

## CHAPTER 5 : THE LABOUR SECTOR

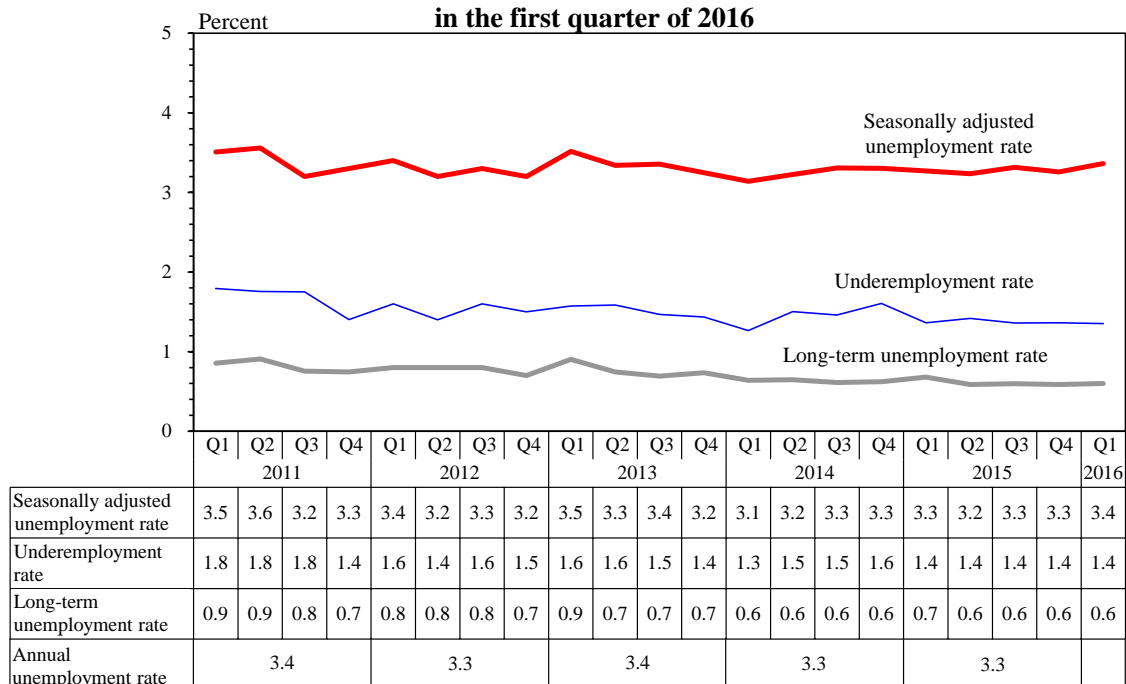
### *Summary*

- *The labour market held largely stable in overall terms on entering 2016. Yet, the impact of sluggish external trade performance, the persistent weakness in inbound tourism as well as the slackened growth momentum of local consumption lately were increasingly felt in the labour market.*
- *Labour demand showed further signs of easing. On a year-on-year comparison, both total employment and the labour force grew only at a meagre pace, while job vacancies in the private sector drifted further lower.*
- *In the first quarter of 2016, the seasonally adjusted unemployment rate edged up by 0.1 percentage point over the preceding quarter to 3.4%, with broad-based increases across many sectors. In particular, employment situation in trade- and tourism-related sectors weakened most noticeably amid the lull in inbound tourism and weaker consumer spending, and in the more recent period, construction sector also saw some visible easing, as property market trading activity quietened.*
- *Both nominal wages and payroll stayed on the rise in 2015 on the back of a broadly stable labour market. Alongside the upward adjustment of the Statutory Minimum Wage (SMW) rate since May 2015, grassroots workers enjoyed more appreciable income growth.*

### **Overall labour market situation<sup>(1)</sup>**

5.1 The sluggish external trade performance, the sustained weak trend in inbound tourism, as well as the tepid local consumption sentiment of late have gradually fed through to the labour market. The seasonally adjusted *unemployment rate*<sup>(2)</sup> edged up by 0.1 percentage point to 3.4% in the first quarter of 2016, the highest level since late 2013, while the *underemployment rate*<sup>(3)</sup> held unchanged at 1.4%. Both total employment and the labour force tapered to a meagre year-on-year growth pace of 0.3% and 0.4% respectively. Data collected from private sector establishments up to end-2015 likewise indicated that employment growth continued to slow and overall job vacancies fell, with labour demand for trade- and tourism-related sectors slackening distinctly. Nevertheless, on the back of a still broadly stable labour market in 2015, overall wages and earnings stayed on the rise, with more visible income growth seen among lower paid workers in tandem with the SMW uprating since May 2015.

**Diagram 5.1 : The seasonally adjusted unemployment rate edged up to a post-2013 high of 3.4% in the first quarter of 2016**



## Labour force and total employment

5.2 On the supply side, the *labour force*<sup>(4)</sup> expanded further, albeit only at a modest year-on-year pace of 0.4% to 3 942 200 in the first quarter of 2016. Owing to a slight decline in the labour force participation rate by 0.1 percentage point to 61.4%, the labour force growth in the first quarter was slower than the concurrent increase of 0.6% in the working-age population (i.e. land-based non-institutional population aged 15 and above).

5.3 On the demand side, *total employment*<sup>(5)</sup> edged up by 0.3% over the same period, reaching 3 811 800 in the first quarter of 2016. Nonetheless, employment of the consumption and tourism-related sectors, viz. retail, accommodation and food services as a whole, posted the fourth consecutive quarter of year-on-year decline amid the protracted slowdown in inbound tourism and the slackened growth momentum of local consumption more recently.

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

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed<sup>(a)</sup></u>	<u>Persons underemployed</u>
2015 Annual	3 909 800 (0.9)	3 780 900 (0.8)	128 900	53 000
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)	3 803 900 (0.6)	121 600	53 500

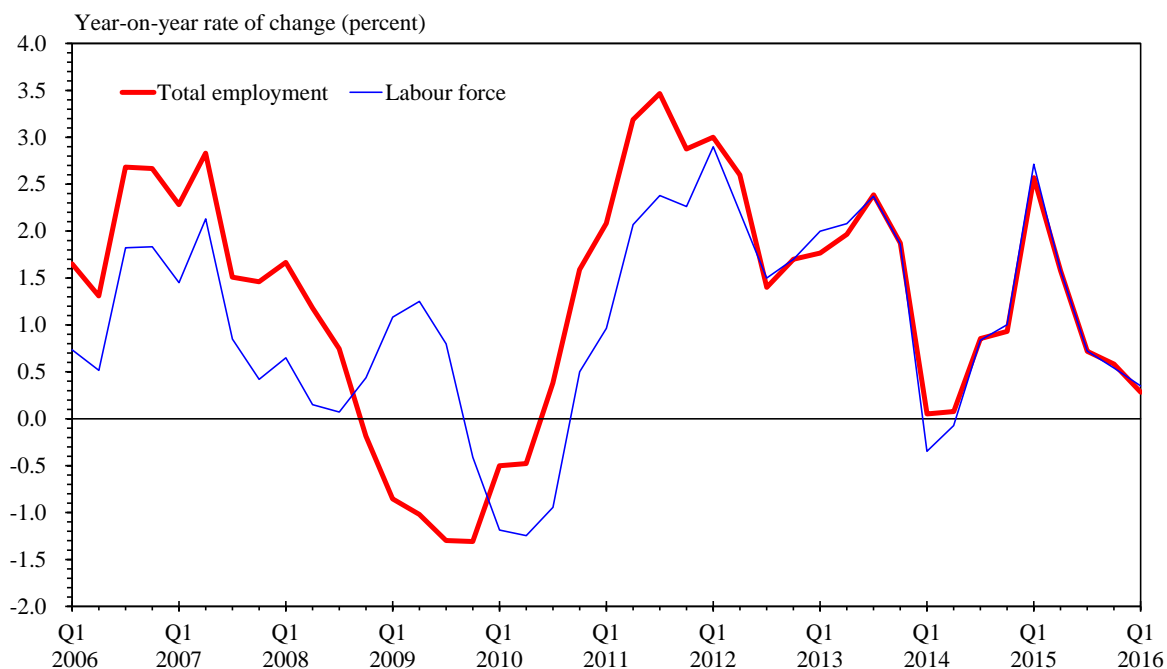
*Three months ending*

2016 Jan	3 931 800 (0.2)	3 812 000 (0.3)	119 800	53 200
Feb	3 937 100 (0.2)	3 816 400 (0.2)	120 700	50 800
Mar	3 942 200 (0.4)	3 811 800 (0.3)	130 400	53 400
	<0.5>	<0.4>		

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 first quarter of 2016.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.2 : Both the labour force and total employment registered meagre growth only in the first quarter of 2016**



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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016 Q1</u>
<u>Male</u>						
15-24	35.7	36.4	37.8	37.8	39.0	38.8
<i>of which:</i>						
15-19	9.9	10.5	11.0	11.1	11.6	12.1
20-24	61.1	61.1	62.5	61.5	61.9	60.8
25-29	93.9	94.5	93.8	93.4	93.6	93.3
30-39	96.5	96.8	96.9	96.5	96.5	96.1
40-49	95.1	95.3	95.5	94.7	95.0	95.0
50-59	84.9	85.1	86.8	86.7	86.7	86.9
≥ 60	23.4	25.6	26.9	27.8	28.4	29.8
Overall	68.4	68.7	69.1	68.8	68.8	68.9
<u>Female</u>						
15-24	37.0	37.5	40.0	39.3	41.5	40.0
<i>of which:</i>						
15-19	9.1	9.7	11.5	12.5	12.8	12.0
20-24	62.1	62.0	64.2	61.4	63.7	61.2
25-29	87.5	87.2	86.6	86.3	85.8	85.7
30-39	76.8	77.5	78.5	79.0	78.5	79.3
40-49	69.9	70.8	72.8	73.1	73.8	75.1
50-59	51.6	53.8	56.1	57.1	58.2	59.8
≥ 60	8.1	8.8	9.6	10.6	11.4	11.7
Overall	53.0	53.6	54.5	54.6	54.8	55.2
<u>Both genders combined</u>						
15-24	36.4	37.0	38.9	38.6	40.2	39.4
<i>of which:</i>						
15-19	9.5	10.1	11.2	11.8	12.2	12.0
20-24	61.6	61.6	63.4	61.4	62.8	61.0
25-29	90.2	90.3	89.7	89.4	89.2	89.1
30-39	84.9	85.4	85.9	86.0	85.7	86.0
40-49	81.0	81.4	82.5	82.3	82.7	83.4
50-59	68.0	69.2	71.0	71.4	71.8	72.6
≥ 60	15.5	16.9	17.9	18.9	19.6	20.4
Overall	60.1	60.5	61.2	61.1	61.2	61.4

Source : General Household Survey, Census and Statistics Department.

## Profile of unemployment

5.4 With the additional labour supply not being fully absorbed into employment, the number of unemployed persons increased by 8 700 over the preceding quarter to 130 400. After netting out seasonal fluctuations, the seasonally adjusted unemployment rate edged up by 0.1 percentage point to 3.4%, the highest level since late 2013.

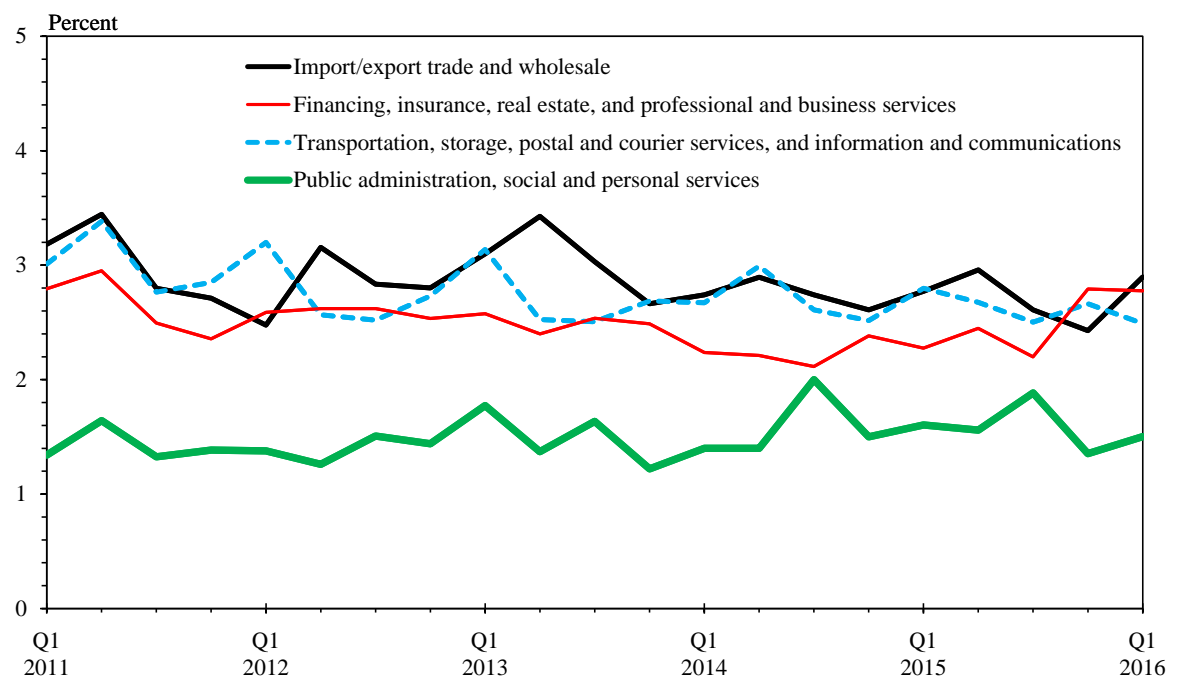
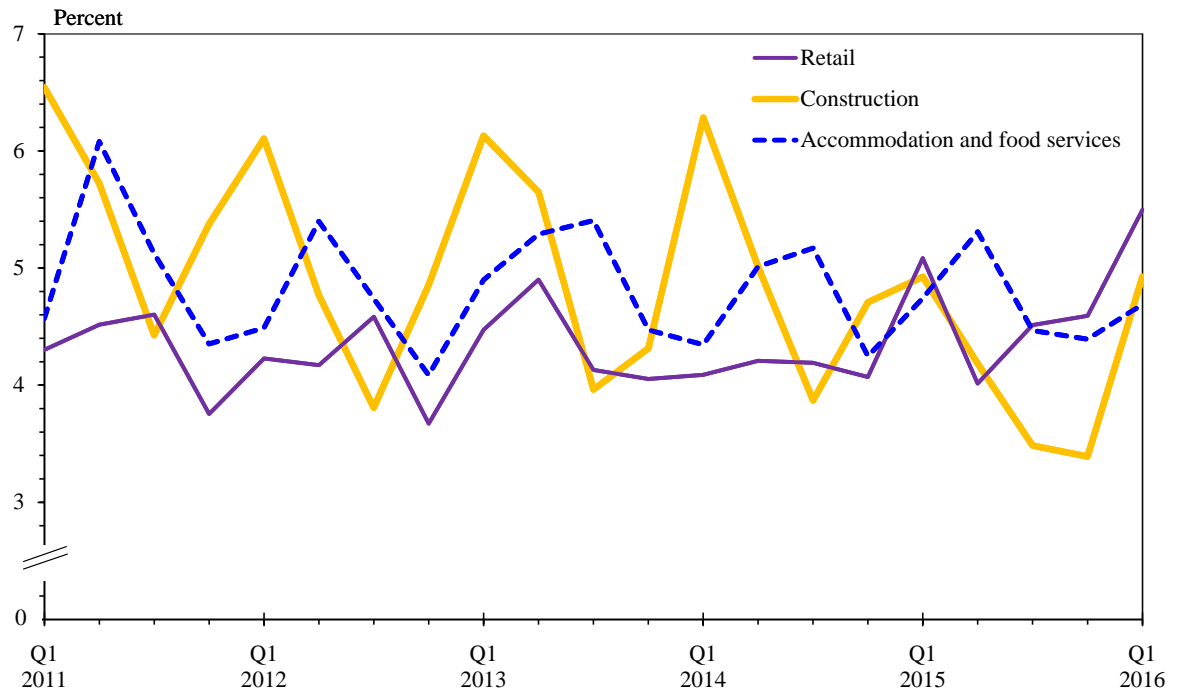
5.5 Increases in the unemployment rate were observed in many economic sectors. As compared to the previous quarter, the arts, entertainment and recreation (up 1.7 percentage points), and construction sectors (up 1.5 percentage points) posted noticeable increases in unemployment rate (not seasonally adjusted). As for sectors that were more affected by the lull in inbound tourism, the unemployment rate of accommodation services (up 1.3 percentage points) and retail (up 0.9 percentage point) sectors went up to 5.2% and 5.5% respectively, both much higher than the overall unemployment rate. The food and beverage service activities sector was however lesser affected by the sustained weak trend in inbound tourism, with its unemployment rate only edging up by 0.1 percentage point to 4.6%. On a year-on-year comparison to net out seasonal influences, the unemployment rate of tourism-related sectors as a whole went up by 0.2 percentage point to 5.1%. Meanwhile, the unemployment rate of import/export trade and wholesale rose by 0.5 percentage point and 0.1 percentage point over the preceding quarter and a year earlier respectively to 2.9% amid a weak global economy. Regarding the *low paying sectors*<sup>(6)</sup> as a whole, its unemployment rate went higher by 0.3 percentage point over the preceding quarter to 3.4%, though broadly on par with its year-ago level.

5.6 Analysed by skill segment, the unemployment rate of the lower-skilled workers rose visibly by 0.5 percentage point over the preceding quarter to 3.7%, mainly dragged by that of the craft and related workers, and service and sales workers. The former largely mirrored the worsening employment situation of the construction sector, while the latter was attributable to the lull in inbound tourism. Meanwhile, that of the higher-skilled workers stayed at 1.9%. On a year-on-year comparison, the unemployment rate of the higher-skilled workers increased by 0.2 percentage point, while that of the lower-skilled workers remained broadly unchanged.

5.7 As regards other socio-economic attributes, more discernible rises in the unemployment rate from a year ago were observed among persons aged 50-59 (up 0.6 percentage point) and younger ones aged 20-29 (up 0.5 percentage point), and those with tertiary education (up 0.5 percentage point).

On the other hand, those aged 60 and above (down 0.9 percentage point) and those with primary and below education (down 0.6 percentage point) saw the most notable declines in unemployment.

**Diagram 5.3 : Increases in the unemployment rate were observed in many economic sectors**



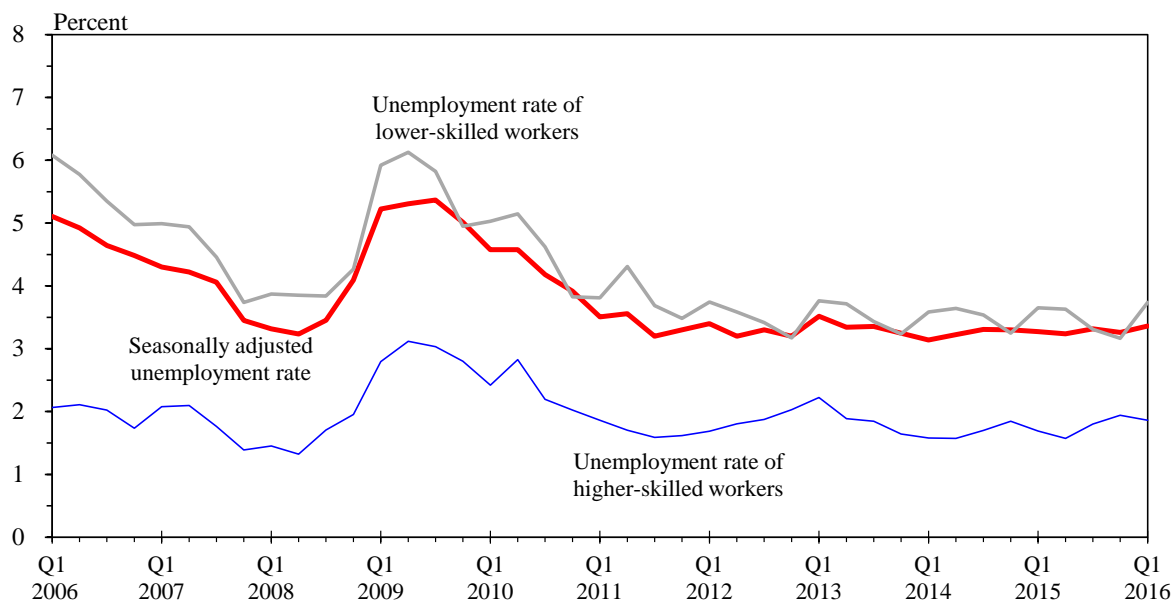
**Table 5.3 : Unemployment rates by major economic sector**

	<u>2015</u>				<u>2016</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Import/export trade and wholesale	2.8	3.0	2.6	2.4	2.9
Retail	5.1	4.0	4.5	4.6	5.5
Accommodation and food services	4.7	5.3	4.5	4.4	4.7
Transportation, storage, postal and courier services	2.9	2.7	2.7	2.5	2.5
Information and communications	2.4	2.6	2.0	3.1	2.4
Financing and insurance	1.8	1.4	1.7	2.2	2.0
Real estate	1.8	2.8	2.5	2.2	2.2
Professional and business services	2.8	3.0	2.5	3.4	3.5
Public administration, social and personal services	1.6	1.6	1.9	1.4	1.5
Manufacturing	3.1	3.4	3.9	3.2	4.1
Construction	4.9	4.2	3.5	3.4	4.9
Overall	3.2 (3.3)	3.3 (3.2)	3.5 (3.3)	3.1 (3.3)	3.3 (3.4)

Note : ( ) Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

**Diagram 5.4 : The unemployment rate of higher-skilled workers held unchanged while that of the lower-skilled segment increased**



**Table 5.4 : Unemployment rates\* by skill segment**

	<u>2015</u>				<u>2016</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Higher-skilled segment</u>	1.7	1.6	1.8	1.9	1.9
Managers and administrators	1.2	1.1	1.7	1.4	1.6
Professionals	1.5	1.2	1.9	1.7	1.3
Associate professionals	2.0	2.0	1.8	2.4	2.2
<u>Lower-skilled segment^</u>	3.7	3.6	3.3	3.2	3.7
Clerical support workers	2.8	3.7	3.3	3.0	3.4
Service and sales workers	4.9	4.7	4.3	4.1	4.8
Craft and related workers	4.3	4.0	3.0	3.0	4.6
Plant and machine operators and assemblers	1.9	2.2	2.6	2.8	2.3
Elementary occupations	3.3	2.9	2.8	2.6	3.1

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

^ Including other occupations.

Source : General Household Survey, Census and Statistics Department.



**Table 5.5 : Unemployment rates\* by age and educational attainment**

	<u>2015</u>				<u>2016</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Age</u>					
15-24	9.0	11.1	12.3	8.9	8.9
<i>Of which:</i>					
15-19	13.9	17.7	14.0	9.0	15.1
20-24	8.2	10.1	12.0	8.9	8.0
25-29	2.9	3.5	3.8	3.6	4.0
30-39	2.0	2.1	2.3	2.1	2.0
40-49	3.2	2.6	2.6	2.5	2.8
50-59	2.8	2.8	2.7	2.8	3.4
≥ 60	3.0	2.4	2.0	2.4	2.1
<u>Educational attainment</u>					
Primary education and below	3.8	3.0	2.3	2.7	3.2
Lower secondary education	4.5	4.3	3.7	3.9	4.3
Upper secondary education <sup>^</sup>	3.2	3.2	3.2	2.7	3.1
Post-secondary education	2.7	3.2	3.9	3.3	3.2

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Other indicators measuring the intensity of unemployment were mixed. The number of long-term unemployed persons (i.e. unemployed for six months or longer) increased slightly from 23 100 in the preceding quarter to 23 600 in the first quarter of 2016, with the long-term unemployment rate staying at 0.6%. The share of long-term unemployment in total unemployment went down from 19.0% to 18.1%, while the median duration of unemployment shortened from 74 days to 70 days. However, the proportion of dismissal or lay-offs among the total number of unemployed persons (not including first-time job-seekers and re-entrants into the labour force) rose visibly from 44.5% to 49.0%, which appeared to echo the slackening employment situation.

## **Profile of underemployment**

5.9 The underemployment situation held largely stable in the first quarter of 2016. The underemployment rate remained unchanged at 1.4% for the fifth straight quarter, while the number of underemployed persons showed little change at 53 400. More noticeable increase in underemployment rate was seen in the food and beverage service activities sector. On the other hand, more notable declines were observed in the arts, entertainment and recreation, and transportation sectors, with the latter conceivably due in large part to the winding-down of activities and hence reduced number of part-time and temporary workers around the Lunar New Year. Analysed by occupational category, the underemployment rate of the higher-skilled segment edged down by 0.1 percentage point to 0.4%, mainly contributed by the associate professionals. As for the lower-skilled segment, its underemployment rate stayed at 1.9%.

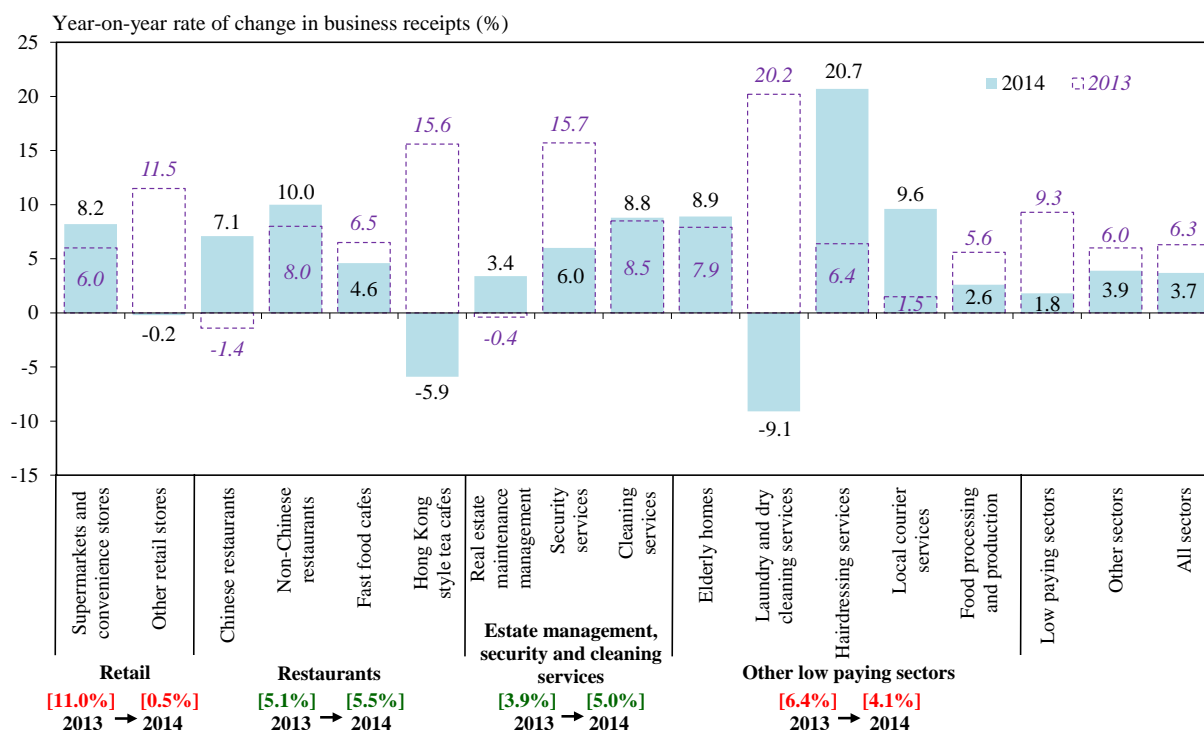
## Box 5.1

### Business performance and operating situation of low paying sectors in 2014

Employment situation of employees is closely related to the business performance and prospects of enterprises. With a favourable economic environment, even in the face of rising operating costs, enterprises will find it more manageable to absorb extra costs as long as their business receipts grow strongly, thereby entailing a lower risk of downsizing. On the contrary, when the economy turns sour and business turnovers drift lower instead of higher, it will become more difficult for enterprises to raise price for passing on the increase in operating costs to customers. In the absence of other measures to mitigate the additional costs, enterprises may face a profit squeeze, which may in turn pose higher layoff risks and eventually affect the job security of employees, particularly so for those with lower skills and less bargaining power. Using the results of the 2014 Annual Survey of Economic Activities released by the Census and Statistics Department, this article analyses the business performance and operating situation of the low paying sectors (LPS), which engage most low-paid employees, and the small and medium enterprises (SMEs)<sup>(1)</sup> therein.

In 2014, the tourism industry weakened visibly and growth momentum of the domestic sector also softened. The overall economy grew only modestly by 2.7%. Against this backdrop, notwithstanding the rather solid growth in the business receipts of restaurants, real estate maintenance management, and cleaning services, the business receipts of LPS as a whole were weighed down by the slowdown in the retail business, recording only a 1.8% growth which was far below the 9.3% increase in 2013 (*Chart 1*). Specifically, the growth in business receipts of the retail sector plummeted from 11.0% in 2013 to a mere 0.5% in 2014, ending the double-digit growth trend over the past few years. The business receipts of other retail stores therein, which accounted for around 90% of the overall business receipts of the retail sector, even posted a slight negative growth on the back of a sharp decline in visitor spending on big-ticket items such as jewellery, watches and clocks, and valuable gifts.

**Chart 1: Year-on-year rate of change in business receipts of all enterprises in 2013 and 2014**



Note: Figures in brackets denote the year-on-year rate of change in business receipts of all enterprises in that sector in the specified year.

Source: Annual Survey of Economic Activities, Census and Statistics Department.

(1) The statistics discussed in this article pertain to enterprises with employees only. SMEs refer to enterprises with fewer than 50 persons engaged.

## Box 5.1 (Cont'd)

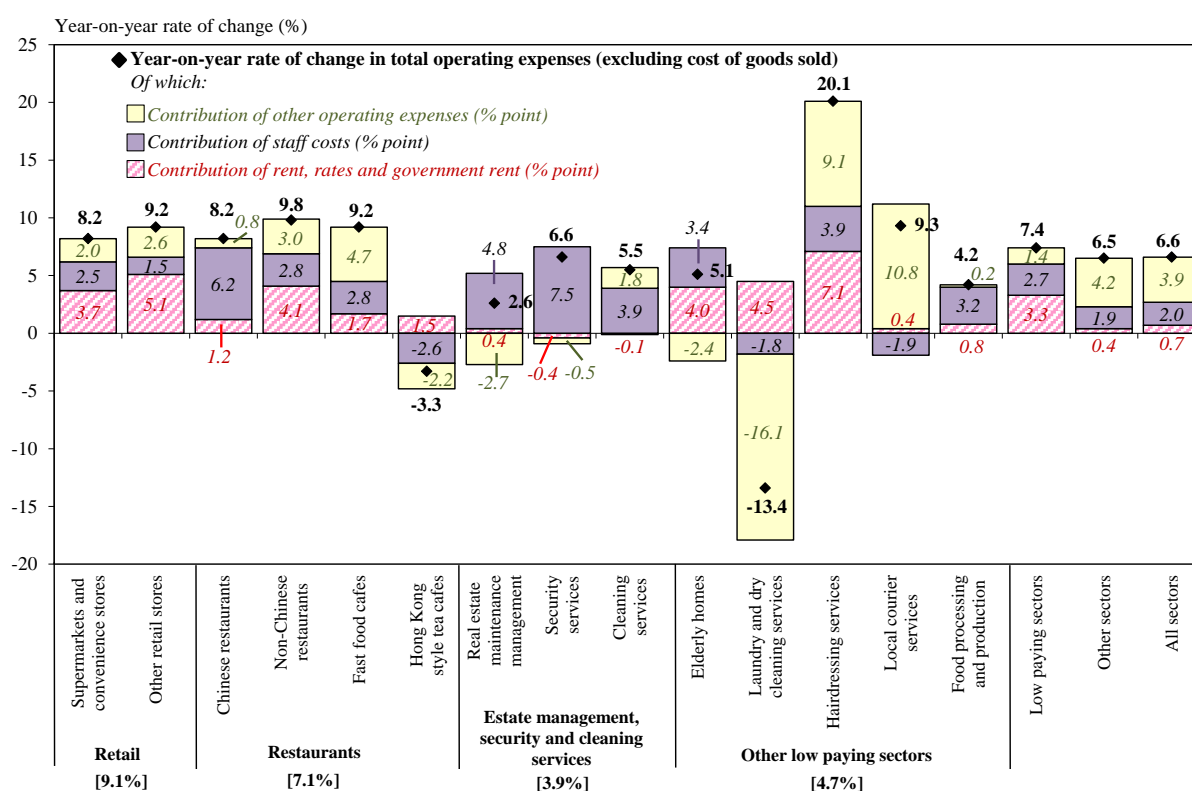
### Operating Costs

In 2014, thanks to softer international food and commodity prices, the modest inflation in major import sources and the persistent strength of the US dollar against other major currencies, external price pressure faced by Hong Kong was mild, resulting in a fall in the overall cost of goods sold. For the retail sector, the dip in cost of goods sold mainly reflected the sluggish business performance. In fact, the rises in costs for most LPS were mainly attributable to the changes in total operating expenses, including rent, rates and government rent, staff costs and other operating expenses.

Amid the slow business expansion in some LPS, the increase in the total operating expenses for LPS as a whole moderated from 9.9% in 2013 to 7.4% in 2014, with rent, rates and government rent, and staff costs contributing the largest share of the rise. As *Chart 2* shows, some LPS such as retail and elderly homes were noticeably more susceptible to the continuous rise in rent in the year. Even with the numbers of enterprises of these two sectors dropping by 4.7% and 1.2% respectively in 2014, their rent, rates and government rent still contributed a significant share of the rise in the total operating expenses.

On the other hand, staff costs continued to be the main driver of the increases in the total operating expenses among labour-intensive sectors, especially for Chinese restaurants, and estate management, security and cleaning services. Though there was no uplifting in the Statutory Minimum Wage rate in 2014, labour costs generally went up during the year as the manpower resource balance in the labour market remained tight. For the LPS as a whole, the average staff costs per employee increased by 5.7% over 2013, while the corresponding figures for the two aforementioned sectors were even higher, at 10.2% and 7.8% respectively.

**Chart 2: Contribution to the year-on-year rate of change in total operating expenses of all enterprises by component in 2014**



Notes: The sum of the individual items may not be equal to the totals due to rounding.

Figures in brackets denote the year-on-year rate of change in total operating expenses of all enterprises in that sector in 2014.

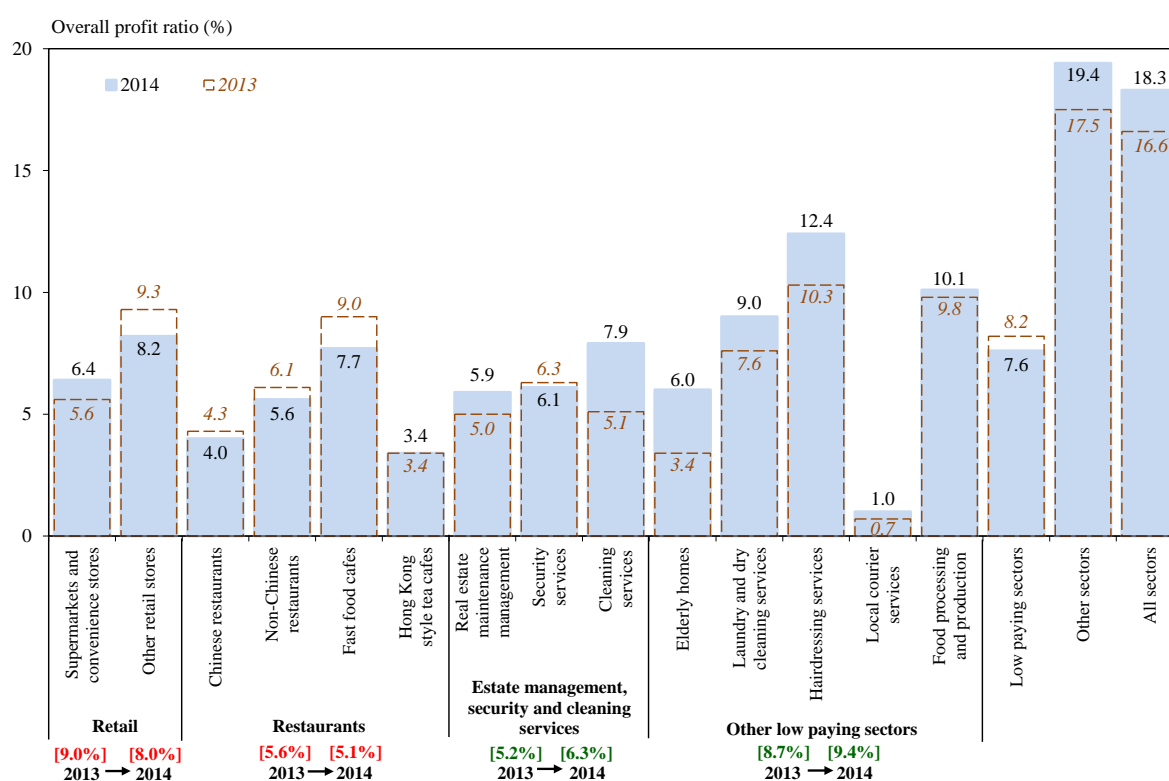
Source: Annual Survey of Economic Activities, Census and Statistics Department.

## Box 5.1 (Cont'd)

### Profitability

The operating situations of some LPS such as real estate maintenance management and cleaning services were more stable, partly thanks to faster growth in business receipts and partly due to cost control. Their overall profit ratios<sup>(2)</sup> improved in 2014 (*Chart 3*). As a result of the marked deterioration in business situation, the overall profit ratio of the retail sector fell by 1.0 percentage point over 2013 to 8.0% in 2014, the lowest since 2009. As for restaurants, despite some business expansion, rises in rent, rates and government rent as well as staff costs weighed on profits further, with its overall profit ratio down by 0.5 percentage point over 2013 to 5.1%. Since the retail and restaurants sectors altogether employed a large number of lower-skilled employees (over 440 000, or about 60% of the total in LPS)<sup>(3)</sup>, weaker profitability might carry implications to the income and employment prospects of grassroots employees therein. This situation warrants concern.

**Chart 3: Overall profit ratio of all enterprises in 2013 and 2014**



Note: Figures in brackets denote the overall profit ratio of all enterprises in that sector in the specified year.

Source: Annual Survey of Economic Activities, Census and Statistics Department.

### SMEs

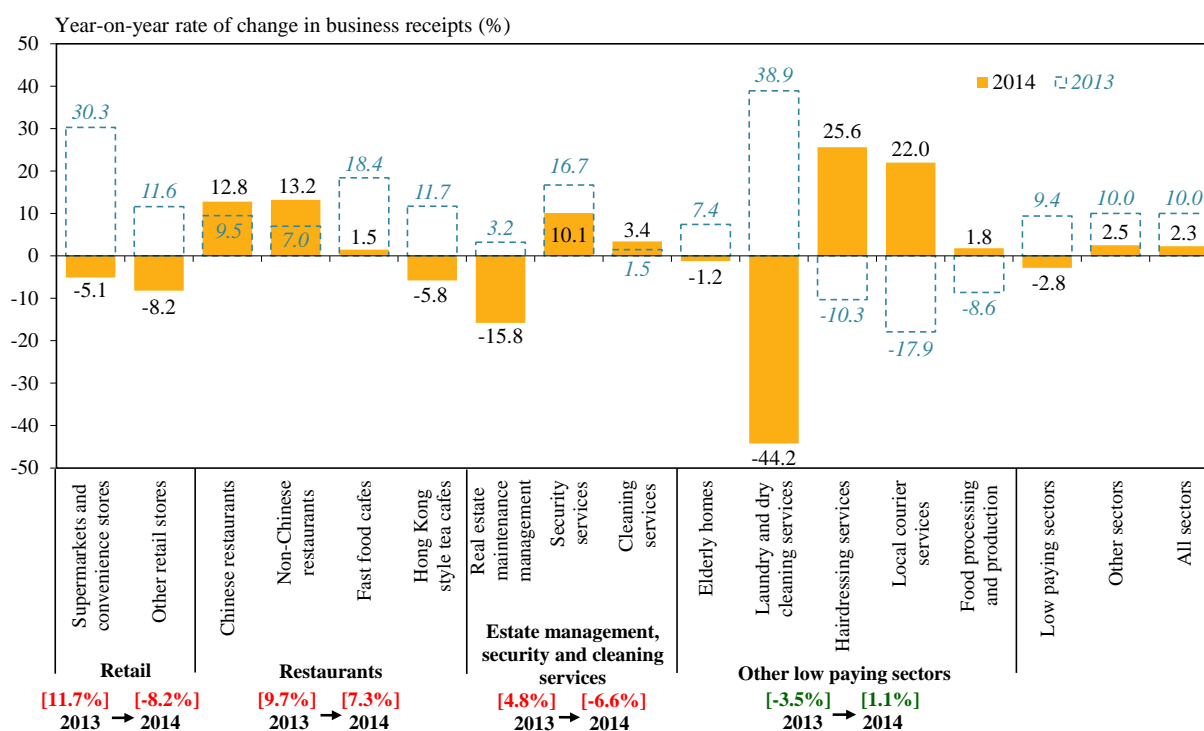
In general, benefiting from economies of scale and more effective management, large enterprises are more capable of absorbing cost pressures. On the contrary, SMEs, constrained by limited resources, are less capable of passing on costs to customers and controlling costs. In fact, the overall business receipts of SMEs in LPS dropped by 2.8% in 2014 amid the austere operating situation, with a number of sub-sectors being more hard hit, as evidenced by their more noticeable slowdown or even decline in business receipts (*Chart 4*).

(2) Earnings before tax ratio (abbreviated as profit ratio) refers to the ratio of profit (before deducting tax; gain/loss on disposal of property, machinery and equipment; bad debts/write-off; provisions, etc.) to business receipts.

(3) The figures are compiled from the findings of the 2014 Annual Earnings and Hours Survey conducted by the Census and Statistics Department. Lower-skilled employees include elementary occupations; service and sales workers; craft and related workers, plant and machine operators and assemblers; and clerical support workers.

## Box 5.1 (Cont'd)

### Chart 4: Year-on-year rate of change in business receipts of SMEs in 2013 and 2014



Note: Figures in brackets denote the year-on-year rate of change in business receipts of SMEs in that sector in the specified year.

Source: Annual Survey of Economic Activities, Census and Statistics Department.

For most LPS, the overall profitability of SMEs fared worse than that of the sector as a whole. For instance, the overall profit ratios of SMEs in the retail and restaurants sectors stayed relatively low at 3.9% and 3.0% respectively. Conceivably, SMEs in LPS with meagre profits would have less room for manoeuvre than large enterprises in times of a deteriorating external environment. With low profits, these SMEs would also be less capable of tiding themselves over in difficult periods by squeezing their profits. Hence, layoffs or even windings-up might occur when enterprises could not withstand external shocks and the mounting operating costs. The 2014 figures showed signs of scaling back in business or downsizing among SMEs in some LPS. Specifically, the number of SMEs in LPS as a whole dropped by about 2% (or around 880 in number), with that of other retail stores down by over 1 000. Moreover, for the Hong Kong style tea cafes, although the number of SMEs increased by about 4% (or about 110 in number), the number of employees engaged therein declined by more than 5%. Nonetheless, thanks to the rather stable labour market and ample job opportunities available in various other sectors for job seekers, the overall employment situation saw no marked deterioration in 2014.

### Concluding remarks

While operating environment is somewhat sector-specific, the business situation of enterprises still hinges crucially on the macroeconomic environment. Over the past few years, Hong Kong economy has sustained moderate expansion. A myriad of factors had contributed to the rising business costs, but growing business receipts in tandem helped cushion the operating pressure on enterprises to a large extent, which in turn also helped maintain the job security of employees. However, recent economic data pointed to a slackening local consumption market, a protracted slowdown of inbound tourism and increasing headwinds on the external front. All these would pose challenges to local operators in different sectors. The development so entailed would warrant our close monitoring.

## **Profile of employment in establishments**

5.10 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only up to December 2015. To bring the analysis more up-to-date, attempts have been made wherever possible by drawing reference to information from supplementary sources.

5.11 The pace of job creation slowed further towards end-2015. Total employment in private sector establishments increased slightly by 0.7% year-on-year to 2 808 000 in December 2015, representing growth moderation for the fourth consecutive quarter and pointing to a more established weakening trend in labour demand. Apart from the secular downtrend in manufacturing (down 2.6% year-on-year), more noticeable declines in employment were seen in such trade- and tourism-related sectors as import/export trade and wholesale (down 1.9%), accommodation services (down 1.4%), retail (down 1.3%), and food and beverage services (down 0.7%) in December 2015, reflecting the lacklustre region-wide trade performance and the sustained weak trend in inbound tourism. Meanwhile, employment growth also eased in many sectors such as social and personal services (up 2.2%), financing and insurance (up 1.5%), and professional and business services (including cleaning services) (up 1.4%). On a positive note, visible job gain was found in construction sites (covering manual workers only) (up 18.1%), thanks to the steady expansion of private sector building and construction activity. Analysed by establishment size, employment in large enterprises grew by 2.6% year-on-year in December 2015, more than offsetting the 1.4% decline in the small and medium-sized enterprises (SMEs)<sup>(7)</sup>. For 2015 as a whole, total employment in private sector establishments increased by 1.2%, the slowest growth since 2009. As for the civil service, employment growth remained modest at 0.9% year-on-year in December 2015, and 0.7% for 2015 as a whole.

### **Vacancies**

5.12 The vacancy situation likewise slackened. The number of job vacancies in private sector establishments fell further by 3.1% in December 2015 over a year earlier, also representing an enlarged decline from that of 0.9% in September 2015. For 2015 as a whole, the number of job openings dipped for the second straight year, by 1.3% to an average of 75 590.

**Table 5.6 : Employment by major economic sector**

	<u>2014</u>					<u>2015</u>				
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>
Import/export trade and wholesale	554 400 ( $\$$ )	552 900 (-0.9)	554 100 (-0.1)	554 400 (0.5)	556 200 (0.6)	546 500 (-1.4)	549 200 (-0.7)	545 700 (-1.5)	545 400 (-1.6)	545 500 (-1.9)
Retail	270 800 (2.2)	270 000 (2.8)	271 900 (2.7)	269 800 (1.9)	271 600 (1.4)	269 600 (-0.5)	271 500 (0.6)	269 900 (-0.7)	268 900 (-0.3)	268 100 (-1.3)
Accommodation <sup>(a)</sup> and food services	283 200 (2.5)	281 200 (2.0)	283 200 (2.5)	283 000 (2.6)	285 600 (2.8)	283 000 (-0.1)	283 700 (0.9)	282 700 (-0.1)	282 300 (-0.2)	283 300 (-0.8)
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)	177 400 (1.6)	176 600 (2.8)	176 500 (1.1)	178 200 (1.6)	178 500 (1.1)
Information and communications	104 100 (2.7)	102 900 (4.6)	103 500 (2.4)	104 800 (2.2)	105 200 (1.9)	105 300 (1.1)	104 000 (1.2)	104 900 (1.4)	105 500 (0.7)	106 500 (1.2)
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)	712 100 (2.2)	711 400 (2.6)	712 300 (2.6)	712 500 (2.6)	712 400 (1.2)
Social and personal services	482 200 (4.3)	475 600 (3.7)	480 000 (4.1)	482 500 (4.0)	491 000 (5.3)	497 200 (3.1)	494 100 (3.9)	495 200 (3.2)	497 400 (3.1)	501 900 (2.2)
Manufacturing	102 500 (-1.2)	103 500 (-0.5)	102 200 (-1.1)	102 600 (-1.2)	101 500 (-2.1)	99 600 (-2.8)	100 300 (-3.1)	99 600 (-2.6)	99 600 (-3.0)	98 900 (-2.6)
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)	95 100 (14.9)	91 900 (16.9)	92 800 (16.4)	93 700 (8.3)	102 000 (18.1)
<i>All establishments surveyed in the private sector<sup>(b)</sup></i>	2 762 200 (2.1)	2 740 700 (1.9)	2 754 200 (1.9)	2 764 700 (2.2)	2 789 200 (2.2)	2 796 700 (1.2)	2 793 700 (1.9)	2 790 500 (1.3)	2 794 600 (1.1)	2 808 000 (0.7)
		<0.5>	<0.6>	<0.5>	<0.6>		<0.2>	< $\$$ >	<0.3>	<0.2>
<i>Civil service<sup>(c)</sup></i>	163 000 (1.0)	162 800 (1.4)	162 800 (1.2)	163 000 (0.9)	163 400 (0.6)	164 100 (0.7)	163 600 (0.5)	163 800 (0.6)	164 000 (0.6)	164 900 (0.9)

Notes : Employment figures enumerated from business establishments, as obtained from the Quarterly Survey of Employment and Vacancies, are somewhat different from those enumerated from households, as obtained from the General Household Survey. This is mainly due to the 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.



5.13 Analysed by economic sector, vacancies in the import/export trade and wholesale (down 19.8% year-on-year), accommodation and food services (down 13.7%), and retail (down 8.7%) sectors fell noticeably further in December 2015. Vacancies in construction sites (covering manual workers only) also plunged (down 22.7%), but when viewed in conjunction with the marked employment growth over the same period, this might signify that some previous vacancies had been gradually filled. On the other hand, vacancy increases were mainly observed in financing and insurance (up 29.8%), information and communications (up 18.3%), and human health services (up 14.2%). Mirroring the sectoral profile, higher-skilled vacancies saw remarkable year-on-year growth at 13.0%, driven by demand for managers and administrators, and professionals, while that in the lower-skilled segment fell further by 8.8%, due mainly to the double-digit reduction in vacancies of service and sales workers as well as craft and related workers. For 2015 as a whole, higher-skilled vacancies increased by 9.8%. In stark contrast, lower-skilled ones dropped by 5.2%, characterised by the almost across-the-board declines throughout the year. Analysed by the size of establishments, vacancies in large enterprises and SMEs went down by 1.1% and 5.7% respectively in December 2015 over a year earlier. As for the civil service, the number of job openings went up considerably further by 13.0% year-on-year to 8 590 in December 2015, and by 15.1% for 2015 as a whole.

5.14 Reflecting some easing in overall labour demand, the ratio of job vacancies per 100 unemployed persons went down slightly from 60 to 59 in December 2015 over a year earlier. Again, performance varied along the occupational hierarchy. The ratio for the higher-skilled segment increased to 76 in December 2015 from its year-ago level of 70, but that of the lower-skilled segment went down from 70 to 64 over the same period. For 2015 as a whole, the overall vacancy-to-unemployed ratio declined slightly to 59 from 60 in 2014, with the ratio of the lower-skilled segment falling from 66 to 64 and that of the higher-skilled segment up from 81 to 84. Analysed by economic sector, manpower shortages were more apparent in residential care and social work services, arts, entertainment and recreation, human health services, real estate, financing and insurance, and food and beverage services sectors in December 2015, for which the corresponding ratios exceeded 100.

5.15 The vacancy rate for private sector establishments, measured in terms of the percentage of job vacancies to total employment opportunities, edged down by 0.1 percentage point to 2.5% in December 2015 from 2.6% in September 2015 and its year-ago level. More apparent year-on-year declines in vacancy rate were observed in the food and beverage services, construction

sites (manual workers only), import/export and wholesale, and retail sectors, offsetting the increases in the financing and insurance, information and communications, and arts, entertainment and recreation sectors. For 2015 as a whole, the vacancy rate inched down further to 2.6% from 2.7% in 2014.

**Table 5.7 : Vacancies by major economic sector**

	<u>Number of vacancies</u>										Vacancy rate in Dec 2015 (%)	
	<u>Annual Average</u>	<u>2014</u>					<u>2015</u>					
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>		
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)	7 810 (-7.7)	9 000 (-2.3)	8 200 (0.6)	7 610 (-10.0)	6 450 (-19.8)	1.2	
Retail	9 110 (4.0)	9 680 (2.9)	8 810 (8.4)	9 240 (0.6)	8 710 (4.9)	8 320 (-8.6)	8 550 (-11.7)	8 440 (-4.2)	8 350 (-9.6)	7 950 (-8.7)	2.9	
Accommodation <sup>(a)</sup> and food services	16 060 (11.1)	17 600 (13.2)	15 800 (21.8)	15 550 (8.2)	15 300 (2.3)	14 610 (-9.1)	15 470 (-12.1)	15 150 (-4.1)	14 600 (-6.1)	13 200 (-13.7)	4.5	
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)	3 640 (-1.1)	3 960 (-5.4)	4 060 (0.6)	3 440 (1.7)	3 100 (-0.4)	1.7	
Information and communications	2 560 (-4.6)	2 570 (-4.2)	2 650 (-13.1)	2 360 (-21.8)	2 670 (33.9)	2 800 (9.3)	2 930 (14.3)	2 480 (-6.5)	2 620 (11.3)	3 160 (18.3)	2.9	
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)	18 790 (4.9)	18 360 (3.0)	18 780 (3.1)	18 590 (4.4)	19 440 (9.2)	2.7	
Social and personal services	14 110 (-12.9)	11 620 (-32.9)	16 600 (-6.1)	13 930 (-10.8)	14 280 (1.0)	15 800 (12.0)	15 620 (34.3)	17 290 (4.1)	15 760 (13.2)	14 540 (1.9)	2.8	
Manufacturing	3 040 (17.4)	3 200 (23.2)	3 580 (33.7)	2 880 (6.6)	2 500 (4.9)	2 720 (-10.6)	2 990 (-6.6)	2 730 (-23.9)	2 700 (-6.4)	2 470 (-1.2)	2.4	
Construction sites (manual workers only)	1 390 (32.4)	1 630 (75.1)	1 540 (49.8)	1 530 (73.1)	850 (-37.1)	800 (-42.6)	880 (-45.8)	940 (-39.1)	710 (-53.7)	650 (-22.7)	0.6	
All establishments surveyed in the private sector <sup>(b)</sup>	76 600 (-0.7)	77 790 (-3.0)	79 720 (2.4)	75 360 (-3.8)	73 530 (1.6)	75 590 (-1.3)	78 070 (0.4)	78 380 (-1.7)	74 670 (-0.9)	71 240 (-3.1)	2.5	
Civil service <sup>(c)</sup>	7 160 (9.9)	6 350 (2.0)	7 270 (4.2)	7 430 (11.4)	7 610 (22.8)	8 250 (15.1)	7 820 (23.3)	8 030 (10.4)	8 540 (14.9)	8 590 (13.0)	5.0	

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

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

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

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

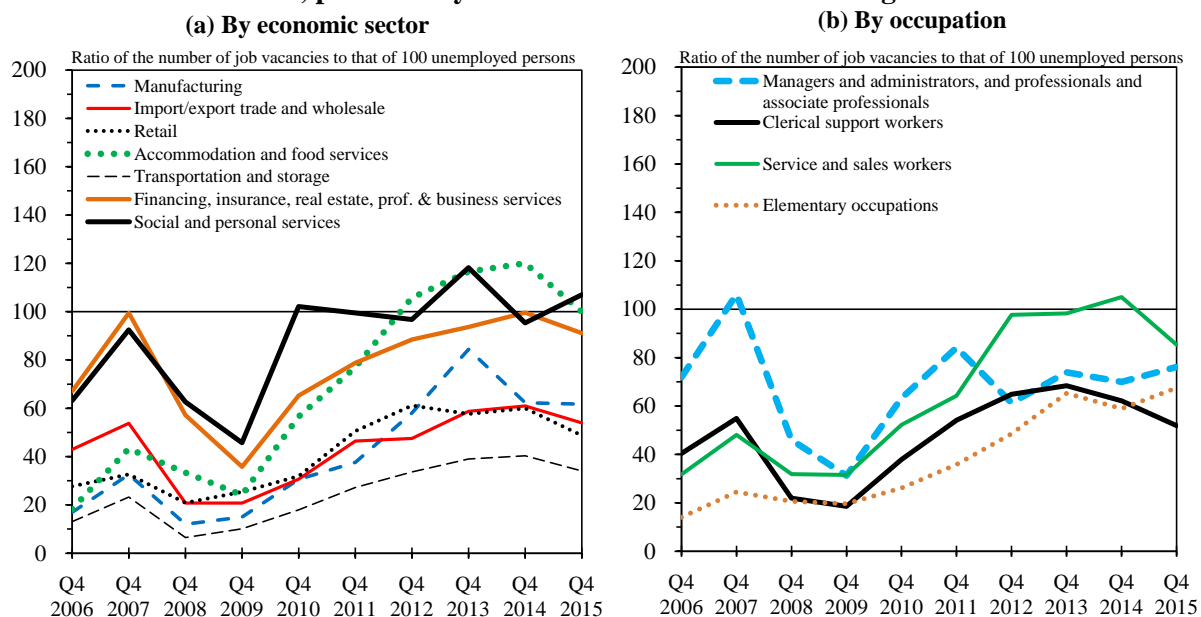
( ) % change over a year earlier.

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

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

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

**Diagram 5.5 : Manpower resource balance continued to show signs of easing towards end-2015, particularly in trade- and tourism-related segments**



5.16 The vacancy registration figures compiled by the Labour Department (LD), notwithstanding its smaller sample size, may provide some hints on the latest developments in the labour market. For the first quarter of 2016 as a whole, the number of private sector job vacancies averaged at around 107 400 per month, still a relatively high level, suggesting that the overall hiring sentiment had yet to see noticeable deterioration on entering 2016.

## Wages and earnings

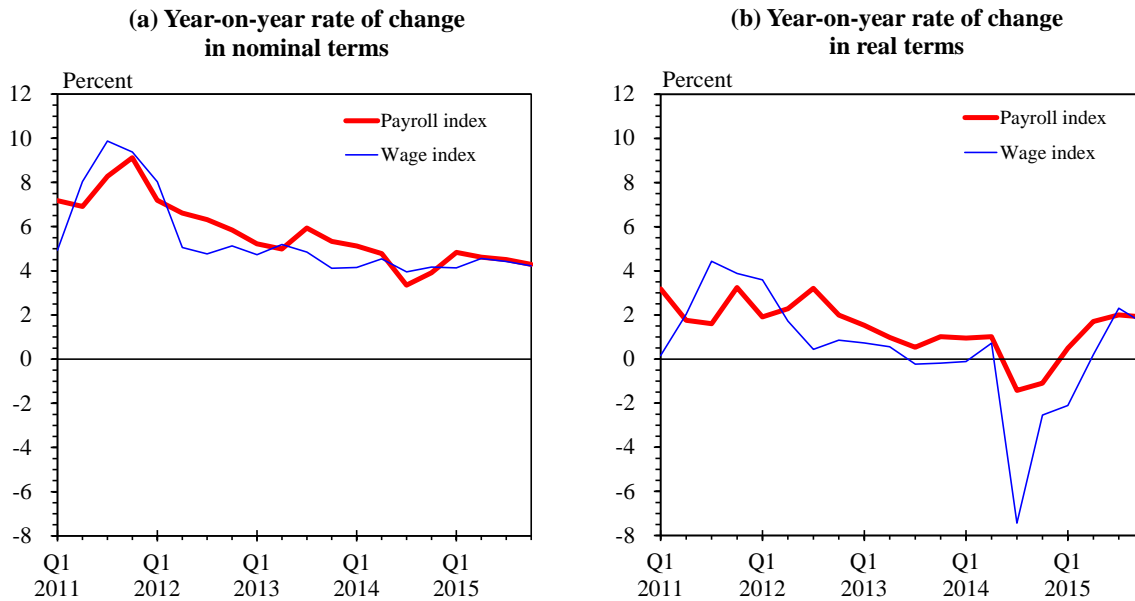
5.17 Both nominal wages and payroll stayed on the rise in 2015 amid a largely stable labour market throughout the year and the SMW uprating in May. *Wage index*, which covers regular payment to employees at the supervisory level or below, rose by 4.2% year-on-year in December 2015. For 2015 as a whole, labour wages went up by 4.4% in nominal terms, or 0.6% in real terms after adjusting for inflation<sup>(8)</sup>. The improvement in real terms appeared to be mild, though noteworthy was the markedly higher headline inflation in the first half of 2015 alongside the phasing out of the Government's one-off relief measures.

5.18 Nominal wages continued to see broad-based year-on-year increases in December 2015, more notably in professional and business services (up 7.0%), and personal services (up 5.9%). Accommodation and food service activities, with higher proportion of lower-skilled workers, also saw relatively higher wage growth (up 5.3%) in tandem with the upward adjustment of the SMW rate since May 2015. Analysed by occupation, more visible wage gains were found in service workers (up 6.9%) and miscellaneous non-production workers (up 4.8%).

5.19 *Labour earnings*<sup>(9)</sup>, as measured by the index of payroll per person engaged in the private sector, including overtime pay, discretionary bonuses and other irregular payments, rose at a broadly similar pace of 4.3% in the fourth quarter of 2015 over a year earlier. For 2015 as a whole, nominal earnings posted a solid increase of 4.6%, translating into a real improvement of 1.5%.

5.20 Nominal payroll increased further across major sectors in the fourth quarter of 2015, more notably in professional and business services (up 6.4%), accommodation and food service activities (up 5.9%), and sewerage, waste management and remediation activities (up 5.9%). On the other hand, import/export and wholesale trades (up 2.9%), and retail trade (up 3.3%) saw relatively moderate payroll growth, amid the sluggish external trade performance and the slackening local consumption market.

**Diagram 5.6 : Nominal wages and earnings stayed on rise towards end-2015**



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.

5.21 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<sup>(10)</sup> of full-time employees (excluding foreign domestic helpers) in the lowest three decile groups grew by 6-9% in the first quarter of 2016 over a year earlier, translating into appreciable increases of 3-5% in real terms after discounting inflation. The overall income also saw increases, though with signs of moderation. The median monthly household income (excluding foreign domestic helpers) went up only modestly by 2.0% in nominal terms in the first quarter of 2016 over a year earlier, after the appreciable increase of 7.7% in 2015.

## **Highlights of labour-related measures and policy developments**

5.22 LD regularly organises large-scale job fairs in different locations, canvassing vacancies from various industries for application by job-seekers on the spot. From January to March 2016, LD organised four large-scale job fairs in North District, Cheung Sha Wan and Wan Chai. 157 participating organisations offered over 12 500 vacancies from the retail, catering, property management, transport and other industries. There were also 15 training bodies joining the job fairs to introduce job training courses and receive applications on the spot. Apart from large-scale job fairs, 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.

5.23 LD newly launched the Construction Industry Recruitment Centre (CIRC) in January 2016 to facilitate local construction workers to find jobs and employers of the industry to recruit local workers. CIRC provides a venue for employers, contractors and sub-contractors of the trade to organise job fairs and conduct on the spot job interviews with job seekers, enhancing the efficiency in job search and recruitment.

5.24 The Work Incentive Transport Subsidy Scheme aims at helping low-income earners reduce their cost of travelling to and from work and encouraging them to secure or stay in employment. The income and asset limits for the subsidy have been raised again since the claim month of February 2016 under the annual adjustment mechanism.

5.25 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 conducted in 2014, has in principle recommended exploring a legislative approach to mandatorily require employers and employees 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 launched a three-month second-stage consultation on its preliminary discussion outcomes and working hours policy directions under exploration on 25 April 2016, so as to collect views for SWHC's reference in further discussing working hours policy directions and preparing its report to the Government.

## 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.