

CHAPTER 6 : THE LABOUR SECTOR

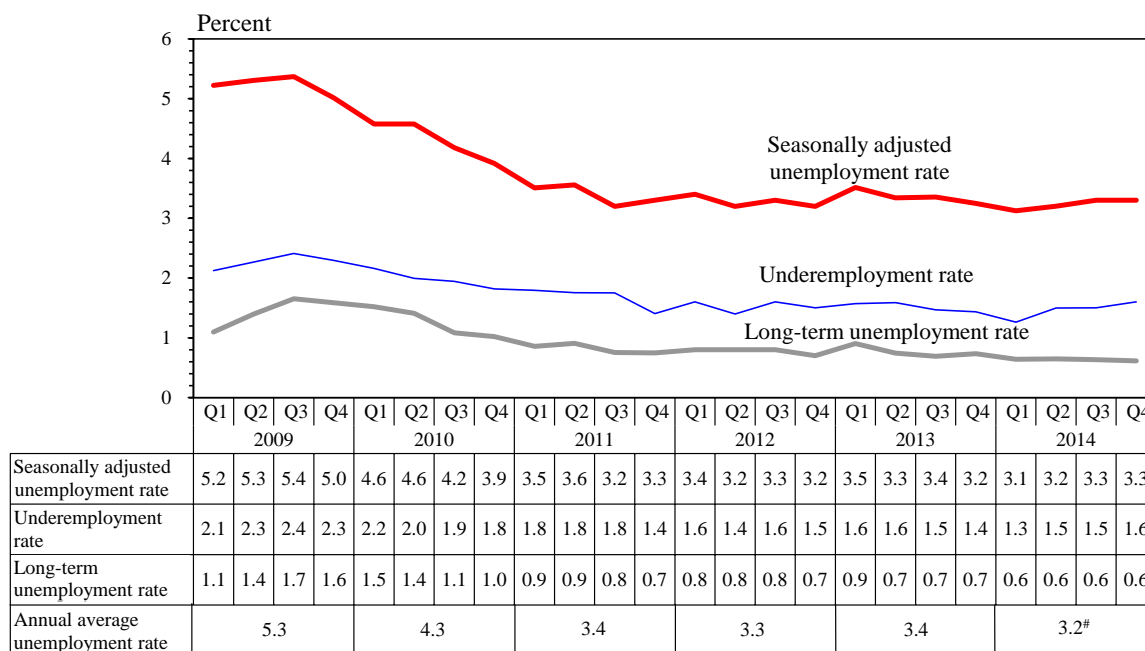
Summary

- *The labour market remained generally tight in 2014, with the unemployment rate hovering at a relatively low level throughout the year. Although job vacancies fell back somewhat after several years of strong growth, overall labour demand held resilient throughout the year. With the labour market essentially in full employment, wages and earnings sustained further improvements.*
- *The labour force expanded modestly further by 0.7% in 2014, following the notable growth in the past few years. Though constrained by labour supply, total employment grew at a slightly faster pace of 0.9% to reach a new annual high of 3 760 600.*
- *The seasonally adjusted unemployment rate hit a 16-year low of 3.1% in early 2014, before rising back slightly to 3.3% in the fourth quarter, still a relatively low level and signifying full employment. For 2014 as a whole, the unemployment rate fell to 3.2% from 3.4% in 2013.*
- *Nominal wages and earnings stayed on the rise in 2014 amid the broadly favourable labour market conditions. Thanks to the largely tight manpower resource balance, grassroots workers continued to enjoy visible income growth.*

Overall labour market situation⁽¹⁾

6.1 The labour market stayed generally tight and resilient in 2014. Although job vacancies fell back modestly after surging for several years, both total employment and the labour force attained further growth, with the former still outpacing the latter slightly. The “Occupy Movement” that spanned from late September to mid-December had caused temporary disturbances to certain industries including retail, catering and transportation, resulting in some worsening in underemployment therein. For 2014 as a whole, the *unemployment rate*⁽²⁾ edged down by 0.2 percentage point over 2013 to 3.2%, while the *underemployment rate*⁽³⁾ held steady at 1.5%, signifying another year of full employment. On the back of the tight manpower situation, wages and earnings remained on the rise. In particular, the income situation of grassroots workers remained largely favourable.

Diagram 6.1 : The labour market remained generally tight in 2014



Note: # Provisional figure.

Labour force and total employment

6.2 The *labour force*⁽⁴⁾ expanded modestly by 0.7% in 2014 to 3 886 100, after recording visible growth for three years in a row. Apart from the constraint from a mild growth in the working-age population (i.e. land-based non-institutional population aged 15 and above), the pace of entry into the labour force also slowed, especially so during the first half of the year. For 2014 as a whole, the labour force participation rate fell marginally to 61.1%, after rising successively in the past few years. On the quarterly profile, the labour force was virtually stagnant in the first two quarters of 2014 over a year earlier, before picking up to a moderate growth in the latter half of the year.

6.3 On the demand side, *total employment*⁽⁵⁾ grew further by 0.9% to reach a new annual high of 3 760 600 in 2014. Conceivably, its pace of growth was held back by labour supply, with the quarterly profile exhibiting similar pattern as characterised by meagre growth in the first half of the year and a moderate pick-up in the latter quarters. Worthy to note is that employment growth actually outpaced labour supply growth for most quarters, suggesting tight labour demand-supply balance during most of the year.

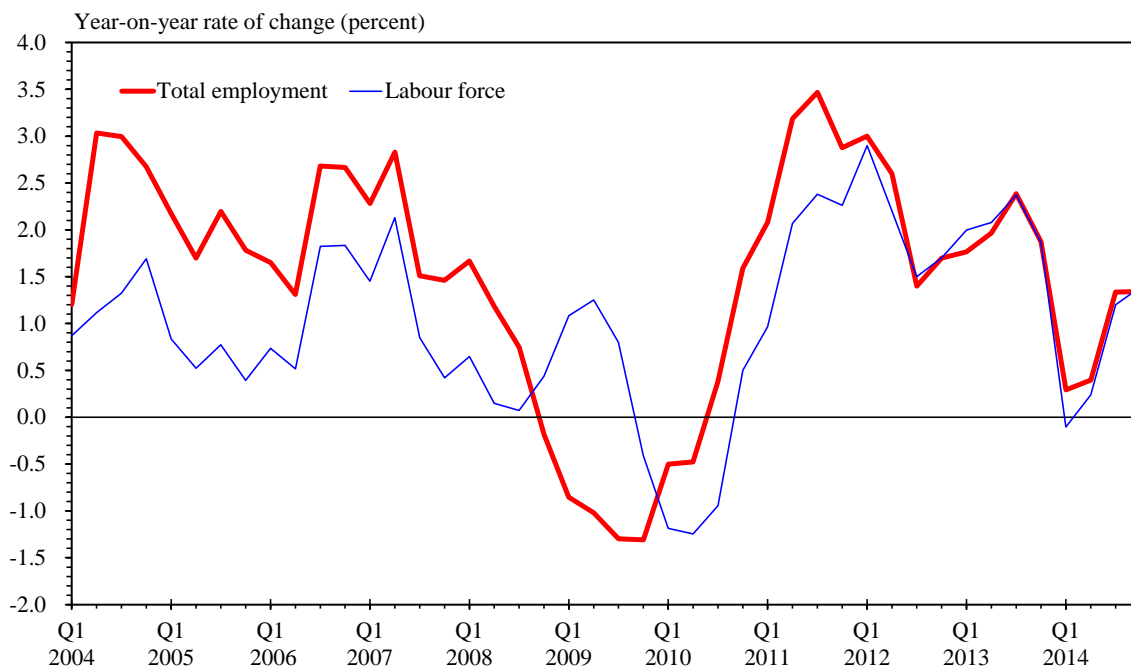
Table 6.1 : The labour force, and persons employed, unemployed and underemployed

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed^(a)</u>	<u>Persons underemployed</u>
2013 Annual	3 858 800 (1.9)	3 728 000 (1.8)	130 800	58 200
Q1	3 838 000 (2.0)	3 704 000 (1.8)	134 000	60 300
Q2	3 863 100 (2.1)	3 729 900 (2.0)	133 300	61 300
Q3	3 871 500 (2.4)	3 737 200 (2.4)	134 300	56 800
Q4	3 865 600 (1.9)	3 747 000 (1.9)	118 700	55 500
2014 Annual [#]	3 886 100 (0.7)	3 760 600 (0.9)	125 400	56 500
Q1	3 833 900 (-0.1)	3 714 800 (0.3)	119 100	48 400
Q2	3 872 300 (0.2)	3 744 700 (0.4)	127 600	58 000
Q3	3 918 600 (1.2)	3 785 700 (1.3)	132 900	57 000
Q4	3 919 400 (1.4)	3 797 200 (1.3)	122 100	62 700
	<0.4>	<0.3>		

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 2014.
 # Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.2 : Total employment and the labour force grew further in 2014, with the former slightly outpacing the latter



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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014[#]</u>
<u>Male</u>						
15-24	38.1	35.4	35.7	36.4	37.8	38.0
<i>of which:</i>						
15-19	12.5	10.2	9.9	10.5	11.0	11.2
20-24	64.1	60.6	61.1	61.1	62.5	62.3
25-29	94.7	94.0	93.9	94.5	93.8	93.1
30-39	96.4	96.5	96.5	96.8	96.9	96.5
40-49	95.1	95.0	95.1	95.3	95.5	94.7
50-59	84.3	84.4	84.9	85.1	86.8	86.7
≥ 60	21.3	22.0	23.4	25.6	26.9	27.6
Overall	69.4	68.5	68.4	68.7	69.1	68.8
<u>Female</u>						
15-24	40.3	36.7	37.0	37.5	40.0	39.5
<i>of which:</i>						
15-19	11.3	9.2	9.1	9.7	11.5	12.6
20-24	66.0	61.4	62.1	62.0	64.2	62.1
25-29	87.0	86.6	87.5	87.2	86.6	86.3
30-39	77.3	75.6	76.8	77.5	78.5	79.5
40-49	68.8	68.2	69.9	70.8	72.8	73.2
50-59	48.9	49.0	51.6	53.8	56.1	56.9
≥ 60	6.6	6.8	8.1	8.8	9.6	10.6
Overall	53.2	51.9	53.0	53.6	54.5	54.7
<u>Both genders combined</u>						
15-24	39.2	36.0	36.4	37.0	38.9	38.7
<i>of which:</i>						
15-19	11.9	9.7	9.5	10.1	11.2	11.9
20-24	65.1	61.0	61.6	61.6	63.4	62.2
25-29	90.3	89.8	90.2	90.3	89.7	89.3
30-39	85.3	84.3	84.9	85.4	85.9	86.3
40-49	80.8	80.2	81.0	81.4	82.5	82.3
50-59	66.5	66.5	68.0	69.2	71.0	71.2
≥ 60	13.7	14.1	15.5	16.9	17.9	18.8
Overall	60.8	59.6	60.1	60.5	61.2	61.1

Note : # Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

6.4 Reflecting a tight manpower balance, the unemployment rate fell to a low level of 3.2% for 2014 as a whole, down by 0.2 percentage point from 3.4% in 2013. The average number of unemployed persons likewise fell by 5 300 over 2013 to 125 400 in 2014. These suggested that the labour market remained in a state of full employment in 2014.

6.5 Comparing 2014 with 2013, the unemployment situation improved across many sectors, with more notable declines in the unemployment rate seen in financing and insurance, and food and beverage service activities (down by 1.0 and 0.6 percentage point respectively). Analysed by skill segment, the unemployment rate for both higher- and lower-skilled workers fell slightly, by 0.2 and 0.1 percentage point respectively to 1.7% and 3.5%. As regards the *low paying sectors*⁽⁶⁾ as a whole, the unemployment rate edged down from 3.1% in 2013 to 3.0% in 2014, signifying a tightening of manpower balance therein. Analysed by age profile, the unemployment rate fell across all age groups, except for those aged 60 and above.

6.6 In terms of the quarterly profile, the seasonally adjusted unemployment rate hit a 16-year low of 3.1% in the first quarter, signifying an extremely tight labour market. It then rose back slightly to 3.3% in the third quarter, and held steady at this low level in the fourth quarter. The unemployment rates of the higher- and lower-skilled segments, though exhibiting different quarterly trends, both stayed at relatively low levels throughout the year. Comparing the fourth quarter of 2014 with a year earlier to net out seasonal influences, more noticeable increases in the unemployment rate were seen in the information and communications, and accommodation services sectors, while more apparent declines were noted in the financing and insurance, and food and beverage service activities sectors. Analysed by occupational category, more discernible increases in the unemployment rate were seen among associate professionals and those engaged in elementary occupations, while more notable decreases were observed among plant and machine operators and assemblers, and managers and administrators. As for other socio-economic attributes, more visible rises in the unemployment rate were observed among persons aged 60 and above, and those with post-secondary education, offsetting the declines seen among workers aged 25-29 and those with secondary education. Yet for the former two groups, their unemployment rates remained at a low level of around 3% in the fourth quarter of 2014 despite the year-on-year increases.

Diagram 6.3 : Unemployment rates in major economic sectors remained at relatively low levels in 2014

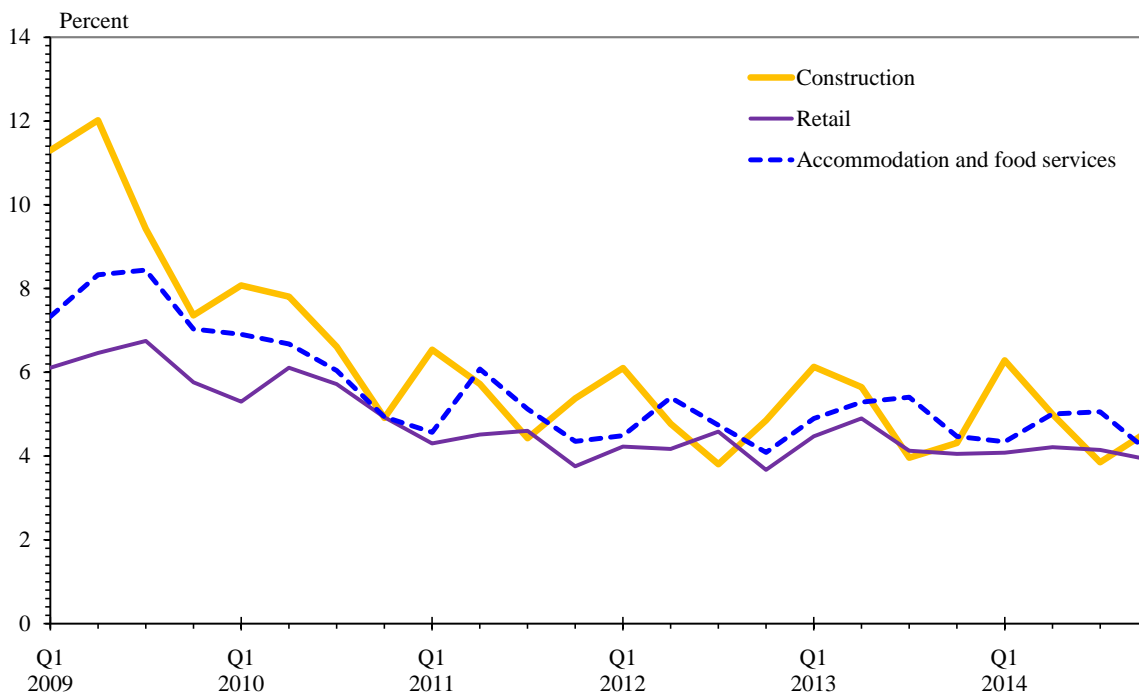
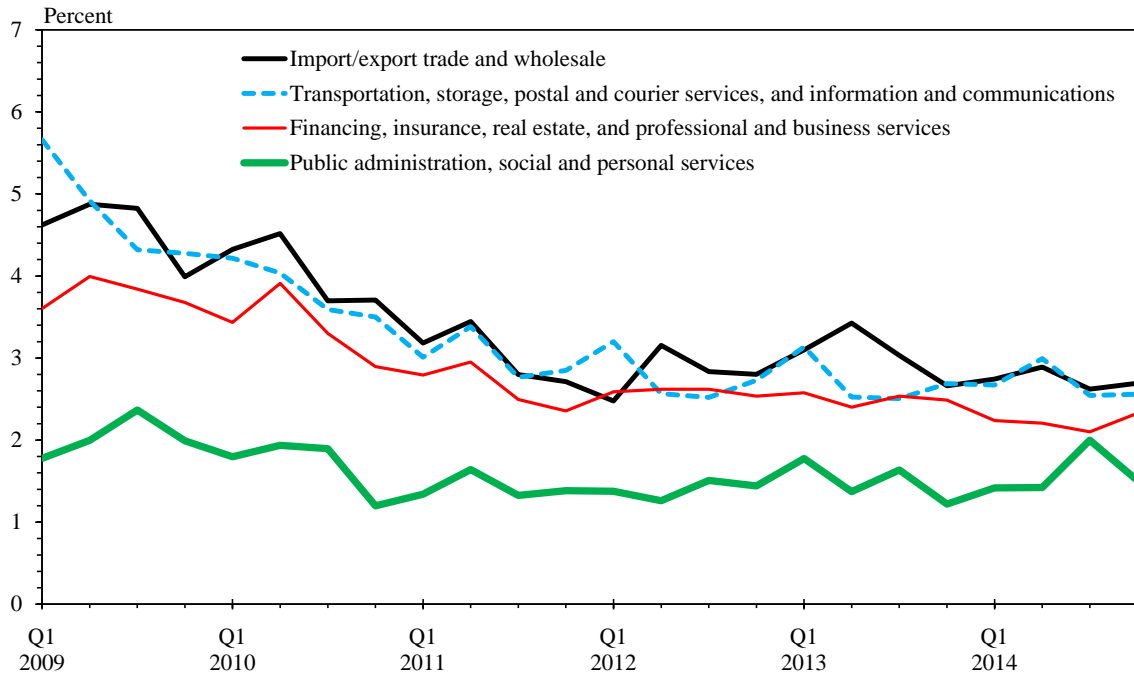


Table 6.3 : Unemployment rate by major economic sector

	<u>2013</u>					<u>2014</u>				
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual[#]</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
Import/export trade and wholesale	3.1	3.1	3.4	3.0	2.7	2.7	2.7	2.9	2.6	2.7
Retail	4.4	4.5	4.9	4.1	4.1	4.1	4.1	4.2	4.1	3.9
Accommodation and food services	5.1	4.9	5.3	5.4	4.5	4.6	4.3	5.0	5.1	4.1
Transportation, storage, postal and courier services	2.6	3.1	2.4	2.2	2.8	2.7	2.9	3.2	2.4	2.1
Information and communications	3.0	3.2	2.9	3.4	2.5	2.7	2.0	2.3	2.9	3.7
Financing and insurance	2.5	2.8	2.4	2.7	2.3	1.5	1.5	1.5	1.8	1.4
Real estate	2.3	2.4	1.8	2.4	2.5	2.6	2.8	3.0	2.0	2.6
Professional and business services	2.5	2.5	2.6	2.4	2.6	2.5	2.5	2.3	2.4	2.8
Public administration, social and personal services	1.5	1.8	1.4	1.6	1.2	1.6	1.4	1.4	2.0	1.5
Manufacturing	3.2	3.7	3.3	2.8	2.4	3.3	3.3	3.7	3.2	3.2
Construction	5.1	6.1	5.6	4.0	4.3	4.9	6.3	5.0	3.9	4.6
Overall	3.4	3.5 (3.5)	3.4 (3.3)	3.5 (3.4)	3.1 (3.2)	3.2	3.1 (3.1)	3.3 (3.2)	3.4 (3.3)	3.1 (3.3)

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 edged down in 2014

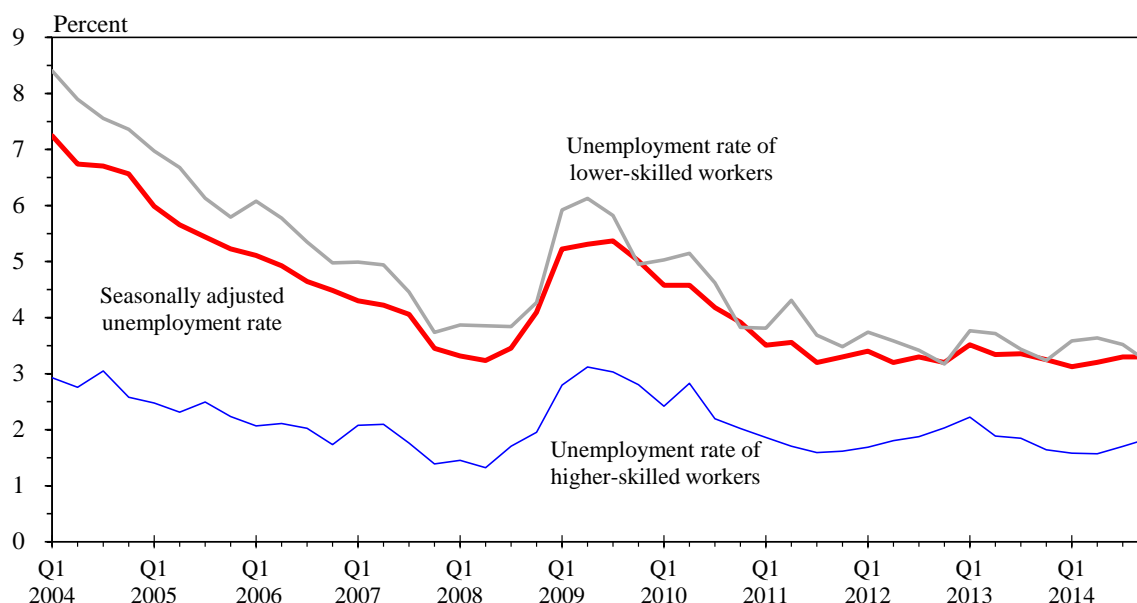


Table 6.4 : Unemployment rate* by skill segment

	<u>2013</u>					<u>2014</u>				
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual[#]</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
<u>Higher-skilled segment</u>	1.9	2.2	1.9	1.8	1.6	1.7	1.6	1.6	1.7	1.8
Managers and administrators	1.6	1.9	1.7	1.3	1.5	1.2	1.5	0.8	1.1	1.3
Professionals	1.5	1.9	1.5	1.4	1.4	1.4	1.1	0.9	1.7	1.7
Associate professionals	2.2	2.5	2.2	2.3	1.8	2.0	1.8	2.2	1.9	2.2
<u>Lower-skilled segment[^]</u>	3.6	3.8	3.7	3.4	3.2	3.5	3.6	3.6	3.5	3.2
Clerical support workers	3.1	3.1	2.9	3.5	2.9	3.0	2.7	3.3	3.2	2.7
Service and sales workers	4.4	4.5	4.5	4.3	4.0	4.2	4.1	4.3	4.7	3.7
Craft and related workers	4.8	5.7	5.4	3.6	4.4	4.6	5.9	4.1	3.8	4.7
Plant and machine operators and assemblers	1.9	1.8	1.8	2.1	2.2	1.8	2.6	1.9	1.4	1.3
Elementary occupations	3.1	3.4	3.4	3.0	2.7	3.2	3.2	3.6	3.0	3.0

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

<u>Age</u>	<u>2013</u>					<u>2014</u>				
	<u>Annual</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Annual[#]</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>
15-24	9.5	8.2	9.8	11.3	8.8	9.2	7.5	9.1	11.3	8.9
<i>of which:</i>										
15-19	14.5	13.5	18.7	15.2	11.6	12.2	10.0	14.6	12.2	12.0
20-24	8.7	7.4	8.4	10.6	8.3	8.7	7.1	8.2	11.1	8.4
25-29	3.6	3.2	3.6	3.9	3.7	3.4	3.1	3.5	3.7	3.4
30-39	2.3	2.4	2.5	2.3	1.8	2.1	2.2	2.1	2.4	1.8
40-49	2.9	3.4	2.7	2.6	2.7	2.7	2.7	2.9	2.5	2.6
50-59	3.1	3.6	3.1	2.8	2.8	2.9	3.1	3.0	2.6	2.9
≥ 60	2.3	2.3	2.5	2.1	1.9	2.8	2.9	2.8	2.6	3.0
<u>Educational attainment</u>										
Primary education and below	3.7	4.2	4.2	3.2	3.3	3.4	3.7	3.6	2.9	3.4
Lower secondary education	4.4	5.2	4.7	3.6	3.9	4.1	4.2	4.8	3.9	3.7
Upper secondary education [^]	3.2	3.2	3.2	3.4	3.1	3.2	3.2	3.2	3.3	3.0
Post-secondary education	3.1	2.9	3.0	3.6	2.7	2.9	2.4	2.7	3.5	2.9

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.

6.7 Other indicators measuring the intensity of unemployment remained generally favourable in 2014. The number of long-term unemployed persons (i.e. unemployed for six months or longer) fell further from 29 900 in 2013 to 24 400 in 2014, and the long-term unemployment rate fell to 0.6%, the lowest since 1997. At the same time, the share of long-term unemployment in total unemployment dropped to a post-1998 low of 19.5%, and the median duration of unemployment also shortened notably further from 71 days in 2013 to 62 days in 2014. As regards the reason of unemployment, the proportion of dismissal or lay-offs among the total number of unemployed persons went down by 1.1 percentage points to 47.4%.

Profile of underemployment

6.8 The underemployment situation held broadly stable for 2014 as a whole. The number of underemployed persons decreased slightly by 1 700 over 2013 to 56 500, while the underemployment rate remained at a low level of 1.5% for the third consecutive year. Similar to unemployment, the underemployment situation improved early in the year, with the underemployment rate hitting a low of 1.3% in the first quarter, and then rose back gradually to 1.6% in the fourth quarter, still a relatively low level. For the latest trend, in the fourth quarter of 2014, apart from the construction sector, those sectors possibly susceptible to the temporary disturbances caused by the “Occupy Movement”, including retail, accommodation and food services, and transportation, witnessed more visible rises in the underemployment rate on both quarter-to-quarter and year-on-year comparisons. Analysed by occupational category, the underemployment rate for both the higher- and lower-skilled segments rose during the fourth quarter, with more noticeable increases seen among craft and related workers and service and sales workers.

Box 6.1

Labour market adjustments under different economic cycles

The demand for labour is a derived demand, in the sense that firms' demand for labour is driven by the demand for their products. When the economy is expanding, the aggregate demand for labour is expected to rise if output growth is faster than the increase in labour productivity. In contrast, during a recession or a slowdown, the aggregate demand for labour will decline as businesses set to scale back their productions. In face of a reduction in the derived labour demand, some firms may choose to lay off or freeze employees' wages to reduce the payroll expenses. However, many employers recognise that lay off may not be the most cost-effective way of adjustment considering the hiring and firing costs thus entailed, especially at times of still uncertain economic outlook. Some employers, therefore, may offer their workers sabbaticals or slash the amount of overtime, i.e. adjust the latter's hours of work. Exactly how firms would adjust their manpower requirements very much depends on factors like their cost structures and the degree of capital-labour substitutability etc at the micro-level. At the macro-level, how responsive employment could adjust hinges on the flexibility of labour market, which is typically shaped by a number of institutional factors in the labour market, including employment protection legislation, taxation, and labour and welfare policies alike.

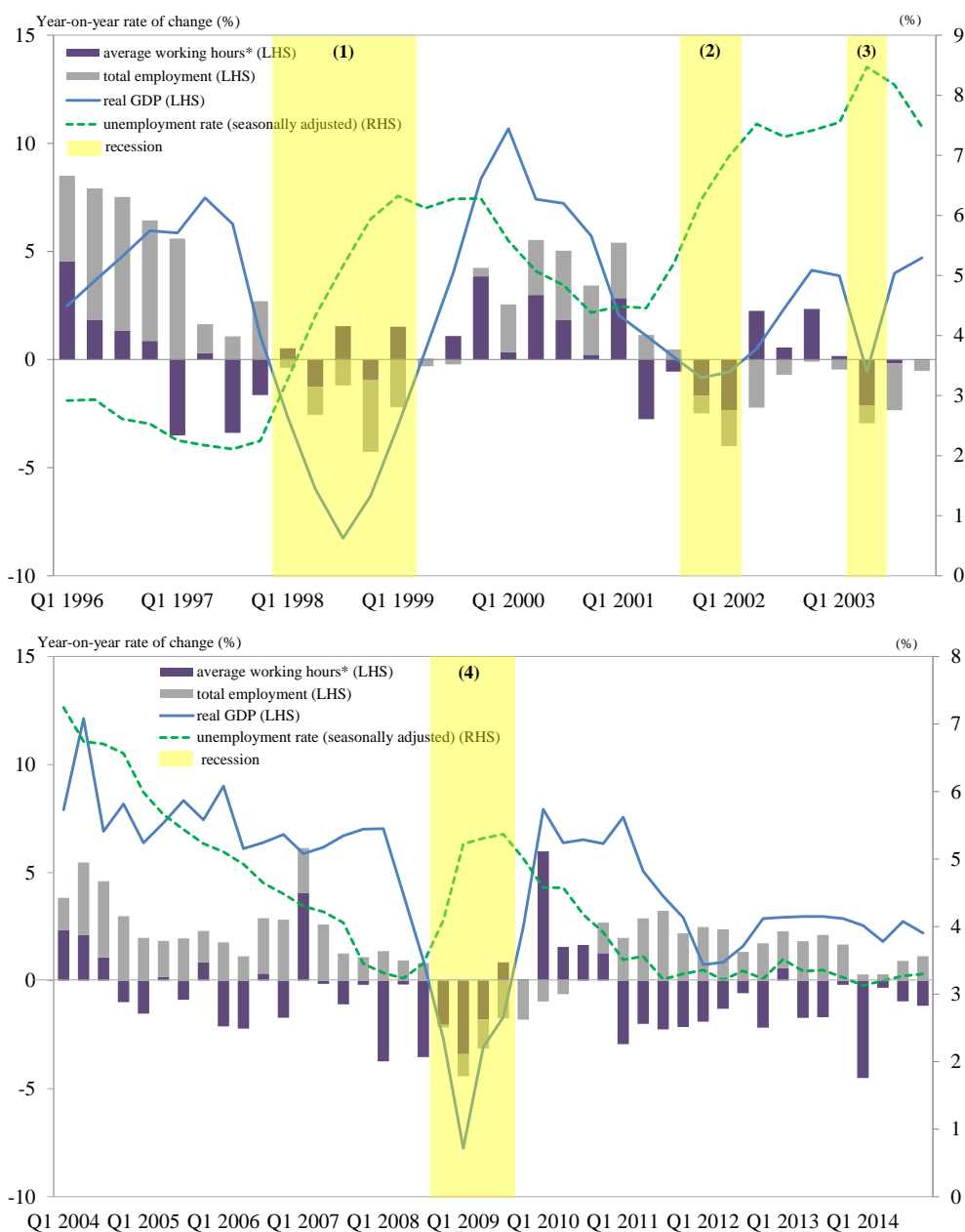
Indeed, the Hong Kong economy went through a few recessions from 1996 to 2014, during which our labour market was inevitably adversely affected. By examining the labour market adjustments under different economic cycles, one can observe how the hours of work interplay with employment in the adjustment process. *Chart 1* shows the year-on-year rates of change in total employment (EMP), average working hours of employed persons (AWH) and real Gross Domestic Product (GDP) during the period. Four recessions are identified, namely, (1) the 1998-1999 recession after the Asian Financial Crisis; (2) the burst of "IT bubbles" in 2001; (3) the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003 and (4) the Global Financial Crisis (GFC) in 2008-2009.

It can be noted that during the periods just before the recessions, AWH shortened in tandem with the slow-down in economic activities. During the recession periods (2), (3) and (4), the loss in labour input was mainly driven by the drop in AWH. In comparison, the magnitude of EMP adjustment was smaller, which in turn helped partly relieve the upward pressure of unemployment rate. This observation suggests that employers appear to be quite reluctant to lay off workers immediately after economic activities slowed, probably partly because downsizing is often more difficult than adjusting the hours of work of existing staff. In general, corporate retrenchments or significant job losses only come into place when the weakness of demand for output protracts.

When the Hong Kong economy began to recover (i.e. periods after recessions), AWH usually adjusted ahead, and to a greater magnitude, than EMP. Conceivably, this reflects employers' still cautious hiring sentiment when the economy just regains some momentum. Instead, they prefer to extend the working hours of existing staff as transitional measures to cope with the revival of business activities. Such arrangement allows firms more flexibility in managing their operating costs while consolidating their business performances during the early phase of economic recovery. Total employment only picks up after economic recovery gains traction, followed by visible declines in average working hours and unemployment rate. From *Chart 1*, it can also be seen that increases in AWH were particularly notable in 2004 and 2010 when the economy rebounded from SARS outbreak and GFC respectively, followed by remarkable employment gains throughout the periods during 2004-2008 and after 2011. With employment growth apace, average working hours dropped in tandem.

Box 6.1 (Cont'd)

Chart 1: Economic performance and labour market adjustments in Hong Kong during 1996 to 2014



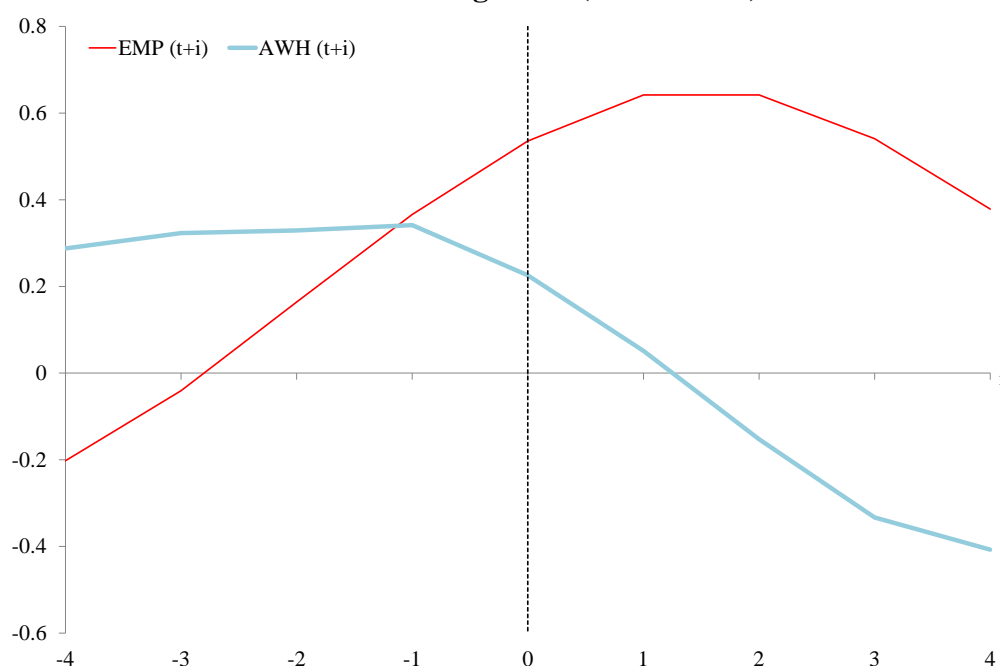
Note: (*) Hours of work in the General Household Survey (GHS) refer to the number of hours which an employed person actually worked in all employment during the 7 days before enumeration. Unless specified otherwise, average working hours in this article refer to the average hours of work per employed person, excluding foreign domestic helpers.

Sources: GHS and National Income Statistics (NIS), Census and Statistics Department (C&SD).

Using the same set of quarterly data, a simple correlogram shows more clearly the lead/lag relationship of the year-on-year rates of change of EMP and AWH with the year-on-year real GDP growth (*Chart 2*). On one hand, AWH in quarters ahead of real GDP has a positive correlation coefficient (of around 0.3), implying that the former variable may provide some leading signals for the latter. On the other hand, the correlation coefficients of real GDP and EMP are also positive, though the impact of real GDP on EMP will take time to filter through. The larger magnitude of correlation coefficient (around 0.6) may suggest that EMP actually bears a closer relationship with real GDP.

Box 6.1 (Cont'd)

Chart 2: Cross-correlogram of the year-on-year rates of change in EMP and AWH with real GDP growth (1996 – 2014)



Source: Author's calculation based on GHS and NIS, C&SD.

Further analysis based on the empirical results of Granger causality test at *Table 1* also shows that the two labour market indicators in question are quite responsive to the change in economic output. Specifically, one lag of AWH is a statistically significant predictor of real GDP, whereas up to four lags of real GDP are useful in predicting the change in EMP. Moreover, as shown in *Chart 1*, average working hours would tend to shorten when the employment keeps growing. Echoing this observation, it is also noted that past values of EMP (up to three lags) are also statistically significant in predicting AWH.

Table 1: Granger Causality Wald Test Results

	AWH Granger causes real GDP chi-square statistics	real GDP Granger causes AWH chi-square statistics
1 lag	6.01 **	1.02
2 lags	2.44	3.74
3 lags	1.42	5.55
4 lags	3.69	5.79
	real GDP Granger causes EMP chi-square statistics	EMP Granger causes real GDP chi-square statistics
1 lag	11.22 **	1.54
2 lags	17.43 **	1.06
3 lags	22.61 **	0.39
4 lags	27.22 **	0.22
	EMP Granger causes AWH chi-square statistics	AWH Granger causes EMP chi-square statistics
1 lag	3.33 *	8.00 **
2 lags	7.66 **	1.90
3 lags	7.22 *	2.11
4 lags	6.18	6.88

Note: ** and * denote statistical significance at 5% and 10% significance levels respectively.

Source: Author's estimates based on GHS and NIS, C&SD.

Box 6.1 (Cont'd)

The above observations suggest that the adjustment to labour demand shocks in Hong Kong encompassed both adjustments to employment and hours of work. Although the local labour market mainly adjusts through changes in employment, the hours of work flexibly going up and down in response to the cyclical conditions also plays a crucial role, i.e. as a lubricant to temporarily cushion the adverse impact of economic shocks on the labour market. It is worth noting that the Hong Kong economy displayed strong resilience in the past decade or so, with swift recovery of output and then job creation. All these no doubt owe much to the flexibility of labour market, it being the cornerstone of our long-term competitiveness as well as our resilience through different economic cycles.

Profile of employment in establishments

6.9 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only up to September 2014, and hence had not fully reflected the potential impacts of the “Occupy Movement”. To bring the analysis more up-to-date, attempts have been made wherever possible by drawing reference to information from supplementary sources.

6.10 Total employment in private sector establishments expanded steadily further by 2.2% over a year earlier, hitting an all-time high of 2 764 700 in September 2014. Except for the secular downtrend in manufacturing employment (down 1.2% year-on-year), employment growth was across the board. More visible job gains were seen in construction sites (covering manual workers only) (up 12.7%) as well as some social and personal services sectors such as art, entertainment, recreation and other services (up 5.4%), education (up 4.4%), and human health services (up 3.7%). Yet with the moderation in domestic demand, employment growth slowed in some sectors in September, including retail, accommodation services, financing and insurance, and professional and business services. Analysed by establishment size, employment in large enterprises and small and medium-sized enterprises (SMEs)⁽⁷⁾ grew by 2.4% and 1.8% year-on-year respectively, with the former contributing about 60% of the total job gain. Taking the first nine months of 2014 together, total employment in private sector establishments increased by 2.0% year-on-year, further to the 1.9% growth for 2013 as a whole. As for the civil service, employment increased by 0.9% in September 2014, and by 1.1% in the first nine months of 2014 over the same period last year.

Vacancies

6.11 Job vacancies however eased back somewhat in September 2014. The number of private sector vacancies went down by 3.8% over a year earlier to 75 360. For the first nine months of 2014, job vacancies in the private sector fell modestly by 1.5% year-on-year, after recording several years of double-digit growth.

Table 6.6 : Employment by major economic sector

	<u>2013</u>					<u>2014</u>		
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>
Import/export trade and wholesale	554 200 (-0.4)	558 000 (0.1)	554 400 (-0.7)	551 600 (-0.7)	552 800 (-0.3)	552 900 (-0.9)	554 100 (-0.1)	554 400 (0.5)
Retail	265 000 (2.3)	262 700 (2.3)	264 800 (2.1)	264 800 (1.9)	267 700 (2.9)	270 000 (2.8)	271 900 (2.7)	269 800 (1.9)
Accommodation ^(a) and food services	276 400 (1.5)	275 600 (2.4)	276 200 (1.4)	275 900 (0.8)	277 800 (1.3)	281 200 (2.0)	283 200 (2.5)	283 000 (2.6)
Transportation, storage, postal and courier services	170 000 (2.0)	168 100 (1.5)	169 300 (1.6)	171 000 (2.5)	171 600 (2.6)	171 700 (2.1)	174 500 (3.1)	175 400 (2.6)
Information and communications	101 300 (5.1)	98 400 (3.3)	101 100 (5.4)	102 600 (5.2)	103 200 (6.2)	102 900 (4.6)	103 500 (2.4)	104 800 (2.2)
Financing, insurance, real estate, professional and business services	683 400 (2.5)	676 100 (2.1)	678 300 (2.1)	685 200 (2.6)	693 800 (3.4)	693 300 (2.5)	694 000 (2.3)	694 600 (1.4)
Social and personal services	462 400 (2.7)	458 600 (3.2)	461 000 (2.3)	463 800 (2.9)	466 100 (2.6)	475 600 (3.7)	480 000 (4.1)	482 500 (4.0)
Manufacturing	103 700 (-3.0)	104 000 (-3.7)	103 400 (-4.0)	103 900 (-2.7)	103 700 (-1.5)	103 500 (-0.5)	102 200 (-1.1)	102 600 (-1.2)
Construction sites (manual workers only)	79 300 (11.2)	77 800 (10.1)	82 500 (15.1)	76 800 (6.3)	80 100 (13.4)	78 600 (1.0)	79 700 (-3.4)	86 500 (12.7)
<i>All establishments surveyed in the private sector^(b)</i>	<i>2 706 400 (1.9)</i>	<i>2 689 700 (1.9)</i>	<i>2 701 600 (1.7)</i>	<i>2 706 500 (1.7)</i>	<i>2 727 900 (2.4)</i>	<i>2 740 700 (1.9)</i>	<i>2 754 200 (1.9)</i>	<i>2 764 700 (2.2)</i>
		<i><0.9></i>	<i><0.4></i>	<i><0.3></i>	<i><0.7></i>	<i><0.5></i>	<i><0.5></i>	<i><0.5></i>
<i>Civil service^(c)</i>	<i>161 400 (1.3)</i>	<i>160 700 (0.9)</i>	<i>160 900 (1.1)</i>	<i>161 500 (1.5)</i>	<i>162 400 (1.7)</i>	<i>162 800 (1.4)</i>	<i>162 800 (1.2)</i>	<i>163 000 (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.

6.12 Analysed by economic sector, except for a further sizable gain in construction sites (covering manual workers only) (up 73.1% year-on-year), vacancies saw broad-based easing in September 2014. More noticeable declines in vacancies were observed in information and communications (down 21.8%), import/export trade and wholesale (down 16.7%), and financing and insurance (down 16.5%). Indeed, vacancy growth in some domestic-oriented sectors, notably retail (up 0.6%) and accommodation services (up 0.1%), also decelerated upon the weaker consumption market during the year. Meanwhile, vacancies in both higher- and lower-skilled segments decreased, by 2.5% and 4.2% year-on-year respectively. The former was solely dragged by an 8.1% decline in job openings for associate professionals, while the latter was mainly attributed to clerical support workers (down 16.3%) and service and sales workers (down 7.9%). Taking the first nine months of 2014 together, higher-skilled vacancies dropped by 13.7% over a year earlier, while lower-skilled ones grew modestly by 3.7%. Analysed by the size of establishments, vacancies in SMEs fell by 14.0% year-on-year in September 2014, while that in large enterprises increased by 5.2%. As regards the civil service, the number of job openings went up by 11.4% year-on-year to 7 430.

6.13 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 57 in September 2014, down slightly from 62 in June 2014 and 58 recorded a year earlier. In terms of skill segment, the ratio for higher-skilled jobs rose from the year-ago level of 82 to 86, while that for lower-skilled jobs fell from 68 to 64 over the same period. The latter decline was mainly attributable to service and sales workers and clerical support workers. Analysed by economic sector, manpower shortages remained apparent in human health services, accommodation services, and financing and insurance, for which the corresponding ratios exceeded 100. The vacancy rate, measured in terms of the percentage of job vacancies to total employment opportunities, stood at 2.7% for private sector establishments in September 2014, 0.1 percentage point lower than a year earlier. More visible decreases were seen in information and communication, financing and insurance, and social and personal services over the period.

Table 6.7 : Vacancies by major economic sector

<u>Economic sector</u>	<u>Annual average</u>	<u>Number of vacancies</u>							<u>Vacancy rate in Sep 2014 (%)</u>
		<u>2013</u>	<u>2014</u>						
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	
Import/export trade and wholesale	9 810 (15.3)	10 440 (16.7)	10 120 (10.7)	10 140 (23.1)	8 540 (10.9)	9 210 (-11.8)	8 150 (-19.4)	8 450 (-16.7)	1.5
Retail	8 760 (10.9)	9 400 (15.0)	8 120 (17.8)	9 190 (2.6)	8 310 (9.9)	9 680 (2.9)	8 810 (8.4)	9 240 (0.6)	3.3
Accommodation ^(a) and food services	14 460 (20.2)	15 550 (40.9)	12 970 (5.7)	14 360 (11.0)	14 960 (26.1)	17 600 (13.2)	15 800 (21.8)	15 550 (8.2)	5.2
Transportation, storage, postal and courier services	3 750 (13.9)	3 620 (13.1)	4 100 (20.3)	3 640 (2.8)	3 630 (20.4)	4 180 (15.7)	4 040 (-1.6)	3 380 (-7.1)	1.9
Information and communications	2 690 (13.3)	2 680 (8.2)	3 050 (28.3)	3 020 (40.2)	2 000 (-19.6)	2 570 (-4.2)	2 650 (-13.1)	2 360 (-21.8)	2.2
Financing, insurance, real estate, professional and business services	17 710 (10.0)	17 510 (8.2)	17 950 (8.1)	18 450 (16.6)	16 910 (7.3)	17 820 (1.8)	18 210 (1.4)	17 810 (-3.5)	2.5
Social and personal services	16 190 (6.7)	17 330 (6.2)	17 690 (7.3)	15 620 (5.4)	14 130 (8.2)	11 620 (-32.9)	16 600 (-6.1)	13 930 (-10.8)	2.8
Manufacturing	2 590 (-5.5)	2 600 (-9.1)	2 680 (-9.8)	2 700 (14.1)	2 390 (-13.9)	3 200 (23.2)	3 580 (33.7)	2 880 (6.6)	2.7
Construction sites (manual workers only)	1 050 (63.1)	930 (39.6)	1 030 (74.3)	890 (73.2)	1 350 (67.9)	1 630 (75.1)	1 540 (49.8)	1 530 (73.1)	1.7
All establishments surveyed in the private sector ^(b)	77 180 (12.1)	80 170 (14.6)	77 860 (9.9)	78 300 (12.7)	72 380 (11.2)	77 790 (-3.0)	79 720 (2.4)	75 360 (-3.8)	2.7
		<6.7>	<-0.3>	<2.8>	<1.4>	<-6.6>	<5.0>	<-2.8>	
Civil service ^(c)	6 520 (2.7)	6 220 (5.8)	6 980 (10.0)	6 670 (1.1)	6 190 (-5.5)	6 350 (2.0)	7 270 (4.2)	7 430 (11.4)	4.4

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.

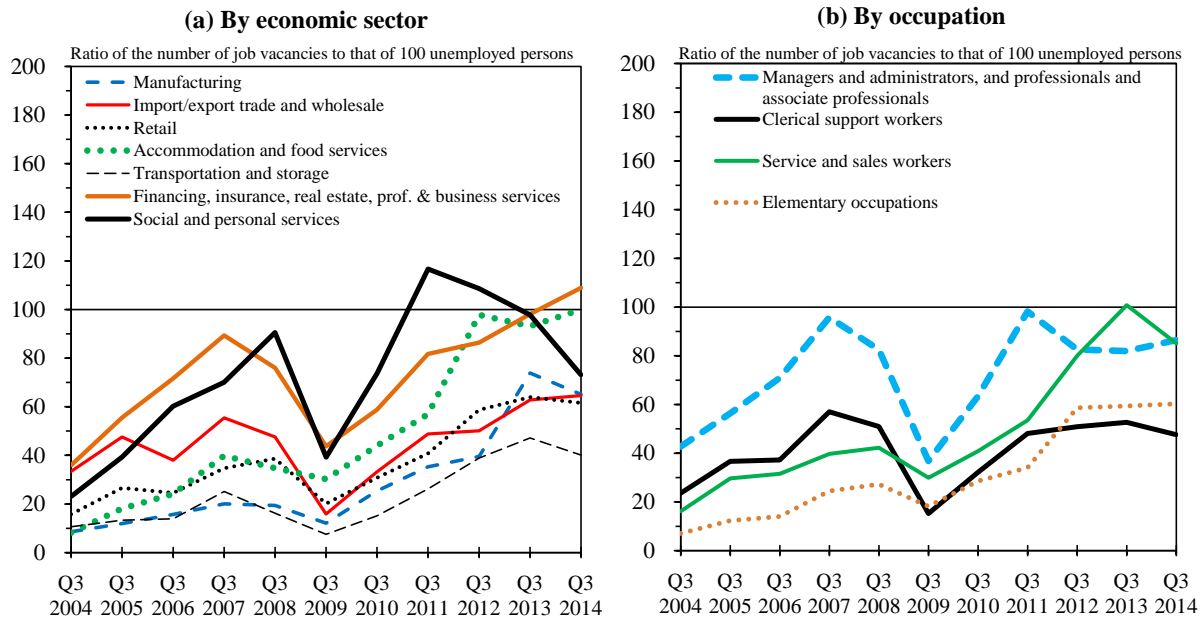
(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

() % 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 shortages remained apparent in certain sectors



6.14 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 2014, the average number of private sector job vacancies posted by LD increased moderately by 2.2% year-on-year to around 104 700 per month. For 2014 as a whole, the monthly average number of private sector vacancies edged up by 0.3% over 2013 to a record high of 101 700.

Wages and earnings

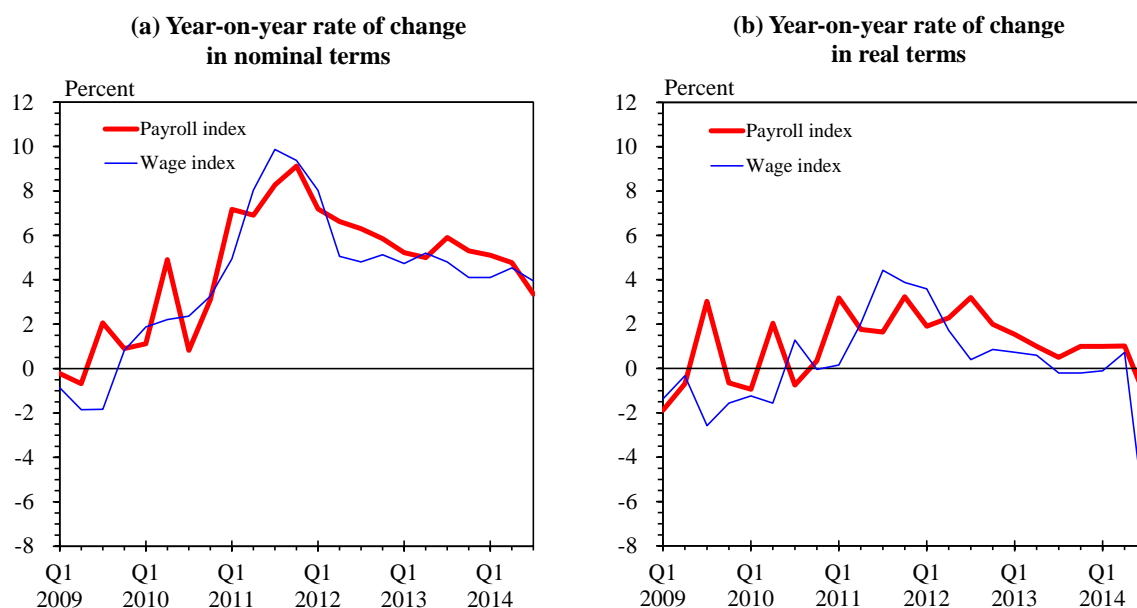
6.15 In tandem with generally tight labour market conditions, wages and earnings growth remained on the rise in 2014. *Wage index*, which covers regular payment to employees at the supervisory level or below, rose by 4.0% year-on-year in September, or 4.2% taking the first nine months of 2014 together. These compared to the rise of 4.7% for 2013 as a whole. After adjusting for inflation⁽⁸⁾, real wages fell by 2.4% in the first nine months of 2014. Yet this was mainly attributable to a spike in headline inflation in September 2014, which in turn reflected the distortion from a lower base of comparison amid the Government's payment of public housing rentals in the same month of 2013.

6.16 Nominal wage index increased across all economic sectors and occupations in September 2014. More notable increases were observed in personal services (up 8.3%) and professional and business services (up 5.9%), as well as among service workers (up 6.2%).

6.17 *Labour earnings*⁽⁹⁾, as measured by the index of payroll per person engaged in the private sector, likewise posted a further year-on-year increase of 3.4% in the third quarter of 2014. Taking the first three quarters of 2014 together, nominal labour earnings rose by 4.4%, compared to 5.4% for 2013 as a whole. After discounting inflation which was subject to similar distortion in the headline inflation rate in September, there was a real growth of 0.2% in the first three quarters of 2014.

6.18 Nominal payroll rose in almost all major sectors in the third quarter of 2014. More notable increases were seen in professional and business services (up 6.1%) and financing and insurances (up 5.7%). However, some moderation in payroll growth was observed in retail (up 2.3%) and real estate (up 3.1%).

Diagram 6.6 : Nominal wages and earnings sustained further growth in 2014



Note: The real declines of wages and earnings in the third quarter of 2014 were mainly attributable to the larger year-on-year increases in the headline Consumer Price Indices, which in turn reflected the distortion arising from the Government's one-off relief measures.

6.19 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 2014, the average monthly employment earnings⁽¹⁰⁾ of full-time employees engaged in elementary occupations (excluding foreign domestic helpers) posted a year-on-year nominal increase of 7.0%. For 2014 as a whole, preliminary estimates suggested that their average employment earnings rose appreciably further by around 7% in nominal terms and 1% in real terms. These suggested that labour market conditions remained largely favourable for grassroots workers. For the overall income situation, the median monthly household income (excluding foreign domestic helpers) sustained further growth in all quarters of 2014, and rose by 6.0% year-on-year in the fourth quarter, translating into a real increase of 0.9% after discounting inflation.

Highlights of recent labour-related measures and policy developments

6.20 LD regularly organises large-scale job fairs in different locations, canvassing vacancies from various industries for application by job-seekers on the spot. In 2014, LD organised 19 large-scale job fairs. 584 participating organisations offered over 48 000 vacancies from the retail, catering, transport and other industries. There were also 14 training bodies joining the job fairs to introduce job training courses and receive applications 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 finding 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. Moreover, to strengthen employment services to residents living in remote areas, LD set up a job centre in Tung Chung in October 2014 to facilitate job-seekers in the region in obtaining employment services and save their travelling expenses.

6.21 LD has enhanced its collaboration with employers and various organisations to launch pilot projects under the Youth Employment and Training Programme to provide young people with appropriate pre-employment training, workplace attachment, on-the-job training and employment support services. Targeted at different groups of young people, six pilot projects have been launched in 2014 making available about 760 training places.

6.22 The Standard Working Hours Committee (SWHC) was appointed in April 2013 for a term of three years. Up to end-December 2014, SWHC has held nine meetings. The two working groups on "Working Hours Consultation" and "Working Hours Study" respectively conducted a large-scale public consultation and a dedicated working hours survey in 2014. With reference to the findings in these two aspects, SWHC will continue to conduct in-depth discussion on directions of working hours policy options, with a view to building consensus and identifying the way forward.

6.23 On completion of a new round of review of the Statutory Minimum Wage (SMW) rate, the Minimum Wage Commission (MWC) submitted its recommendation report on 31 October 2014. The Chief Executive in Council has accepted MWC's recommendation to raise the SMW rate from its prevailing level of \$30 per hour to \$32.5 per hour, up by \$2.5 or 8.3%. Subject to the approval of the Legislative Council, the revised SMW rate will come into force on 1 May 2015.

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. The statistics of the three-month periods of November 2012 – January 2013 to October – December 2013 have been revised to take into account the final end-2013 population estimates and those of November 2013 – January 2014 to April – June 2014 have been revised to incorporate the latest information.

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) The labour force, or the economically active population, is defined to include all persons aged 15 or above who either were engaged in productive work during the reference period (i.e. seven days before enumeration) or would otherwise have been engaged in productive work but were unemployed.

- (5) 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).
- (6) The low paying sectors as identified by the Minimum Wage Commission include:
 - (i) retail (including supermarkets and convenience stores, and other retail stores);
 - (ii) restaurants (including Chinese restaurants, non-Chinese restaurants, fast food cafes, and Hong Kong style tea cafes);
 - (iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
 - (iv) other low paying sectors, including
 - 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.