CHAPTER 6 : THE LABOUR SECTOR

Summary

- *The labour market remained tight in 2013, on the back of sustained moderate economic growth and vibrant job creation in the private sector. The unemployment rate stayed at low levels throughout the year, thereby underpinning the sustained improvement in wages and earnings.*

- *Total employment grew strongly for the third straight year by 2.3% (or 83 200) to a record high of 3 744 000 in 2013, reflecting sturdy labour demand. Labour force likewise expanded notably at a broadly similar pace amid favourable job and income prospects.*

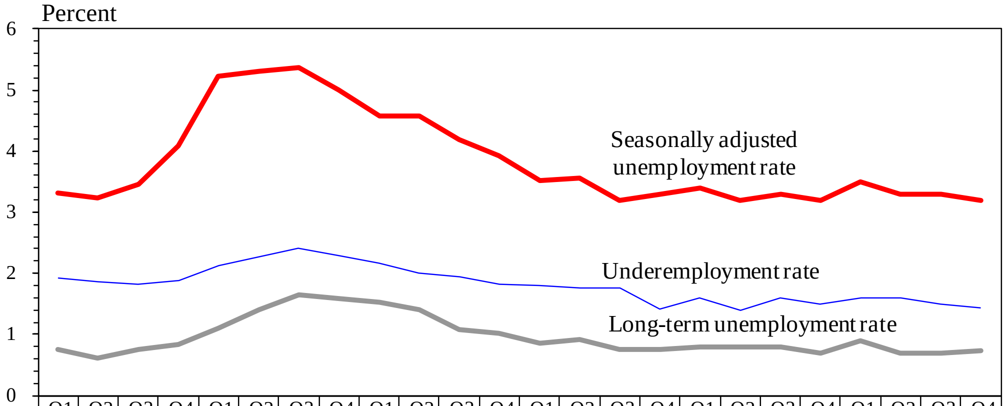
- *The seasonally adjusted unemployment rate went up somewhat in early 2013, yet progressively edged down thereafter, ending the year at a low level of 3.2% in the fourth quarter. The unemployment rate averaged at 3.3% in 2013, same as that in 2012, signifying another year of full employment.*

- *Nominal wages and earnings stayed on the rise in 2013. Grassroots workers continued to enjoy more appreciable income growth, thanks in part to the upward adjustment of the Statutory Minimum Wage (SMW) rate in May 2013.*

Overall labour market situation[(1)]

6.1 The labour market stayed firm and remained in full employment throughout 2013. Job creation continued apace in many sectors, especially those hiring a larger proportion of lower-skilled workers, thereby pushing total employment up notably further to a new annual-high in 2013. Job vacancies in the private sector also posted further strong and widespread growth. The ample employment opportunities had in turn lured more job-seekers, leading to a visible expansion in labour force. As a result, the *unemployment rate*[(2)] hovered at low levels, averaging at 3.3% for 2013 as a whole, same as that in 2012. The *underemployment rate*[(3)] likewise remained unchanged at 1.5%. Nominal wages and earnings continued to see solid improvement, with the lower-paid segment faring better alongside the upward adjustment of the SMW rate in May. Reflecting the persistently tight manpower situation in the past few years, labour shortage was particularly evident in some sectors and occupations.

Diagram 6.1 : The labour market remained in a state of full employment throughout 2013



	2008				2009				2010				2011				2012				2013			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Seasonally adjusted unemployment rate	3.3	3.2	3.5	4.1	5.2	5.3	5.4	5.0	4.6	4.6	4.2	3.9	3.5	3.6	3.2	3.3	3.4	3.2	3.3	3.2	3.5	3.3	3.3	3.2
Underemployment rate	1.9	1.9	1.8	1.9	2.1	2.3	2.4	2.3	2.2	2.0	1.9	1.8	1.8	1.8	1.8	1.4	1.6	1.4	1.6	1.5	1.6	1.6	1.5	1.4
Long-term unemployment rate	0.8	0.6	0.8	0.8	1.1	1.4	1.7	1.6	1.5	1.4	1.1	1.0	0.9	0.9	0.8	0.7	0.8	0.8	0.8	0.7	0.9	0.7	0.7	0.7
Annual average unemployment rate	3.5				5.3				4.3				3.4				3.3				3.3#			

Note: # Provisional figure.

Total employment and labour force

6.2 Following the broad-based improvements in 2012, overall labour demand stayed sturdy in 2013 on the back of steady economic growth and resilient domestic demand. *Total employment*[(4)] sustained appreciable year-on-year growth in all quarters, reaching a historical high of 3 760 400 in the fourth quarter. For 2013 as a whole, there was a visible expansion of 2.3% (or 83 200), broadly on par with the 2.4% increase in 2012 and also marking the third consecutive year of robust employment growth.

6.3 Employment growth was observed in almost all sectors in 2013, except in the import/export trade and wholesale, and manufacturing sectors, which were conceivably hit by the still unsteady global trading environment. Among the sectors recording a net addition of employed persons, the construction sector remained the star performer, thanks primarily to the intensive public sector infrastructure works. More apparent job gains were also seen in some domestically-oriented services sectors throughout all four quarters, including warehousing and support activities for transportation, professional and business services, and accommodation and food services.

6.4 Analysed by occupational category, employment in the lower-skilled segment posted notable growth throughout 2013, cumulating to a spectacular increase of 4.1% (or 92 300) for the year as a whole. Job gains were particularly visible among craft and related workers, workers engaged in elementary occupations, and service and sales workers. In contrast, higher-skilled employment stayed soft during most of the year, though finally arresting the downtrend in the fourth quarter amid the vibrant job creation for associate professionals. Yet there was still a 0.7% decline for 2013 as a whole. As for other socio-economic characteristics, persons aged 50 or above and those with post-secondary education were the ones benefiting more from the expansion in job opportunities.

6.5 On the supply side, the *labour force*[5] expanded visibly further by 2.3% for 2013 as a whole, representing a net addition of 88 100 job-seekers over 2012. The abundant job opportunities stemming from sturdy labour demand, as well as better income prospects due in part to the upward adjustment of the SMW rate from $28 to $30 in May 2013, have induced more people to enter the labour market. For instance, the labour force participation rates for persons aged 15-24 and 50-59 both rose visibly by 1.9 percentage points to 38.9% and 71.1% respectively, while that for females went up by 1.0 percentage point to 54.6%. The overall labour force participation rate increased by 0.9 percentage point to 61.4%, the highest level since 2003.

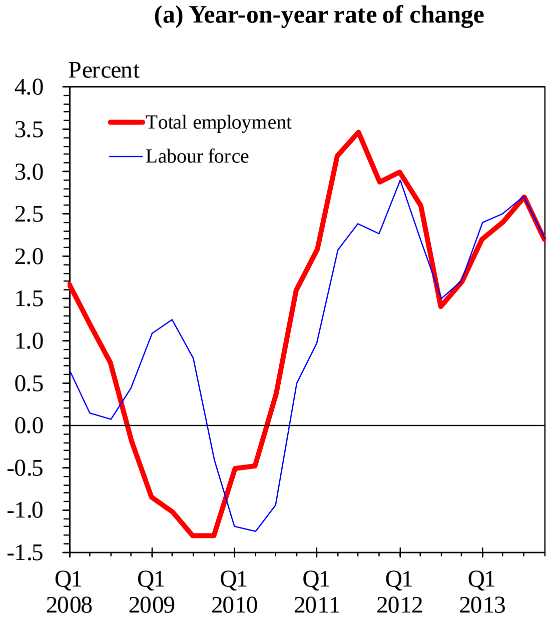
Table 6.1 : The labour force, and persons employed, unemployed and underemployed

		Labour force		Persons employed		Persons unemployed[a]	Persons underemployed
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	Annual[#]	3 873 300	(2.3)	3 744 000	(2.3)	129 300	58 700
	Q1	3 852 700	(2.4)	3 720 200	(2.2)	132 500	61 100
	Q2	3 877 200	(2.5)	3 745 100	(2.4)	132 100	61 400
	Q3	3 884 300	(2.7)	3 750 100	(2.7)	134 200	57 000
	Q4	3 878 800	(2.2)	3 760 400	(2.2)	118 400	55 500
			<§>		<0.2>		

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 fourth quarter of 2013.
\# Provisional figures.
§ Change less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.2 : Both employment and labour force saw further appreciable growth in 2013



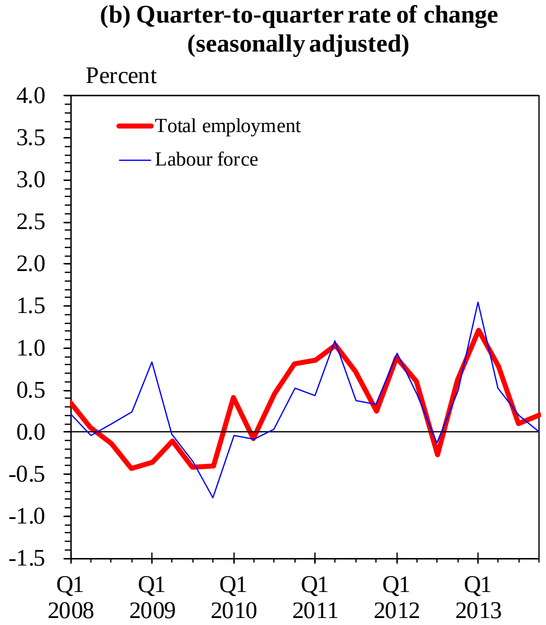
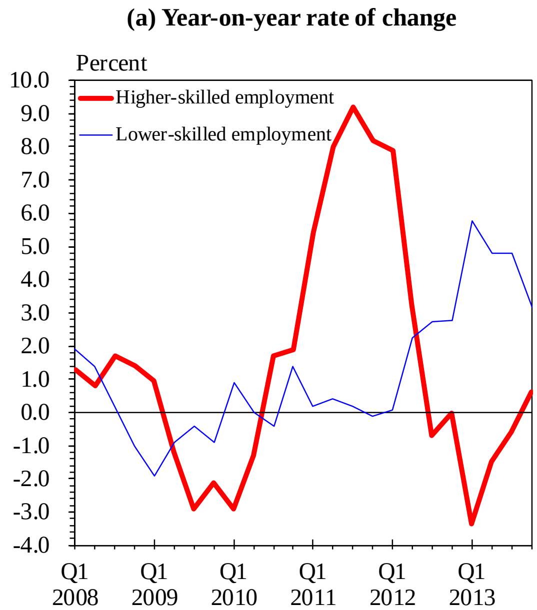


Diagram 6.3 : Lower-skilled employment continued to expand strongly while higher-skilled employment gradually recovered to a mild positive year-on-year growth towards end-2013



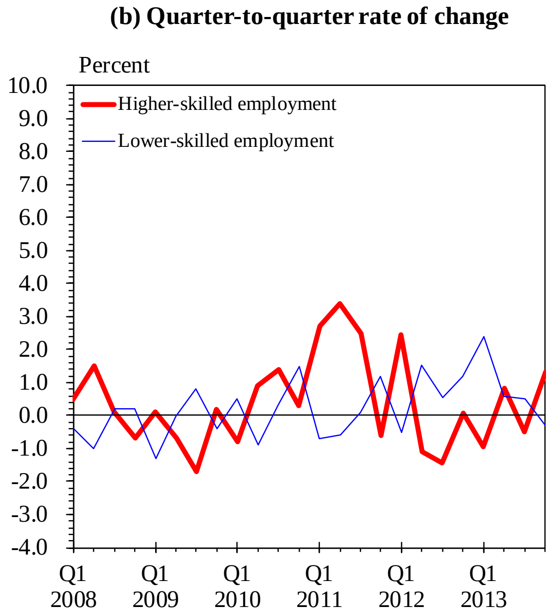


Table 6.2 : Labour force participation rates by gender and by age group (%)

	2008	2009	2010	2011	2012	2013[#]
Male						
15-24	38.7	38.1	35.4	35.7	36.4	37.9
of which:						
15-19	*13.0*	*12.5*	*10.2*	*9.9*	*10.5*	*11.2*
20-24	*65.5*	*64.1*	*60.6*	*61.1*	*61.1*	*62.9*
25-29	94.2	94.7	94.0	93.9	94.5	93.7
30-39	96.6	96.4	96.5	96.5	96.8	96.9
40-49	95.2	95.1	95.0	95.1	95.3	95.6
50-59	83.9	84.3	84.4	84.9	85.1	87.1
≥ 60	19.9	21.3	22.0	23.4	25.6	26.9
Overall	69.7	69.4	68.5	68.4	68.7	69.3
Female						
15-24	42.4	40.3	36.7	37.0	37.5	39.8
of which:						
15-19	*12.4*	*11.3*	*9.2*	*9.1*	*9.7*	*11.6*
20-24	*69.3*	*66.0*	*61.4*	*62.1*	*62.0*	*64.2*
25-29	87.4	87.0	86.6	87.5	87.2	86.3
30-39	77.0	77.3	75.6	76.8	77.5	78.9
40-49	66.6	68.8	68.2	69.9	70.8	72.9
50-59	48.6	48.9	49.0	51.6	53.8	56.0
≥ 60	5.6	6.6	6.8	8.1	8.8	9.7
Overall	53.1	53.2	51.9	53.0	53.6	54.6
Both genders combined						
15-24	40.6	39.2	36.0	36.4	37.0	38.9
of which:						
15-19	*12.7*	*11.9*	*9.7*	*9.5*	*10.1*	*11.4*
20-24	*67.5*	*65.1*	*61.0*	*61.6*	*61.6*	*63.5*
25-29	90.4	90.3	89.8	90.2	90.3	89.5
30-39	85.2	85.3	84.3	84.9	85.4	86.2
40-49	79.8	80.8	80.2	81.0	81.4	82.7
50-59	66.1	66.5	66.5	68.0	69.2	71.1
≥ 60	12.5	13.7	14.1	15.5	16.9	18.0
Overall	60.9	60.8	59.6	60.1	60.5	61.4

Note : # Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

6.6 The labour market remained in a state of full employment in 2013. With total employment growing at roughly the same pace as the labour force for the year as a whole, the unemployment rate averaged at a low level of 3.3%, same as that in 2012. The average number of unemployed persons nevertheless increased slightly by 4 800 over 2012 to 129 300 in 2013, alongside the expansion in labour force.

6.7 Analysed by economic sector and comparing 2013 with 2012, visible decreases in unemployment rates were recorded in some sectors including warehousing and support activities for transportation, and professional and business services (down by 1.0 and 0.5 percentage point respectively), while relatively more notable increases were seen in postal and courier activities, and wholesale (up by 2.1 and 0.6 percentage points respectively). In terms of skill segment, the average unemployment rate of the lower-skilled segment remained unchanged at 3.5%, while that of the high-skilled segment edged up by 0.1 percentage point to 1.9%. The unemployment rate of the *low paying sectors*(6) as a whole likewise stayed at a low level of 3.1% in 2013, same as that in 2012. As regards age profile, a more notable increase in unemployment rate was seen among persons aged 25-29, offsetting the decline observed for those aged 30-39.

6.8 In terms of the quarterly trend, the seasonally adjusted unemployment rate went up to 3.5% in the first quarter, edged down to 3.3% in the second quarter and held steady at this level in the third quarter, and fell further to 3.2% in the fourth quarter. Both the higher- and lower-skilled segments witnessed a broadly similar quarterly pattern in 2013. During the fourth quarter of 2013, relatively more visible decreases in unemployment rate were observed in insurance and education. As for other socio-economic attributes, the unemployment rates of persons aged 15-24, those with post-secondary education, clerical support workers and associate professionals showed the most noticeable declines in the fourth quarter.

Table 6.3 : Unemployment rate by major economic sector

	2012					2013				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Import/export trade and wholesale	2.8	2.5	3.2	2.8	2.8	3.1	3.2	3.4	3.1	2.7
Retail	4.1	4.2	4.2	4.6	3.7	4.4	4.4	4.9	4.2	4.2
Accommodation and food services	4.6	4.5	5.4	4.7	4.1	5.0	5.0	5.2	5.3	4.4
Transportation, storage, postal and courier services	2.8	3.3	2.3	2.6	2.7	2.6	3.0	2.4	2.2	2.7
Information and communications	2.8	3.0	3.2	2.2	2.8	2.8	2.8	2.6	3.2	2.6
Financing and insurance	2.4	2.4	2.4	2.2	2.4	2.5	2.7	2.4	2.7	2.2
Real estate	2.3	2.5	1.9	2.3	2.3	2.3	2.3	1.9	2.5	2.5
Professional and business services	3.0	2.7	3.1	3.1	2.8	2.5	2.5	2.6	2.4	2.7
Public administration, social and personal services	1.4	1.4	1.3	1.5	1.4	1.5	1.8	1.3	1.6	1.2
Manufacturing	4.0	4.4	4.0	4.2	3.5	3.0	3.4	3.2	2.9	2.5
Construction	4.9	6.1	4.8	3.8	4.9	4.9	6.0	5.6	3.7	4.1
Overall	3.3	3.3 (3.4)	3.3 (3.2)	3.5 (3.3)	3.1 (3.2)	3.3	3.4 (3.5)	3.4 (3.3)	3.5 (3.3)	3.1 (3.2)

Notes : ( ) Seasonally adjusted unemployment figures.

\# Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.4 : The annual unemployment rates of both higher-skilled and lower-skilled workers remained low in 2013

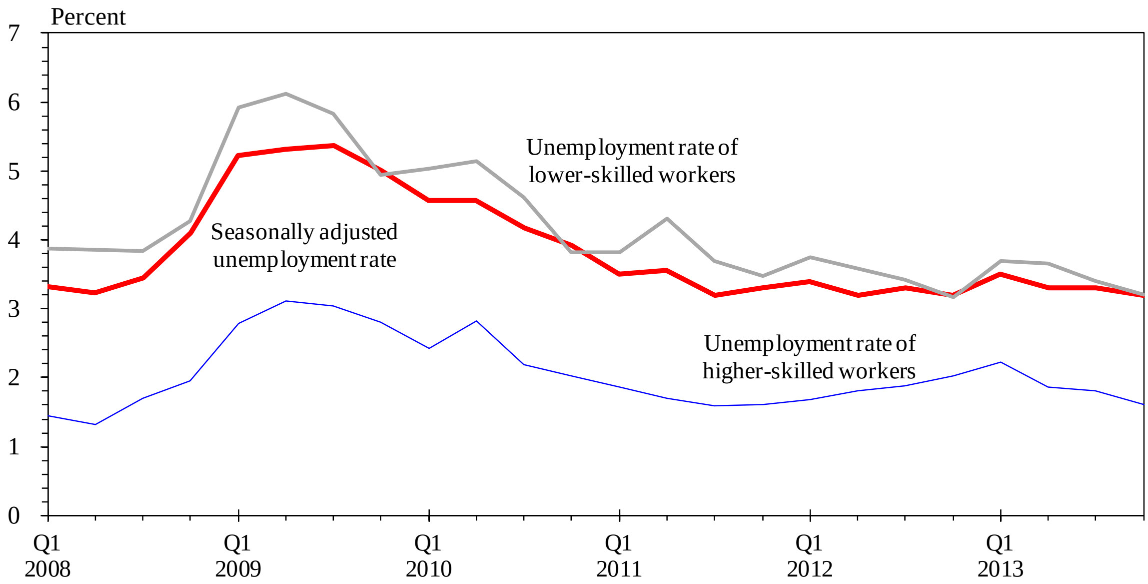


Table 6.4 : Unemployment rate* by skill segment

	2012					2013				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Higher-skilled segment	1.8	1.7	1.8	1.9	2.0	1.9	2.2	1.9	1.8	1.6
Managers and administrators	1.4	1.1	1.5	1.4	1.8	1.6	1.9	1.6	1.3	1.6
Professionals	1.5	1.7	1.2	1.5	1.5	1.5	1.9	1.4	1.3	1.4
Associate professionals	2.2	2.0	2.2	2.3	2.3	2.2	2.5	2.2	2.3	1.8
Lower-skilled segment^	3.5	3.7	3.6	3.4	3.2	3.5	3.7	3.7	3.4	3.2
Clerical support workers	3.1	2.9	3.1	3.5	2.9	3.1	3.0	2.9	3.6	3.0
Service and sales workers	4.0	4.1	4.3	4.4	3.6	4.3	4.5	4.4	4.2	4.0
Craft and related workers	4.8	6.2	5.0	4.0	4.2	4.6	5.5	5.3	3.5	4.2
Plant and machine operators and assemblers	2.1	2.6	1.6	1.6	2.2	2.0	1.8	1.8	2.1	2.1
Elementary occupations	3.2	3.5	3.4	2.8	3.0	3.1	3.3	3.4	3.0	2.6

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

^ Including other occupations.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Table 6.5 : Unemployment rate* by age and educational attainment

	2012					2013				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Age										
15-24	9.3	8.1	9.7	11.5	7.8	9.5	8.1	9.6	11.3	8.8
of which:										
15-19	*13.9*	*12.2*	*14.7*	*15.1*	*12.3*	*14.4*	*13.5*	*17.8*	*14.9*	*11.5*
20-24	*8.6*	*7.6*	*8.9*	*10.9*	*7.2*	*8.7*	*7.3*	*8.3*	*10.7*	*8.4*
25-29	3.3	3.2	3.8	3.2	3.1	3.6	3.3	3.5	3.8	3.7
30-39	2.4	2.4	2.4	2.6	2.1	2.3	2.3	2.5	2.3	1.9
40-49	2.8	2.9	2.9	2.7	2.7	2.8	3.3	2.7	2.6	2.7
50-59	2.9	3.1	2.8	2.9	3.1	3.0	3.5	3.1	2.8	2.7
≥ 60	2.0	2.7	1.8	1.5	1.8	2.2	2.4	2.6	2.1	1.9
Educational attainment										
Primary education and below	3.5	3.8	3.8	3.0	3.2	3.7	4.1	4.1	3.2	3.2
Lower secondary education	4.2	4.2	4.3	3.7	4.1	4.2	5.1	4.5	3.5	3.9
Upper secondary education^	3.2	3.4	3.2	3.4	2.7	3.2	3.1	3.2	3.4	3.0
Post-secondary education	3.0	2.5	2.9	3.6	3.0	3.0	2.9	3.0	3.6	2.7

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

^ Including craft courses.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

6.9 Other indicators measuring the intensity of unemployment in 2013 were generally positive. The number of long-term unemployed persons (i.e. unemployed for six months or longer) fell marginally from 30 300 in 2012 to 29 700 in 2013, while the long-term unemployment rate stood at a low level of 0.8% in both years. Meanwhile, the percentage share of long-term unemployment in total unemployment fell to 23.0%, the lowest level since 2008 and the median duration of unemployment shortened slightly further from 73 days in 2012 to 71 days in 2013. As regards the reason of unemployment, the proportion of dismissal or lay-offs among the total number of unemployed persons declined markedly by 3.9 percentage points to 48.3% over the same period.

Profile of underemployment

6.10 The underemployment situation remained by and large stable in 2013. The annual underemployment rate stayed at a low level of 1.5% in 2013, same as that in 2012. Over the same period, the number of underemployed persons rose slightly by 1 100 to 58 700. As for the latest trend, the underemployment rate in the fourth quarter of 2013 went down to 1.4% from 1.5% in the preceding quarter. Comparing the fourth quarter with the preceding one, the underemployment rates in the construction, and food and beverage service activities sectors declined visibly, more than offsetting the rises observed in warehousing and support activities for transportation, and arts, entertainment and recreation. Analysed by occupational category, craft and related workers, and service and sales workers were those witnessing more visible decreases in underemployment rates over the same period of comparison.

Box 6.1

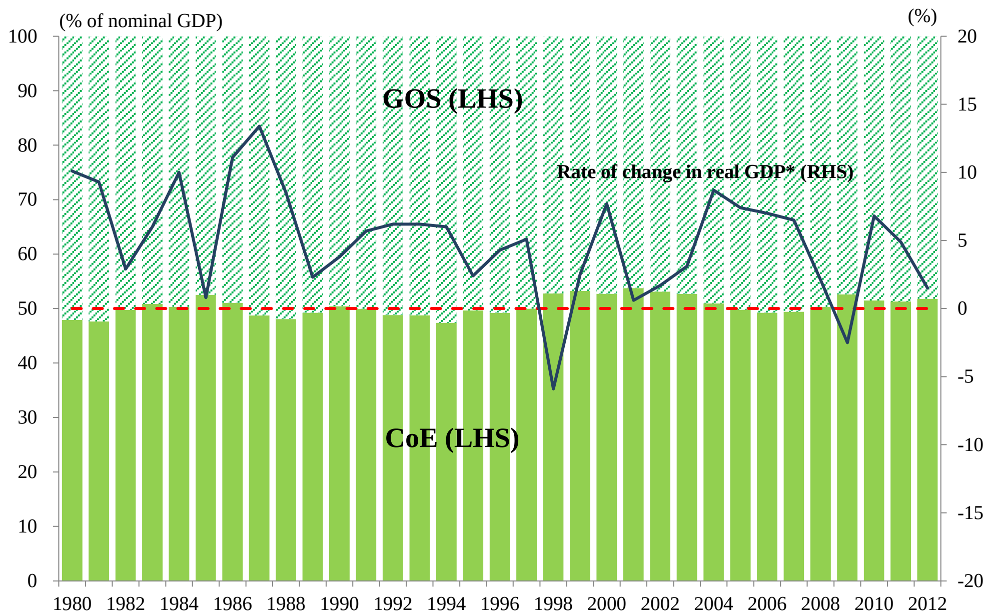
Labour's share of national income in Hong Kong

Gross Domestic Product (GDP) is a measure of the total value of production of all resident producing units of an economy in a specified period. Viewing from the income side, it represents the total incomes for various factors of production (viz. labour, capital and entrepreneurship) distributed by the resident producing units in an economy, as rewards to their production of goods and provision of services. Factor incomes[1] include "compensation of employees" (CoE) and "gross operating surplus" (GOS) of resident producers[2]. Labour's share of national income, measured in terms of the ratio of CoE to GDP, is commonly used as a crude indicator of income distribution among labour and capital in an economy. While the long-run stability of this ratio was once a "stylised fact" about economic growth, recent empirical studies revealed that many economies witnessed a notable decline in this ratio during the past two decades[3]. Through analysing past data back to the 1980s, this article tries to identify the key features and determinants of labour's share of national income in Hong Kong.

Characteristics of labour's share of national income in Hong Kong

Unlike many other developed economies, labour's share of national income in Hong Kong, while experiencing some ups and downs in the past two to three decades, did not exhibit any visible directional change ***(Chart 1)***. The ratio of CoE to GDP averaged at 50.5% during 1980 – 2012, pointing to a more or less equal share of national income among labour and capital. In fact, CoE and GOS grew at about the same average annual rates of 9.0% and 8.4% respectively between 1980 and 2012. By and large, labour and capital enjoyed proportionate income growth alongside economic expansion in Hong Kong.

Chart 1 : Labour's share of national income remained broadly stable in overall terms



Notes : (*) Refers to rate of change in real GDP at market prices (right axis). On the other hand, the left axis refers to percentage shares of GOS and CoE in nominal GDP at basic prices (see footnote 1 for more details).
Figures for 2012 are subject to revision later on when more data are available.

Source : National income statistics, Census and Statistics Department.

---

(1) Figures on income components of GDP can be obtained from the GDP estimates compiled by the production approach. In Hong Kong, GDP by production approach is measured at basic prices which include "taxes on production". Nevertheless, for analytical purpose, "taxes on production" has been removed from the series of GDP at basic prices discussed in this article.

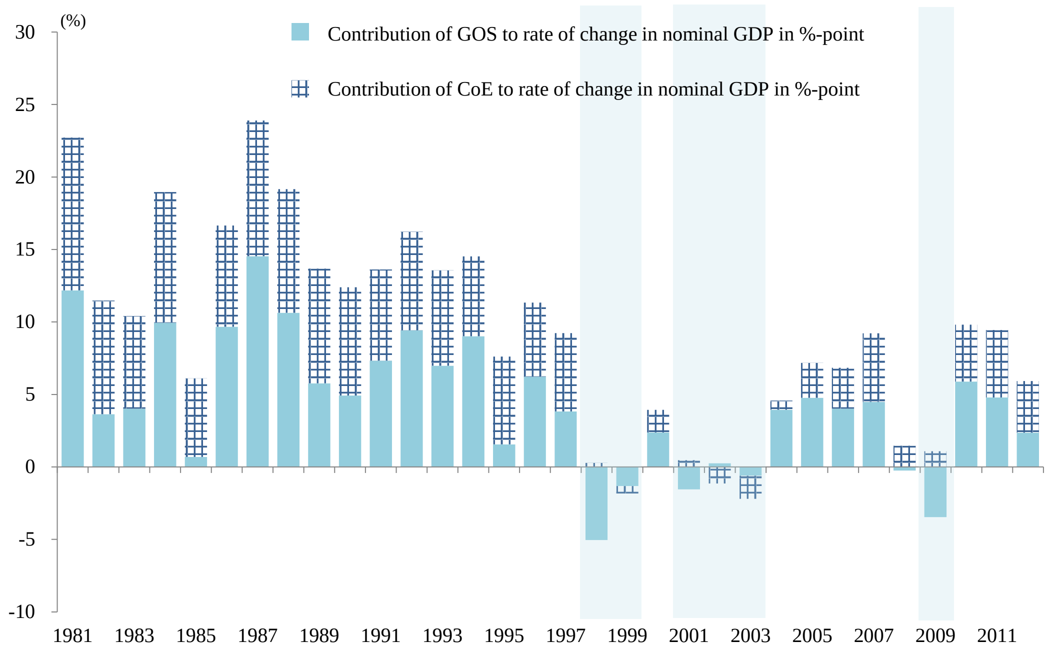
(2) CoE refers to total wages and salaries, payment in kind and employer's social security expenditure. GOS measures the return to capital and entrepreneurship as a result of engaging in production.

(3) According to *OECD Employment Outlook 2012*, the median labour's share of national income in OECD countries, for instance, went down from 66.1% to 61.7% between the early 1990s and the late 2000s.

Box 6.1 (Cont'd)

As depicted in ***Chart 1***, labour's share of national income in Hong Kong tended to increase during economic downswings and vice versa. This phenomenon can be largely explained by the higher sensitivity of capital income, as captured by GOS, to changes in economic situation. For instance, GOS often plunged immediately in response to slowdown in economic activities and weakening demand, though likewise tended to bounce back swiftly along with recovery. In contrast, movements in CoE were much less volatile and somewhat lagging throughout business cycles along with other labour market indicators. Indeed, most of the past incidences of shrinking nominal GDP were associated with a noticeable dip in GOS, except 2002 and 2003 when the unemployment rate hit successive record highs ***(Chart 2)***.

Chart 2 : CoE was less sensitive to economic swings as compared to GOS



Notes : Years with negative nominal GDP growth are highlighted in shades for reference.
Figures for 2012 are subject to revision later on when more data are available.

Source : National income statistics, Census and Statistics Department.

Determinants of labour's share of national income

Some frequently discussed determinants of labour's share in literature include globalisation which is often measured by trade openness of an economy, the relative size of the financial sector which reflects the importance of the industry in overall economic activity, technological progress, size of public sector, and labour market institutions such as the presence of a minimum wage.

With reference to the above factors, a simple time-series econometric model is constructed to test the significance of these determinants in explaining the movement in labour's share of national income in Hong Kong from 1980 to 2012[4]. Year-on-year growth in real GDP is also included as an explanatory variable to account for the changes in economic situation. Among the potential determinants discussed above, the relative size of the financial sector was not found to bear a statistically significant relationship with labour's share of national income in Hong Kong from this regression analysis. The impact of other explanatory variables is summarised below in ***Table 1.***

(4) Labour's share of the national income is adopted as dependent variable. Explanatory variables include trade openness (sum of imports and exports as a share of GDP), relative size of the financial sector (total value added of financing and insurance sector as a share of GDP), technological progress (as proxied by the annual rate of change in total factor productivity), size of public sector (government consumption expenditure as a share of GDP) and the presence of Statutory Minimum Wage (dummy variable). All of the above statistics are sourced from Census and Statistics Department, except total factor productivity which is extracted from internal staff estimates.

Box 6.1 (Cont'd)

Table 1: Determinants of labour's share of national income in Hong Kong

Explanatory variable	**Coefficient *(t-statistics)***
Trade openness	-0.01** *(-3.4)*
Size of public sector	1.10** *(6.4)*
Statutory Minimum Wage	2.12** *(2.5)*
Year-on-year growth in real GDP	-0.14** *(-2.9)*
Technological progress	0.39** *(3.4)*
Diagnostics	
Number of observations	33 (1980 – 2012)
Adjusted R-square	0.71

Notes : (**) Indicates significance at 5% level.
Coefficient represents the impact of 1 percentage point change in the explanatory variable (except dummy variable) on labour's share of national income which is also presented in percentage point. The coefficient for dummy variable indicates the change in labour's share of national income in the presence of the variable.

The above results broadly conform to the findings of other researches done across economies. In brief, trade openness was negatively correlated to labour's share of national income, possibly because globalisation facilitated relocation of production to places where cheaper land and labour are available, which had in turn added to the competition faced by local labour from their overseas counterparts. On the other hand, the size of public sector and the presence of Statutory Minimum Wage had positive impacts on the ratio of CoE to GDP. Conceivably, increase in government spending for the provision of non-profit-making services such as public healthcare and education would generate mainly labour income instead of capital income, thus boding well for labour's share of national income. Likewise, the presence of Statutory Minimum Wage, when appropriately set without unduly jeopardising competitiveness or causing significant negative impact on employment, also tended to boost the total earnings of the employees by protecting the lesser-skilled segment from excessively low wages.

Interestingly, unlike other developed economies, the above regression analysis indicated a positive relationship between technological progress and labour's share of national income in Hong Kong. Literature generally shows that technological progress enables machines to replace human in routine tasks, thus depressing the income share going to lower-skilled workers. In contrast, higher-skilled workers often benefit from improvements in technology, particularly those in the form of innovations in information and communication technologies and production processes, as these workers know how to leverage on new technology for productivity enhancement. In this connection, the markedly increased share of higher-skilled employees in Hong Kong from 20.8% in 1993 to 36.1% in 2012[5] should suffice to speak for the positive correlation between technological progress and the labour's share of national income observed in Hong Kong.

(5) Higher-skilled occupations include managers, administrators, professionals and associate professionals. Before 1993, the breakdown of associate professionals was not available in the occupation classification. That said, jobs upgrading was already apparent in the years prior to 1993, with the share of managers, administrators and professionals in all employees up visibly from 9.1% in 1985 (the earliest figure available) to 17.3% in 1992.

Box 6.1 (Cont'd)

Concluding remarks

Hong Kong's flexible and adaptive workforce has always been the cornerstone and precious resources of our economic development. Labour's share of national income in Hong Kong, albeit lagging behind changes in economic conditions, has stayed relatively stable over time, suggesting a rather balanced income growth among labour and capital in the past few decades. As for the determinants of labour's share, while Hong Kong largely shared a similar set of factors with other developed economies, the growing pool of well-educated local talents underpinned by the Government's huge investment in education over the past decades appeared to have helped mitigate the commonly observed downward pressure inflicted by technological progress on the ratio of CoE to GDP. With an even more fierce competition among different economies under the wave of globalisation, the Hong Kong economy must continue with its restructuring towards a high value-added and knowledge-based economy. In this regard, continuous training and skills upgrading are essential for the local workforce so as to better fit the needs for Hong Kong's future economic development.

Profile of employment in establishments

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

6.12 Total employment in private sector establishments grew solidly further by 1.7% in September 2013 over a year earlier to a new record high of 2 706 500, reflecting vibrant job creation along with the steady economic growth. Backed by the high level of public infrastructure works, employment at construction sites continued to expand appreciably in September (up 6.3% year-on-year), though at a less rapid pace compared to the preceding quarters. Visible job gains were also observed in some domestically-oriented services sectors, such as information and communications (up 5.2%), social and personal services (up 2.9%), financing, insurance, real estate, professional and business services (up 2.6%), and transportation, storage, postal and courier services (up 2.5%). These gains more than offset the secular downtrend in manufacturing employment (down 2.7%) as well as the jobs lost in the import/export trade and wholesale sector (down 0.7%). Analysed by establishment size, employment in large enterprises expanded by 2.5% over a year earlier, contributing almost 80% of the job creation. Meanwhile, employment in small and medium-sized enterprises (SMEs)[(7)] grew by 0.8%. Taking the first nine months of 2013 together, total employment in private sector establishments increased by 1.7% year-on-year. As for the civil service, employment grew steadily by 1.5% in September 2013, and by 1.2% in the first nine months of 2013 over the same period last year.

Vacancies

6.13 Job vacancies continued to increase notably in all major economic sectors in September 2013, reflecting the generally tight manpower situation. The number of private sector vacancies went up by 12.7% over a year earlier to 78 300 in September 2013. For the first nine months of 2013, job vacancies in the private sector rose by 12.4% year-on-year.

Table 6.6 : Employment by major economic sector

	2012					2013		
	Annual average	Mar	Jun	Sep	Dec	Mar	Jun	Sep
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)	554 400 (-0.7)	551 600 (-0.7)
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)	264 800 (2.1)	264 800 (1.9)
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)	276 200 (1.4)	275 900 (0.8)
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)	169 300 (1.6)	171 000 (2.5)
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)	101 100 (5.4)	102 600 (5.2)
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)	678 300 (2.1)	685 200 (2.6)
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)	461 000 (2.3)	463 800 (2.9)
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)	103 400 (-4.0)	103 900 (-2.7)
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)	82 500 (15.1)	76 800 (6.3)
All establishments surveyed in the private sector[(b)]	*2 656 000* *(1.9)*	*2 639 700* *(2.1)* *<0.4>*	*2 657 700* *(2.3)* *<0.7>*	*2 661 500* *(1.6)* *<0.2>*	*2 665 000* *(1.3)* *<§>*	*2 689 700* *(1.9)* *<0.9>*	*2 701 600* *(1.7)* *<0.5>*	*2 706 500* *(1.7)* *<0.3>*
Civil service[(c)]	*159 300* *(1.1)*	*159 200* *(1.5)*	*159 200* *(1.2)*	*159 100* *(0.9)*	*159 700* *(0.7)*	*160 700* *(0.9)*	*160 900* *(1.1)*	*161 500* *(1.5)*

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.

§ Increase 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.

6.14 Analysed by economic sector, substantial vacancy gains were observed in construction sites (up 73.2% year-on-year), information and communications (up 40.2%), and import/export trade and wholesale (up 23.1%) in September 2013. In terms of occupational category, additional job openings were concentrated in the lower-skilled segment (up 19.4%), particularly among craft and related workers (up 44.4%), and service and sales workers (up 28.2%). In contrast, higher-skilled vacancies fell by 1.9% year-on-year in September, as the increase in job openings for associate professionals (up 9.5%) was more than offset by the decreases in professionals (down 34.5%), and managers and administrators (down 13.9%). Taking the first nine months of 2013 as a whole, lower-skilled vacancies surged by 18.8%, while high-skilled vacancies went down marginally by 0.4%. Analysed by the size of establishments, both large enterprises and SMEs posted double-digit vacancy growth, at 14.0% and 11.3% respectively in September 2013 over a year earlier. As regards the civil service, the number of job openings went up by 1.1% year-on-year to 6 670 in September 2013.

6.15 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 58 in September 2013, down marginally from 59 in June 2013 but still above the 53 recorded a year earlier. In terms of skill segment, the ratios for both higher-skilled and lower-skilled jobs in September 2013, at 84 and 68 respectively, were higher than their year-ago levels, signifying a general tightening of the manpower situation. Yet the increase in vacancy-to-unemployed ratio was more apparent among lower-skilled jobs, in particular for service and sales workers, and craft and related workers. Analysed by economic sector, visible manpower shortages were observed in human health services, and residential care and social work services, with the corresponding ratios far exceeding 100. When expressed as a percentage of job vacancies to total employment opportunities, the vacancy rate for private sector establishments in September 2013, at 2.8%, was 0.3 percentage point higher than a year earlier. More distinct increases in vacancy rate were seen in residential care and social work services, financing and insurance, information and communications, construction sites, and accommodation and food services over the period.

Table 6.7 : Vacancies by major economic sector

Economic sector	Number of vacancies 2012 Annual average	 2012 Mar	 2012 Jun	 2012 Sep	 2012 Dec	 2013 Mar	 2013 Jun	 2013 Sep	Vacancy rate in Sep 2013 (%)
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)	10 120 (10.7)	10 140 (23.1)	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)	8 120 (17.8)	9 190 (2.6)	3.4
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)	12 970 (5.7)	14 360 (11.0)	4.9
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)	4 100 (20.3)	3 640 (2.8)	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)	3 050 (28.3)	3 020 (40.2)	2.9
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)	17 950 (8.1)	18 450 (16.6)	2.6
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)	17 690 (7.3)	15 620 (5.4)	3.3
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)	2 680 (-9.8)	2 700 (14.1)	2.5
Construction sites (manual workers only)	640 (95.1)	670 (347.0)	590 (94.7)	510 (-4.3)	800 (142.7)	930 (39.6)	1 030 (74.3)	890 (73.2)	1.1
All establishments surveyed in the private sector[(b)]	*68 840* *(21.5)*	*69 970* *(22.3)* *<8.7>*	*70 840* *(25.1)* *<5.5>*	*69 460* *(20.4)* *<-2.1>*	*65 100* *(18.0)* *<4.9>*	*80 170* *(14.6)* *<5.6>*	*77 860* *(9.9)* *<1.2>*	*78 300* *(12.7)* *<1.1>*	*2.8*
Civil service[(c)]	*6 340* *(0.9)*	*5 880* *(-2.5)*	*6 350* *(1.8)*	*6 600* *(-0.5)*	*6 550* *(5.0)*	*6 220* *(5.8)*	*6 980* *(10.0)*	*6 670* *(1.1)*	*4.0*

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.

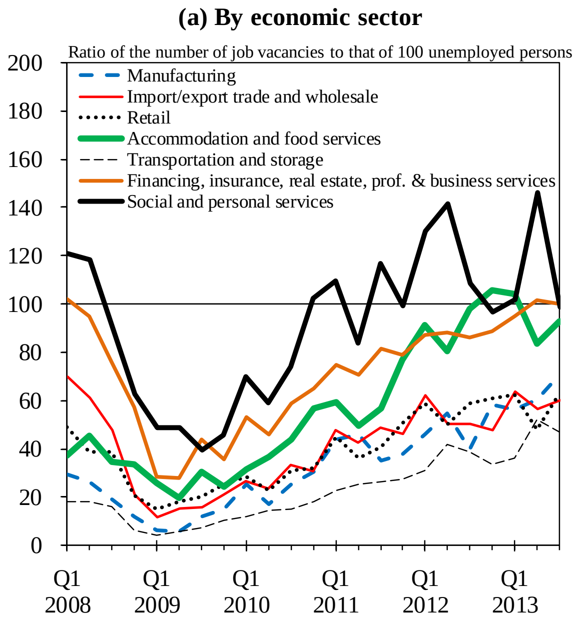
(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

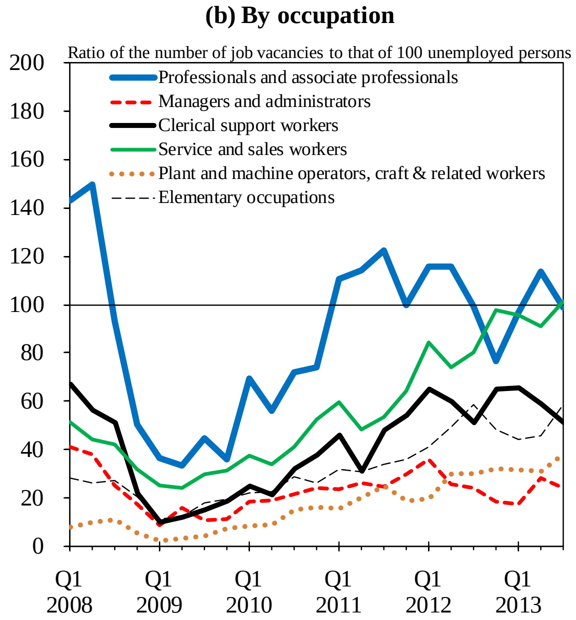
( ) % change over a year earlier.

< > 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 6.5 : Manpower shortage remained apparent in some sectors and occupations





6.16 The vacancy registration figures compiled by the Labour Department (LD), notwithstanding its smaller sample size, may provide some hints on the latest developments in the labour market. In the fourth quarter of 2013, the average number of private sector job vacancies posted by LD was around 102 400 per month, up notably by 11.3% from a year earlier. For 2013 as a whole, the monthly average number of private sector vacancies rose by 6.3% over 2012, reaching an all-time high of 101 400.

Wages and earnings

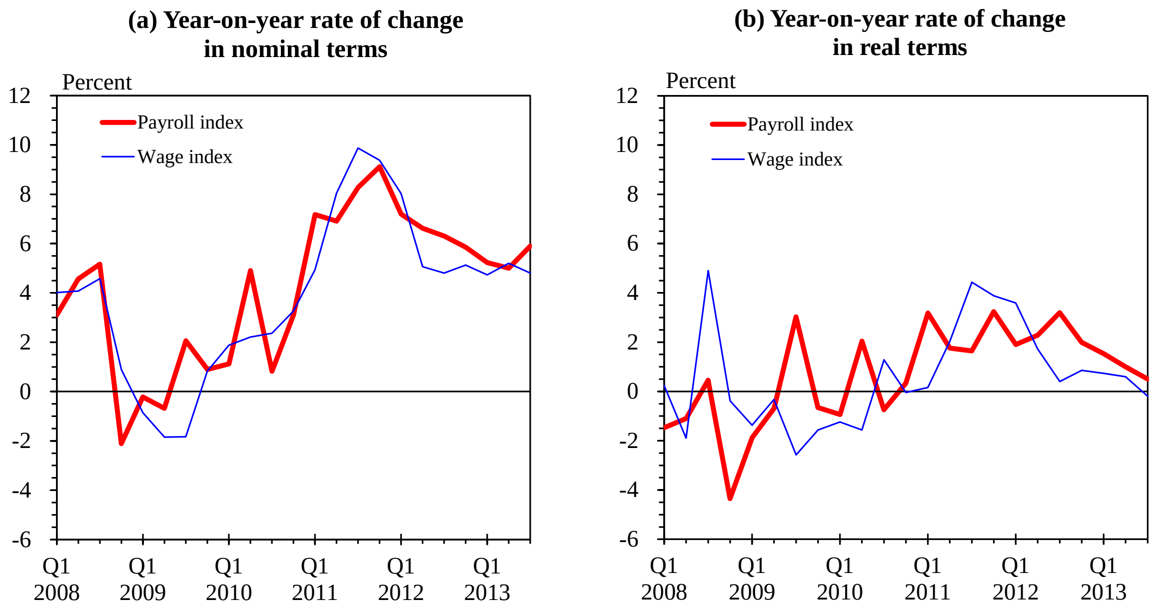
6.17 On the back of favourable labour market conditions, wages and earnings sustained solid growth in 2013. *Wage index*, which covers regular payment to employees at the supervisory level or below, moved up by 4.8% year-on-year in nominal terms in September. Taking the first nine months of 2013 together, nominal wages improved by 4.9%, translating into a real increase of 0.3% after adjusting for inflation[(8)]. These compared with the corresponding rises of 5.7% and 1.6% for 2012 as a whole.

6.18 In September 2013, nominal wage index increased across all economic sectors and occupations. More notable year-on-year improvements were observed in real estate leasing and maintenance management (up 9.4%), and professional and business services (up 6.1%). Meanwhile, miscellaneous non-production workers (up 6.8%) and service workers (up 6.4%) recorded more visible rises over the same period, reflecting the particularly tight manpower demand-supply balance in the lower-paid segment.

6.19 *Labour earnings*[(9)], as measured by the index of payroll per person engaged in the private sector, posted an appreciable growth of 5.9% year-on-year in the third quarter of 2013. After discounting inflation, there was a real growth of 0.5%. Taking the first nine months of 2013 together, labour earnings grew by 5.4% in nominal terms and 1.0% in real terms, as against 6.5% and 2.3% respectively for 2012 as a whole.

6.20 Nominal payroll rose in all major sectors in the third quarter of 2013. In particular, earnings for workers in professional and business services (up 8.0%), accommodation and food service activities (up 7.7%), and real estate activities (up 7.5%) registered more notable increases.

Diagram 6.6 : Labour earnings and wages sustained solid increases



6.21 More recent statistics compiled from the General Household Survey, though not strictly comparable to those from the business establishment surveys, showed that in the fourth quarter of 2013, the average monthly employment earnings[(10)] of full-time employees (excluding foreign domestic helpers) in the lowest decile group continued to enjoy above-average income gain at 4.4% year-on-year in nominal terms, backed by the sturdy labour demand in the lower-skilled segment. For 2013 as a whole, preliminary estimates suggested that their average employment earnings rose appreciably further by around 6% in nominal terms and 1% in real terms after discounting inflation, thanks in part to the upward adjustment of the SMW rate in May 2013. The vibrant and widespread job creation also supported further improvement in the overall income situation. The median monthly household income (excluding foreign domestic helpers) sustained notable growth in all quarters in 2013, and rose by 5.7% year-on-year in the fourth quarter, translating into a real increase of 1.4% after discounting inflation.

Highlights of recent labour-related measures and policy developments

6.22 In 2013, LD organised 14 large-scale job fairs. A total of 392 organisations conducted on the spot recruitment in the job fairs, offering over 29 500 vacancies. 15 training bodies also took part in these job fairs to introduce job-training programmes and receive applications. LD will continue to organise large-scale job fairs in different districts, canvassing vacancies from various industries for application by job-seekers on the spot. Apart from large-scale job fairs, district-based job fairs are organised at LD's Job Centres from time to time to assist job-seekers in seeking employment. Recruitment activities are also staged by catering and retail employers at the two industry-based recruitment centres regularly for interviewing job-seekers on the spot.

6.23 To enhance the employability and employment opportunities of young people, middle-aged persons and persons with disabilities, LD increased the allowance payable to employers under the Youth Employment and Training Programme (YETP), the Employment Programme for the Middle-aged, and the Work Orientation and Placement Scheme in 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 and pre-employment training under YETP, LD increased the attachment allowance and training allowance payable to trainees in June and September 2013 respectively. Moreover, to strengthen employment services to residents living in remote areas, LD will set up a job centre in Tung Chung in 2014 to facilitate job-seekers in the region in obtaining employment services and save their travelling expenses.

6.24 The Work Incentive Transport Subsidy Scheme seeks to help relieve the burden of work-related travelling expenses on low-income earners so as to promote sustained employment. The Scheme has since 2013 provided the option of individual-based applications in addition to household-based applications. Individual-based applicants can apply from July 2013 onwards. As at end-2013, LD received 23 436 individual-based applications. This accounted for 56% of the total 42 016 applications received from July to December 2013.

6.25 The Standard Working Hours Committee (SWHC) was appointed in April 2013 for a term of three years to foster an informed and in-depth discussion in the community with a view to building consensus and identifying the way forward for a working hours policy. Up to end-January 2014, the SWHC has held five meetings. Two working groups (WGs) on "Working Hours Consultation" and "Working Hours Study" have also been formed to specifically take charge of wide public consultation and comprehensive working hours surveys. The two WGs strive to submit WG reports to the SWHC by end-2014 for deliberation and formulation of future work.

6.26 With the revised SMW rate of $30 per hour taking effect from 1 May 2013, LD has organised extensive publicity activities and conducted proactive workplace inspections to enforce the statutory requirement. Implementation of the revised SMW rate has generally been smooth, and the state of law compliance has been satisfactory. The overall employment market has remained stable and earnings of low-income employees have continued to improve.

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.