CHAPTER 6 : THE LABOUR SECTOR

Summary

- *The labour market remained largely stable in overall terms in 2015. Both total employment and the labour force registered moderate growth, while the unemployment rate stayed low throughout the year. Yet labour demand showed some signs of easing, particularly in segments more affected by the sluggish trade performance and the sustained weak trend in inbound tourism.*

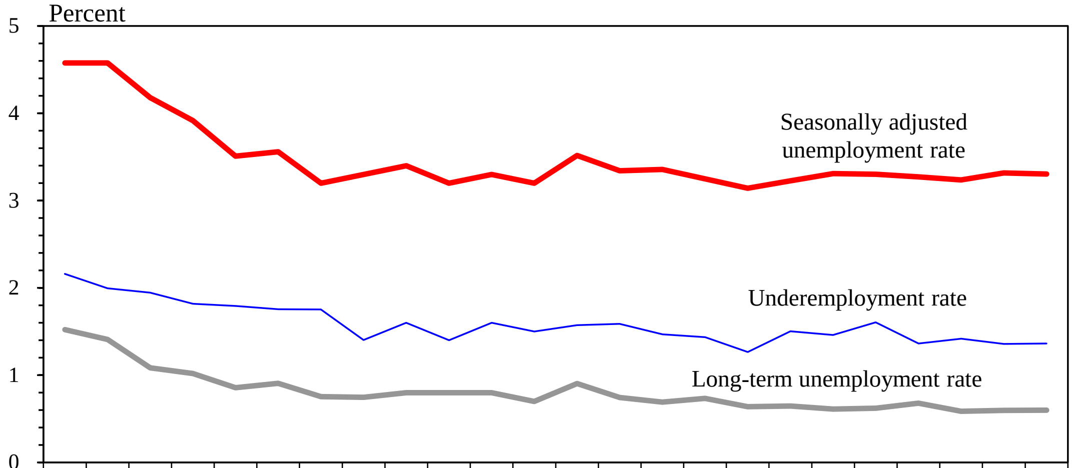
- *Both the labour force and total employment grew moderately further at a broadly similar pace in 2015. As such, the unemployment rate hovered at a low level of 3.2-3.3% during the year, averaging at 3.3% for the year as a whole, signifying another year of full employment situation.*

- *Nominal wages and earnings continued to see broad-based increase in 2015. Grassroots workers enjoyed more visible income growth, thanks to the upward adjustment of the Statutory Minimum Wage (SMW) rate since May 2015.*

Overall labour market situation[(1)]

6.1 The labour market stayed broadly stable in 2015. For 2015 as a whole, the labour force and total employment expanded in sync at a largely similar pace. The *unemployment rate*[(2)] thus held steady at 3.3%, while the *underemployment rate*[(3)] inched down by 0.1 percentage point to 1.4%, the lowest since 1997. Yet data collected from private sector establishments pointed to some easing in labour demand. In the first three quarters of 2015 combined, private sector employment posted slower year-on-year growth, while the number of vacancies declined slightly further, mainly due to the weaker labour demand in the trade- and tourism-related sectors. Nonetheless, overall wages and earnings continued to see across-the-board increases, with low-paid workers enjoying more appreciable income growth alongside the SMW uprating since May 2015.

Diagram 6.1 : The labour market held largely stable in 2015



	2010				2011				2012				2013				2014				2015			
	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	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	3.4	3.2	3.1	3.2	3.3	3.3	3.3	3.2	3.3	3.3
Underemployment rate	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	1.3	1.5	1.5	1.6	1.4	1.4	1.4	1.4
Long-term unemployment rate	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	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6
Annual unemployment rate	4.3				3.4				3.3				3.4				3.3				3.3#			

Note : # Provisional figure.

Labour force and total employment

6.2 The *labour force*[(4)] expanded by 1.3% in 2015 to 3 926 900. While the working-age population (i.e. land-based non-institutional population aged 15 and above) continued to grow at a mild and steady pace of 0.8%, the labour force participation rate rose back to 61.4% in 2015 after a marginal dip in 2014, thereby contributing to the moderate labour force growth.

6.3 On the demand side, *total employment*[(5)] likewise grew by 1.3% to 3 798 200 in 2015. The quarterly pattern largely matched with that of the labour force, with more distinct growth in the first half of the year but slower growth in the second half. With employment growth keeping pace with labour supply growth, the labour market held stable in overall terms throughout the four quarters of 2015.

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

		Labour force		Persons employed		Persons unemployed[(a)]	Persons underemployed
2014	Annual	3 876 400	(0.5)	3 749 200	(0.6)	127 200	56 500
	Q1	3 824 700	(-0.3)	3 705 900	(0.1)	118 800	48 400
	Q2	3 860 400	(-0.1)	3 732 700	(0.1)	127 600	58 000
	Q3	3 903 900	(0.8)	3 769 100	(0.9)	134 800	57 000
	Q4	3 904 400	(1.0)	3 781 800	(0.9)	122 600	62 700
2015	Annual[#]	3 926 900	(1.3)	3 798 200	(1.3)	128 700	54 000
	Q1	3 928 400	(2.7)	3 801 100	(2.6)	127 300	53 500
	Q2	3 921 500	(1.6)	3 791 600	(1.6)	129 900	55 600
	Q3	3 932 100	(0.7)	3 796 200	(0.7)	135 800	53 400
	Q4	3 925 500	(0.5) <0.2>	3 803 900	(0.6) <0.2>	121 600	53 500

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 2015.
Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.2 : Both the labour force and total employment grew moderately further in 2015

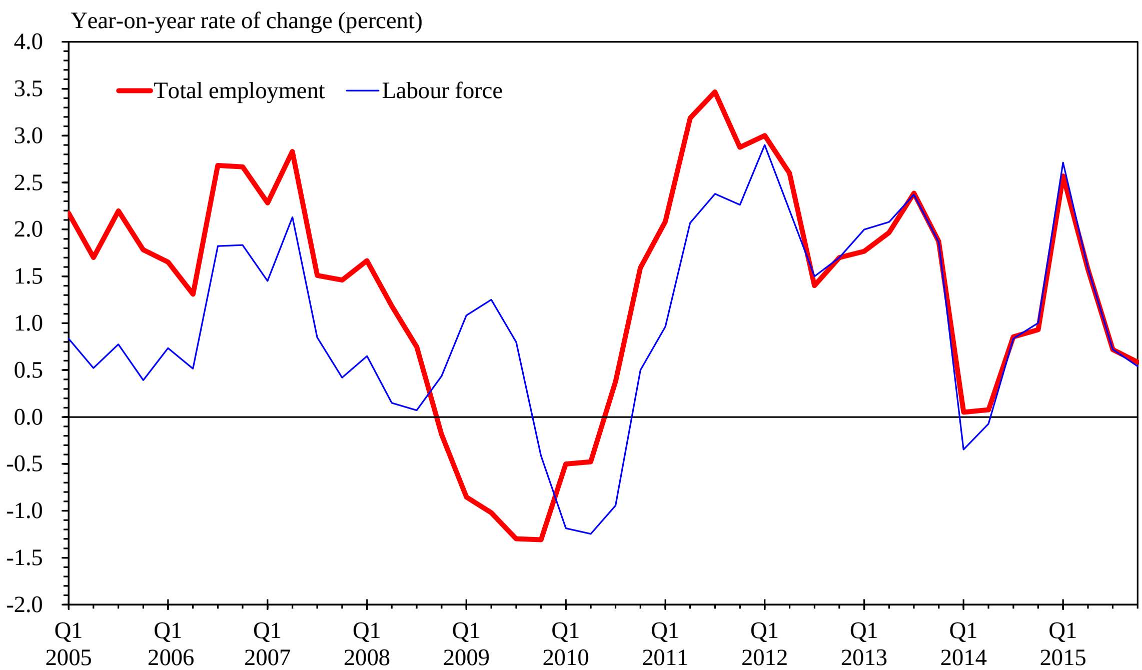


Table 6.2 : Labour force participation rates by gender and by age group (%)

	2010	2011	2012	2013	2014	2015#
Male						
15-24	35.4	35.7	36.4	37.8	37.8	39.7
of which:						
15-19	*10.2*	*9.9*	*10.5*	*11.0*	*11.1*	*12.1*
20-24	*60.6*	*61.1*	*61.1*	*62.5*	*61.5*	*63.2*
25-29	94.0	93.9	94.5	93.8	*93.4*	93.9
30-39	96.5	96.5	96.8	96.9	*96.5*	96.4
40-49	95.0	95.1	95.3	95.5	*94.7*	95.2
50-59	84.4	84.9	85.1	86.8	*86.7*	86.8
≥ 60	22.0	23.4	25.6	26.9	*27.8*	28.3
Overall	68.5	68.4	68.7	69.1	68.8	69.0
Female						
15-24	36.7	37.0	37.5	40.0	39.3	41.1
of which:						
15-19	*9.2*	*9.1*	*9.7*	*11.5*	*12.5*	*12.3*
20-24	*61.4*	*62.1*	*62.0*	*64.2*	*61.4*	*64.6*
25-29	86.6	87.5	87.2	86.6	*86.3*	86.1
30-39	75.6	76.8	77.5	78.5	*79.0*	78.9
40-49	68.2	69.9	70.8	72.8	*73.1*	74.3
50-59	49.0	51.6	53.8	56.1	*57.1*	58.4
≥ 60	6.8	8.1	8.8	9.6	*10.6*	11.3
Overall	51.9	53.0	53.6	54.5	*54.6*	55.0
Both genders combined						
15-24	36.0	36.4	37.0	38.9	38.6	40.4
of which:						
15-19	*9.7*	*9.5*	*10.1*	*11.2*	*11.8*	*12.2*
20-24	*61.0*	*61.6*	*61.6*	*63.4*	*61.4*	*63.9*
25-29	89.8	90.2	90.3	89.7	*89.4*	89.5
30-39	84.3	84.9	85.4	85.9	*86.0*	85.9
40-49	80.2	81.0	81.4	82.5	*82.3*	83.1
50-59	66.5	68.0	69.2	71.0	*71.4*	72.0
≥ 60	14.1	15.5	16.9	17.9	*18.9*	19.5
Overall	59.6	60.1	60.5	61.2	61.1	61.4

Note : # Provisional figures.

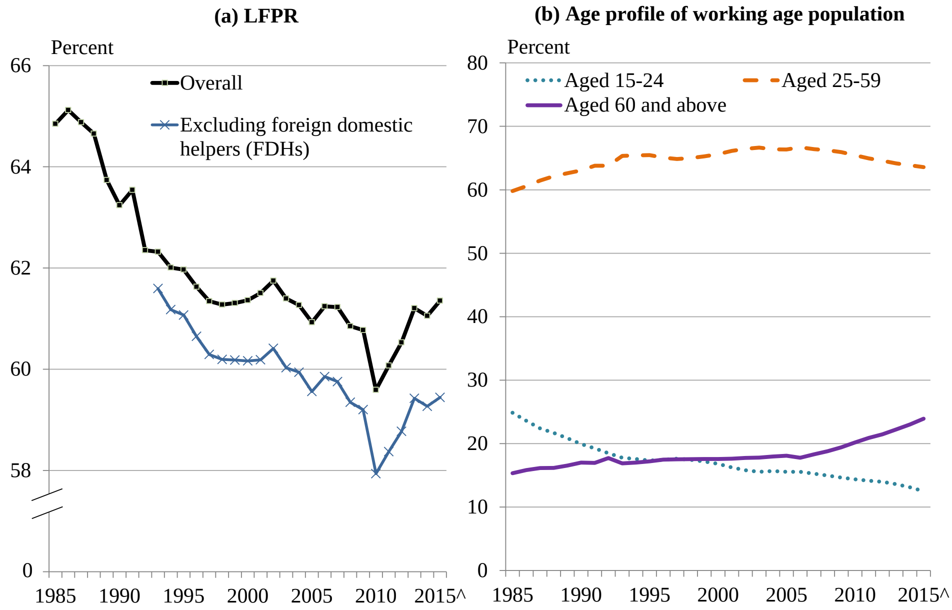
Source : General Household Survey, Census and Statistics Department.

Box 6.1

Salient observations on the trends of labour force participation rate

The labour force participation rate (LFPR), measuring the proportion of working age population participating in the labour market either by working or looking for work(1), is a crucial indicator of the size of workforce available to engage in economic activities. While short-term changes in LFPR may be affected by cyclical factors like job availability, longer-term trends hinge more substantially on structural factors, such as demographics and labour market institutions. ***Chart 1a*** showed that the overall LFPR in Hong Kong over the past three decades exhibited a general downtrend from 64.8% in 1985 to its trough at 59.6% in 2010, before rising back moderately to 61.4% in 2015. Intuitively, one may suspect that the general downtrend was the direct result of ageing population, as the increasing share of older-aged population and their generally lower LFPR posed a drag on the overall figure.

Chart 1 : Trend of LFPR and age profile of working age (aged 15 and over) population



Notes: General Household Survey (GHS) has started collecting statistics pertaining to FDHs since 1993.
(^) Figures for 2015 are provisional.
Source: GHS, Census and Statistics Department (C&SD).

Changing age profile of working age population

Undeniably, our population showed a continuing dejuvenation and ageing trend ***(Chart 1b)***, but it is worth noting that the proportion of prime age population (i.e. persons aged 25-59, who typically had higher LFPRs than other age groups) was actually on an uptrend during 1986-2005. In fact, the prime age labour force grew rapidly at an average of 2.9% per annum during 1986-1995 and at around 2.1% in the next decade, before slowing to a modest pace of 0.9% from 2006 onwards. Even after netting out the impact of FDHs, the prime age labour force still grew rapidly at an average rate of 2.2% per annum from 1994-2005, yet decelerated markedly to 0.5% afterwards. The rapid growth of prime age workforce in the 1980-90s was largely the combined impacts of post-War baby boomers (i.e. those who were born between 1945 and 1965) being in their prime age, an influx of young entrants from the Mainland during 1970-80s and the return of many Hong Kong emigrants in the mid-1990s.

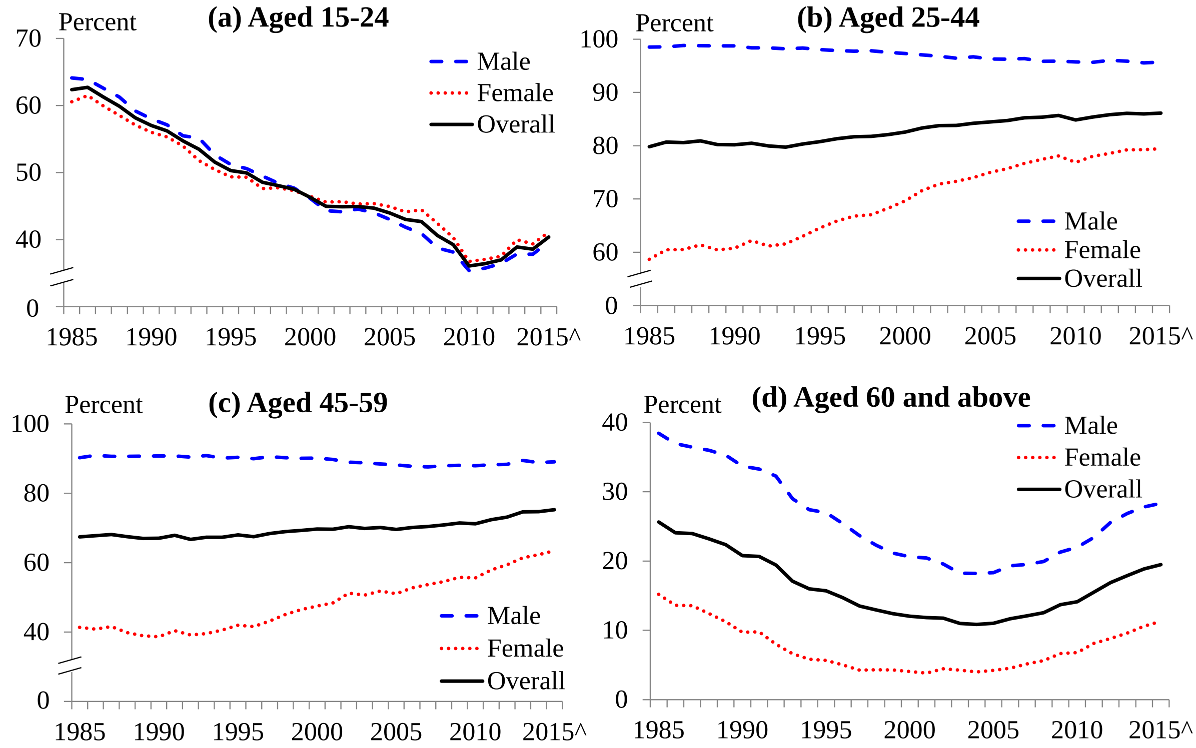
(1) In this article, LFPR refers to the proportion of labour force in the total land-based non-institutional population aged 15 and over. The figures from 1985 to 1995 were compiled based on the "extended de facto" method and those from 1996 onwards were compiled based on the "resident population" method. As a result, these two series of figures may not be strictly comparable. Figures for 2015 are provisional.

Box 6.1 (Cont'd)

Changing LFPRs by age group

Apart from the age profile of population, the downward trajectory of the overall LFPR was also attributable to the fact that LFPRs of various age groups, better understood by examining the trends for males and females separately, changed dramatically in Hong Kong in tandem with our economic and social development.

Chart 2 : LFPR by gender and age group



Note: (^) Figures for 2015 are provisional.
Source: GHS, C&SD.

Over the past three decades or so, the LFPR of the youth (i.e. persons aged 15-24), for both genders, was on a sustained downtrend from 1986 to its low in 2010 ***(Chart 2a)***, translating into a cumulative drop of over 20 percentage points. Conceivably, enhanced educational pathways inevitably postponed the timing of the youths' entry into the labour force. Noteworthy though, their LFPRs rose back slightly in the past few years amidst the largely favourable labour market. The implementation of the Statutory Minimum Wage (SMW) in 2011, rendering an immediate boost to the pay of lower-paid jobs, also to some extent enticed more people to take part in work at the lower-end of the skill spectrum. In particular, youth employment (excluding FDHs) grew by 6.8% during the period of 2011-2015, with those engaged as service and sales workers up even more notably by 9.5%.

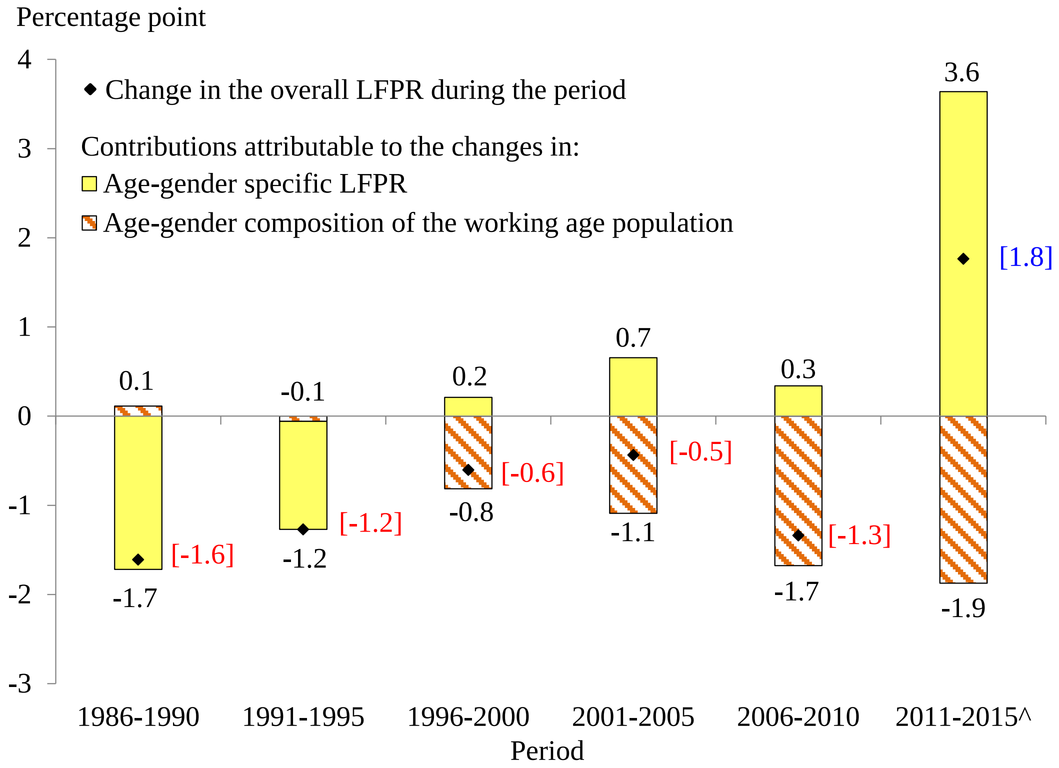
As for the prime age workforce ***(Chart 2b-c)***, LFPRs of prime age females saw a dramatic uptrend, while those of their male counterparts stayed high at over 90% throughout the period. The former observation reflected improved access to education for most women and the changing social perception on female employment, marriage and childrearing decisions in the past decades. In addition, the increased prevalence of FDHs in Hong Kong also contributed significantly towards unleashing the local women workforce.

Box 6.1 (Cont'd)

As regards the older age group (aged 60 and above), its LFPR bottomed out from its dwindling path in around 2004-05 ***(Chart 2d)***, a period when the first batch of baby boomers reached 60. The gradual pickup in the LFPR thereafter might suggest that this group had chosen to stay longer in the workforce. It could be partly attributable to their improved educational profile as compared to the previous generations, which conceivably had enabled them to remain engaged in some higher-skilled jobs for which knowledge and experience, instead of physical strength, matter more. To illustrate, over 60% of the older-aged workforce (excluding FDHs) had attained secondary school or above in 2015, more than double as compared to 28% in 1995. In a similar vein, around 30% of the older-aged employed persons (excluding FDHs) were engaged in the higher-skilled occupations in 2015, as compared to only some 16% in 1995.

Decomposition of changes in overall LFPR(2)

Chart 3 : Decomposition of changes in overall LFPR -
Contributions of age-gender compositional changes in the working age population vs. changes in age-gender specific LFPR



Notes: The contributions of the individual items were computed based on unrounded figures.
The sum of the individual items may not be equal to the totals due to rounding.
Bracketed figures were computed based on rounded figures.
(^) Figures for 2015 are provisional.

Source: GHS, C&SD.

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(2) The following decomposition method was adopted:

$$LFPR^{t_1} - LFPR^{t_2} = \sum_i \sum_j \overline{LFPR}_{ij} \, (S_{ij}^{t_1} - S_{ij}^{t_2}) + \sum_i \sum_j \bar{S}_{ij} \, (LFPR_{ij}^{t_1} - LFPR_{ij}^{t_2})$$

where $LFPR^t$ denotes the overall LFPR in year t, $LFPR_{ij}^t$ denotes the LFPR of gender i and age group j in year t, S_{ij}^t denotes the percentage share of gender i and age group j in the working age population in year t, and a bar over a variable denotes the average of the variable during year t_1 to year t_2. Hence, on the right hand side of the equation, the first term captures the contributions of age-gender compositional changes in the working age population to the change in the overall LFPR, while the second term captures the contributions of the changes in the age-gender specific LFPR. The same decomposition method was also applied to LFPR data (excluding FDHs) between 1993 and 2015, and the general observations remained largely similar.

Box 6.1 (Cont'd)

To better examine the aforesaid underlying driving forces that affected the changes in the overall LFPR over time, such changes were decomposed into two components (viz. the demographic composition of the population and the LFPRs of individual age-gender group) **(*Chart 3*)**. As shown, the declines in the overall LFPR during both the periods of 1986-1990 and 1991-1995 were predominantly contributed by the falls in age-gender specific LFPRs, especially among the youth and older-aged, whereas the effect of demographic compositional changes in the working age population was minimal.

In the next three consecutive 5-year periods (1996-2010), however, the ageing population became an overwhelming source of the decline in the overall LFPR. Although the appreciable boost in LFPR of the prime age females, coupled with the visible pick-up seen among the older age group since 2006, provided some upward impetus to the overall LFPR, it was outweighed by the negative impacts brought by the ageing population and the declines in LFPR among other age groups.

Over the period of 2011-2015, the LFPR had seen broad increases across almost all age groups, most notably among older age group and females aged 45 and above, conceivably boosted by the implementation of SMW in 2011. As a result, the overall LFPR went up by 1.8 percentage points during the period. It is, however, noteworthy that the drag from population ageing had remained notable and continued to enlarge over the period.

Concluding remarks

The above decomposition purports to analyse into the driving forces behind the movements of the overall LFPR over the past three decades. Looking ahead, the drag arising from ageing population on the overall LFPR looks set to turn even more apparent. In view of this, the Government has adopted a multi-pronged approach to boost labour force participation as set out in the latest Policy Address, such as attracting global talents to work in Hong Kong, encouraging employers to build an age-friendly working environment and other targeted supportive measures to address the needs and aspirations of the locals with different attributes. All these initiatives will take time to bear fruit and hopefully bring far-reaching structural changes to the benefit of Hong Kong's long term economic development and well-being of the community.

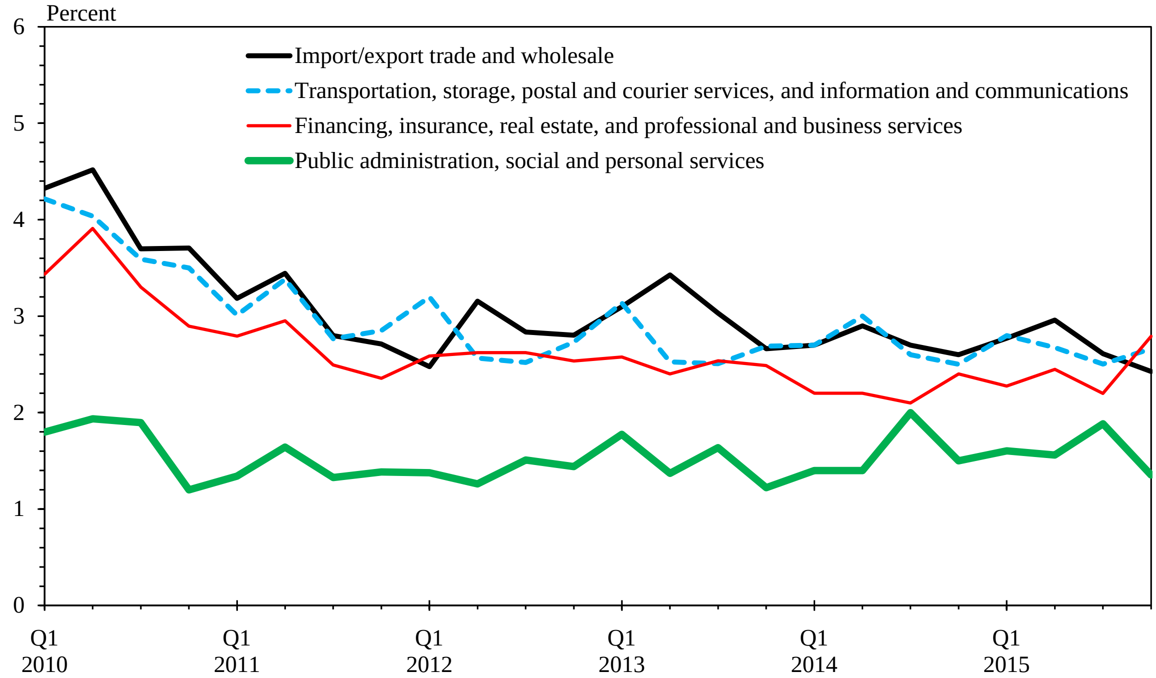
Profile of unemployment

6.4 Amid a largely stable labour market, the unemployment rate held at a low level of 3.3% for 2015 as a whole. The average number of unemployed persons rose slightly by 1 500 over 2014 to 128 700 in 2015. These suggested that the labour market remained in a state of full employment in 2015.

6.5 Diverse movements in unemployment rate were seen across the major economic sectors. Comparing 2015 with 2014, more notable declines were observed in construction (down 1.0 percentage point), social work activities (down 0.6 percentage point), and warehousing and support activities for transportation (down 0.6 percentage point), while more apparent increases were seen in wholesale (up 1.4 percentage points), and such tourism-related sectors as accommodation services (up 1.1 percentage points), and retail (up 0.5 percentage point). The food and beverage service activities sector was seemingly lesser affected by the protracted weak trend in inbound tourism, with its unemployment rate down by 0.2 percentage point. For the *low paying sectors*(6) as a whole, the unemployment rate edged up from 3.1% in 2014 to 3.2% in 2015, still a relatively low level. Analysed by skill segment, the unemployment rate for the higher-skilled segment rose marginally by 0.1 percentage point to 1.8%, while that of the lower-skilled segment inched down by 0.1 percentage point to 3.4%. Analysed by age, a more notable rise in unemployment rate was found among persons aged 15-24, while that of persons aged 60 and above fell visibly.

6.6 In terms of the quarterly profile, the seasonally adjusted unemployment rate hovered in a narrow range of 3.2-3.3% during the year. The unemployment rates of the higher- and lower-skilled segments, though showing different quarterly movements, both stayed at relatively low levels throughout the year. For the latest trend, comparing the fourth quarter of 2015 with a year earlier, more visible declines in the unemployment rate were noted in the social work activities, construction, and arts, entertainment and recreation sectors, while more noticeable increases were seen in transportation, financing and insurance, professional and business services, and retail. Analysed by occupational category, a more discernible increase in the unemployment rate was seen among plant and machine operators and assemblers, while a more notable decrease was observed among craft and related workers, the latter mirroring the tight manpower situation in the construction sector. As for other socio-economic attributes, more visible rises in the unemployment rate were observed among persons aged 20-24, and those with post-secondary education, offsetting the declines seen among workers aged 60 and above, and those with primary education and below.

Diagram 6.3 : Unemployment rates in major economic sectors saw diverse movements in 2015



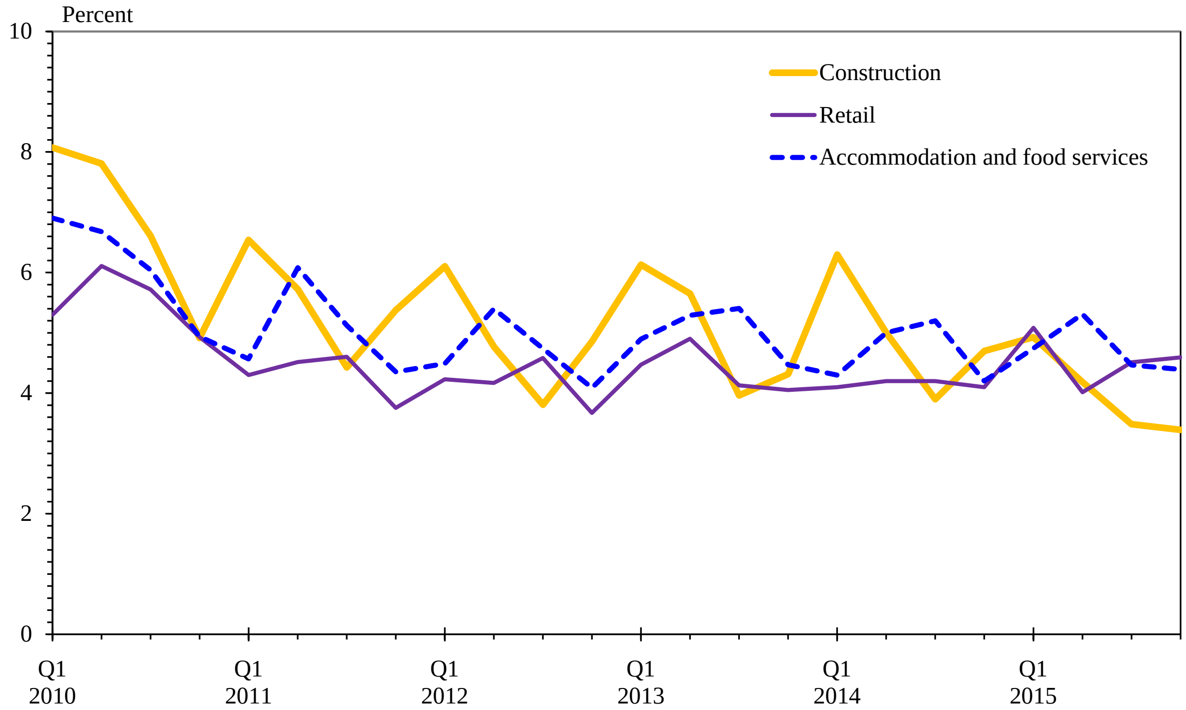


Table 6.3 : Unemployment rate by major economic sector

	2014					2015				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Import/export trade and wholesale	2.8	2.7	2.9	2.7	2.6	2.7	2.8	3.0	2.6	2.4
Retail	4.1	4.1	4.2	4.2	4.1	4.6	5.1	4.0	4.5	4.6
Accommodation and food services	4.7	4.3	5.0	5.2	4.2	4.7	4.7	5.3	4.5	4.4
Transportation, storage, postal and courier services	2.7	2.9	3.2	2.5	2.1	2.7	2.9	2.7	2.7	2.5
Information and communications	2.7	2.0	2.3	2.9	3.7	2.5	2.4	2.6	2.0	3.1
Financing and insurance	1.6	1.5	1.5	1.8	1.5	1.8	1.8	1.4	1.7	2.2
Real estate	2.6	2.8	3.0	2.0	2.6	2.3	1.8	2.8	2.5	2.2
Professional and business services	2.6	2.5	2.4	2.4	2.9	2.9	2.8	3.0	2.5	3.4
Public administration, social and personal services	1.6	1.4	1.4	2.0	1.5	1.6	1.6	1.6	1.9	1.4
Manufacturing	3.2	3.2	3.7	3.2	3.1	3.4	3.1	3.4	3.9	3.2
Construction	5.0	6.3	5.0	3.9	4.7	4.0	4.9	4.2	3.5	3.4
Overall	3.3	3.1 (3.1)	3.3 (3.2)	3.5 (3.3)	3.1 (3.3)	3.3	3.2 (3.3)	3.3 (3.2)	3.5 (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 rate of higher-skilled workers edged up while that of the lower-skilled segment fell marginally in 2015

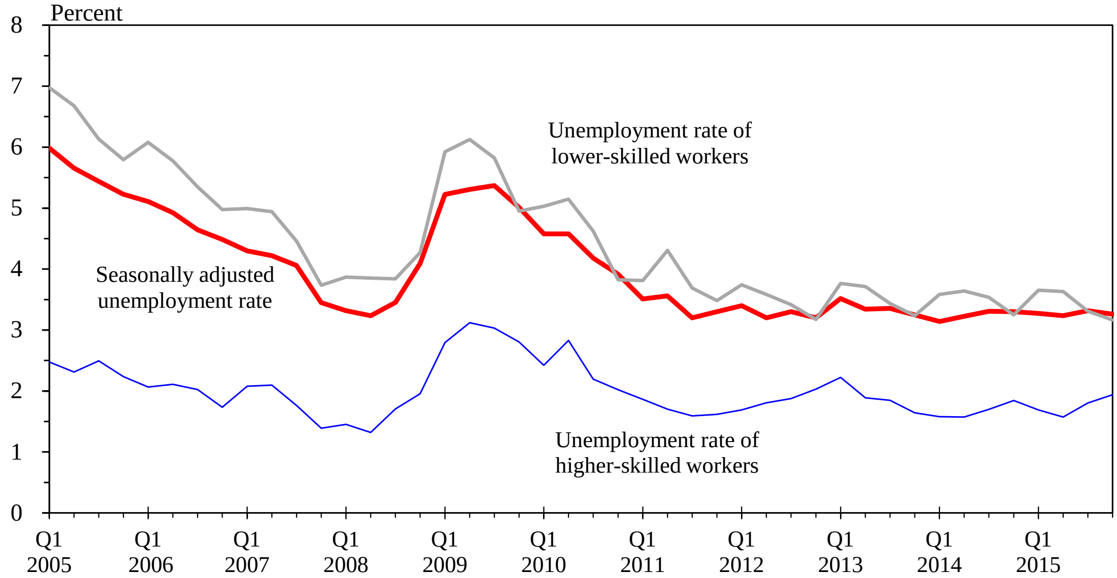


Table 6.4 : Unemployment rate* by skill segment

	2014					2015				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Higher-skilled segment	1.7	1.6	1.6	1.7	1.8	1.8	1.7	1.6	1.8	1.9
Managers and administrators	1.3	1.5	0.8	1.2	1.3	1.4	1.2	1.1	1.7	1.4
Professionals	1.4	1.1	0.9	1.7	1.7	1.6	1.5	1.2	1.9	1.7
Associate professionals	2.0	1.8	2.2	2.0	2.2	2.0	2.0	2.0	1.8	2.4
Lower-skilled segment^	3.5	3.6	3.6	3.5	3.2	3.4	3.7	3.6	3.3	3.2
Clerical support workers	3.0	2.7	3.3	3.3	2.6	3.2	2.8	3.7	3.3	3.0
Service and sales workers	4.3	4.1	4.3	4.8	3.9	4.5	4.9	4.7	4.3	4.1
Craft and related workers	4.7	5.9	4.1	3.9	4.8	3.6	4.3	4.0	3.0	3.0
Plant and machine operators and assemblers	1.8	2.6	1.9	1.4	1.4	2.4	1.9	2.2	2.6	2.8
Elementary occupations	3.3	3.2	3.6	3.0	3.0	2.9	3.3	2.9	2.8	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

	2014					2015				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Age										
15-24	9.2	7.5	9.1	11.3	8.9	10.4	9.0	11.1	12.3	8.9
of which:										
15-19	*12.5*	*10.0*	*14.5*	*12.3*	*11.8*	*13.8*	*13.9*	*17.7*	*14.0*	*9.0*
20-24	*8.7*	*7.1*	*8.2*	*11.2*	*8.4*	*9.8*	*8.2*	*10.1*	*12.0*	*8.9*
25-29	3.4	3.1	3.5	3.8	3.4	3.5	2.9	3.5	3.8	3.6
30-39	2.2	2.2	2.1	2.4	1.8	2.1	2.0	2.1	2.3	2.1
40-49	2.7	2.7	2.9	2.5	2.6	2.7	3.2	2.6	2.6	2.5
50-59	3.0	3.1	3.0	2.7	2.9	2.8	2.8	2.8	2.7	2.8
≥ 60	2.9	2.9	2.8	2.6	3.0	2.4	3.0	2.4	2.0	2.4
Educational attainment										
Primary education and below	3.4	3.7	3.6	2.9	3.6	3.0	3.8	3.0	2.3	2.7
Lower secondary education	4.2	4.2	4.8	4.0	3.7	4.1	4.5	4.3	3.7	3.9
Upper secondary education^	3.3	3.2	3.2	3.3	3.1	3.1	3.2	3.2	3.2	2.7
Post-secondary education	2.9	2.4	2.7	3.5	2.9	3.3	2.7	3.2	3.9	3.3

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 2015. With the number of long-term unemployed persons (i.e. unemployed for six months or longer) showing little change at 24 100 in 2015, the long-term unemployment rate stayed at 0.6%, while the share of long-term unemployment in total unemployment dropped further to 18.7%, both being post-1997 lows. The proportion of dismissal or lay-offs among the total number of unemployed persons also went down by 5.2 percentage points to 42.0%. However, the median duration of unemployment lengthened somewhat from 60 days in 2014 to 63 days in 2015, having fallen for four years in a row.

Box 6.2

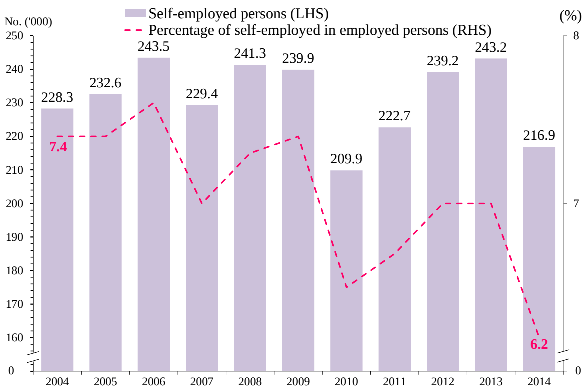
An update on the self-employment situation[(1)]

The prevalence of the internet has provided a platform for peer-to-peer exchange and facilitated on-demand service provision. Recently there has been growing attention in some advanced economies including the US and the UK about the phenomenon of a sharing (or "gig") economy and what it entails for employment. One aspect of a gig economy is the potential rise in self-employment, as workers are more mobile and contract flexibly as freelancers on short-term work engagements. This article looks at the trends in self-employment to see if there is any evidence of an emerging gig economy.

Recent trends in self-employment

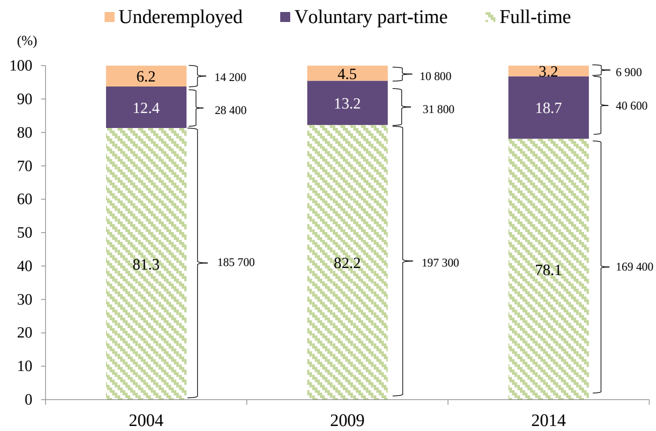
During the period 2004-2014, the number of self-employed persons hovered between 209 900 and 243 500. Its share in total employment likewise moved up and down, reaching a low of 6.2% in 2014 (***Chart 1a***). Around 80% of self-employed worked on a full-time basis, though both the number and share of self-employed full-timers have declined somewhat over the past ten years (***Chart 1b***). This conceivably suggests that some previously self-employed persons might have been re-absorbed into conventional employment as the economy recovered. Meanwhile, the number of self-employed persons working voluntarily on a part-time basis went up from 28 400 in 2004 to 40 600 in 2014, while also taking up a visibly higher share among all the self-employed, hinting that more individuals might have opted for self-employment as a voluntary choice between flexibility and job security.

Chart 1a: Trend in self-employment



Note: The percentages may not add up to 100 due to rounding.

Chart 1b: Self-employment by employment status



Factors affecting self-employment situation

The impact of economic cycles on self-employment is mixed. While self-employment may turn more prevalent during a down-cycle due to redundancy or the need to share family's financial burden, it may also increase in an up-cycle alongside more vibrant economic activities and increased business opportunities, including for instance those opened by a gig economy. ***Chart 1a*** seems to hint a higher incidence of self-employment during the early phase of recovery from SARS and the Global Financial Tsunami in 2008-09. There were also views that upon the implementation of Statutory Minimum Wage (SMW), some employers might see the incentive to ask their employees to change the mode of service provision to self-employment, for the purpose of mitigating the wage bills. This is further investigated by looking into the socio-economic characteristics of the self-employed persons and how these characteristics have evolved in the past decade.

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(1) Unless otherwise specified, the data quoted in this article exclude foreign domestic helpers.

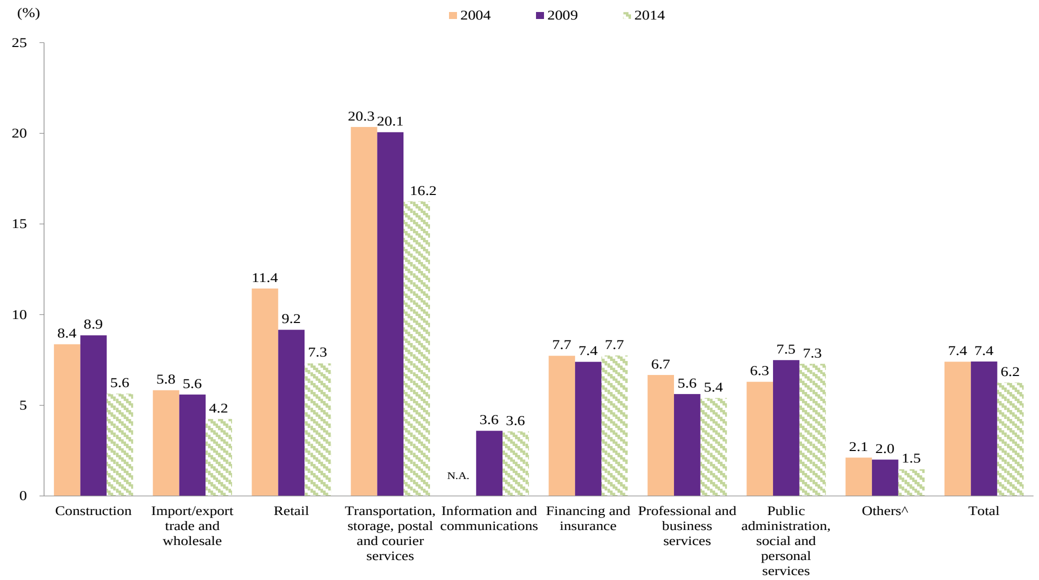
Box 6.2 (Cont'd)

Self-employment by sector

In 2014, self-employment was more prevalent in such sectors as transportation, storage, postal and courier services, retail, financing and insurance, and public administration, social and personal services (***Chart 2***). Many of the self-employed persons worked as drivers and mobile machine operators for road transport, personal service workers in domestic household activities and beauty and body prettifying treatment, salespersons and models, insurance and pension funding agents, as well as teaching associate professionals. The self-employed ratios in the transportation and retail sectors went down somewhat over the years, while those in financing and insurance, public administration, social and personal services held up or increased. In so far as the low paying sectors (LPS)(2) as identified by the Minimum Wage Commission (MWC) are concerned, the self-employed ratios of most individual LPS (excluding government employees and live-in domestic workers) remained broadly unchanged at their respective pre-SMW levels during 2011-2013. Yet a marked increase was seen in hairdressing and other personal services (up from 26.2% in 2010 to 32.5% in 2013), before falling back somewhat together with many other sectors in 2014.

Meanwhile, the self-employed ratio in information and communications held stable at a relatively low level in recent years, but this figure conceivably had not fully reflected the scope of self-employment among IT professionals, who might also be engaged by enterprises in other sectors on a freelance basis to design and build up sophisticated and innovative IT applications for the sake of productivity enhancement.

Chart 2: Self-employed ratio by sector(#)



Notes: (#) Due to the adoption of Hong Kong Standard Industrial Classification (HSIC) Version 2.0 in 2009, data before 2008 are not strictly comparable with those in later years, more so for the Information and Communications sector and hence not shown here.
(^) Manufacturing, accommodation, food and beverage activities, real estate and other sectors have only a low incidence of self-employment and are grouped in "Others".

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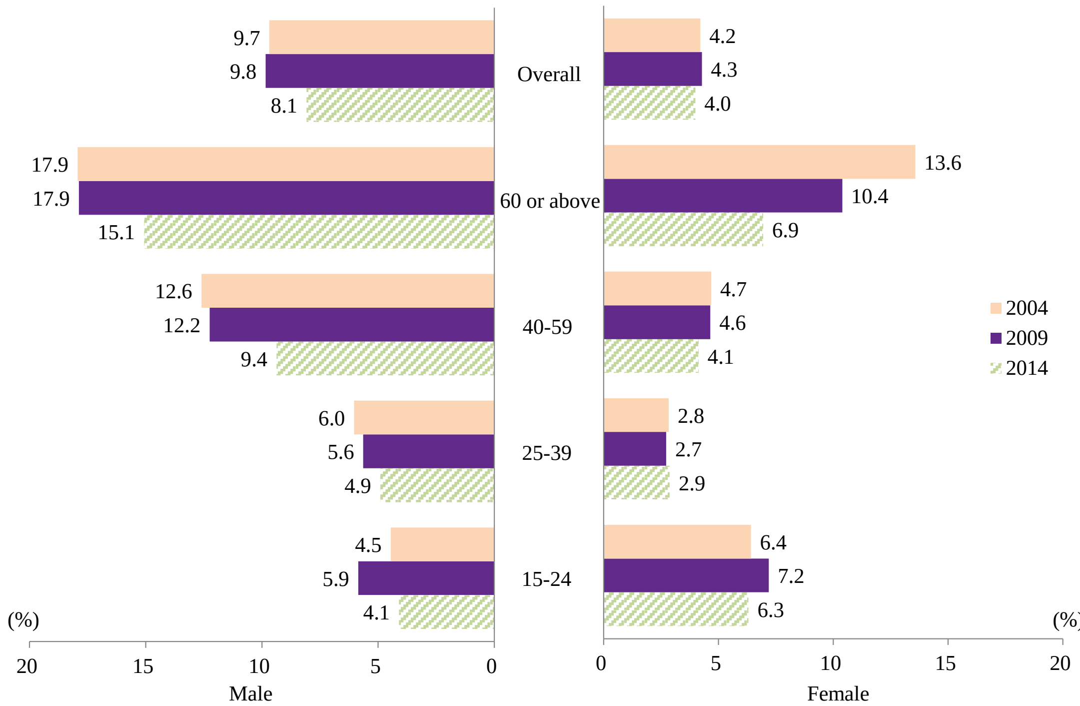
(2) These include: (i) retail; (ii) restaurants; (iii) estate management, security and cleaning services; as well as other LPS (including elderly homes, laundry and dry cleaning services, hairdressing and other personal services, local courier services, and food processing and production).

Box 6.2 (Cont'd)

Self-employment by gender and age

In terms of gender, self-employment was more prevalent among males over the past ten years, especially those aged 40 or above, though the respective incidence rate has fallen somewhat in recent years. Meanwhile, the self-employed ratio of females, who were conceivably those preferring more flexibility and chose to be voluntarily self-employed in order to achieve a better work-family balance, has held relatively steady[3] (***Chart 3***). On the other hand, self-employment among the younger workers who were conceivably the ones most likely to ride on the innovation tide with technological know-how and entrepreneurship, has been relatively steady in the past ten years.

Chart 3: Self-employed ratio by gender and age



Self-employment by educational attainment and occupation

Analysed by educational attainment, the lesser educated generally had a higher incidence of self-employment, with a self-employed ratio of 8.4% among those with lower secondary education or below in 2014, compared to 6.2% for those with upper secondary education and 4.9% for those with post-secondary education ***(Chart 4a)***. Yet the self-employed ratios across different education levels in 2014 were lower when compared to 2004, more so among those with lower secondary education or below.

(3) The sharp decline in the self-employed ratio of females aged 60 or above had to be viewed in conjunction with the notable increase in employed older age females. Indeed, the number of self-employed in this age-sex cohort almost doubled from 2 800 to 5 400 in the past decade.

Box 6.2 (Cont'd)

Mirroring the education and sectoral profile, self-employment remained most prevalent in such lower-skilled occupations as plant and machine operators and assemblers in 2014 ***(Chart 4b)***. However, comparing 2014 with 2004, an almost across-the-board decline in self-employed ratio was witnessed in the lower-skilled segment. On the contrary, the self-employed ratio in the higher-skilled segment held more or less steady, surpassing that of the lower-skilled segment in 2014. In particular, the self-employed ratio among professionals rose visibly by 1.3 percentage points from 3.3% in 2004 to 4.6% in 2014. Most of them worked in health services, creative and performing arts, specialised design, information technology service, and legal activities. Although they only accounted for 5.9% of all self-employed persons in 2014, considering their major work nature, the rising prominence of this segment appeared to conform to the idea of an emerging gig economy.

Chart 4a: Self-employed ratio by educational attainment

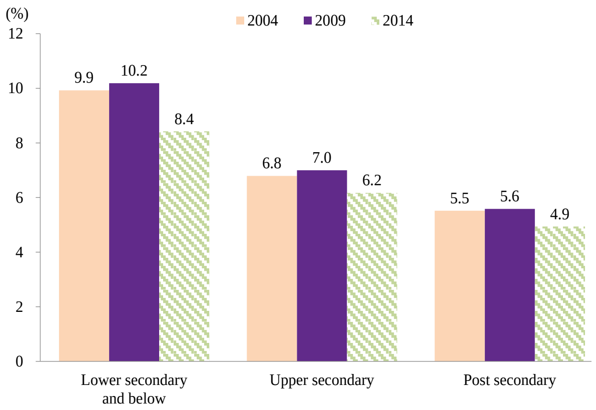
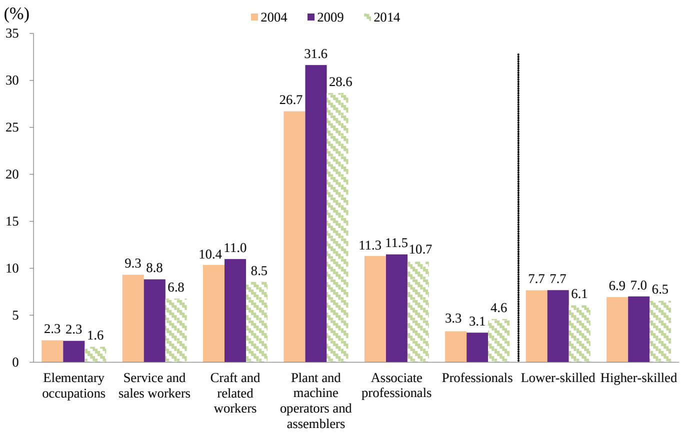


Chart 4b: Self-employed ratio by occupation



Concluding remarks

The above review of the socio-economic characteristics of self-employed persons in the past decade shows no strong evidence as yet of a growing gig economy. While self-employment has not become more widespread after the implementation of SMW, it remained most prevalent in some lower-skilled jobs such as drivers and mobile machine operators for road transport, salespersons etc., as well as among the older age groups and the lesser educated. However, the self-employed ratio in these "conventional" groups has fallen somewhat in the more recent years, while that in the higher-skilled segment rose, particularly in areas such as the health, legal, creative and technical industries. That there is only weak data support for an emerging gig economy is in line with the observation in the West, and may suggest that gig economy is still at an infant stage. Although self-employment is but one aspect of a gig economy, in view of the potential new work paradigm and the social implications that an emerging gig economy might bring, such as employment benefits and worker protections, it would be meaningful to keep monitoring the self-employment situation from time to time for any sign of a new structural trend in employment.

Profile of underemployment

6.8 The underemployment situation improved slightly in 2015. The number of underemployed persons decreased by 2 500 over 2014 to 54 000, while the underemployment rate inched down by 0.1 percentage point to 1.4%, the lowest annual level since 1997. On the quarterly profile, the underemployment rate held stable at 1.4% throughout the four quarters of 2015. For the latest trend, in the fourth quarter of 2015, apart from the trade-related sectors such as import/export trade and wholesale, as well as cleaning and similar activities, the underemployment rates of almost all major sectors recorded year-on-year declines. Analysed by occupational category, the underemployment rate for the higher-skilled segment edged up year-on-year to still a low level of 0.5% in the fourth quarter, while that of the lower-skilled segment went down by 0.4 percentage point to 1.9%, with a more visible decrease seen among craft and related workers.

Profile of employment in establishments

6.9 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available up to September 2015 only. 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 grew modestly by 1.1% over a year earlier to 2 794 600 in September 2015, representing a further deceleration in the growth pace when compared to the past few years and pointing to softened labour demand. While more visible job gains were seen in construction sites (covering manual workers only) (up 8.3% year-on-year), human health services (up 4.7%), education (up 4.1%), and professional and business services (including cleaning and similar services) (up 2.8%), employment in import/export trade and wholesale, accommodation services, retail, and food and beverage services all declined, by 1.6%, 0.8%, 0.3% and 0.1% respectively, amid the tepid trade performance and the sustained weakness in inbound tourism. Meanwhile, employment in the manufacturing sector continued its secular decline (down 3.0%). Analysed by establishment size, employment in large enterprises and small and medium-sized enterprises (SMEs)(7) grew by 1.5% and 0.7% year-on-year respectively, with the former contributing about 72% of the total job gain. Taking the first nine months of 2015 together, total employment in private sector establishments increased by 1.4% year-on-year, slower than the 2.1% growth for 2014 as a whole. As for the civil service, employment increased by 0.6% in both September and the first nine months of 2015 over the same periods a year earlier.

Table 6.6 : Employment by major economic sector

	2014					2015		
	Annual average	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Import/export trade and wholesale	554 400 (§)	552 900 (-0.9)	554 100 (-0.1)	554 400 (0.5)	556 200 (0.6)	549 200 (-0.7)	545 700 (-1.5)	545 400 (-1.6)
Retail	270 800 (2.2)	270 000 (2.8)	271 900 (2.7)	269 800 (1.9)	271 600 (1.4)	271 500 (0.6)	269 900 (-0.7)	268 900 (-0.3)
Accommodation[(a)] and food services	283 200 (2.5)	281 200 (2.0)	283 200 (2.5)	283 000 (2.6)	285 600 (2.8)	283 700 (0.9)	282 700 (-0.1)	282 300 (-0.2)
Transportation, storage, postal and courier services	174 600 (2.7)	171 700 (2.1)	174 500 (3.1)	175 400 (2.6)	176 600 (2.9)	176 600 (2.8)	176 500 (1.1)	178 200 (1.6)
Information and communications	104 100 (2.7)	102 900 (4.6)	103 500 (2.4)	104 800 (2.2)	105 200 (1.9)	104 000 (1.2)	104 900 (1.4)	105 500 (0.7)
Financing, insurance, real estate, professional and business services	696 500 (1.9)	693 300 (2.5)	694 000 (2.3)	694 600 (1.4)	704 200 (1.5)	711 400 (2.6)	712 300 (2.6)	712 500 (2.6)
Social and personal services	482 200 (4.3)	475 600 (3.7)	480 000 (4.1)	482 500 (4.0)	491 000 (5.3)	494 100 (3.9)	495 200 (3.2)	497 400 (3.1)
Manufacturing	102 500 (-1.2)	103 500 (-0.5)	102 200 (-1.1)	102 600 (-1.2)	101 500 (-2.1)	100 300 (-3.1)	99 600 (-2.6)	99 600 (-3.0)
Construction sites (manual workers only)	82 800 (4.4)	78 600 (1.0)	79 700 (-3.4)	86 500 (12.7)	86 300 (7.8)	91 900 (16.9)	92 800 (16.4)	93 700 (8.3)
All establishments surveyed in the private sector[(b)]	*2 762 200* *(2.1)*	*2 740 700* *(1.9)* *<0.5>*	*2 754 200* *(1.9)* *<0.6>*	*2 764 700* *(2.2)* *<0.5>*	*2 789 200* *(2.2)* *<0.6>*	*2 793 700* *(1.9)* *<0.2>*	*2 790 500* *(1.3)* *<§>*	*2 794 600* *(1.1)* *<0.3>*
Civil service[(c)]	*163 000* *(1.0)*	*162 800* *(1.4)*	*162 800* *(1.2)*	*163 000* *(0.9)*	*163 400* *(0.6)*	*163 600* *(0.5)*	*163 800* *(0.6)*	*164 000* *(0.6)*

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.

§ Change less than 0.05%.

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

Vacancies

6.11 The vacancy situation likewise showed signs of easing labour demand. The number of private sector vacancies went down further by 0.9% in September 2015 over a year earlier to 74 670. Taking the first nine months of 2015 together, job vacancies in the private sector fell modestly by 0.8% year-on-year, after the 0.7% dip in 2014.

6.12 Analysed by economic sector, reflecting the weaker labour demand in the trade- and tourism-related sectors, more noticeable decreases in vacancies were observed in import/export trade and wholesale (down 10.0% year-on-year), retail (down 9.6%), and food and beverage services (down 8.3%) in September 2015. Vacancies in construction sites (covering manual workers only) also plummeted (down 53.7%), but when viewed in conjunction with the marked employment growth over the same period, this signified that some previous vacancies had been gradually filled. Meanwhile, more apparent increases in vacancies were seen in social and personal services (up 13.2%), and information and communications (up 11.3%). Mirroring the sectoral profile, lower-skilled vacancies comprising mainly service and sales workers and elementary occupation jobs decreased by 2.2% year-on-year, while higher-skilled vacancies rose by 2.4%, mainly driven by the increased job openings for managers and administrators. Taking the first nine months of 2015 together, lower-skilled vacancies dropped by 4.1% over a year earlier, while higher-skilled ones went up by 8.8%. Analysed by the size of establishments, vacancies in SMEs and large enterprises both fell year-on-year in September 2015, by 1.9% and 0.2% respectively. As regards the civil service, the number of job openings leaped by 14.9% year-on-year to 8 540 in September 2015, thus helping to cushion the vacancy losses in the private sector.

6.13 Reflecting some easing in overall labour demand, the ratio of job vacancies per 100 unemployed persons went down from 60 in June 2015 and 56 in September 2014 to 55 in September 2015. In terms of skill segment, the ratio for higher-skilled jobs decreased from the year-ago level of 84 to 81, while that for lower-skilled jobs went up from 64 to 66 over the same period. Analysed by economic sector, manpower shortages remained apparent in such sectors as residential care and social work services, human health services, and financing and insurance, for which the corresponding ratios exceeded 100. The vacancy rate for private sector establishments, measured in terms of the percentage of job vacancies to total employment opportunities, inched down by 0.1 percentage point from the year-ago level to 2.6% in September 2015.

More visible decreases were seen in such tourism-related sectors as accommodation and food services, and retail, though their respective vacancy rates were still higher than the overall figure.

Table 6.7 : Vacancies by major economic sector

	Number of vacancies								
	2014					2015			
Economic sector	Annual average	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Vacancy rate in Sep 2015 (%)
Import/export trade and wholesale	8 460 (-13.7)	9 210 (-11.8)	8 150 (-19.4)	8 450 (-16.7)	8 040 (-5.9)	9 000 (-2.3)	8 200 (0.6)	7 610 (-10.0)	1.4
Retail	9 110 (4.0)	9 680 (2.9)	8 810 (8.4)	9 240 (0.6)	8 710 (4.9)	8 550 (-11.7)	8 440 (-4.2)	8 350 (-9.6)	3.0
Accommodation(a) and food services	16 060 (11.1)	17 600 (13.2)	15 800 (21.8)	15 550 (8.2)	15 300 (2.3)	15 470 (-12.1)	15 150 (-4.1)	14 600 (-6.1)	4.9
Transportation, storage, postal and courier services	3 680 (-1.8)	4 180 (15.7)	4 040 (-1.6)	3 380 (-7.1)	3 120 (-14.2)	3 960 (-5.4)	4 060 (0.6)	3 440 (1.7)	1.9
Information and communications	2 560 (-4.6)	2 570 (-4.2)	2 650 (-13.1)	2 360 (-21.8)	2 670 (33.9)	2 930 (14.3)	2 480 (-6.5)	2 620 (11.3)	2.4
Financing, insurance, real estate, professional and business services	17 910 (1.2)	17 820 (1.8)	18 210 (1.4)	17 810 (-3.5)	17 800 (5.3)	18 360 (3.0)	18 780 (3.1)	18 590 (4.4)	2.5
Social and personal services	14 110 (-12.9)	11 620 (-32.9)	16 600 (-6.1)	13 930 (-10.8)	14 280 (1.0)	15 620 (34.3)	17 290 (4.1)	15 760 (13.2)	3.1
Manufacturing	3 040 (17.4)	3 200 (23.2)	3 580 (33.7)	2 880 (6.6)	2 500 (4.9)	2 990 (-6.6)	2 730 (-23.9)	2 700 (-6.4)	2.6
Construction sites (manual workers only)	1 390 (32.4)	1 630 (75.1)	1 540 (49.8)	1 530 (73.1)	850 (-37.1)	880 (-45.8)	940 (-39.1)	710 (-53.7)	0.8
All establishments surveyed in the private sector(b)	*76 600* *(-0.7)*	*77 790* *(-3.0)* *<-5.1>*	*79 720* *(2.4)* *<3.4>*	*75 360* *(-3.8)* *<-1.8>*	*73 530* *(1.6)* *<5.2>*	*78 070* *(0.4)* *<-6.1>*	*78 380* *(-1.7)* *<1.2>*	*74 670* *(-0.9)* *<-0.7>*	*2.6*
Civil service(c)	*7 160* *(9.9)*	*6 350* *(2.0)*	*7 270* *(4.2)*	*7 430* *(11.4)*	*7 610* *(22.8)*	*7 820* *(23.3)*	*8 030* *(10.4)*	*8 540* *(14.9)*	*4.9*

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.

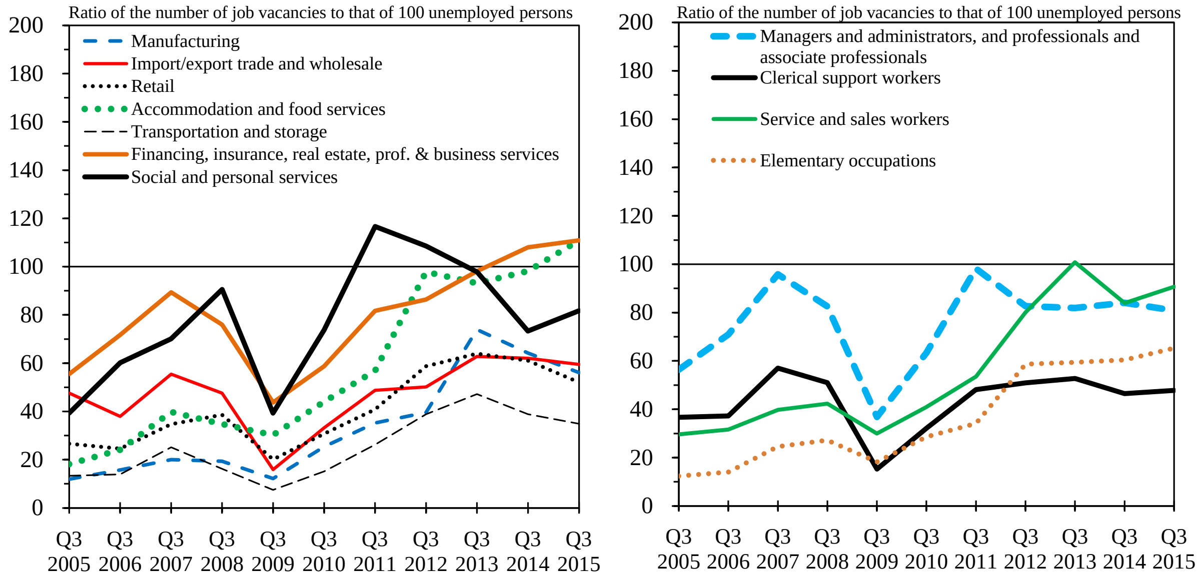
( ) % change over a year earlier.

< > 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 resource balance showed signs of easing but remained tight in some segments

(a) By economic sector **(b) By occupation**



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 2015, the average number of private sector job vacancies posted by LD increased by 12.8% year-on-year to around 118 100 per month. For 2015 as a whole, the monthly average number of private sector vacancies went up by 10.0% to 111 900.

Wages and earnings

6.15 On the back of broadly stable labour market conditions, wages and earnings remained on the rise in 2015. *Wage index*, which covers regular payment to employees at the supervisory level or below, rose by 4.4% year-on-year in both September and the first nine months of 2015 combined, further to the rise of 4.2% for 2014 as a whole. After adjusting for inflation[(8)], real wages were virtually unchanged in the first nine months of 2015, yet this was partly distorted by the markedly higher headline inflation in the first half of the year alongside the phasing out of the Government's one-off relief measures.

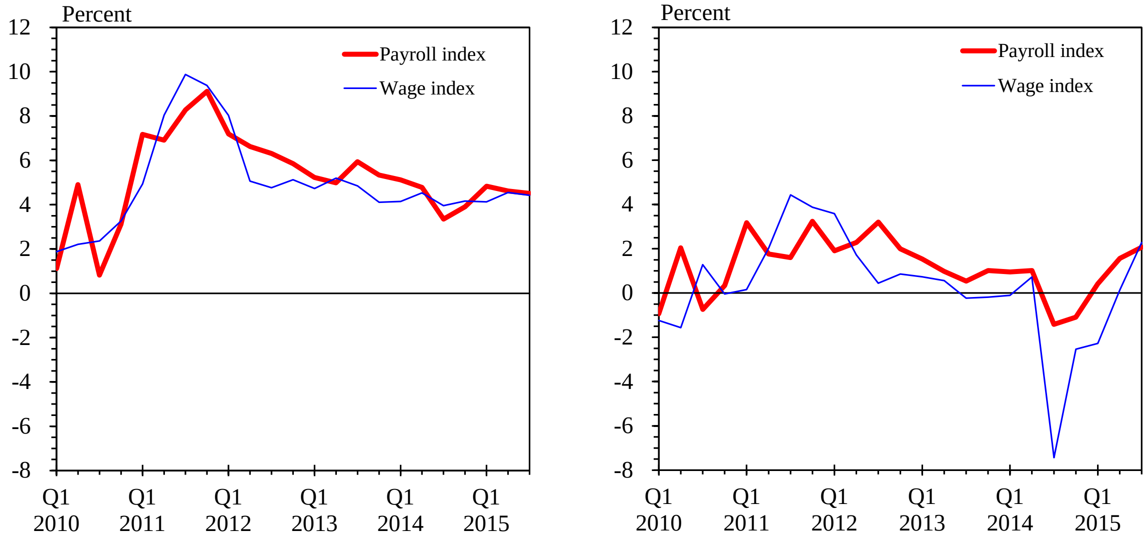
6.16 Nominal wage index increased across all economic sectors and occupations in September 2015. More notable increases were observed in professional and business services (up 7.4%), personal services (up 5.6%), and accommodation and food service activities (up 5.2%). Thanks to the upward adjustment of the SMW rate since May 2015, lower-skilled workers enjoyed more appreciable wage growth, with wages of service workers and miscellaneous non-production workers up by 7.1% and 5.4% respectively over a year earlier.

6.17 *Labour earnings*[(9)], as measured by the index of payroll per person engaged in the private sector, likewise went up, by 4.5% in the third quarter of 2015. Taking the first three quarters of 2015 together, nominal labour earnings rose by 4.7% year-on-year, faster than the 4.3% for 2014 as a whole. After discounting inflation, overall payroll saw a real improvement of 1.3% in the first three quarters of 2015 over a year earlier.

6.18 Nominal payroll continued to see across-the-board increases in the third quarter of 2015. More notable increases were seen in the social and personal services (up 8.7%), accommodation and food service activities (up 5.8%), and real estate activities (up 5.1%) sectors. However, some moderation in payroll growth was observed in financial and insurance activities (up 3.6%), conceivably due in part to the sharp correction in the local stock market during the quarter. Meanwhile, payroll growth in retail trade (up 3.5%) was relatively moderate amid the slackening local consumption market.

Diagram 6.6 : Nominal wages and earnings saw further broad-based growth

(a) Year-on-year rate of change in nominal terms **(b) Year-on-year rate of change in real terms**



Note : The real wages and earnings in late 2014 to early 2015 were affected by 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, revealed that the average monthly employment earnings[10] of full-time employees engaged in elementary occupations (excluding foreign domestic helpers) recorded a year-on-year nominal increase of 6.7% in the fourth quarter of 2015. For 2015 as a whole, preliminary estimates suggested that their average employment earnings rose appreciably further by around 6.5% in nominal terms and 2.4% in real terms, conceivably benefiting from the SMW uprating since May 2015. Average employment earnings of full-time employees (excluding foreign domestic helpers) in the lowest three decile groups likewise grew solidly further by 5-6% in 2015. For the overall income situation, the median monthly household income (excluding foreign domestic helpers) sustained growth in all quarters of 2015, and rose by 7.2% for 2015 as a whole, translating into a real increase of 4.1% after discounting inflation.

Highlights of labour-related measures and policy developments in 2015

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 2015, LD organised 17 large-scale job fairs in North District, Mong Kok, Tsuen Wan, Wan Chai, Tuen Mun, Sha Tin, Lok Fu and Yau Tong. 523 participating organisations offered over 40 900 vacancies from the retail, catering, property management, transport and other industries. There were also 17 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.

6.21 Besides, LD continued its efforts in 2015 in launching pilot projects with employers of selected industries/ trades under the Youth Employment and Training Programme to enhance the employability and employment opportunities of young people with different backgrounds. A total of four new projects were launched in 2015. The first two initiatives were collaborations with the hospitality industry and cultural enterprises. The third initiative, "『Y Worker』YWCA Summer Workplace Attachment Training Program 2015", aimed to offer workplace attachment vacancies for young people with no or scanty work experience. The fourth initiative, "e-Learning Support Scheme" in collaboration with schools, provided young people with on-the-job training opportunities on e-Learning. In addition, three projects piloted in 2014 were re-launched in 2015.

6.22 The Standard Working Hours Committee (SWHC), with reference to the findings of the dedicated working hours survey, and the public engagement and consultation on working hours, has in principle recommended exploring a legislative approach to mandatorily require employers and employees in general to enter into written employment contracts specifying terms related to working hours of employees, and in parallel to explore whether there is a need for other suitable measure(s) to further protect grassroots employees with lower income, lower skills and less bargaining power. SWHC plans to launch a second-stage consultation on its preliminary discussion outcomes and working hours policy directions under exploration as soon as possible, so as to collect views for SWHC's reference in further discussing working hours policy directions and preparing its report to the Government.

6.23 With the revised SMW rate of $32.5 per hour taking effect from 1 May 2015, LD has organised extensive publicity activities and launched targeted inspection campaigns to enforce the statutory requirement. The revised SMW rate has been implemented smoothly with satisfactory compliance. The employment market has remained generally stable and earnings of low-income workers 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. The statistics of the three-month periods of November 2013 – January 2014 to October – December 2014 have been revised to take into account the final end-2014 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) 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.