature, caused by workers leaving their employment whilst awaiting or searching for job opportunities with better offers.

Profile of underemployment

5.10 The underemployment situation continued to improve, with the respective rate edging further down from 2.2% in the first quarter of 2010 to 2.0% in the second quarter. In absolute terms, the number of underemployed persons declined from 80 000 to 73 700, which was the lowest level recorded since the fourth quarter of 2008. This pointed to a progressive improvement in work intensity, along with the upturn in overall economic activity over the past one and a half years. As for the second quarter more specifically, noticeable decreases in underemployment took place mainly in the construction and transportation sectors.

Profile of employment in establishments

5.11 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only after some time lag, with the latest figures referring only to March 2010. In view of this limitation, attempts have been made to bring the analysis more up-to-date, by making reference to information from supplementary sources.

5.12 The employment figures compiled from the Quarterly Survey of Employment and Vacancies and the Quarterly Employment Survey of Construction Sites revealed that total employment in private sector establishments picked up distinctly by 2.8% year-on-year in March 2010, and also rose by 0.7% on a seasonally adjusted basis from the previous all-time high recorded in December 2009. The gain in employment was broad-based, and was particularly notable in sectors like social and personal services (up 5.1% year-on-year), and financing, insurance, real estate, professional and business services (4.1%). At the same time, the decline in employment for manufacturing continued to taper to 2.5% year-on-year, from 4.4% in the preceding period. Analysed by establishment size, employment in small and medium-sized enterprises (SMEs)(5) posted a 4.8% gain in March 2010 over a year earlier, after a marginal decrease of 0.1% in December 2009. For large enterprises, employment went up by 1.0% in March 2010 over a year earlier, after a 3.0% increase in December 2009. Employment in the civil service expanded further by 0.9% year-on-year, which was in line with the pace seen over the past year or so, reflecting the continued recruitment drive undertaken by the Government.

5.13 As announced by the Financial Secretary in the 2010-11 Budget Speech, the Labour Department (LD) will launch a two-year "Pilot Employment Navigator Programme". Under this programme, a cash incentive of $5,000 will be payable to each person who has worked for a continuous period of three months after receiving the department's intensive employment counselling service. The programme will provide 11 000 places a year. It is designed to address the problem of manpower mismatch, fully utilise the productivity from the labour force and encourage employment.

5.14 To step up the efforts to help young people with special employment difficulties, LD will also launch a targeted employment programme under which non-governmental organisations will provide training and internship for 12 months to young people aged 15-24 with low educational qualifications, who need special assistance because of emotional and behavioural problems or learning difficulties. The programme will provide 500 places.

Table 5.5 : Employment by major economic sector

	2009					2010
	Annual average	Mar	Jun	Sep	Dec	Mar
Import/export trade and wholesale	558 700	559 800	554 200	558 300	562 600	564 300
	(-4.1)	(-4.5)	(-5.3)	(-4.1)	(-2.4)	(0.8)
Retail	235 300	232 000	232 600	236 800	239 800	240 600
	(-0.3)	(-0.6)	(-1.5)	(-0.4)	(1.2)	(3.7)
Accommodation and food services	241 100	238 200	238 800	240 200	247 000	247 400
	(-0.2)	(*)	(-1.3)	(-2.0)	(2.6)	(3.8)
Transportation, storage, postal and courier services	158 000	158 000	156 900	157 700	159 300	159 400
	(1.1)	(1.6)	(-0.1)	(0.5)	(2.2)	(0.9)
Information and communications	87 200	86 100	86 900	87 900	87 800	87 400
	(-1.6)	(-0.9)	(-3.3)	(-2.2)	(0.1)	(1.5)
Financing, insurance, real estate, professional and business services	582 600	572 700	577 500	583 700	596 400	596 300
	(0.9)	(-0.2)	(-0.2)	(0.3)	(3.8)	(4.1)
Social and personal services	414 600	407 100	411 600	417 100	422 700	427 700
	(3.2)	(2.6)	(3.2)	(3.0)	(4.1)	(5.1)
Manufacturing	125 000	125 700	124 700	124 700	124 900	122 600
	(-5.7)	(-7.0)	(-6.2)	(-5.0)	(-4.4)	(-2.5)
Construction sites (manual workers only)	50 500	51 900	48 900	48 000	53 200	53 900
	(2.2)	(2.8)	(-1.2)	(-0.4)	(7.5)	(3.8)
All establishments surveyed in the private sector[(a)]	*2 463 600*	*2 442 200*	*2 442 600*	*2 464 900*	*2 504 700*	*2 510 300*
	(-0.5)	*(-1.0)*	*(-1.5)*	*(-1.0)*	*(1.4)*	*(2.8)*
		<-0.7>	*<-0.1>*	*<0.9>*	*<1.3>*	*<0.7>*
Civil service[(b)]	*155 700*	*155 100*	*155 400*	*156 000*	*156 200*	*156 600*
	(1.1)	*(1.1)*	*(1.1)*	*(1.1)*	*(1.2)*	*(0.9)*

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) 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.

(b) 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

5.15 Vacancies in private sector establishments surged by 65.4% year-on-year in March 2010, distinctly faster than the 7.5% growth in December 2009. Significant increases in vacancies were also observed across-the-board, including in particular information and communications (up 155.1%), manufacturing (133.9%), import/export trade and wholesale (101.0%), and financing, insurance, real estate, professional and business services (73.8%).

5.16 Analysed by occupation category, the surge in job vacancies was likewise seen across all skill levels in March 2010 over a year earlier. For the lower-skilled workers, vacancies increased markedly by 70.9% year-on-year in March 2010, after a 13.9% increase in December 2009. As for higher-skilled workers, there was an equally impressive jump of 57.4% in March 2010, reversing the 3.7% decline in December 2009. Among all the workers, upsurges in vacancies were most notable among plant and machine operators and assemblers (up 163.4%), clerks (144.7%), craft and related workers (127.1%), and managers and administrators (96.8%). In terms of establishment size, SMEs reported an 83.4% year-on-year leap in vacancies in March 2010, far outstripping the 17.4% rise in December 2009. As to large enterprises, there was also a significant rebound of 51.3% in vacancies, the first increase since mid-2008.

5.17 Comparing the number of vacancies with that of unemployed persons, the ratio improved from 20 job vacancies to 29 job vacancies per 100 job-seekers between December 2009 and March 2010. The corresponding ratio for higher-skilled jobs increased from 31 to 59, while that for lower-skilled jobs rose from 20 to 24. When expressed as a percentage of total employment opportunities, the vacancy rate for private sector establishments climbed from 1.4% in December 2009 to 1.8% in March 2010. As regards the civil service, the number of vacancies held broadly steady at 5 300 in March 2010.

Table 5.6 : Vacancies by major economic sector

	2009					2010	
	Annual average	Mar	Jun	Sep	Dec	Mar	Vacancy rate in Mar 2010 (%)
Import/export trade and wholesale	4 200 (-44.1)	3 300 (-67.1)	4 300 (-51.9)	4 500 (-37.6)	4 800 (16.5)	6 600 (101.0)	1.1
Retail	3 800 (-22.9)	2 900 (-49.6)	3 700 (-29.4)	4 200 (-22.8)	4 600 (29.7)	4 900 (68.4)	2.0
Accommodation and food services	5 400 (-2.7)	5 200 (-4.2)	4 500 (-19.2)	7 100 (31.0)	4 700 (-17.0)	6 100 (18.8)	2.4
Transportation, storage, postal and courier services	1 100 (-32.5)	1 000 (-58.2)	1 000 (-49.1)	1 100 (-28.7)	1 500 (65.4)	1 700 (70.7)	1.0
Information and communications	1 300 (-30.7)	900 (-57.8)	1 500 (-36.7)	1 400 (-37.1)	1 400 (70.9)	2 200 (155.1)	2.5
Financing, insurance, real estate, professional and business services	8 500 (-35.2)	6 800 (-58.4)	7 400 (-48.2)	11 100 (-15.3)	8 600 (0.2)	11 800 (73.8)	1.9
Social and personal services	7 800 (-25.4)	7 100 (-42.6)	8 400 (-24.2)	8 100 (-27.5)	7 700 (5.0)	11 100 (55.2)	2.5
Manufacturing	900 (-43.7)	700 (-67.1)	700 (-67.2)	1 200 (-19.2)	1 200 (10.6)	1 500 (133.9)	1.2
Construction sites (manual workers only)	# (-54.2)	# (-92.1)	# (-86.7)	# (-56.1)	# (172.7)	# (1 466.7)	0.1
All establishments surveyed in the private sector[(a)]	*33 200* *(-29.4)*	*27 800* *(-50.6)* *<-26.8>*	*31 500* *(-38.9)* *<19.8>*	*38 800* *(-18.8)* *<14.2>*	*34 600* *(7.5)* *<7.1>*	*46 000* *(65.4)* *<13.3>*	*1.8*
Civil service[(b)]	*5 200* *(-10.2)*	*5 300* *(-3.8)*	*5 200* *(-15.8)*	*5 000* *(-9.7)*	*5 200* *(-10.8)*	*5 300* *(0.9)*	*3.3*

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

(a) 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.

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

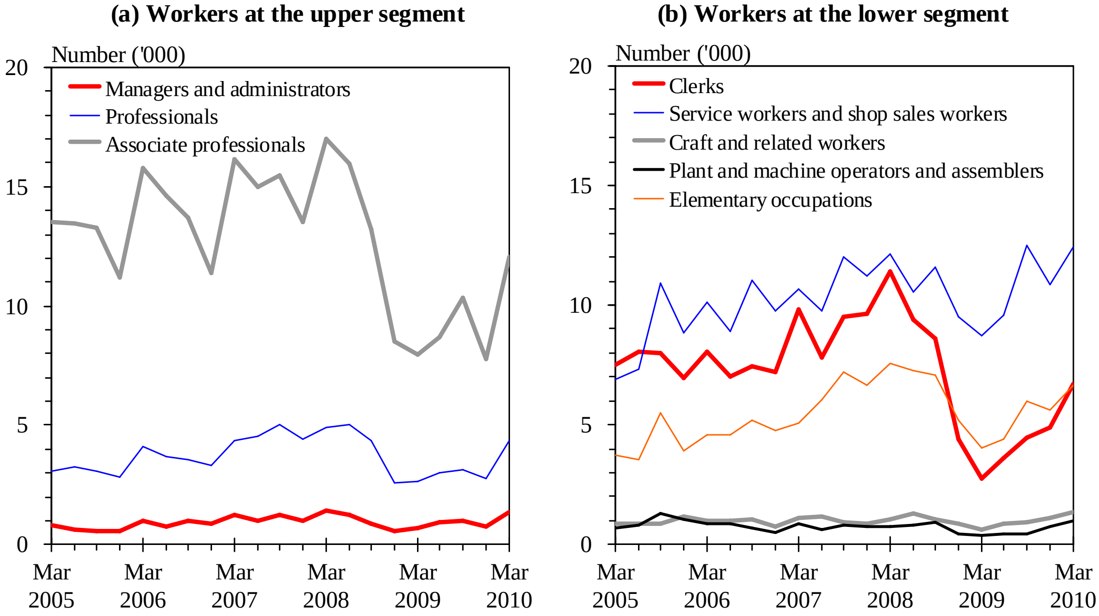
( ) % change over a year earlier.

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

(#) Less than 50.

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

Diagram 5.6 : An across-the-board surge in vacancies was observed for workers with different skill levels



5.18 The vacancy figures compiled by the LD, notwithstanding its smaller sample size, may provide some clue to the more recent trend in the job market. In June 2010, the number of private sector job vacancies posted by the department was about 61 300, a 33.3% jump over a year earlier. On a quarter-to-quarter comparison, the average number of private sector job vacancies in the second quarter was also up by 17.4%.

Wages and earnings

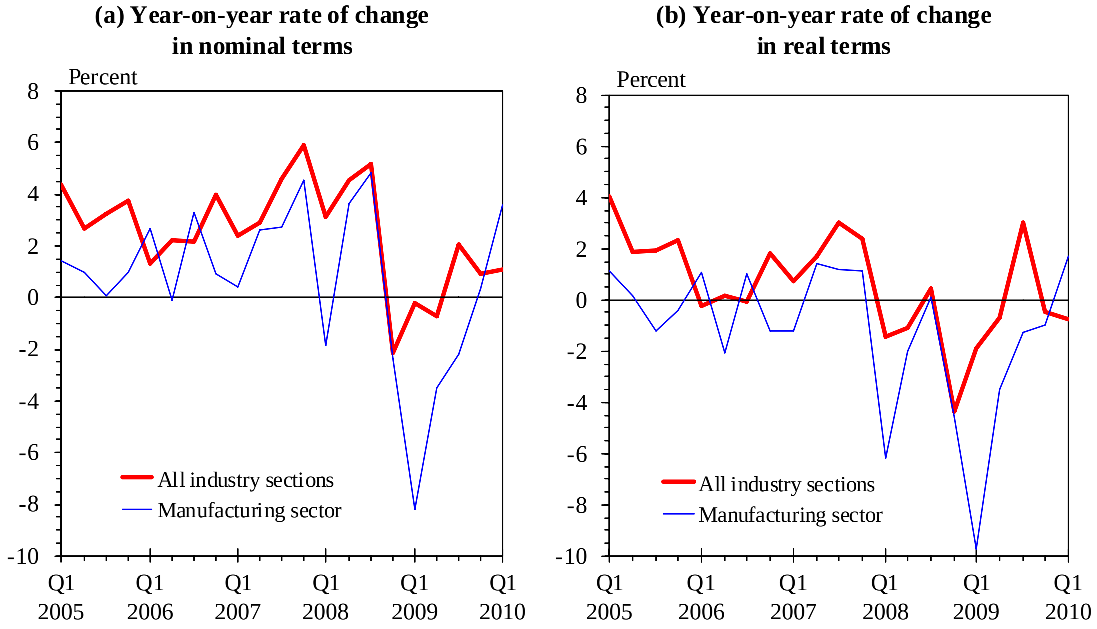
5.19 The progressive improvement in the labour market conditions has gradually trickled down and translated into a general rise-back in employment earnings. *Labour wages*, which measure regular payments to employees at the supervisory level or below, picked up distinctly to a 1.9% year-on-year increase in March 2010, accelerating from the 0.8% gain in December 2009. After discounting price change[(6)], wages in March 2010 were slightly lower by 0.6% from a year earlier, but the decline was narrower than that of 0.8% in December 2009.

5.20 The rise in wages was across-the-board among all major occupation categories. In terms of economic sectors, more notable wage increases were found in financial and insurance activities (up 3.9% as against 2.1% in December 2009); professional and business services (up 3.1% as against 2.2%); and personal services (up 3.4% as against a 0.1% fall).

5.21 *Labour earnings*[(7)], as measured by payroll per person engaged in private sector, remained steadily on the increase, by another 1.1% in the first quarter of 2010 over a year earlier. On a seasonally adjusted quarter-to-quarter basis, the increase was 0.1%, reversing the decline of 2.3% in the preceding quarter. After discounting the price effect, the decrease was 0.7% on a year-on-year comparison. The corresponding decline on a seasonally adjusted quarter-to-quarter basis was also 0.7%, which nevertheless was distinctly improved from the 4.2% fall in the previous quarter.

5.22 Analysed by economic sector, labour earnings picked up across most major segments in the first quarter of 2010, although the magnitudes of improvement varied in accordance with the manpower demand and supply conditions of the sectors concerned. During the quarter, earnings in most sectors either reversed their earlier declining trend, including financial and insurance activities (up 4.7% year-on-year); import/export trade (1.3%); and retail trade (1.2%), or witnessed a further acceleration in growth such as electricity and gas supply (up 8.3%); information and communications (5.2%); and accommodation and food services (4.4%). On the other hand, downward pressures on earnings remained in a few sectors, including waste management and remediation activities (down 4.3%), and social and personal services (3.0%).

Diagram 5.7 : Uptrend in nominal payroll remained intact on entering 2010



5.23 More recent data from the General Household Survey, whilst not strictly comparable to those from the business establishment surveys, indicated that the average monthly employment earnings[8] (excluding foreign domestic helpers) for the local workforce rose by 3.2% in the second quarter of 2010 over a year earlier, following a 10.0% increase in the first quarter which was boosted by discretionary payments in some sectors and also the low comparison base a year earlier. Earnings for higher-skilled workers rose by 5.0% in the second quarter, following a 16.7% surge in the previous quarter. Yet the pay increases among these employees in the two periods were much more in line after adjusting for the effect of discretionary payments. As to the lower-skilled workers, their pay hikes were steadier, at 2.2% and 1.8% respectively in the two periods.

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 among 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 X-11 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) 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.

(3) 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).

(4) 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.

(5) 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 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.

(6) 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.

(7) 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.

(8) 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.