

CHAPTER 5 : THE LABOUR SECTOR

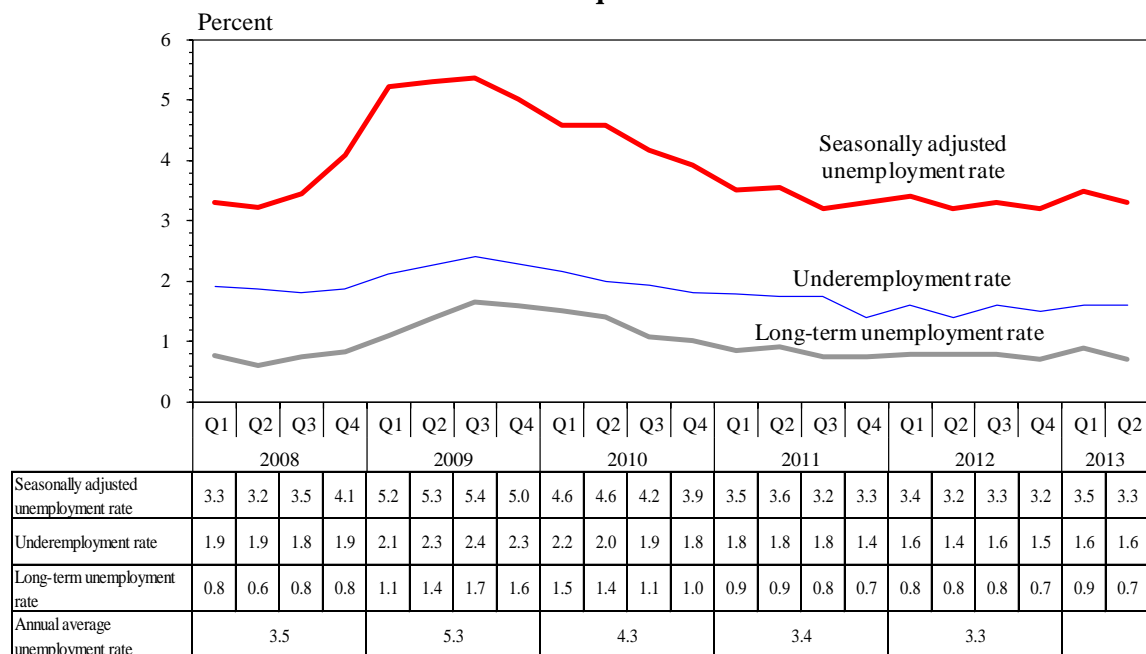
Summary

- *Labour market remained tight in the second quarter of 2013 despite the continued moderate local economic growth, thanks to buoyant domestic demand and thriving inbound tourism.*
- *The labour force grew further to 3 877 200 in the second quarter, partly lured by the abundant job opportunities and better income prospects in the lower-skilled segment. The augmented labour force was thus entirely absorbed by the creation of new jobs, with total employment climbing on a broad front to a new record high of 3 745 100. On a year-on-year comparison, both the labour force and total employment sustained solid growth.*
- *Consequently, the unemployment situation held largely stable, with the number of unemployed persons showing little change at 132 100. After discounting for seasonal factors, the seasonally adjusted unemployment rate edged down by 0.2 percentage point to 3.3% in the second quarter.*
- *Nominal wages and earnings saw further steady and widespread improvement in the first quarter amid the tight labour market conditions. More recent data enumerated from domestic households suggested that grassroots workers continued to enjoy appreciable earnings growth in both nominal and real terms.*

Overall labour market situation⁽¹⁾

5.1 Labour demand stayed strong on the back of a resilient domestic sector, resulting in a slight tightening in labour market conditions in the second quarter. With new job creation completely offsetting the concurrent expansion in labour supply, the number of unemployed persons held virtually unchanged at 132 100. After discounting for seasonal factors, the seasonally adjusted *unemployment rate*⁽²⁾ edged down by 0.2 percentage point over the preceding quarter to 3.3% in the second quarter. The underemployment rate⁽³⁾ stayed low at 1.6% over the same period. Meanwhile, the number of private sector job vacancies soared to a 19-year high in March 2013, with signs of manpower shortage increasingly evident in some sectors and occupations. These developments, coupled with the sustained and across-the-board improvement in wages and earnings, signified a tight labour market on the whole.

Diagram 5.1 : Unemployment rate stayed low and signified virtually full employment in the second quarter of 2013



Total employment and labour force

5.2 While employers in some segments have turned somewhat more cautious towards recruiting new staff, local hiring sentiment held largely positive in overall terms. *Total employment*⁽⁴⁾ sustained a respectable growth at 2.4% in the second quarter over a year earlier, following the 2.2% gain in the first quarter. With a net addition of 24 900 new jobs during the quarter, total employment reached an all-time high of 3 745 100. On a seasonally adjusted quarter-to-quarter basis, total employment grew further by 0.8%, after the 1.2% growth in the preceding quarter.

5.3 Thanks to the continuous activity expansion in most service sectors, quarter-to-quarter job gains were observed in financing and insurance (up 8 100), transportation, storage, postal and courier services (up 6 400), and real estate (up 6 100) in the second quarter. On the back of continued growth in public infrastructure works, the construction sector also saw a distinct increase in employment of 7 900 over the same period. On the other hand, wholesale, food and beverage service activities, and repair, laundry, domestic and other personal services recorded declines in employment (down by 4 600, 4 100 and 3 600 respectively) between the quarters, though they still posted positive year-on-year employment growth in the second quarter. Analysed by occupational category, employment gains were rather evenly distributed among the higher-skilled and lower-skilled segments (up by 11 300 and 13 600 respectively) during the quarter, though with the former still recording job losses over a year earlier. In terms of social attributes, job creation was

particularly vibrant among the older workforce (aged 50 and above), with their employment up visibly by 39 300.

5.4 As regards labour supply, the *labour force*⁽⁵⁾ grew by 2.5% year-on-year in the second quarter, slightly faster than the corresponding 2.4% growth in the preceding quarter. In absolute terms, the labour force registered a net addition of 24 500 job seekers over the quarter, reaching an all-time high of 3 877 200. Further notable increases in labour force participation rates were observed among older workers, in particular females aged 50 – 59, and males aged 60 or above in the second quarter, conceivably induced by the abundant job opportunities in the lower-skilled segment and brighter income prospects after the upward adjustment of the Statutory Minimum Wage (SMW) rate from \$28 to \$30 per hour with effect from 1 May 2013. In tandem, the labour force participation rate among the youth aged 15 – 19 also increased by 0.8 percentage point to 11.3%. Consequently, the overall labour force participation rate rose by 0.3 percentage point to 61.5%, the highest since the third quarter of 2007. On a seasonally adjusted quarter-to-quarter basis, the labour force expanded by 0.5% in the second quarter, further to the 1.5% growth in the first quarter.

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

		<u>Labour force</u>		<u>Persons employed</u>		<u>Persons unemployed</u> ^(a)	<u>Persons underempl</u> <u>oyed</u>
2012	Annual	3 785 200	(2.2)	3 660 700	(2.4)	124 500	57 600
	Q1	3 762 800	(2.9)	3 639 700	(3.0)	123 100	58 600
	Q2	3 784 400	(2.2)	3 658 000	(2.6)	126 500	54 400
	Q3	3 781 800	(1.5)	3 650 100	(1.4)	131 700	59 200
	Q4	3 794 900	(1.7)	3 678 100	(1.7)	116 800	55 900
2013	Q1	3 852 700	(2.4)	3 720 200	(2.2)	132 500	61 100
Three months ending							
2013	Apr	3 851 700	(2.4)	3 718 300	(2.2)	133 500	61 800
	May	3 869 700	(2.6)	3 735 500	(2.4)	134 200	63 200
	Jun	3 877 200	(2.5)	3 745 100	(2.4)	132 100	61 400
		<0.5>		<0.8>			

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 the second quarter of 2013.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Both employment and labour force continued to expand at a steady pace

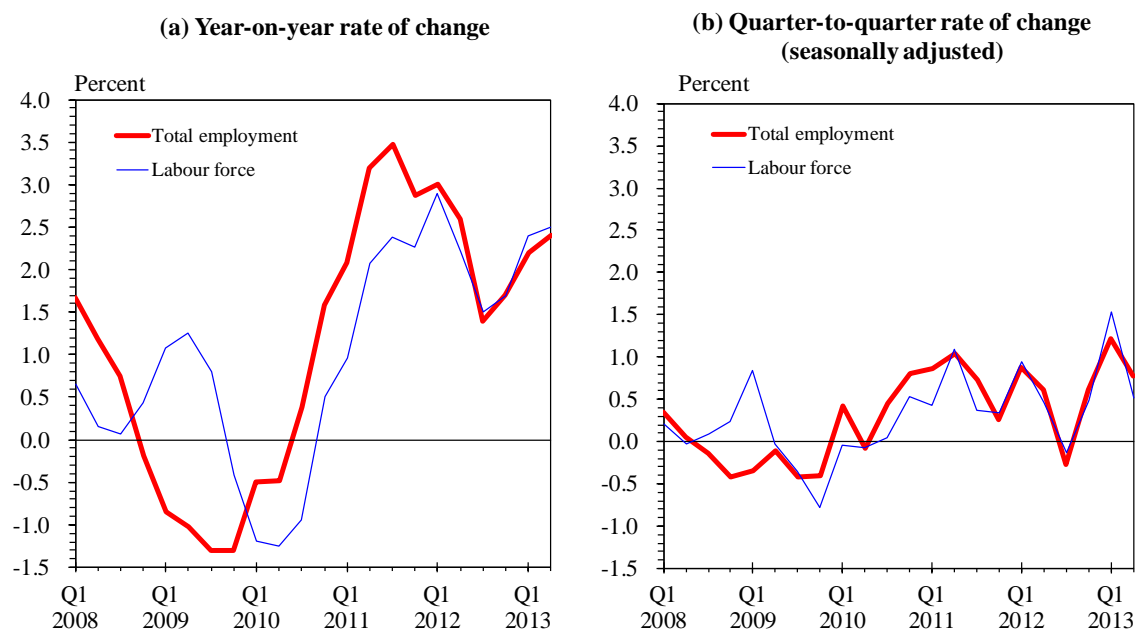
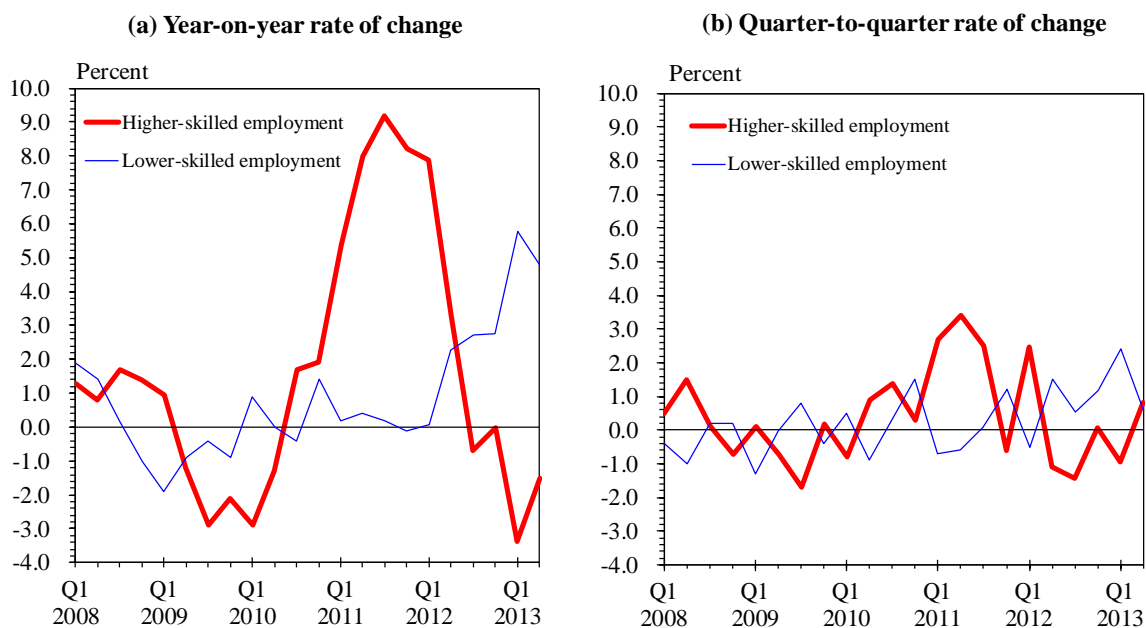


Diagram 5.3 : Demand for lower-skilled workers remained sturdy, while that for the higher-skilled ones stayed soft



**Table 5.2 : Labour force participation rates by gender and by age group
(%)**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 Q1</u>	<u>2013 Q2</u>
<u>Male</u>							
15-24	38.7	38.1	35.4	35.7	36.4	37.4	37.4
<i>of which:</i>							
15-19	13.0	12.5	10.2	9.9	10.5	10.6	10.9
20-24	65.5	64.1	60.6	61.1	61.1	63.1	62.0
25-29	94.2	94.7	94.0	93.9	94.5	94.3	93.7
30-39	96.6	96.4	96.5	96.5	96.8	96.1	97.1
40-49	95.2	95.1	95.0	95.1	95.3	95.6	96.3
50-59	83.9	84.3	84.4	84.9	85.1	86.8	86.9
≥ 60	19.9	21.3	22.0	23.4	25.6	26.0	27.3
Overall	69.7	69.4	68.5	68.4	68.7	69.0	69.5
<u>Female</u>							
15-24	42.4	40.3	36.7	37.0	37.5	39.3	39.5
<i>of which:</i>							
15-19	12.4	11.3	9.2	9.1	9.7	10.5	11.7
20-24	69.3	66.0	61.4	62.1	62.0	64.6	63.5
25-29	87.4	87.0	86.6	87.5	87.2	88.1	85.2
30-39	77.0	77.3	75.6	76.8	77.5	79.2	79.1
40-49	66.6	68.8	68.2	69.9	70.8	72.7	72.7
50-59	48.6	48.9	49.0	51.6	53.8	54.8	57.1
≥ 60	5.6	6.6	6.8	8.1	8.8	9.4	9.7
Overall	53.1	53.2	51.9	53.0	53.6	54.6	54.7
<u>Both genders combined</u>							
15-24	40.6	39.2	36.0	36.4	37.0	38.4	38.4
<i>of which:</i>							
15-19	12.7	11.9	9.7	9.5	10.1	10.5	11.3
20-24	67.5	65.1	61.0	61.6	61.6	63.8	62.8
25-29	90.4	90.3	89.8	90.2	90.3	90.7	88.8
30-39	85.2	85.3	84.3	84.9	85.4	86.0	86.4
40-49	79.8	80.8	80.2	81.0	81.4	82.6	82.8
50-59	66.1	66.5	66.5	68.0	69.2	70.4	71.6
≥ 60	12.5	13.7	14.1	15.5	16.9	17.4	18.1
Overall	60.9	60.8	59.6	60.1	60.5	61.2	61.5

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.5 Labour market conditions remained generally tight as the pace of job creation kept up its strong trend matching the growth in labour supply. Overall, the unemployment situation held broadly stable, with the number of unemployed persons (not seasonally adjusted) remaining virtually unchanged from the preceding quarter at 132 100 in the second quarter. After discounting for seasonal factors, the unemployment rate fell slightly by 0.2 percentage point to 3.3%.

5.6 Analysed by economic sector, art, entertainment and recreation, wholesale, and human health activities recorded notable declines of 2.0, 1.4, and 0.9 percentage points in unemployment rate (not seasonally adjusted) in the second quarter respectively, partially offsetting the increases observed in postal and courier activities, accommodation services and retail (up by 0.9, 0.6 and 0.5 percentage point respectively). For retail and accommodation services in particular, the rise in unemployment rate in the former was mainly due to seasonal softening in staff requirements, while that in the latter was caused by an upsurge in job seekers therein which could not be fully absorbed by newly created jobs. For the *low paying sectors*⁽⁶⁾ as a whole, the unemployment rate remained low at 3.2%, same as the level immediately before the implementation of SMW in May 2011 and slightly lower than that before the recent upward adjustment in May 2013.

5.7 As for occupational category, the unemployment rate for higher-skilled workers decreased across-the-board by 0.3 percentage point to 1.9% in the second quarter. Meanwhile, that for lower-skilled workers was stable at 3.7%, with the unemployment rates of almost all occupational categories within this skill segment holding steady or declining slightly, except elementary occupations.

5.8 In terms of other socio-economic attributes, the unemployment situation showed somewhat diverse performance across different age and educational attainment groups. In the second quarter, decreases in unemployment rate were observed among the mature and older workers aged 40 – 59, while that for the youth aged 15 – 24 witnessed a notable increase. Moreover, workers with lower secondary education saw a visible decline in unemployment rate, offsetting the increases among those with upper secondary and post-secondary education.

Table 5.3 : Unemployment rate by major economic sector

	<u>2012</u>				<u>2013</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
Import/export trade and wholesale	2.5	3.2	2.8	2.8	3.2	3.4
Retail	4.2	4.2	4.6	3.7	4.4	4.9
Accommodation and food services	4.5	5.4	4.7	4.1	5.0	5.2
Transportation, storage, postal and courier services	3.3	2.3	2.6	2.7	3.0	2.4
Information and communications	3.0	3.2	2.2	2.8	2.8	2.6
Financing and insurance	2.4	2.4	2.2	2.4	2.7	2.4
Real estate	2.5	1.9	2.3	2.3	2.3	1.9
Professional and business services	2.7	3.1	3.1	2.8	2.5	2.6
Public administration, social and personal services	1.4	1.3	1.5	1.4	1.8	1.3
Manufacturing	4.4	4.0	4.2	3.5	3.4	3.2
Construction	6.1	4.8	3.8	4.9	6.0	5.6
Overall	3.3 (3.4)	3.3 (3.2)	3.5 (3.3)	3.1 (3.2)	3.4 (3.5)	3.4 (3.3)

Note : () Seasonally adjusted unemployment figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.4 : The unemployment rate of the lower-skilled segment held stable as the increase in job seekers therein was mitigated by the creation of new jobs, while that of the higher-skilled improved somewhat

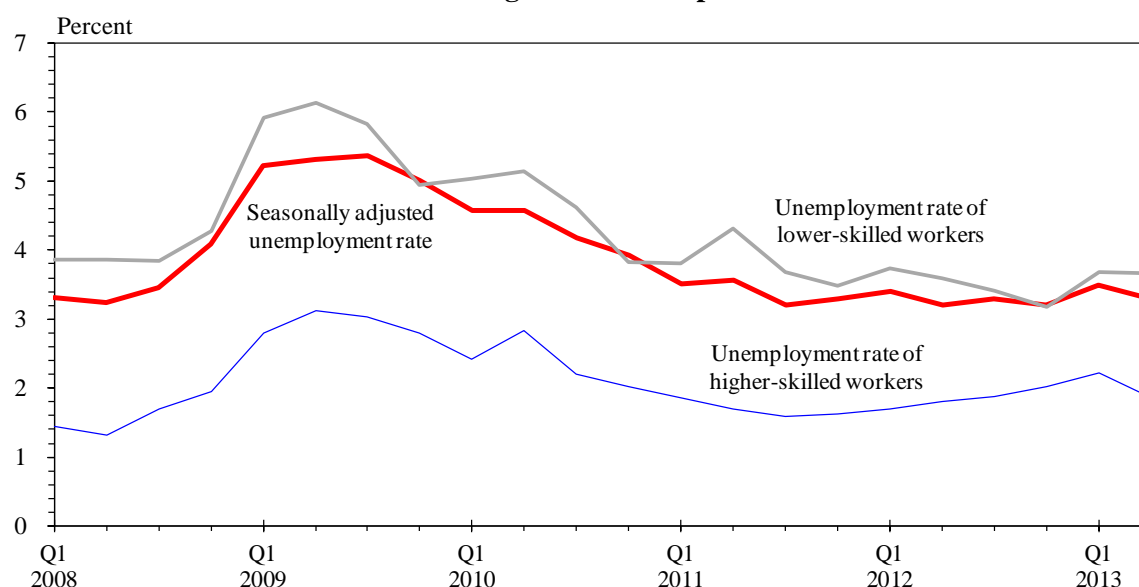


Table 5.4 : Unemployment rates* by skill segment

	<u>2012</u>				<u>2013</u>	
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>
<u>Higher-skilled segment</u>	1.7	1.8	1.9	2.0	2.2	1.9
Managers and administrators	1.1	1.5	1.4	1.8	1.9	1.6
Professionals	1.7	1.2	1.5	1.5	1.9	1.4
Associate professionals	2.0	2.2	2.3	2.3	2.5	2.2
<u>Lower-skilled segment</u>	3.7	3.6	3.4	3.2	3.7	3.7
Clerical support workers	2.9	3.1	3.5	2.9	3.0	2.9
Service and sales workers	4.1	4.3	4.4	3.6	4.5	4.4
Craft and related workers	6.2	5.0	4.0	4.2	5.5	5.3
Plant and machine operators and assemblers	2.6	1.6	1.6	2.2	1.8	1.8
Elementary occupations	3.5	3.4	2.8	3.0	3.3	3.4

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

Source : General Household Survey, Census and Statistics Department.

Table 5.5 : Unemployment rates* by age and educational attainment

	<u>2012</u>				<u>2013</u>	
	Q1	Q2	Q3	Q4	Q1	Q2
<u>Age</u>						
15-24	8.1	9.7	11.5	7.8	8.1	9.6
<i>of which:</i>						
15-19	12.2	14.7	15.1	12.3	13.5	17.8
20-24	7.6	8.9	10.9	7.2	7.3	8.3
25-29	3.2	3.8	3.2	3.1	3.3	3.5
30-39	2.4	2.4	2.6	2.1	2.3	2.5
40-49	2.9	2.9	2.7	2.7	3.3	2.7
50-59	3.1	2.8	2.9	3.1	3.5	3.1
≥ 60	2.7	1.8	1.5	1.8	2.4	2.6
<u>Educational attainment</u>						
Primary education and below	3.8	3.8	3.0	3.2	4.1	4.1
Lower secondary education	4.2	4.3	3.7	4.1	5.1	4.5
Upper secondary education [^]	3.4	3.2	3.4	2.7	3.1	3.2
Post-secondary education	2.5	2.9	3.6	3.0	2.9	3.0

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.9 Indicators measuring the intensity of unemployment suggested that the employment conditions remained broadly favourable in the second quarter. Specifically, the number of long-term unemployed persons (i.e. unemployed for six months or longer) fell noticeably by 5 400 over the preceding quarter to 28 900 in the second quarter, as did the long-term unemployment rate by 0.2 percentage point to 0.7%. Meanwhile, the median duration of unemployment fell from 79 to 68 days over the same period. As regards the reasons of unemployment, the proportion of dismissal or lay-offs among those unemployed declined to 51.1%, from 51.9% in the first quarter. All these indicators suggested that the labour market held up relatively well in the recent period.

Profile of underemployment

5.10 The overall underemployment situation held steady in the second quarter, with the underemployment rate staying at a low level of 1.6%. When compared with the preceding quarter, the number of underemployed persons remained largely unchanged at 61 400. Among the major economic sectors, decreases in underemployment were found in postal and courier activities, cleaning and similar activities, and accommodation services, offsetting the modest rises seen in warehousing and support activities for transportation, wholesale, and art, entertainment and recreation. Analysed by occupational category, craft and related workers, and clerical support workers faced an increase in underemployment rate in the second quarter compared to the preceding quarter, but this was offset by lower underemployment rate among service and sales workers. Indeed, underemployment tends to be more prevalent in the lower-skilled segment, which accounted for 92% of the total numbers underemployed in the second quarter of 2013.

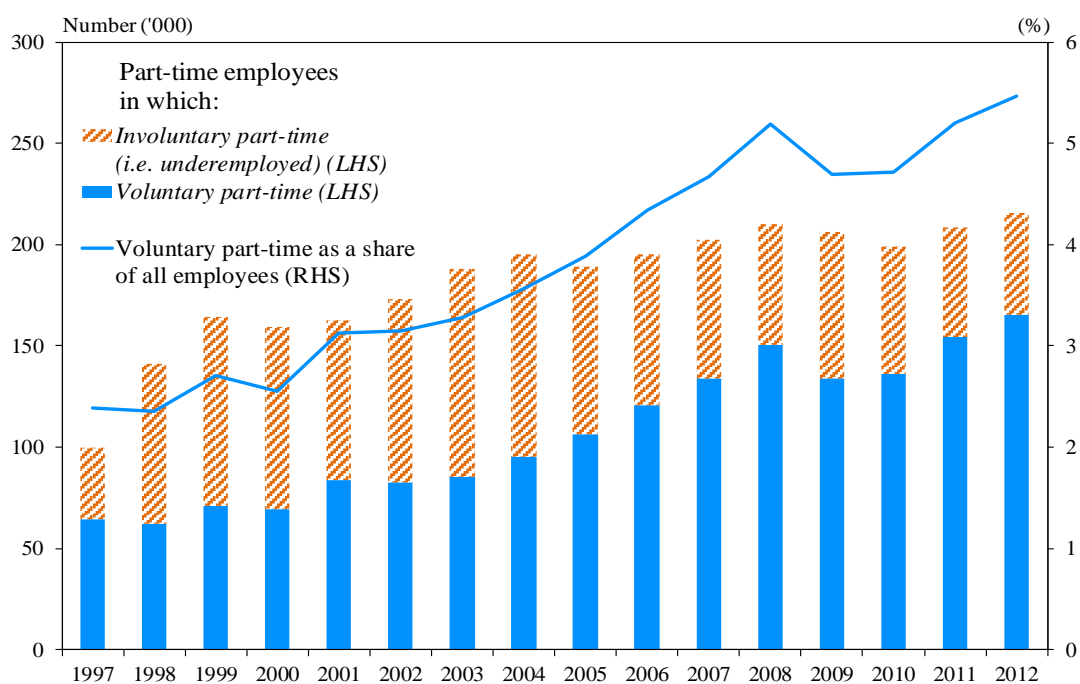
Box 5.1

Part-time employment in Hong Kong

The proportion of part-time employees⁽¹⁾ to total employees in Hong Kong held largely stable in recent years. This notwithstanding, the corresponding proportion in 2012, at 7.1% was actually markedly higher than that of 3.7% in 1997. In absolute terms, the number of part-time employees more than doubled to 215 700 between 1997 and 2012 (up by 116%). This also translated into an average annual growth of 5.3%, as against only 0.8% for all employees.

Some of these part-timers worked fewer hours involuntarily (i.e. underemployed) due to sluggish business conditions or having difficulties in finding full-time jobs, especially when the local economy slackened. **Chart 1** showed that the number of underemployed persons increased after the Hong Kong economy was badly hit by the 1997-1998 Asian Financial Crisis, the subsequent economic downturn in 2002 and 2003, as well as the 2008-2009 Global Financial Tsunami. As the labour market conditions improved, the number of these involuntary part-timers dwindled. It actually hit its post-1997 low of 50 700 in 2012 when the labour market was relatively tight.

Chart 1 : The number and proportion of voluntary part-time employees grew notably over the years



Source : General Household Survey, Census and Statistics Department.

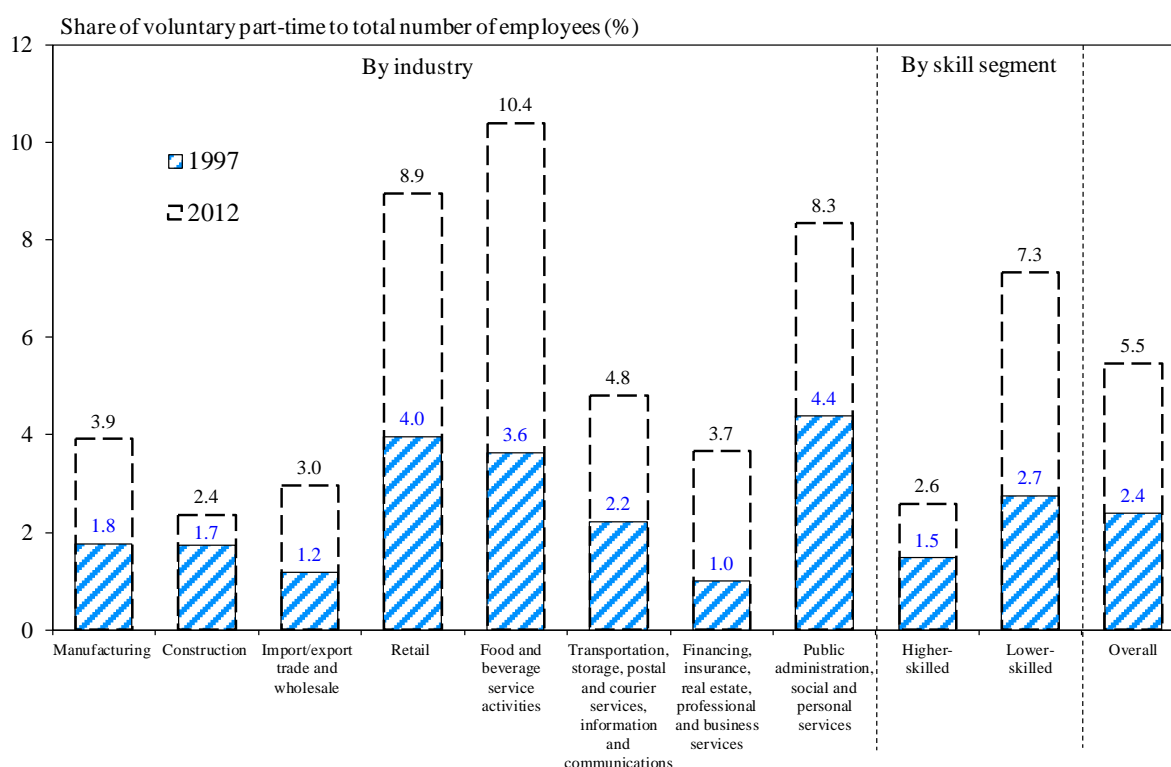
In contrast, the number of voluntary part-timers has been broadly on a visible uptrend. In terms of its percentage share among all employees, the figure jumped from 2.4% in 1997 to 5.5% in 2012. The above observations suggested that, apart from cyclical factors, some underlying structural changes might be at work to make part-time employment more prevalent in Hong Kong between 1997 and 2012.

(1) Part-time employees are defined here to include persons working less than 35 hours during the seven days before enumeration due to reasons other than vacation. All labour statistics in this box article exclude foreign domestic helpers.

Box 5.1 (Cont'd)

From employers' perspective, offering part-time employment represents a more flexible work arrangement in response to the changing economic and market conditions to fit their operational needs. Comparing 2012 with 1997, the percentage share of voluntary part-timers increased across all industries (*Chart 2*), particularly in retail, food and beverage service activities, and public administration, social and personal services. Some industries like financing, insurance, real estate, professional and business services used to hire predominantly full-time workers, with voluntary part-time employees comprising only around 1% of all employees therein in 1997. However, the corresponding ratio went up sharply to around 3.7% in 2012. Mirroring this, the propensity of higher-skilled jobs having voluntarily part-time nature also increased, even though the lower-skilled segment still accounted for over 80% of voluntary part-time jobs in 2012, similar to the situation in 1997.

Chart 2: All industries and skill segments became more prone to hire part-time employees



Note : Statistics in 1997 are based on Hong Kong Standard Industrial Classification (HSIC) version 1.1, while that in 2012 are based on HSIC version 2.0. Industries selected in the above chart are chosen based on the closest classification as far as possible.

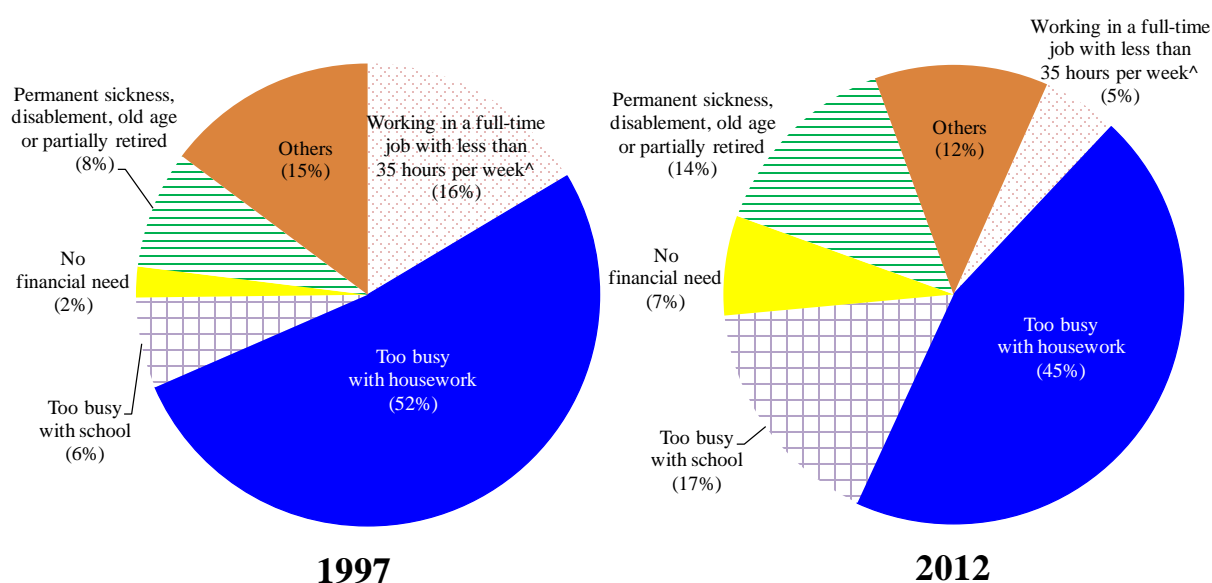
Source : General Household Survey, Census and Statistics Department.

Besides, the manpower requirements of industries like retail, and public administration, social and personal services which tended to hire more part-timers expanded substantially over the years. Between 1997 and 2012, the number of employees in these two specific industries saw robust growth of 40% and 19% respectively, thereby rendering further impetus to the significant increase in part-time employment.

Box 5.1 (Cont'd)

Not only were there more part-time job openings, an increasing number of job seekers likewise preferred to engage in part-time employment. Analysed by the reasons of voluntarily taking up part-time jobs (*Chart 3*), a significant share of employees expressed that they were too busy with housework in both 1997 and 2012. In 1997, around 89% of employees within this category were currently married, working-aged (aged 25-54) women who might wish to find a paid job to supplement their household incomes or to keep up with the society, on top of fulfilling family responsibilities. In 2012, only 68% of respondents citing the same reason belonged to the same age-sex and marital status group, while another 18% were females aged 55 and above. This suggested that the voluntary part-time workforce, which is typically female-dominated, turned more mature over the years.

**Chart 3: Reasons of employees voluntarily taking up part-time jobs
(i.e. employees not available to work for longer hours) in 1997 and 2012**



Notes: (^) Probably due to the specific nature of certain jobs, such as pilots and flight attendants, these employees indicated that they worked in full-time jobs even though they worked less than 35 hours during the 7 days before enumeration.
Figures may not add up to 100 due to rounding.

Source : General Household Survey, Census and Statistics Department.

Echoing the above observation, the number of the older (aged 55 and above) voluntary part-timers leaped by almost four folds from 1997 to 2012, far exceeding the population⁽²⁾ growth of this age group (around 60%) over the same period. The proportion of the older group in all voluntary part-timers also doubled from only 12% in 1997 to 24% in 2012. Around half of these older employees cited “permanent sickness, disablement, old age or partially retired” for not working longer hours in 2012.

Conceivably, better income prospects and ample job opportunities could potentially entice older people to join the labour market by taking up part-time jobs. This is observed in recent years when the labour market was tight, as well as after the implementation of Statutory Minimum Wage in May 2011. For example, there were only around 1.5% of the older population taking up voluntary part-time jobs during 2008-2010. The proportion went up to 1.8% in 2011 and increased further to 2.1% in 2012. Nevertheless, it is worth noting that a visibly higher share of older voluntary part-timers (10% in 2012 vis-à-vis 3% in 1997) did not want to work for longer hours as they had no financial need. Apparently, part-time employment has been regarded by these older workers concerned as one of the ways to stay active in the society.

(2) Population refers to land-based non-institutional population which does not cover inmates of institutions and persons living on board vessels.

Box 5.1 (Cont'd)

Meanwhile, although the labour force participation rate of young people (aged 15-24) fell from 47.5% in 1997 to 35.9% in 2012 as a result of enhanced educational pathways, there were more opportunities for young people to combine work with education for paving the way to develop their longer-term career. In 2012, 12% of employees aged 15-24 were voluntary part-timers, up markedly from 2% in 1997. The increased prevalence of such a two-pronged development was also borne out by a notable increase in the proportion of young voluntary part-time employees saying that they were too busy with schoolwork, from 46% in 1997 to 78% in 2012.

All in all, the notable growth in part-time employment over the years was the combined results of market responses to economic and social changes, as well as people's changing attitude towards work. More flexible working arrangements allow workers to have a better balance between work and other activities, and more importantly, work in accord with their preferences. With the labour force expected to start a secular decline amid an ageing population in about 5 years' time, the availability of part-time employment opportunities shall continue to provide more options for people from different social and demographic strata to participate in the local labour market and to contribute to Hong Kong's economic growth.

Profile of employment in establishments

5.11 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only up to March 2013. Attempts have been made where possible to bring the analysis more up-to-date by drawing reference to information from supplementary sources.

5.12 Total employment in private sector establishments enumerated in March 2013 expanded further by 1.9% over a year earlier to a new record high of 2 689 700, indicating that job creation remained vibrant in the first quarter despite the moderate local economic growth. Job gains were almost across-the-board and particularly notable in construction sites (up 10.1% year-on-year), the latter being underpinned by a sustained high level of public infrastructure works. Solid increases in employment were also seen in most of the service sectors, such as real estate (up 4.0%), professional and business services (up 3.4%), information and communications (up 3.3%), social and personal services (up 3.2%), accommodation and food services (up 2.4%), and retail (up 2.3%), thanks to resilient domestic demand and gradually improving business activities amid the relative stabilisation of global financial conditions. On the contrary, manufacturing employment continued its secular downtrend (down 3.7% year-on-year), while that in financing and insurance reverted to a modest decline (down 1.1%). Analysed by establishment size, employment in large enterprises expanded further by 2.8% year-on-year in March and contributed 78% of all additional headcounts in March 2013, while that in small and medium-sized enterprises (SMEs)⁽⁷⁾ grew only modestly by 0.9%. As regards the civil service, employment sustained a steady growth at 0.9% over a year earlier.

Table 5.6 : Employment by major economic sector

	<u>2012</u>					<u>2013</u>
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>
Import/export trade and wholesale	556 400 (-1.1)	557 200 (-1.4)	558 300 (-0.4)	555 400 (-1.6)	554 600 (-0.9)	558 000 (0.1)
Retail	259 100 (2.5)	256 800 (2.2)	259 400 (2.9)	259 700 (2.7)	260 200 (2.1)	262 700 (2.3)
Accommodation ^(a) and food services	272 300 (2.6)	269 000 (2.3)	272 300 (2.3)	273 700 (2.8)	274 200 (3.0)	275 600 (2.4)
Transportation, storage, postal and courier services	166 600 (1.8)	165 600 (2.2)	166 700 (2.2)	166 900 (1.9)	167 200 (1.1)	168 100 (1.5)
Information and communications	96 400 (5.6)	95 200 (6.6)	95 900 (5.3)	97 500 (6.3)	97 200 (4.2)	98 400 (3.3)
Financing, insurance, real estate, professional and business services	666 500 (3.1)	662 200 (4.6)	664 700 (3.5)	668 200 (2.4)	671 000 (1.9)	676 100 (2.1)
Social and personal services	450 000 (2.4)	444 600 (1.9)	450 600 (2.7)	450 800 (2.3)	454 200 (2.8)	458 600 (3.2)
Manufacturing	106 900 (-5.1)	108 000 (-6.2)	107 600 (-5.4)	106 800 (-4.3)	105 300 (-4.6)	104 000 (-3.7)
Construction sites (manual workers only)	71 300 (13.8)	70 600 (20.1)	71 700 (22.4)	72 200 (13.4)	70 600 (1.7)	77 800 (10.1)
<i>All establishments surveyed in the private sector^(b)</i>	<i>2 656 000 (1.9)</i>	<i>2 639 700 (2.1)</i>	<i>2 657 700 (2.3)</i>	<i>2 661 500 (1.6)</i>	<i>2 665 000 (1.3)</i>	<i>2 689 700 (1.9)</i>
		<i><0.4></i>	<i><0.7></i>	<i><0.2></i>	<i><0.1></i>	<i><0.9></i>
<i>Civil service^(c)</i>	<i>159 300 (1.1)</i>	<i>159 200 (1.5)</i>	<i>159 200 (1.2)</i>	<i>159 100 (0.9)</i>	<i>159 700 (0.7)</i>	<i>160 700 (0.9)</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) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

(b) The total figures on private sector employment cover also employment in mining and quarrying; and in electricity and gas supply, 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 the 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.

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

Vacancies

5.13 Job vacancies in private sector establishments rose considerably further across most economic sectors on entering 2013 amid a relatively tight labour market. The number of private sector vacancies rose by 14.6% year-on-year to a 19-year high of 80 170 in March 2013, following an increase of 18.0% in December 2012. On a seasonally adjusted basis, the number of vacancies grew by 6.0% in March 2013 over three months ago.

5.14 Among all the major economic sectors, more prominent increases were seen in accommodation and food services (up 40.9% year-on-year), construction sites (up 39.6%), import/export trade and wholesale (up 16.7%), and retail (up 15.0%) in March 2013. Analysed by occupational category, the increases in job openings were concentrated in the lower-skilled segment (up 22.7% year-on-year), more notably among craft and related workers (up 50.2%), service and sales workers (up 33.9%), and plant and machine operators and assemblers (up 33.0%). Meanwhile, the decline in higher-skilled vacancies eased to 0.5%, as the improved job openings for associate professionals (up 7.2%) helped cushion against the persistent softness in managers and administrators (down 26.6%) and professionals (down 19.7%). In terms of establishment size, SMEs posted a notable year-on-year increase of 18.0% in job vacancies, while large enterprises also recorded an appreciable growth at 11.6%. Within the civil service, the number of vacancies was 6 220 in March 2013, represented a steady growth of 5.8% over a year earlier.

5.15 Analysing the number of job openings in private sector establishments relative to that of job-seekers, the ratio of job vacancies per 100 unemployed persons was 61 in March 2013, up from 56 and 57 recorded three months ago and a year earlier respectively, pointing to a further tightening in overall manpower resource balance. While the ratio for lower-skilled jobs held broadly stable at 62 between December 2012 and March 2013, that for higher-skilled jobs rebounded from 61 to 78. The latter improvement was mainly driven by the increased job openings for associate professionals. Analysed by economic sector, manpower shortage was particularly apparent in residential care and social work services, human health services, and accommodation services, as reflected by the markedly larger number of vacancies vis-a-vis unemployed therein. When expressed as a percentage of job vacancies to total employment opportunities, the vacancy rate rose to 2.9% in March 2013 from 2.6% a year earlier, the highest since late 1994. More notable increases in vacancy rate were seen in accommodation and food services, residential care and social work services, and retail over the same period.

Table 5.7 : Vacancies by major economic sector

		<u>Number of vacancies</u>					Vacancy rate in Mar 2013 (%)
		<u>Annual average</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	
			<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>
Import/export trade and wholesale	8 510 (8.5)	8 950 (7.8)	9 140 (10.6)	8 240 (6.4)	7 710 (9.0)	10 440 (16.7)	1.8
Retail	7 900 (33.6)	8 180 (35.7)	6 900 (32.7)	8 950 (45.9)	7 560 (20.4)	9 400 (15.0)	3.5
Accommodation ^(a) and food services	12 030 (46.5)	11 040 (42.7)	12 270 (51.1)	12 940 (62.0)	11 860 (31.9)	15 550 (40.9)	5.3
Transportation, storage, postal and courier services	3 290 (25.5)	3 200 (26.1)	3 410 (13.2)	3 540 (45.7)	3 010 (20.2)	3 620 (13.1)	2.1
Information and communications	2 370 (1.7)	2 480 (-7.4)	2 380 (8.6)	2 150 (-4.0)	2 480 (11.6)	2 680 (8.2)	2.7
Financing, insurance, real estate, professional and business services	16 090 (14.5)	16 180 (14.8)	16 610 (14.0)	15 820 (10.6)	15 750 (18.9)	17 510 (8.2)	2.5
Social and personal services	15 170 (16.0)	16 310 (23.1)	16 490 (29.5)	14 820 (6.6)	13 070 (5.0)	17 330 (6.2)	3.6
Manufacturing	2 740 (25.0)	2 860 (21.1)	2 970 (37.2)	2 370 (2.6)	2 770 (42.5)	2 600 (-9.1)	2.4
Construction sites (manual workers only)	640 (95.1)	670 (347.0)	590 (94.7)	510 (-4.3)	800 (142.7)	930 (39.6)	1.2
<i>All establishments surveyed in the private sector^(b)</i>	<i>68 840 (21.5)</i>	<i>69 970 (22.3)</i>	<i>70 840 (25.1)</i>	<i>69 460 (20.4)</i>	<i>65 100 (18.0)</i>	<i>80 170 (14.6)</i>	<i>2.9</i>
		<9.0>	<5.1>	<-3.5>	<6.5>	<6.0>	
<i>Civil service^(c)</i>	<i>6 340 (0.9)</i>	<i>5 880 (-2.5)</i>	<i>6 350 (1.8)</i>	<i>6 600 (-0.5)</i>	<i>6 550 (5.0)</i>	<i>6 220 (5.8)</i>	<i>3.7</i>

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

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

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

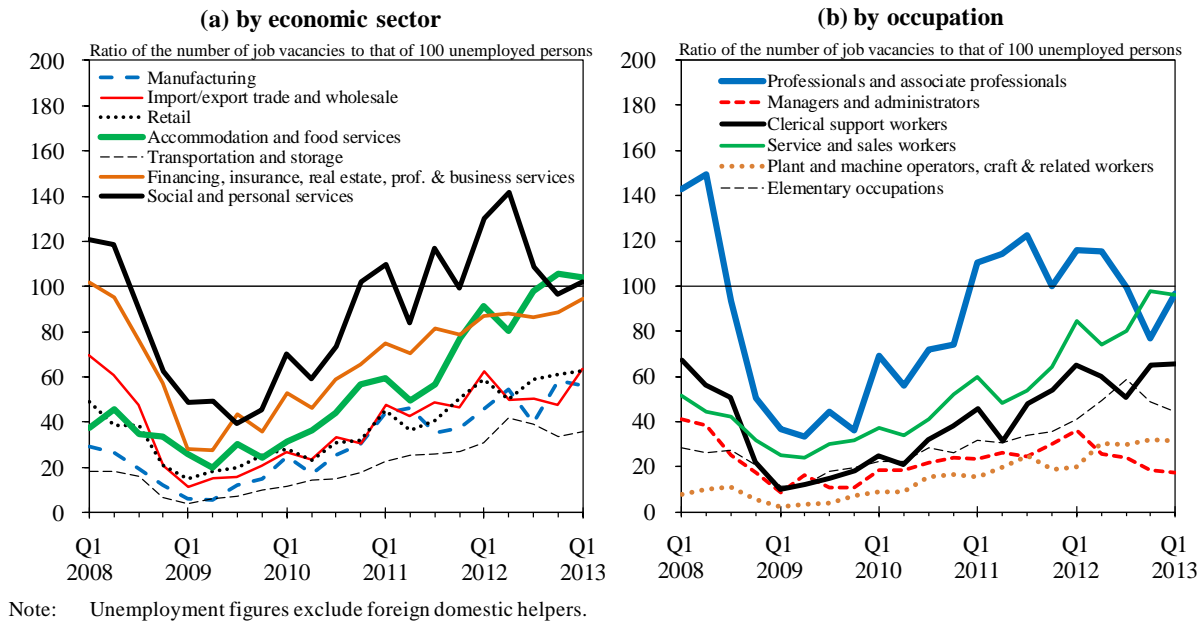
(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

() % change over a year earlier.

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

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

Diagram 5.5 : Manpower shortage was increasingly acute in some sectors and occupations



5.16 Statistics on private sector vacancies recorded by the Labour Department (LD) may reveal some more up-to-date developments in the local labour market. In June 2013, around 100 200 private sector job vacancies were posted by the LD, representing an appreciable increase of 7.8% over a year earlier. Comparing the second quarter of 2013 with the first quarter, the average number of vacancies also rose by 8.5%. Both figures indicated that corporate hiring sentiment still held up pretty well in recent months.

Wages and earnings

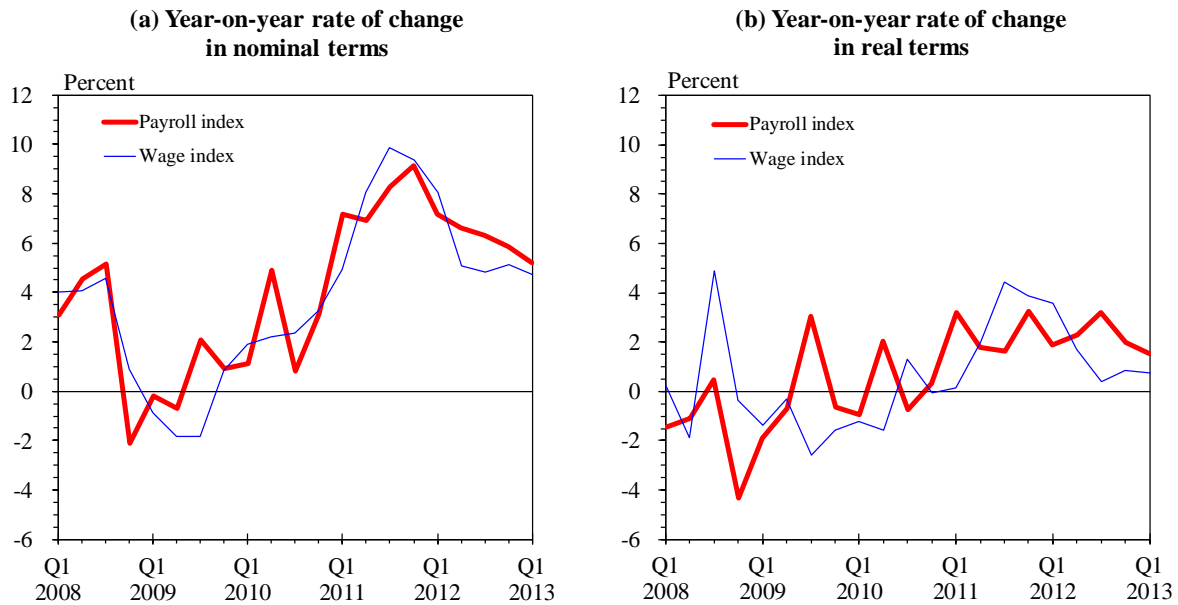
5.17 Wages and earnings sustained solid and broad-based improvement on entering 2013, echoing the generally tight labour market conditions. *Nominal Wage Index*, as a measure of regular employment income of employees at the supervisory level or below, moved up solidly further by 4.7% year-on-year in March 2013, following the 5.1% growth in December 2012. After adjusting for inflation⁽⁸⁾, labour wages registered a modest gain of 0.7% in real terms over a year earlier.

5.18 Nominal pay rises were widespread across most economic sectors, and particularly visible in some domestically-oriented sectors, such as personal services (up 7.3% year-on-year), accommodation and food service activities (up 6.9%), and real estate leasing and maintenance management (up 5.8%). Likewise, nominal wages also rose across-the-board in terms of occupational category. Notable pay gains were seen in supervisory and technical workers (up 5.2% year-on-year) and service workers (up 5.1%), thanks to the sturdy demand for lower-skilled workers amid the buoyant performance of many labour-intensive sectors.

5.19 *Labour earnings*⁽⁹⁾, as measured by payroll per person engaged in the private sector which includes overtime, discretionary bonuses and other irregular payments, recorded a similar increase at 5.2% in the first quarter of 2013 over a year earlier, further to the 5.9% rise in the preceding quarter. After discounting the price effects, labour earnings recorded a real growth of 1.5%.

5.20 All major sectors witnessed improvements in nominal payroll in the first quarter of 2013, with more appreciable growth seen in financial and insurance activities (up 6.4% year-on-year) and social and personal services (up 5.8%). Workers engaged in retail (up 4.9%), professional and business services (up 4.8%), and accommodation and food services activities (up 4.7%) also saw sizeable increases in earnings, amid the prevailing strength of local consumption and inbound tourism.

**Diagram 5.6 : Labour earnings and wages improved further
in both nominal and real terms**



5.21 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⁽¹⁰⁾ (excluding foreign domestic helpers) for full-time employees in the lowest decile group maintained notable year-on-year increase at 7.7% in nominal terms in the second quarter, further to the appreciable gain of 7.5% in the first quarter, thanks mainly to the tight manpower resource situation in the lower-skilled segment. The boosting effect of the upward adjustment of the SMW rate in May 2013 might have contributed somewhat as well. After adjusting for inflation, the lowest decile group continued to enjoy a solid year-on-year growth at 2.9% in real terms in the second quarter.

Recent labour-related measures

5.22 LD has regularly organised large-scale job fairs in different locations and canvassed vacancies from various industries for application by job-seekers on the spot. During January to July 2013, LD organised 10 large-scale job fairs. 300 participating organisations offered some 22 300 vacancies from the retail, catering, property management and other industries. There were also 15 training bodies joining the job fairs to introduce job training courses and receive applications on the spot. Apart from large-scale job fairs, mini job fairs are also regularly organised at LD's Job Centres to assist job-seekers in seeking employment. Moreover, employers stage recruitment activities at the two industry-based recruitment centres specifically for the catering and retail industries almost every working day.

5.23 To enhance the employability and employment opportunities of young people, middle-aged persons and persons with disabilities, LD has increased the allowance payable to employers under the Youth Employment and Training Programme (YETP) (formerly known as the Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme (YPTP&YWETS)), the Employment Programme for the Middle-aged and the Work Orientation and Placement Scheme with effect from June 2013 so as to encourage employers to offer them more openings and provide them with on-the-job training. To encourage participation in workplace attachment training under YETP, LD has increased the allowance payable to trainees with effect from June 2013. Moreover, to strengthen employment services to residents living in remote areas, LD will set up a job centre in Tung Chung to facilitate job-seekers in the area in seeking employment services.

5.24 Starting from the claim months of 2013, the territory-wide Work Incentive Transport Subsidy (WITS) Scheme has been enhanced to the effect that low-income employed persons may apply for the subsidy on an individual basis, as an alternative to household-based application (i.e. the "dual track" approach). The income and asset limits for the WITS have also been relaxed in parallel. Applicants who became eligible under the enhanced Scheme might apply in July 2013 at the earliest for subsidy from January to June 2013.

5.25 The SMW rate has been adjusted from \$28 to \$30 per hour, an increase of 7.1%, with effect from 1 May 2013. LD has organised extensive publicity activities to promote public awareness of the revised rate. Targeted enforcement actions are undertaken to ensure employers' compliance with the new requirement.

Notes :

- (1) Labour force statistics enumerated from the General Household Survey are statistics which involve the use of the population figures in the compilation process. These statistics of the three-month periods of November 2011 – January 2012 to October – December 2012 have been revised to take into account the final end-2012 population estimates.

The classification of occupation adopted by the Census and Statistics Department follows the International Standard Classification of Occupations (ISCO), which is used to classify the occupation of an employed person or the previous occupation of an unemployed person. After the implementation of the new ISCO, 2008 (ISCO-08), the General Household Survey has been enhanced to adopt the ISCO-08 in compiling labour force statistics by occupation, with statistics backcasted to the quarter of January to March 2011. Starting from the reference quarter of January to March 2011, all the labour force statistics by occupation, unless otherwise specified, are compiled based on the ISCO-08.

- (2) 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.

The seasonally adjusted series is compiled using the X-12 ARIMA method, which is a standard method applied in compiling seasonally adjusted statistical data series.

- (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) The low paying sectors as identified by the Minimum Wage Commission include:
 - (i) retail;
 - (ii) restaurants (including Chinese restaurants, non-Chinese restaurants, fast food cafes, and Hong Kong-style tea cafes. However, beverage serving places, event catering and other food service activities are not included.);
 - (iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
 - (iv) other low paying sectors, namely
 - elderly homes;
 - laundry and dry cleaning services;
 - hairdressing and other personal services;
 - local courier services; and
 - food processing and production.
- (7) 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.
- (8) 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 relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.
- (9) In addition to wages, which include all regular and guaranteed 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.
- (10) 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.