CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market held broadly stable in overall terms in the second quarter of 2016, displaying much resilience in the face of the concurrent slowdown in inbound tourism and local consumption market as well as the persisting external headwinds.*

- *Both total employment and the labour force grew further over a year earlier. Yet labour demand showed further easing, with job vacancies in the private sector falling visibly further over a year earlier, thereby remaining a cause for concern.*

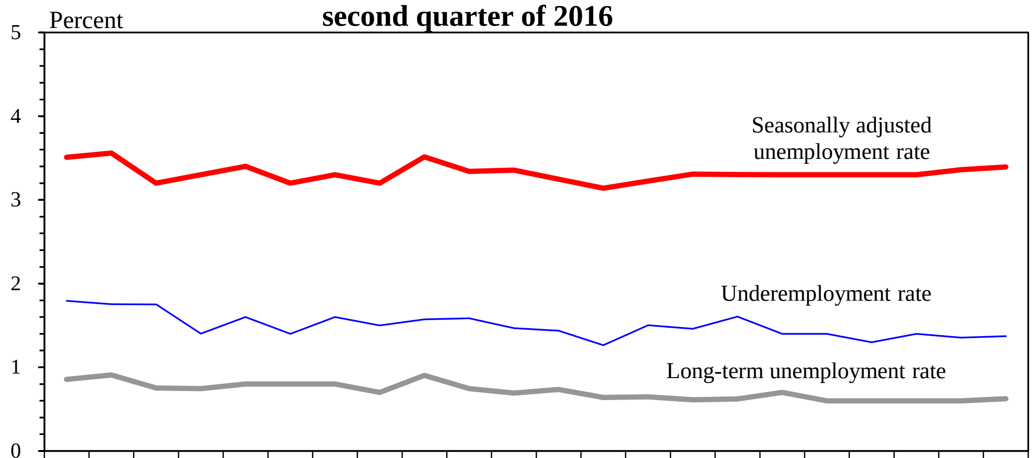
- *The seasonally adjusted unemployment rate remained unchanged at 3.4% during the second quarter, with mixed movements in different sectors. In particular, employment situation in consumption- and tourism-related sectors weakened noticeably amid the sustained slack in inbound tourism.*

- *On the back of a largely stable labour market, nominal wages and payroll kept rising on entering 2016, though at a moderated pace. Meanwhile, earnings of grassroots workers sustained solid improvement, thanks in part to the carry-over effect from the upward adjustment of the Statutory Minimum Wage (SMW) rate since May 2015.*

Overall labour market situation(1)

5.1 The labour market stayed largely stable in the second quarter of 2016, though with further signs of easing amid the subpar growth in local consumption as well as the sustained weakness in inbound tourism and external trade. The seasonally adjusted *unemployment rate*(2) and the *underemployment rate*(3) remained unchanged at 3.4% and 1.4% respectively, while total employment and the labour force grew modestly further over a year earlier. However, job vacancies in the private sector showed an enlarged year-on-year decline, especially in the trade- and tourism-related sectors. Amid the broadly stable labour market conditions, wages and earnings stayed on the rise, though at a moderated pace.

Diagram 5.1 : The seasonally adjusted unemployment rate remained unchanged at 3.4% in the second quarter of 2016



	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
	2011				2012				2013				2014				2015				2016	
Seasonally adjusted unemployment rate	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	3.3	3.3	3.3	3.4	3.4
Underemployment rate	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	1.3	1.4	1.4	1.4
Long-term unemployment rate	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	0.6	0.6
Annual unemployment rate	3.4				3.3				3.4				3.3				3.3					

Labour force and total employment

5.2 On the supply side, the *labour force*[4] expanded by 1.1% year-on-year to 3 943 200 in the second quarter of 2016. This was slightly faster than the concurrent increase of 0.9% in the working-age population (i.e. land-based non-institutional population aged 15 and above). Labour force participation rate hence rose marginally by 0.1 percentage point to 61.2% over the period.

5.3 On the demand side, *total employment*[5] increased by 0.9% year-on-year to 3 807 100 in the second quarter. Employment of the consumption and tourism-related sectors, viz. retail, accommodation and food services as a whole, posted the fifth consecutive quarter of year-on-year decline amid the slowdown in inbound tourism and local consumption market.

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

		Labour force		Persons employed		Persons unemployed[(a)]	Persons underemployed
2015	Annual	3 909 800	(0.9)	3 780 900	(0.8)	128 900	53 000
	Q1	3 917 300	(2.4)	3 791 100	(2.3)	126 200	53 500
	Q2	3 900 500	(1.0)	3 771 400	(1.0)	129 100	55 200
	Q3	3 916 300	(0.3)	3 779 200	(0.3)	137 100	52 800
	Q4	3 913 300	(0.2)	3 790 000	(0.2)	123 300	52 900
2016	Q1	3 942 200	(0.6)	3 811 800	(0.5)	130 400	53 400
Three months ending							
2016	Apr	3 940 800	(1.0)	3 806 600	(0.8)	134 200	53 300
	May	3 935 500	(1.2)	3 800 900	(1.0)	134 600	55 900
	Jun	3 943 200	(1.1)	3 807 100	(0.9)	136 100	54 100
			<§>		<-0.1>		

Notes : (a) These include first-time job-seekers and re-entrants into the labour force.

( ) % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change for the second quarter of 2016.

§ Change less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Both the labour force and total employment grew further in the second quarter

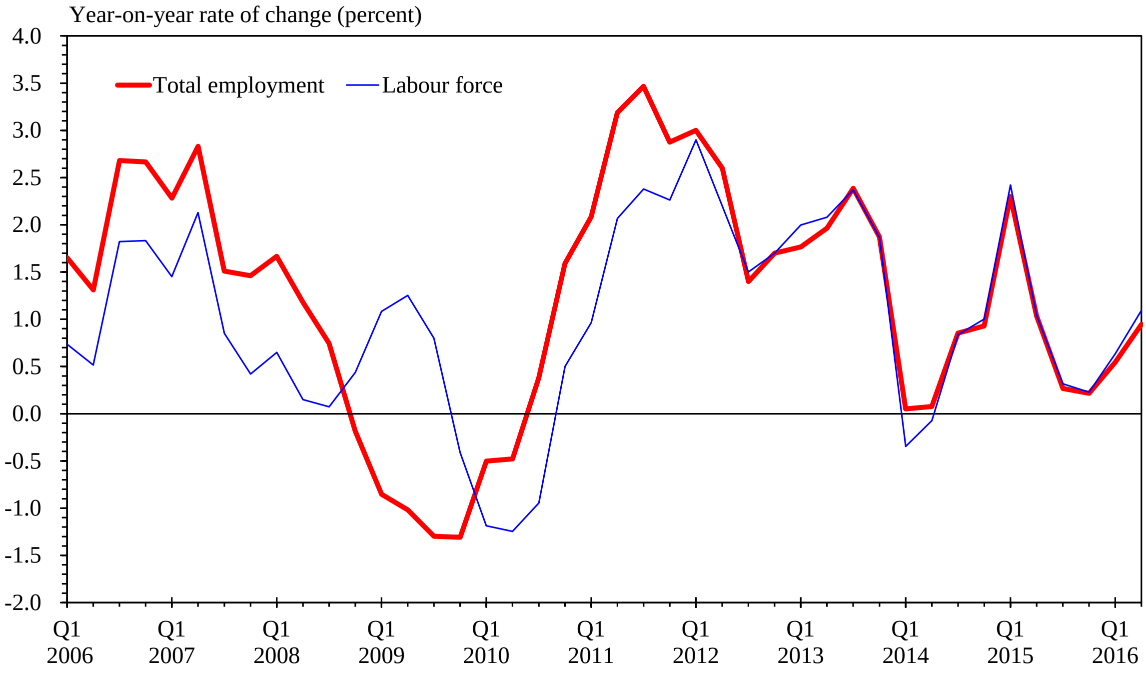


Table 5.2 : Labour force participation rates by gender and by age group (%)

	2011	2012	2013	2014	2015	2016 Q1	2016 Q2
Male							
15-24	35.7	36.4	37.8	37.8	39.0	38.8	38.7
of which:							
15-19	*9.9*	*10.5*	*11.0*	*11.1*	*11.6*	*12.1*	*12.5*
20-24	*61.1*	*61.1*	*62.5*	*61.5*	*61.9*	*60.8*	*61.4*
25-29	93.9	94.5	93.8	93.4	93.6	93.3	91.6
30-39	96.5	96.8	96.9	96.5	96.5	96.1	96.0
40-49	95.1	95.3	95.5	94.7	95.0	95.0	95.1
50-59	84.9	85.1	86.8	86.7	86.7	86.9	86.9
≥ 60	23.4	25.6	26.9	27.8	28.4	29.8	29.9
Overall	68.4	68.7	69.1	68.8	68.8	68.9	68.6
Female							
15-24	37.0	37.5	40.0	39.3	41.5	40.0	41.0
of which:							
15-19	*9.1*	*9.7*	*11.5*	*12.5*	*12.8*	*12.0*	*11.8*
20-24	*62.1*	*62.0*	*64.2*	*61.4*	*63.7*	*61.2*	*62.9*
25-29	87.5	87.2	86.6	86.3	85.8	85.7	86.0
30-39	76.8	77.5	78.5	79.0	78.5	79.3	78.7
40-49	69.9	70.8	72.8	73.1	73.8	75.1	74.2
50-59	51.6	53.8	56.1	57.1	58.2	59.8	59.6
≥ 60	8.1	8.8	9.6	10.6	11.4	11.7	12.1
Overall	53.0	53.6	54.5	54.6	54.8	55.2	55.0
Both genders combined							
15-24	36.4	37.0	38.9	38.6	40.2	39.4	39.8
of which:							
15-19	*9.5*	*10.1*	*11.2*	*11.8*	*12.2*	*12.0*	*12.2*
20-24	*61.6*	*61.6*	*63.4*	*61.4*	*62.8*	*61.0*	*62.2*
25-29	90.2	90.3	89.7	89.4	89.2	89.1	88.5
30-39	84.9	85.4	85.9	86.0	85.7	86.0	85.6
40-49	81.0	81.4	82.5	82.3	82.7	83.4	82.9
50-59	68.0	69.2	71.0	71.4	71.8	72.6	72.5
≥ 60	15.5	16.9	17.9	18.9	19.6	20.4	20.6
Overall	60.1	60.5	61.2	61.1	61.2	61.4	61.2

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

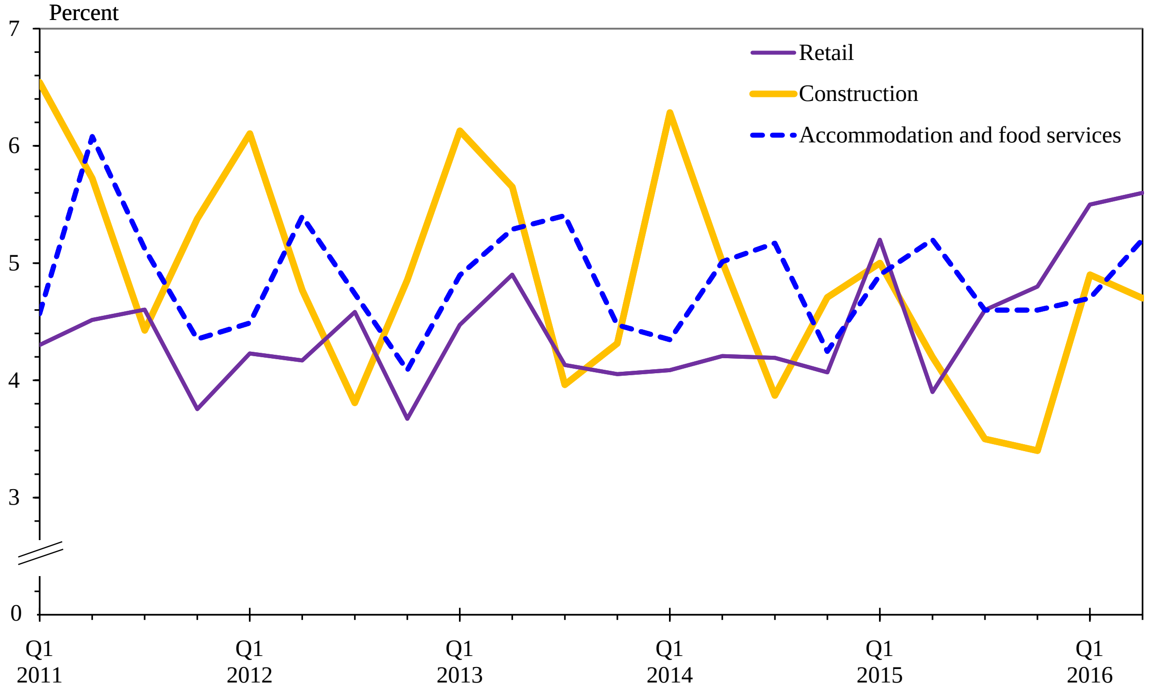
5.4 With the labour force growth outpacing employment growth, the number of unemployed persons increased by 5 700 over the preceding quarter to 136 100 in the second quarter. After netting out seasonal fluctuations, the seasonally adjusted unemployment rate was unchanged at 3.4%.

5.5 Compared to the previous quarter, more noticeable increases in the unemployment rate (not seasonally adjusted) were observed in the real estate (up 0.8 percentage point) and food and beverage service activities (up 0.7 percentage point) sectors, with the increase in the former conceivably due partly to the property market consolidation in the preceding quarters. For the consumption- and tourism-related segment as a whole (viz. retail, accommodation and food services), its unemployment rate rose by 0.3 percentage point to 5.4%, which was 0.9 percentage point higher than its year-ago level and far above the economy-wide figure. On a year-on-year comparison to net out seasonal influences, the unemployment rate of the retail sector, which was more affected by the lull in inbound tourism and slackening local consumption, rose noticeably by 1.7 percentage points to 5.6%. Meanwhile, the unemployment rate of import/export trade and wholesale stayed at 2.9%. Regarding the *low paying sectors*(6) as a whole, its unemployment rate rose by 0.1 percentage point over the preceding quarter to 3.5%, and was 0.2 percentage point above its year-ago level.

5.6 Analysed by skill segment, the unemployment rate of lower-skilled workers edged up by 0.1 percentage point over the preceding quarter to 3.8%, mainly dragged by service and sales workers. That of higher-skilled workers likewise rose, by 0.2 percentage point to 2.1%. On a year-on-year comparison, the unemployment rate of both lower-skilled and higher-skilled workers rose, by 0.2 percentage point and 0.5 percentage point respectively.

5.7 As regards other socio-economic attributes, more discernible year-on-year rises in the unemployment rate were observed among persons aged 25-29 and 60 and above (up 0.5 and 0.4 percentage point respectively), and those with upper secondary education, and primary education and below (up 0.5 and 0.4 percentage point respectively). On the other hand, those aged 15-24 (down by 0.8 percentage point) and those with tertiary education (down 0.2 percentage point) saw more discernible declines.

Diagram 5.3 : Unemployment rates showed diverse movements across different economic sectors



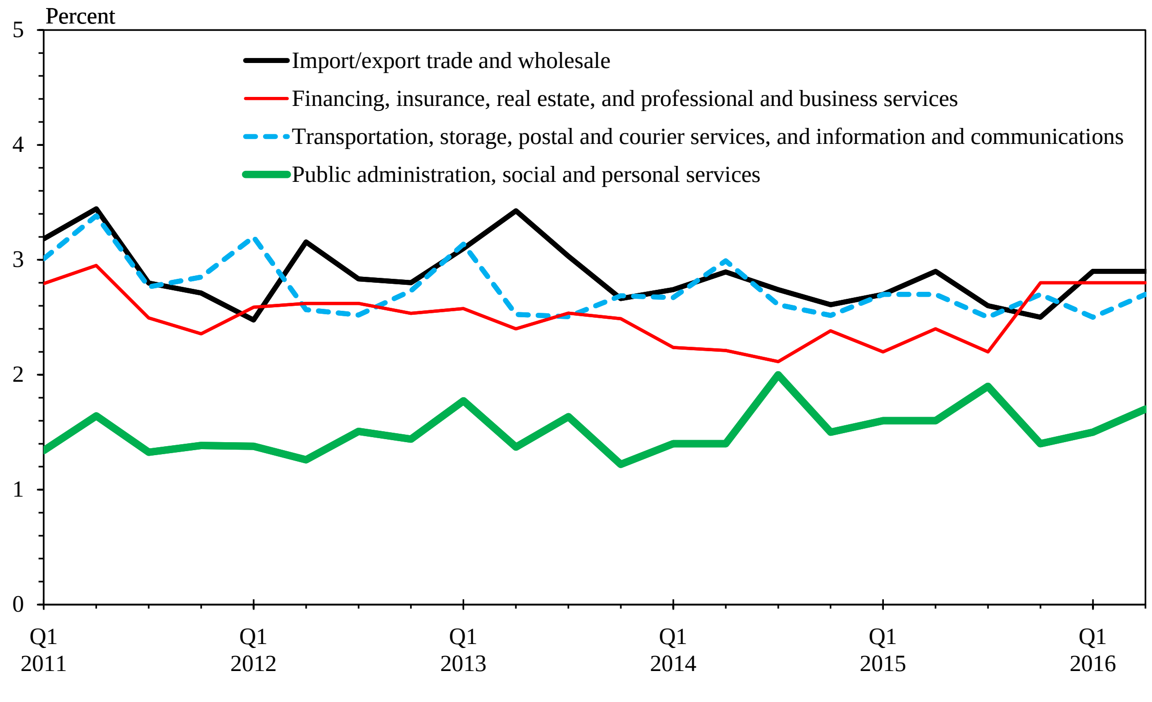


Table 5.3 : Unemployment rates by major economic sector

	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
Import/export trade and wholesale	2.7	2.9	2.6	2.5	2.9	2.9
Retail	5.2	3.9	4.6	4.8	5.5	5.6
Accommodation and food services	4.9	5.2	4.6	4.6	4.7	5.2
Transportation, storage, postal and courier services	2.8	2.8	2.7	2.6	2.5	2.8
Information and communications	2.4	2.6	2.1	3.1	2.4	2.5
Financing and insurance	1.7	1.4	1.7	2.1	2.0	2.0
Real estate	1.7	2.9	2.4	2.3	2.2	3.0
Professional and business services	2.8	2.9	2.5	3.5	3.5	3.2
Public administration, social and personal services	1.6	1.6	1.9	1.4	1.5	1.7
Manufacturing	3.0	3.4	4.0	3.2	4.1	3.8
Construction	5.0	4.2	3.5	3.4	4.9	4.7
Overall	3.2 (3.3)	3.3 (3.3)	3.5 (3.3)	3.2 (3.3)	3.3 (3.4)	3.5 (3.4)

Note : ( ) Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.4 : Unemployment rates of both the higher- and lower-skilled segments inched up in the second quarter

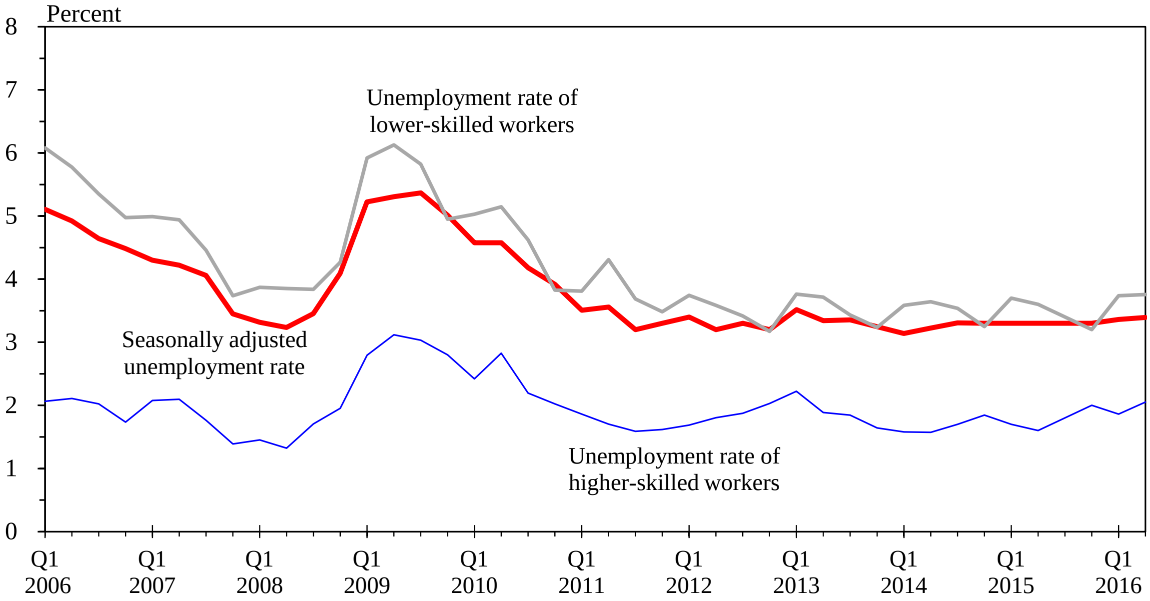


Table 5.4 : Unemployment rates* by skill segment

	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
Higher-skilled segment	1.7	1.6	1.8	2.0	1.9	2.1
Managers and administrators	1.1	1.2	1.7	1.5	1.6	1.7
Professionals	1.4	1.2	1.9	1.7	1.3	1.6
Associate professionals	2.0	2.0	1.8	2.4	2.2	2.4
Lower-skilled segment^	3.7	3.6	3.4	3.2	3.7	3.8
Clerical support workers	2.7	3.7	3.4	3.0	3.4	3.4
Service and sales workers	5.1	4.6	4.4	4.2	4.8	5.0
Craft and related workers	4.4	4.0	3.1	3.0	4.6	4.3
Plant and machine operators and assemblers	1.9	2.3	2.6	3.0	2.3	2.4
Elementary occupations	3.3	2.9	2.8	2.6	3.1	3.2

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

	2015				2016	
	Q1	Q2	Q3	Q4	Q1	Q2
Age						
15-24	9.0	11.1	12.4	8.8	8.9	10.3
of which:						
15-19	*13.9*	*17.3*	*14.1*	*9.1*	*15.1*	*17.4*
20-24	*8.3*	*10.1*	*12.1*	*8.8*	*8.0*	*9.2*
25-29	2.9	3.4	3.8	3.5	4.0	3.9
30-39	1.9	2.1	2.2	2.2	2.0	2.2
40-49	3.2	2.6	2.7	2.7	2.8	2.9
50-59	2.8	2.8	2.8	2.8	3.4	3.1
≥ 60	3.0	2.4	2.0	2.5	2.1	2.8
Educational attainment						
Primary education and below	3.7	3.0	2.4	2.8	3.2	3.4
Lower secondary education	4.6	4.3	3.8	4.0	4.3	4.3
Upper secondary education^	3.2	3.1	3.2	2.8	3.1	3.6
Post-secondary education	2.6	3.2	3.9	3.3	3.2	3.0

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Other indicators measuring the intensity of unemployment appeared to largely echo the weaker pace of job creation in the economy. The number of long-term unemployed persons (i.e. unemployed for six months or longer) increased to 24 600 in the second quarter from 23 600 in the preceding quarter, though the long-term unemployment rate stayed at 0.6%. 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), at 45.6%, was 5.1 percentage points higher than its year-ago level. The median duration of unemployment also lengthened slightly from 70 days to 71 days.

Profile of underemployment

5.9 The underemployment situation held largely stable in the second quarter. While the number of underemployed persons increased marginally by 800 over the preceding quarter to 54 100, the underemployment rate remained unchanged at a low level of 1.4% for the third straight quarter. On a year-on-year comparison, a more noticeable increase in the underemployment rate was seen in the information and communications sector. On the other hand, more notable declines were observed in the construction, and arts, entertainment and recreation sectors. Analysed by occupational category, the underemployment rate of the higher-skilled segment remained unchanged at 0.5%, while that of the lower-skilled segment inched down by 0.1 percentage point to 1.9%.

Box 5.1

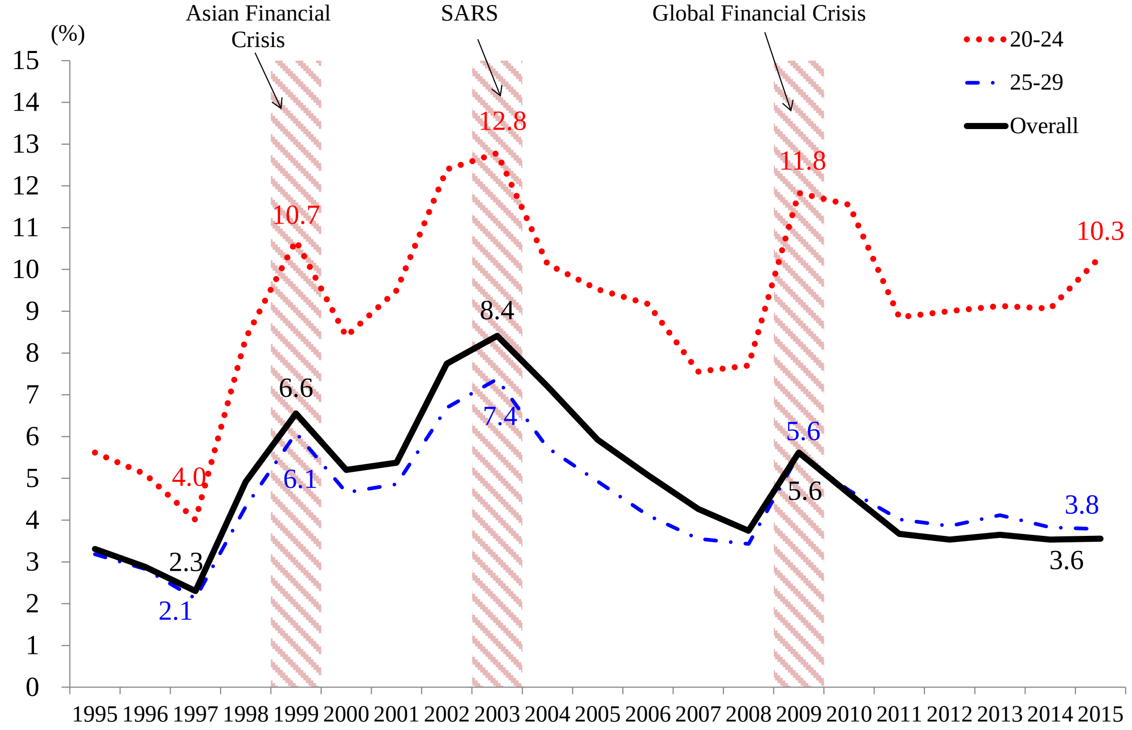
Earnings of youths in Hong Kong

The employment situation of youths and recent graduates is often of prime concern. This is understandable as young people are usually more affected by the changes in economic situation, with higher risks of being dismissed and more difficulties in finding jobs in times of economic downturn. Employment opportunities and job stability in turn also affect their earnings potential over a longer period of time. In this article, we examine how different factors interplayed to determine the earnings profile of youths (i.e. those aged 20-24 and 25-29)(1) in Hong Kong over time.

Economic Cycles and Earnings

Statistics showed that youth unemployment rate in Hong Kong(2) was more sensitive to economic vicissitudes than that of other age groups over the past two decades (***Chart 1***). This was particularly apparent for the group aged 20-24, understandably most of them being new graduates. The unemployment rate for those aged 25-29, who possibly had more education and better experience, was notably lower and also weathered better in economic downturns, viz. Asian Financial Crisis in 1998-1999, outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003 and Global Financial Crisis (GFC) in 2008-2009.

Chart 1: Unemployment rates of persons aged 20-24 and 25-29



Source: General Household Survey (GHS), Census and Statistics Department (C&SD).

As for those who secured employment, their earnings likewise depended crucially on the prevailing macroeconomic conditions. Comparing the average monthly employment earnings of full-time young employees across different birth cohorts (***Table 1***), it is apparent that real earnings of recent cohorts, namely those born after 1980 generally compared a bit less favourably at the start of their career than those born in the 1970s irrespective of

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(1) People aged 15-19 only constituted around 1% of the labour force as against 7.1% and 11.2% for those aged 20-24 and 25-29 respectively (Q2 2016 figures). Given such a small proportion of the youngest group, this particular group will not be discussed in detail in this article.

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

Box 5.1 (Cont'd)

educational attainment. In particular, for those born in the early to mid-1980s and with upper secondary education, their average employment earnings in real terms were notably lower than the earlier cohorts of similar educational attainment, due in part to the less favourable macroeconomic environment in 2004 and 2009.

Table 1: Average monthly employment earnings (at constant 2014 dollars) of different cohorts by selected educational attainment

(i) Upper secondary educated

Cohorts born in	Year in which the cohort aged 20-24	Earnings of the cohort concerned when their ages reached		
		20-24	**25-29**	**30-34**
1970 - 1974	1994	$10,700	$12,500 (+16.5%)	$15,100 (+20.6%)
1975 - 1979	1999	$10,200	$12,100 (+19.0%)	$13,000 (+7.8%)
1980 - 1984	2004	$9,100	$10,400 (+14.4%)	$11,500 (+10.7%)
1985 - 1989	2009	$9,200	$10,600 (+14.3%)	--
1990 - 1994	2014	$10,200	--	--

(ii) Post-secondary non-degree educated

Cohorts born in	Year in which the cohort aged 20-24	Earnings of the cohort concerned when their ages reached		
		20-24	**25-29**	**30-34**
1970 - 1974	1994	$13,300	$17,600 (+32.9%)	$22,000 (+24.5%)
1975 - 1979	1999	$12,800	$16,200 (+26.7%)	$19,500 (+19.8%)
1980 - 1984	2004	$10,500	$14,100 (+34.2%)	$17,200 (+21.7%)
1985 - 1989	2009	$10,500	$13,700 (+30.0%)	--
1990 - 1994	2014	$11,100	--	--

(iii)Degree educated

Cohorts born in	Year in which the cohort aged 20-24	Earnings of the cohort concerned when their ages reached		
		20-24	**25-29**	**30-34**
1970 - 1974	1994	$17,000	$24,000 (+41.2%)	$35,000 (+45.5%)
1975 - 1979	1999	$15,200	$22,200 (+46.0%)	$35,000 (+57.3%)
1980 - 1984	2004	$13,000	$22,100 (+69.8%)	$29,600 (+33.8%)
1985 - 1989	2009	$15,500	$20,300 (+31.1%)	--
1990 - 1994	2014	$14,900	--	--

Note: ( ) Figures refer to average monthly earnings of full-time employees and figures in brackets denote the percentage increases over the preceding five-year period. The percentages are calculated based on full figures.
Source: GHS, C&SD.

Education, Working Experience and Earnings

As pointed out in the literature, education and years of experience have significant effect on one's earnings(3). Indeed, across all birth cohorts in *Table 1*, better educated youths earned more than their less educated counterparts. For the 1990-94 cohort, for instance, youngsters with degree education earned around 46% and 34% more than their counterparts with upper secondary education and post-secondary non-degree education only. Meanwhile, for all young people shifting from the early 20s to the late 20s, irrespective of the educational attainment, their real average employment earnings improved notably, conceivably benefiting in part from the accumulation of working experience.

(3) For example, in Mincer (1974), the author argued that years of schoolings and accumulated labour market experiences would affect one's wages. See "The Human Capital Earnings Function", cited in "Schooling, Experience, and Earnings" (pp. 83-96), National Bureau of Economic Research, United States. Available from: http://www.nber.org/chapters/c1767.pdf.

Box 5.1 (Cont'd)

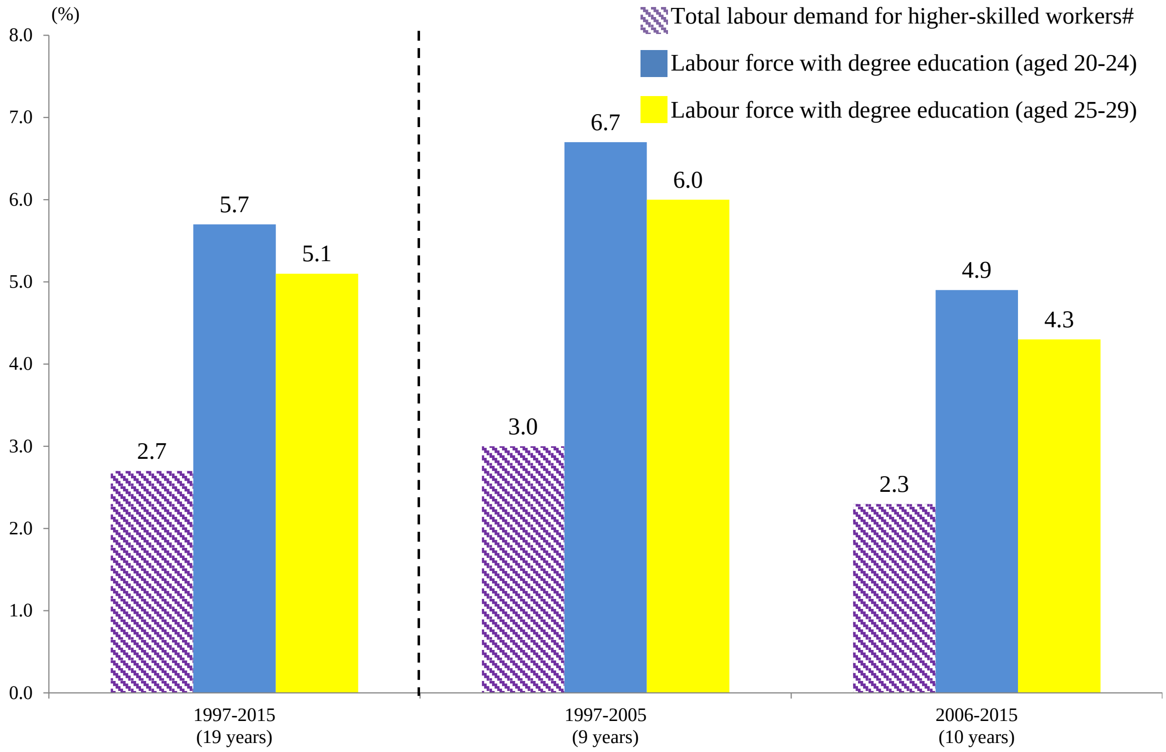
It is worth noting that, in general, real earnings of youths with better education also grew faster over time than the less educated ones. For example, for the 1980-1984 and 1985-1989 cohorts, the real average employment earnings of those with first degree or above increased, on average, by around 70% and 31% respectively from their early 20s to late 20s, as compared to 34% and 30% respectively of their counterparts with post-secondary non-degree education only.

Manpower Balance and Earnings

That the real earnings of the youngest working cohort (i.e. cohort born in 1990-1994) did not compare very favourably with their previous generations does cause some concern, especially when viewed together with the fact that this cohort is generally better educated. By way of comparison, of youths aged 20-29 in our workforce in 1995, only 12.9% had first degree or above, and the respective proportion had risen considerably to 45.9% in 2015.

One possible reason for such cohort income differences is the evolving balance between the demand for higher-skilled workers and the supply of better educated youths in the labour force. As illustrated by ***Chart 2***, the labour supply of youths aged 20-24 with degree or above rose rapidly by 6.7% per annum during 1997-2005 and 4.9% during 2006-2015, while total labour demand for higher-skilled jobs (as proxied by total higher-skilled employment and vacancies) increased by 3.0% and 2.3% per annum respectively during that two periods. The picture for the well-educated youths aged 25-29 is largely similar.

Chart 2: Average annual growth of total labour demand for higher-skilled workers and labour supply with degree education by age groups



Note: (#) Total labour demand for higher-skilled workers is proxied by the sum of the higher-skilled employment and the vacancy statistics, of which the latter were only collected since 1996.

Sources: GHS and Survey of Employment and Vacancies, C&SD.

Box 5.1 (Cont'd)

With the rapid increase in the supply of better educated youths over the past two decades, it is perhaps not surprising to see that the starting salary of fresh graduates in the more recent cohorts compare somewhat less favourably with those born in the 1970s and 1980s. Indeed, when graduates of the latter cohorts just started their career, the prevailing manpower resource balance at the higher-skilled level was extremely acute amid the rapid economic transformation towards service-based activities.

Nevertheless, a more important question is whether the prevailing younger generations can still enjoy substantial upward mobility over time alongside the accumulation of working experience. The key results of "the 2015 Study on Earnings Mobility" released in May 2016 appear to point to the brighter side. Taking the 2001/02 cohort as an example, 91% of graduates were in a higher earnings decile in 2013/14 than they were in 2003/04, regardless of degree level. Over 80% of graduates in the 2006/07 cohort had also experienced upward earnings mobility during their first five working years. The study also indicates that the more educated graduates enjoyed better chances to reach the top 20% of the income distribution, though the pace of upward earnings mobility still hinges crucially on the prevailing macroeconomic environment. For instance, until 2004, Hong Kong was still experiencing deflation brought about by the Asian financial crisis, the subsequent economic downturn, followed by another major shock from the SARS outbreak. As a result, the starting salary of many graduates in the 2001/02 cohort was disappointingly low. Nonetheless, with the strong economic recovery during 2004-2007, earnings of these 2001/2002 graduates were able to catch up promptly and ultimately did not fare worse than the graduates in 2006/07 cohort.

Final remarks

Past data suggest that as long as the economy keeps growing, the majority of youngsters will be able to enjoy substantial upward earnings mobility over time alongside the accumulation of working experience, more so for those better educated graduates. In the near term, to what extent the weaker pace of job creation amid a slow-growing local economy would affect the job prospects of youths and recent graduates warrants close monitoring.

Hong Kong has been moving towards a knowledge-based, higher value-added economy. The proportion of higher-skilled workers in total employment increased markedly from 27.9% in 1995 to 36.9% in 2005 and further to 41.8% in 2015. Still, given the rapid increase in the number of youths with higher educational attainment, it is of utmost importance that the Hong Kong economy could continue to go up the value chain with new growth areas, in order to provide more development opportunities to meet the aspirations of our younger generation.

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 March 2016. 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 in March 2016. Total employment in private sector establishments grew only mildly by 0.5% over a year earlier to 2 807 200, representing growth moderation for the fifth consecutive quarter. Apart from the secular downtrend in manufacturing (down 2.5% year-on-year), more noticeable declines in employment were seen in such trade- and tourism-related sectors as accommodation services (down 3.5%), retail (down 1.9%), import/export trade and wholesale (down 1.1%), and food and beverage services (down 0.7%), as well as the real estate sector (down 1.0%), amid the sluggish trade flows, slackened inbound tourism and local consumption, and property market consolidation. Meanwhile, employment growth also eased in many sectors such as education (up 2.7%), financing and insurance (up 1.1%), and professional and business services (including cleaning services) (up 0.4%). On a positive note, construction sites (covering manual workers only) continued to see visible job growth (up 14.1%). Analysed by establishment size, employment in large enterprises grew by 2.1% year-on-year, more than offsetting the 1.4% decline in the small and medium-sized enterprises (SMEs)[7]. As for the civil service, employment grew by 1.5% year-on-year in March 2016.

Vacancies

5.12 The vacancy situation slackened visibly further. The number of job vacancies in private sector establishments fell further by 10.0% year-on-year to 70 300 in March 2016, representing an enlarged decline from that of 3.1% in December 2015.

Table 5.6 : Employment by major economic sector

	2015					2016
	Annual average	Mar	Jun	Sep	Dec	Mar
Import/export trade and wholesale	546 500 (-1.4)	549 200 (-0.7)	545 700 (-1.5)	545 400 (-1.6)	545 500 (-1.9)	542 900 (-1.1)
Retail	269 600 (-0.5)	271 500 (0.6)	269 900 (-0.7)	268 900 (-0.3)	268 100 (-1.3)	266 200 (-1.9)
Accommodation[(a)] and food services	283 000 (-0.1)	283 700 (0.9)	282 700 (-0.1)	282 300 (-0.2)	283 300 (-0.8)	280 600 (-1.1)
Transportation, storage, postal and courier services	177 400 (1.6)	176 600 (2.8)	176 500 (1.1)	178 200 (1.6)	178 500 (1.1)	178 600 (1.2)
Information and communications	105 300 (1.1)	104 000 (1.2)	104 900 (1.4)	105 500 (0.7)	106 500 (1.2)	105 700 (1.6)
Financing, insurance, real estate, professional and business services	712 100 (2.2)	711 400 (2.6)	712 300 (2.6)	712 500 (2.6)	712 400 (1.2)	714 100 (0.4)
Social and personal services	497 200 (3.1)	494 100 (3.9)	495 200 (3.2)	497 400 (3.1)	501 900 (2.2)	505 500 (2.3)
Manufacturing	99 600 (-2.8)	100 300 (-3.1)	99 600 (-2.6)	99 600 (-3.0)	98 900 (-2.6)	97 800 (-2.5)
Construction sites (manual workers only)	95 100 (14.9)	91 900 (16.9)	92 800 (16.4)	93 700 (8.3)	102 000 (18.1)	104 800 (14.1)
All establishments surveyed in the private sector[(b)]	*2 796 700* *(1.2)*	*2 793 700* *(1.9)* *<0.2>*	*2 790 500* *(1.3)* *<§>*	*2 794 600* *(1.1)* *<0.3>*	*2 808 000* *(0.7)* *<0.2>*	*2 807 200* *(0.5)* *<0.1>*
Civil service[(c)]	*164 100* *(0.7)*	*163 600* *(0.5)*	*163 800* *(0.6)*	*164 000* *(0.6)*	*164 900* *(0.9)*	*166 200* *(1.5)*

Notes : Employment figures enumerated from business establishments, as obtained from the Quarterly Survey of Employment and Vacancies, are somewhat different from those enumerated from households, as obtained from the General Household Survey. This is mainly due to 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, noticeable declines in vacancies were seen across most sectors in March 2016, in particular import/export trade and wholesale (down 23.1% year-on-year), accommodation and food services (down 16.4%), transportation, storage, postal and courier services (down 13.2%), information and communications (down 13.0%) and retail (down 10.5%). On the other hand, visible vacancy increases were observed in the education (up 13.7%), and financing and insurance sectors (up 11.4%). In addition, reversing the downtrend over the course of 2015, vacancies in construction sites (covering manual workers only) registered solid growth (up 8.8%). In terms of occupational category, higher-skilled vacancies relapsed to a visible year-on-year decline of 12.1%, dragged by associate professionals, while that in the lower-skilled segment fell further by 9.2%, due mainly to the double-digit declines in vacancies of service and sales workers as well as plant and machine operators and assemblers. Analysed by the size of establishments, vacancies in large enterprises and SMEs fell by 8.2% and 12.3% respectively over a year earlier. As for the civil service, the number of job openings went up further by 3.3% year-on-year to 8 090 in March 2016.

5.14 Reflecting further easing in overall labour demand, the ratio of job vacancies per 100 unemployed persons went down to 54 in March 2016 from 62 a year earlier. The ratio for the higher-skilled segment decreased to 68 from its year-ago level of 86, and that of the lower-skilled segment likewise went down from 64 to 56 over the same period. Analysed by economic sector, manpower shortages were still apparent in residential care and social work services, human health services, real estate, financing and insurance, and cleaning and similar activities sectors in March 2016, 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 2.4% in March 2016 from 2.5% in December 2015 and down by 0.3 percentage point from 2.7% a year earlier. Year-on-year decreases in the vacancy rate were observed in many sectors, including notably the food and beverage services, social and personal services, import/export trade and wholesale, and retail sectors.

Table 5.7 : Vacancies by major economic sector

	Number of vacancies						
		2015				2016	
	Annual average	Mar	Jun	Sep	Dec	Mar	Vacancy rate in Mar 2016 (%)
Import/export trade and wholesale	7 810 (-7.7)	9 000 (-2.3)	8 200 (0.6)	7 610 (-10.0)	6 450 (-19.8)	6 920 (-23.1)	1.3
Retail	8 320 (-8.6)	8 550 (-11.7)	8 440 (-4.2)	8 350 (-9.6)	7 950 (-8.7)	7 660 (-10.5)	2.8
Accommodation[(a)] and food services	14 610 (-9.1)	15 470 (-12.1)	15 150 (-4.1)	14 600 (-6.1)	13 200 (-13.7)	12 930 (-16.4)	4.4
Transportation, storage, postal and courier services	3 640 (-1.1)	3 960 (-5.4)	4 060 (0.6)	3 440 (1.7)	3 100 (-0.4)	3 440 (-13.2)	1.9
Information and communications	2 800 (9.3)	2 930 (14.3)	2 480 (-6.5)	2 620 (11.3)	3 160 (18.3)	2 550 (-13.0)	2.4
Financing, insurance, real estate, professional and business services	18 790 (4.9)	18 360 (3.0)	18 780 (3.1)	18 590 (4.4)	19 440 (9.2)	18 400 (0.2)	2.5
Social and personal services	15 800 (12.0)	15 620 (34.3)	17 290 (4.1)	15 760 (13.2)	14 540 (1.9)	14 280 (-8.6)	2.7
Manufacturing	2 720 (-10.6)	2 990 (-6.6)	2 730 (-23.9)	2 700 (-6.4)	2 470 (-1.2)	2 880 (-3.5)	2.9
Construction sites (manual workers only)	800 (-42.6)	880 (-45.8)	940 (-39.1)	710 (-53.7)	650 (-22.7)	960 (8.8)	0.9
All establishments surveyed in the private sector[(b)]	*75 590* *(-1.3)*	*78 070* *(0.4)* *<-2.6>*	*78 380* *(-1.7)* *<-0.9>*	*74 670* *(-0.9)* *<-0.3>*	*71 240* *(-3.1)* *<0.2>*	*70 300* *(-10.0)* *<-8.7>*	*2.4*
Civil service[(c)]	*8 250* *(15.1)*	*7 820* *(23.3)*	*8 030* *(10.4)*	*8 540* *(14.9)*	*8 590* *(13.0)*	*8 090* *(3.3)*	*4.6*

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.

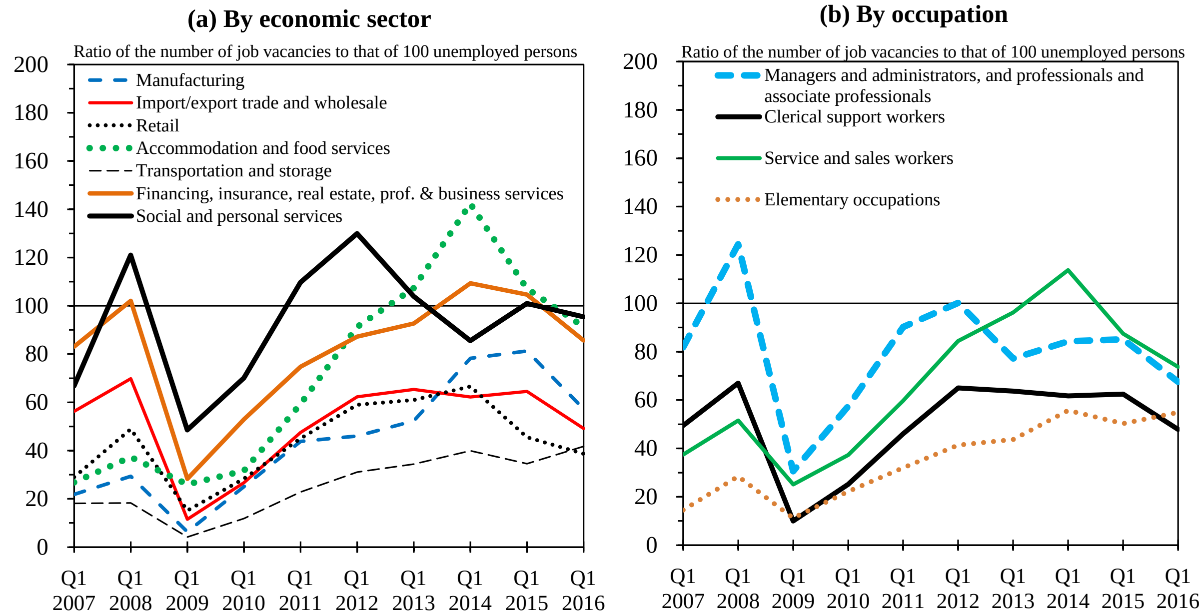
(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

( ) % 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 showed signs of broad-based easing



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. The number of private sector job vacancies still averaged at a relatively high level of around 113 800 per month in the second quarter of 2016, suggesting that the overall hiring sentiment showed no further marked deterioration.

Wages and earnings

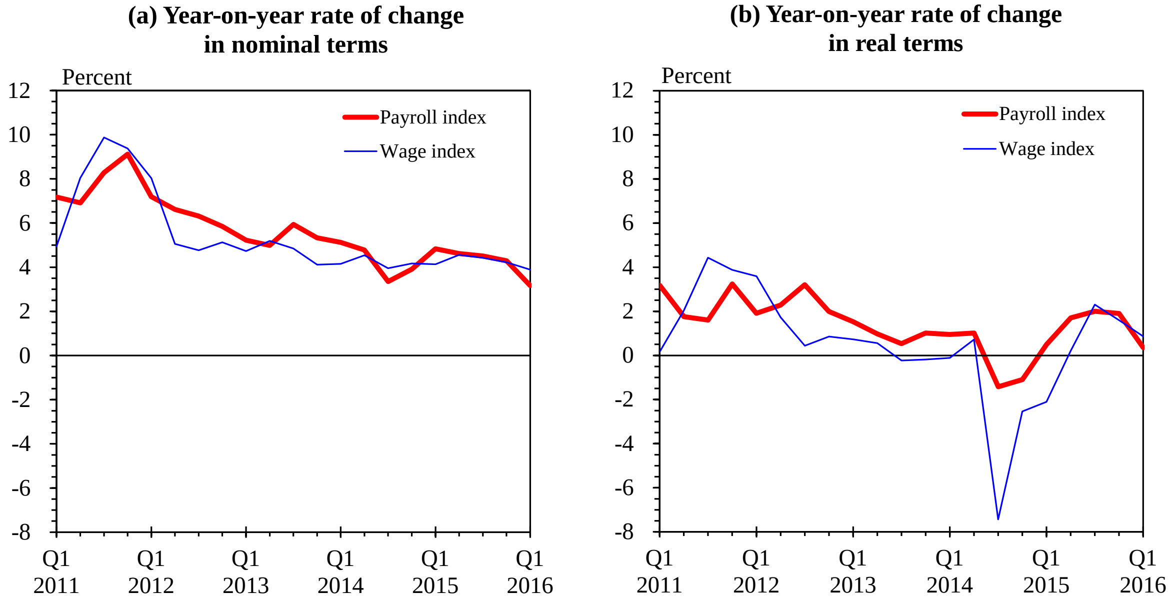
5.17 Wages stayed on the rise on entering 2016, amid the largely stable labour market situation. *Wage index*, which covers regular payment to employees at the supervisory level or below, rose by 3.9% year-on-year in March 2016, though moderating somewhat from the growth pace in 2015. After adjusting for inflation(8), real wages increased by 0.9%.

5.18 Nominal wages continued to see broad-based year-on-year rises in March 2016, more notably in personal services (up 6.3%), and professional and business services (up 5.4%). Accommodation and food service activities, with a higher proportion of lower-skilled workers, also saw relatively higher wage growth (up 5.0%), due in part to the carry-over effect from the upward adjustment of the SMW rate since May 2015. Analysed by occupation, more visible wage gains were found in operatives (up 6.2%) and service workers (up 5.8%).

5.19 *Labour earnings*(9), as measured by the index of payroll per person engaged in the private sector, including overtime pay, discretionary bonuses and other irregular payments, moderated more visibly to a year-on-year increase of 3.2% in the first quarter of 2016. After adjusting for inflation, real earnings improved only mildly by 0.4%.

5.20 Notwithstanding the almost across-the-board deceleration, more appreciable nominal earnings rises were still observed in professional and business services (up 5.8%), and accommodation and food service activities (up 5.0%) in the first quarter of 2016. On the other hand, import/export and wholesale trades (up 2.6%), and retail trade (up 2.0%) continued to post relatively modest earnings growth, amid the subdued regional trade flows and weaker local consumption market.

Diagram 5.6 : Nominal wages and earnings saw moderated growth on entering 2016



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[(10)] of full-time employees (excluding foreign domestic helpers) engaged in elementary occupations grew solidly further by 5.1% in the second quarter of 2016 over a year earlier, translating into a real improvement of 2.3% after discounting inflation. For the overall income situation, the median monthly household income (excluding foreign domestic helpers) went up by 3.7% in nominal terms in the second quarter of 2016 over a year earlier, following the increase of 2.0% in the preceding quarter.

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 July 2016, LD organised 10 large-scale job fairs in North District, Cheung Sha Wan, Wan Chai, Tsuen Wan and Sha Tin. 326 participating organisations offered over 21 800 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, retail and construction employers at the three industry-based recruitment centres regularly for interviewing job-seekers on the spot.

5.23 LD completed a review of the Work Incentive Transport Subsidy (WITS) Scheme and the findings were reported to the Panel on Manpower of the Legislative Council at its meeting held on 21 June 2016. LD is launching enhancement measures as proposed in the review to improve services for WITS applicants. As at end-July 2016, a total subsidy payment of $1,337.4 million was made to 103 522 applicants under the Scheme.

5.24 The Minimum Wage Commission (MWC) completed a six-week public consultation in May 2016 and conducted 19 consultation meeting sessions with stakeholders in June. After collecting the views of the community, MWC is undertaking an evidence-based approach in reviewing the SMW rate, and is tasked by the Chief Executive to submit the recommendation report on the next SMW rate review on or before 31 October 2016.

5.25 The Standard Working Hours Committee (SWHC) on 24 July 2016 completed a three-month second-stage consultation on its preliminary discussion outcomes and working hours policy directions under exploration. The independent consultant commissioned by SWHC is collating and analysing the views received 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 2014 – January 2015 to October – December 2015 have been revised to take into account the final end-2015 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.