

CHAPTER 5 : THE LABOUR SECTOR

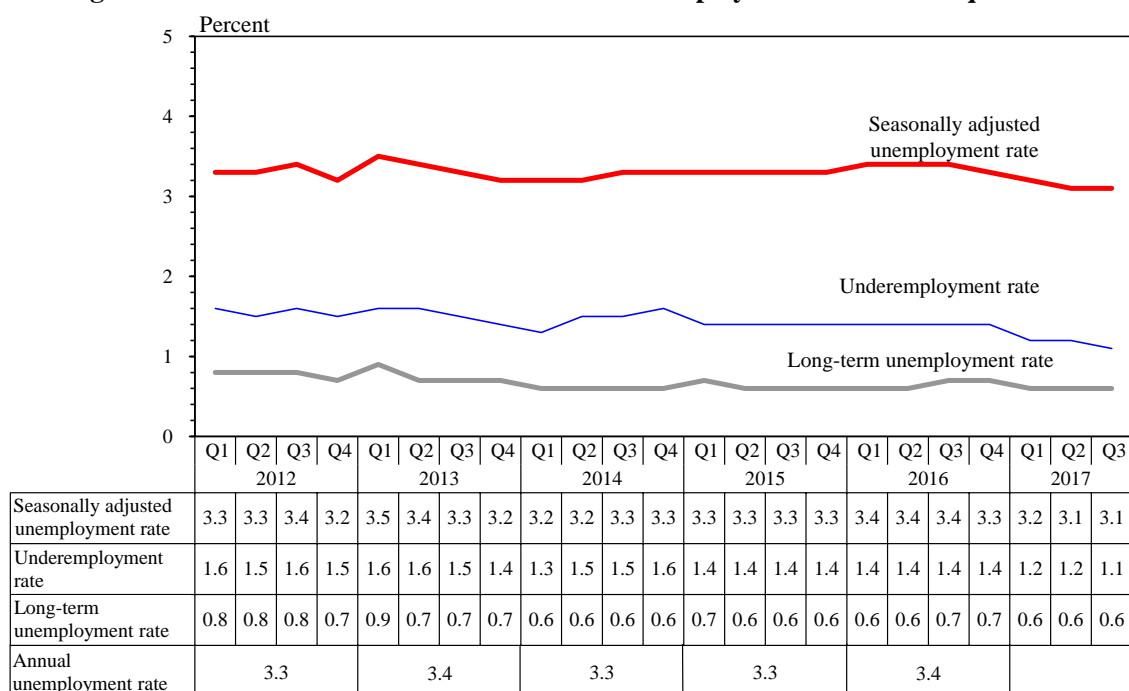
Summary

- *The labour market remained tight in the third quarter of 2017. The seasonally adjusted unemployment rate stayed low at 3.1%, while the underemployment rate edged down to a near 20-year low of 1.1%, signifying a continuation of full employment.*
- *Labour demand stayed robust, thanks to the vibrant economic performance, as manifested by the appreciable growth in total employment and the further increase in the number of private sector vacancies. Alongside the favourable labour market conditions, the labour force sustained visible growth.*
- *Nominal wages and payroll registered broad-based and solid increases in June 2017 amid the persistently tight manpower situation. Earnings of grassroots workers fared particularly well, in tandem with the upward adjustment of the Statutory Minimum Wage (SMW) rate since May 2017.*

Overall labour market situation⁽¹⁾

5.1 The labour market remained tight in the third quarter of 2017. The seasonally adjusted *unemployment rate*⁽²⁾ held low at 3.1%, while the *underemployment rate*⁽³⁾ edged down further by 0.1 percentage point to 1.1%, a low level last seen in late 1997. On the back of the buoyant economic performance and robust labour demand, total employment posted further appreciable year-on-year growth, while the number of private sector vacancies stayed on the rise. With the generally sanguine economic and employment conditions enticing more people to join the labour market, the labour force likewise sustained visible year-on-year growth. Amid the persistently tight manpower situation, wages and earnings went up solidly further and translated into broad-based real improvement after discounting inflation. In tandem with the upward adjustment of the SMW rate since May 2017, earnings of grassroots workers registered particularly remarkable growth.

Diagram 5.1 : The labour market remained in full employment in the third quarter of 2017



Labour force and total employment

5.2 The *labour force*⁽⁴⁾ expanded by 1.0% year-on-year to 3 965 600 in the third quarter of 2017. This was faster than the concurrent increase of 0.5% in the working-age population (i.e. land-based non-institutional population aged 15 and above), mainly due to a rise in labour force participation rate to 61.3% from 61.0% a year earlier.

5.3 On the demand side, *total employment*⁽⁵⁾ grew visibly further by 1.4% year-on-year to 3 837 400 in the third quarter amid the continued above-trend economic expansion. Specifically, employment in such sectors as decoration, repair and maintenance for buildings, insurance, social work activities, and real estate registered particularly notable increases. Meanwhile, employment in the consumption- and tourism-related sector, viz. retail, accommodation and food services as a whole, also posted a decent increase amid the resilience in domestic demand and the continued recovery of inbound tourism.

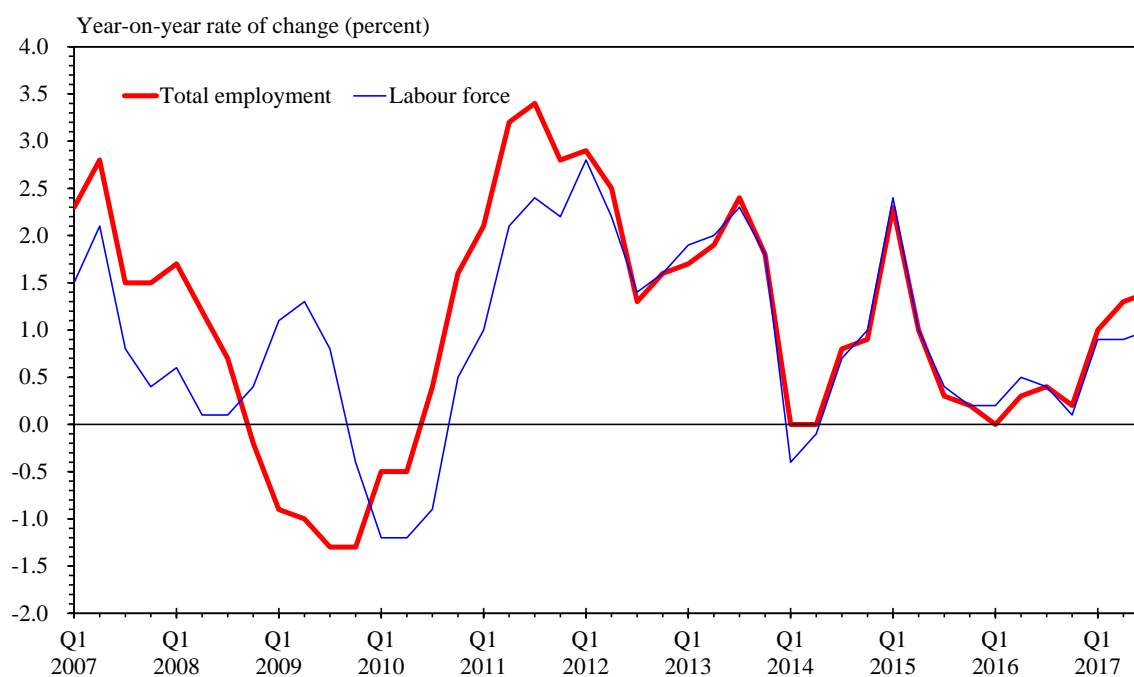
Table 5.1 : The labour force, and persons employed, unemployed and underemployed

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed^(a)</u>	<u>Persons underemployed</u>
2016 Annual	3 920 100 (0.4)	3 787 100 (0.4)	133 000	54 700
Q1	3 914 100 (0.2)	3 783 000 (§)	131 100	53 500
Q2	3 911 200 (0.5)	3 774 300 (0.3)	136 900	54 500
Q3	3 925 700 (0.4)	3 785 800 (0.4)	140 000	55 800
Q4	3 909 500 (0.1)	3 787 100 (0.2)	122 400	54 600
2017 Q1	3 947 400 (0.9)	3 822 400 (1.0)	125 000	49 000
Q2	3 947 200 (0.9)	3 822 100 (1.3)	125 200	45 500
<i>Three months ending</i>				
2017 Jul	3 961 700 (1.0)	3 833 500 (1.3)	128 200	44 300
Aug	3 971 200 (1.0)	3 841 200 (1.3)	130 000	45 200
Sep	3 965 600 (1.0)	3 837 400 (1.4)	128 200	43 700
	<0.2>	<0.3>		

Notes : (a) These include first-time job-seekers and re-entrants into the labour force.
 () % change over a year earlier.
 < > Seasonally adjusted quarter-to-quarter % change for the third quarter of 2017.
 § Change less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Both the labour force and total employment continued to see appreciable year-on-year growth



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

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 Q1</u>	<u>2017 Q2</u>	<u>2017 Q3</u>
<u>Male</u>								
15-24	36.3	37.8	37.8	39.1	39.5	37.0	37.8	40.8
<i>of which:</i>								
15-19	10.4	11.0	11.1	11.7	12.9	9.6	10.3	11.8
20-24	61.1	62.5	61.4	62.0	60.7	58.0	58.8	63.2
25-29	94.4	93.8	93.4	93.7	92.9	91.8	92.0	93.3
30-39	96.8	96.9	96.5	96.5	96.4	96.8	96.5	96.5
40-49	95.3	95.5	94.7	95.1	95.0	95.1	95.2	95.6
50-59	85.2	86.9	86.7	86.6	86.0	86.5	86.8	86.6
≥ 60	25.5	27.0	28.0	28.5	29.9	30.8	30.0	30.5
Overall	68.7	69.2	68.8	68.8	68.6	68.4	68.3	68.8
<u>Female</u>								
15-24	37.6	40.0	39.3	41.4	41.9	40.6	40.3	43.6
<i>of which:</i>								
15-19	9.7	11.5	12.5	12.8	12.3	10.3	10.7	14.3
20-24	62.2	64.2	61.4	63.6	63.6	62.0	60.6	64.1
25-29	87.3	86.5	86.3	85.7	86.2	87.3	86.2	86.4
30-39	77.6	78.4	78.9	78.4	78.0	80.3	79.8	78.9
40-49	70.7	72.8	73.0	73.7	73.4	73.7	74.8	73.8
50-59	53.9	56.2	57.2	58.3	59.7	60.0	60.3	59.4
≥ 60	8.8	9.7	10.7	11.4	12.3	13.3	13.1	13.7
Overall	53.5	54.5	54.5	54.7	54.8	55.3	55.2	55.0
<u>Both genders combined</u>								
15-24	36.9	38.9	38.5	40.2	40.7	38.8	39.0	42.2
<i>of which:</i>								
15-19	10.0	11.3	11.8	12.3	12.6	10.0	10.5	13.0
20-24	61.6	63.4	61.4	62.8	62.2	60.0	59.7	63.7
25-29	90.3	89.6	89.4	89.2	89.2	89.3	88.9	89.5
30-39	85.5	85.9	86.0	85.7	85.4	86.9	86.5	85.9
40-49	81.4	82.5	82.3	82.7	82.4	82.6	83.2	82.8
50-59	69.2	71.1	71.4	71.8	72.2	72.5	72.7	72.1
≥ 60	16.9	18.0	19.0	19.6	20.7	21.7	21.2	21.8
Overall	60.5	61.2	61.1	61.1	61.1	61.2	61.1	61.3

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.4 Amid the seasonal entry of school leavers into the labour market, the number of unemployed persons increased somewhat by 3 100 over the preceding quarter to 128 200 in the third quarter of 2017. Yet the figure was 8.4% or 11 700 lower than a year earlier after netting out seasonal fluctuations. Moreover, the seasonally adjusted unemployment rate held steady at a low level of 3.1% under the sturdy labour demand.

5.5 While there were in general only small changes in the sectoral jobless rates (not seasonally adjusted) when compared to the preceding quarter, more notable decreases were observed in the retail (down 0.6 percentage point), accommodation services, and warehousing and support activities for transportation (both down 0.5 percentage point) sectors. On a year-on-year comparison to net out the effect of seasonality, significant improvement was observed in many economic sectors. Specifically, the unemployment rate of the consumption- and tourism-related segment (viz. retail, accommodation and food services) went down by 0.8 percentage point over a year earlier to 4.4%, thanks to the gradual revival of business activities in tandem with the recovery trend of inbound tourism. The financing, insurance, real estate, professional and business services sector also saw a visible fall in unemployment rate by 0.8 percentage point to 2.0%, alongside the buoyant activities of the related sectors. For the *low paying sectors*⁽⁶⁾ as a whole, its unemployment rate fell by 0.2 percentage point over the preceding quarter to 2.9%, and was 0.5 percentage point below its year-ago level.

5.6 Analysed by skill segment, the unemployment rate of lower-skilled workers fell by 0.3 percentage point over the preceding quarter to 3.3%, while that of higher-skilled workers was little changed at 1.7%. Compared to a year earlier, the unemployment rates for the two groups went down by 0.3 and 0.4 percentage point respectively, pointing to a general tightening of the labour market.

5.7 As regards other socio-economic attributes, more discernible year-on-year decreases in unemployment rate were observed among persons aged 50-59 (down 0.8 percentage point), and those with upper-secondary education (down 0.6 percentage point).

Diagram 5.3 : Visible improvements in unemployment situation were seen in many major economic sectors in the third quarter of 2017 on a year-on-year basis

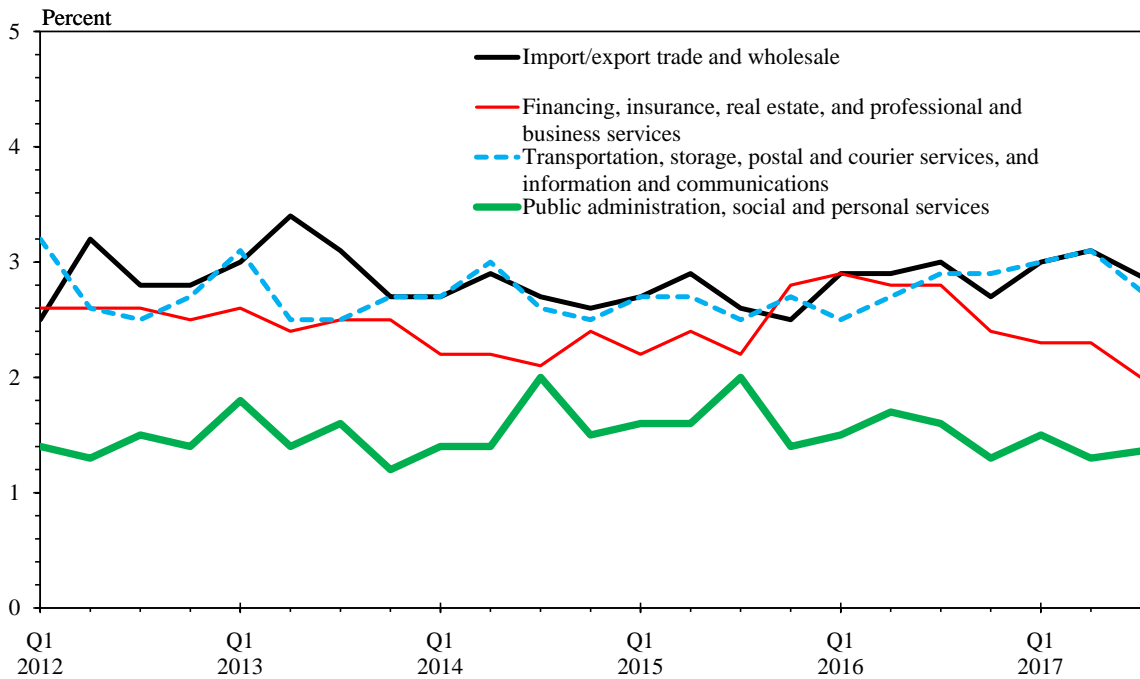
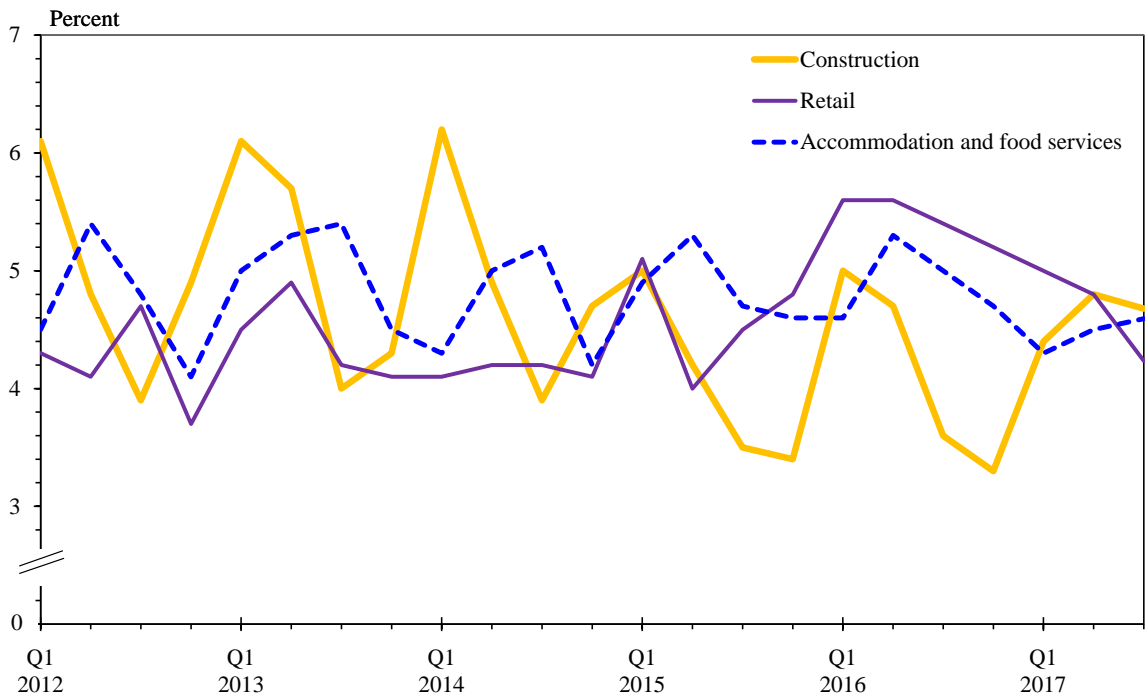


Table 5.3 : Unemployment rates by major economic sector

	<u>2016</u>				<u>2017</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
Import/export trade and wholesale	2.9	2.9	3.0	2.7	3.0	3.1	2.9
Retail	5.6	5.6	5.4	5.2	5.0	4.8	4.2
Accommodation and food services	4.6	5.3	5.0	4.7	4.3	4.5	4.6
Transportation, storage, postal and courier services	2.6	2.9	3.0	2.9	3.3	3.0	2.5
Information and communications	2.4	2.4	2.8	2.8	2.5	3.2	3.3
Financing and insurance	2.0	2.1	2.2	1.9	2.0	1.8	1.7
Real estate	2.4	3.0	2.5	2.3	1.9	2.3	2.0
Professional and business services	3.6	3.3	3.4	2.8	2.7	2.6	2.2
Public administration, social and personal services	1.5	1.7	1.6	1.3	1.5	1.3	1.4
Manufacturing	4.3	3.8	3.0	2.4	2.6	2.4	2.7
Construction	5.0	4.7	3.6	3.3	4.4	4.8	4.7
Overall*	3.3 (3.4)	3.5 (3.4)	3.6 (3.4)	3.1 (3.3)	3.2 (3.2)	3.2 (3.1)	3.2 (3.1)

Notes : * Including first-time job-seekers and re-entrants into the labour force.

() Seasonally adjusted unemployment figures.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.4 : The unemployment rates of both the higher-skilled and lower-skilled segments were lower than their year-ago levels amid vibrant labour demand

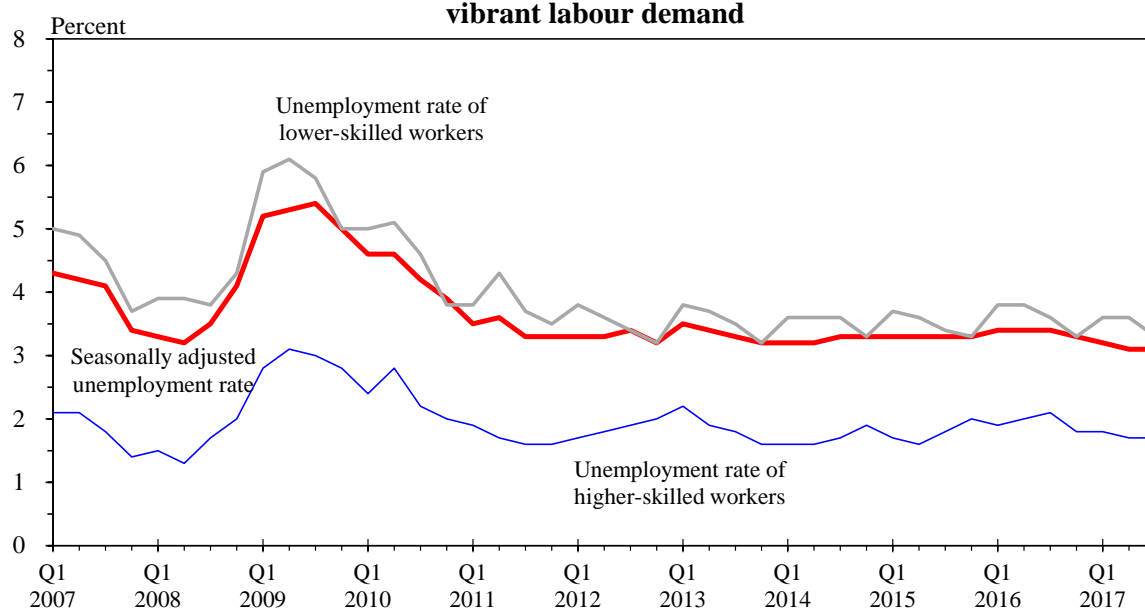


Table 5.4 : Unemployment rates* by skill segment

	<u>2016</u>				<u>2017</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<u>Higher-skilled segment</u>	1.9	2.0	2.1	1.8	1.8	1.7	1.7
Managers and administrators	1.7	1.8	1.2	1.3	1.4	1.0	1.0
Professionals	1.3	1.6	2.1	1.4	1.8	1.4	1.6
Associate professionals	2.3	2.4	2.6	2.2	2.0	2.2	2.1
<u>Lower-skilled segment</u> [^]	3.8	3.8	3.6	3.3	3.6	3.6	3.3
Clerical support workers	3.4	3.5	3.9	3.4	3.2	3.6	3.4
Service and sales workers	4.8	5.0	4.3	4.3	4.3	4.6	4.1
Craft and related workers	4.9	4.3	3.8	3.8	4.5	4.2	4.0
Plant and machine operators and assemblers	2.4	2.5	2.8	1.8	2.8	2.0	1.7
Elementary occupations	3.2	3.3	2.9	2.6	3.1	3.0	2.7

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>2016</u>				<u>2017</u>		
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>
<u>Age</u>							
15-24	8.9	10.2	10.8	9.4	8.3	8.0	10.5
<i>of which:</i>							
15-19	15.0	16.9	11.9	11.6	11.7	12.5	10.6
20-24	7.9	9.1	10.6	9.1	7.8	7.5	10.5
25-29	3.9	3.9	4.4	3.6	4.0	4.3	4.7
30-39	2.0	2.2	2.5	2.4	2.1	2.3	2.2
40-49	3.0	3.0	2.8	2.4	2.6	2.8	2.5
50-59	3.4	3.1	3.1	2.8	3.3	2.7	2.3
≥ 60	2.2	3.0	1.9	1.9	2.2	2.4	2.3
<u>Educational attainment</u>							
Primary education and below	3.3	3.5	2.9	2.8	3.2	3.1	2.7
Lower secondary education	4.4	4.4	4.0	4.0	4.5	4.3	3.8
Upper secondary education [^]	3.2	3.7	3.5	3.1	3.0	3.2	2.9
Post-secondary education	3.2	3.0	3.6	2.9	2.9	2.8	3.4

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 also revealed a generally tight labour market of late. Comparing the third quarter of 2017 with a year earlier, the number of long-term unemployed persons (i.e. unemployed for six months or longer) went down by 1 900 to 24 500. The long-term unemployment rate thereby edged down to 0.6%, with the median duration of unemployment shortened from 70 days to 62 days. Meanwhile, the share of long-term unemployment in total unemployment held steady at a relatively low level of 19.1%. Although 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) went up slightly by 0.3 percentage point to 47.7% from a year earlier, it was notably lower than its long-term average of 53.9% recorded over the past 10 years.

Profile of underemployment

5.9 The underemployment rate edged down by 0.1 percentage point to 1.1% in the third quarter of 2017, a low level last seen in late 1997. The number of underemployed persons decreased by 1 800 over the preceding quarter to 43 700. More notable decreases in the underemployment rate were seen in the art, entertainment and recreation, education, and information and communications sectors. Analysed by occupational category, the underemployment rates of both the higher- and lower-skilled segments edged down by 0.1 percentage point, to 0.3% and 1.6% respectively.

Box 5.1

Labour force in Hong Kong: trends in older age groups¹

The Census and Statistics Department (C&SD) released, in early September, an updated (2016-based) set of population and labour force projections covering the 50-year period from 2017 to 2066. Taking into account the latest demographic outlook and the more recent developments in the local labour market, total labour force is expected to rise from 3.62 million in 2016 to reach a plateau in 2019 to 2022 at 3.67 – 3.68 million, before declining gradually as the impact of population ageing turns more apparent. The postponement in the peaking of local labour force as compared to the previous round of projection (2014-based) is mainly attributable to a significant increase in the number of older age persons entering or re-entering into the labour force. Specifically, the labour force aged 55 and above went up notably by 11.9% (or up by 78 000 in number) between 2014 and 2016, vis-à-vis the modest expansion of 0.7% (or up by 26 900 in number) in the total labour force during the period.

Indeed, more active participation of older age groups in the workforce would remain the vital source of manpower over the coming decade. This article discusses the factors contributing to the higher labour force participation among older age groups, and possible implications for the labour market developments.

Effect of delayed retirement

In Hong Kong, there is no statutory retirement age for employees in the private sector. In tandem with rising life expectancy and Hong Kong's structural transformation towards a knowledge-based economy, the society's perception on retirement has kept evolving.

First, an increasing number of workers are conceivably more inclined to extend their working lives to, among other considerations, better prepare financially for their retirement. Besides, the implementation of the Statutory Minimum Wage since 2011, coupled with the largely favourable macroeconomic environment in recent years, have resulted in better job and income prospects in particular for lower-skilled workers, thereby enticing more grassroots people, including notably those of higher ages to enter or re-enter the labour market. Meanwhile, employers in general have become more receptive to engage mature workers with the right skill set and relevant experience for less physically demanding jobs.

All these developments have boded well for older workers' participation in the workforce. Specifically, the labour force participation rate (LFPR) for persons aged 55-64 posted a substantial gain of 7.3 percentage points between 2011 and 2016, to 56.4% (versus a comparatively modest gain of 2.2 percentage points during the preceding five years), with the LFPR for females in this age group rising by 8.3 percentage points and that for their male counterparts up by 6.6 percentage points (*Charts 1a & 1b*). The LFPRs for female and male workers aged 65+ also recorded significant gains during the past five years, albeit remaining at relatively modest levels of 4.8% and 15.6% respectively in 2016. On the other hand, the LFPR for prime working age (i.e. 25-54) female rose at a more moderate pace of 2.4 percentage points to 71.9% over the same period, while that for prime working age male basically held steady at a high level of around 94%.

¹ Labour force referred to in this article does not include foreign domestic helpers (FDHs).

Box 5.1 (Cont'd)

Chart 1a: Labour force and LFPRs of selected age groups in the male population

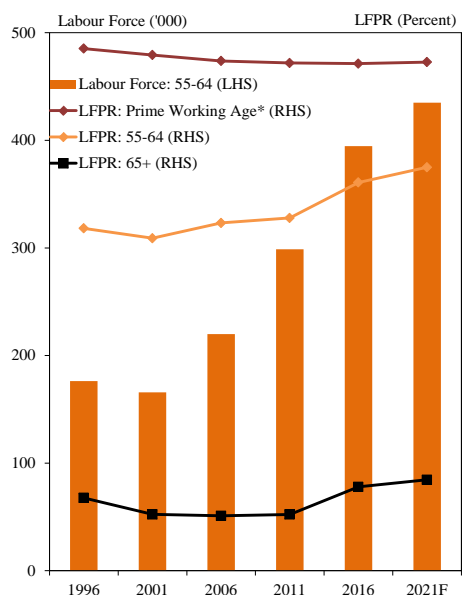
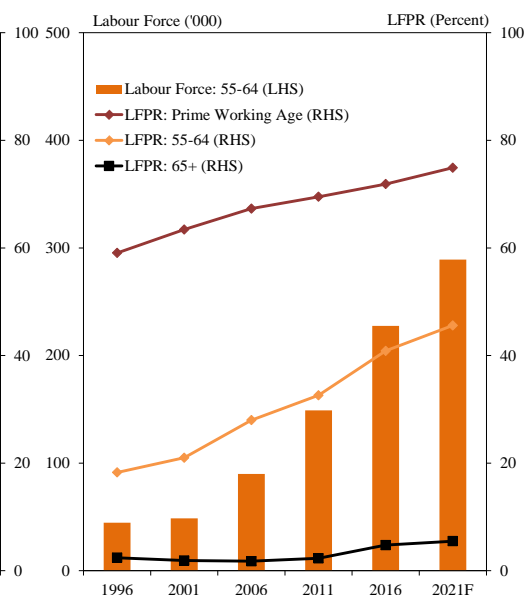


Chart 1b: Labour force and LFPRs of selected age groups in the female population

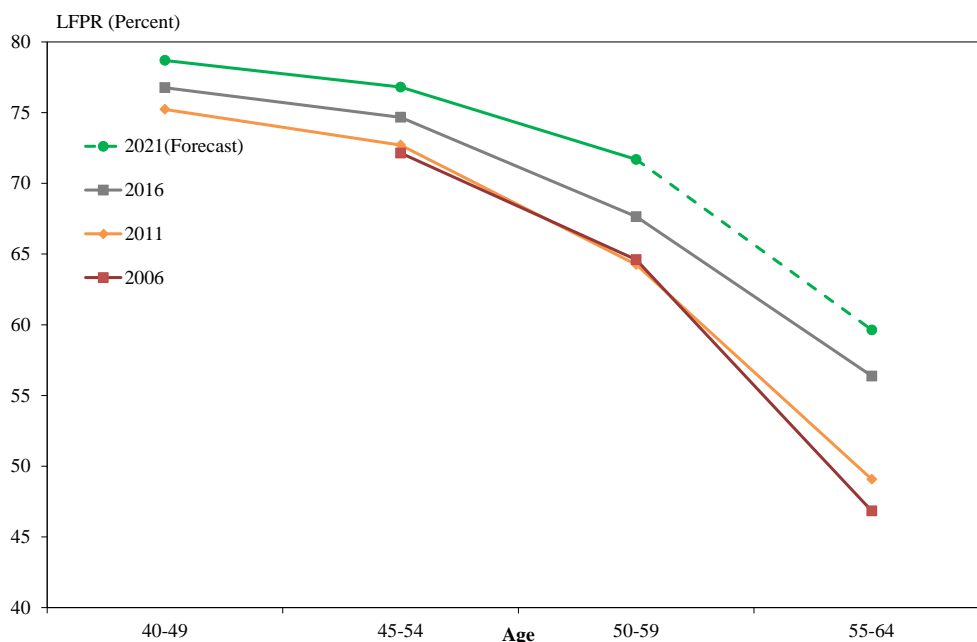


Note: (*) Prime working age person refers to those aged 25-54.

Sources: General Household Survey and Hong Kong Labour Force Projections for 2017 to 2066, C&SD.

A cohort analysis, particularly on the changes in LFPRs as workers move across age groups over time, may offer further insight on workers' delay in retirement in a more quantified manner.

Chart 2: The more recent cohorts showed slower declines in LFPRs when their age turned 55 and above compared with the earlier cohorts



Notes: Year in legend refers to the year when the cohort reaches the age group of 55-64. For instance, the 2016 cohort denotes the 55-64 age group in 2016, which was the 40-49, 45-54 and 50-59 age groups back in 2001, 2006 and 2011 respectively.

Data on LFPRs excluding foreign domestic helpers are only available from 1993 onwards. For the 2006 cohort, its LFPR in 1991 (when the group was aged 40-49) is therefore omitted.

Sources: General Household Survey and Hong Kong Labour Force Projections for 2017 to 2066, C&SD.

Box 5.1 (Cont'd)

The LFPR for the 55-64 age group in 2016 (the 2016 cohort) was 56.4%, 11.3 percentage points lower than this cohort's LFPR five years earlier (i.e. LFPR for the age group of 50-59 in 2011). The 2021 cohort is forecast to post a similar decline in LFPR (at 12.1 percentage points) vis-à-vis the situation in 2016. Although falling LFPRs are inevitable when a cohort of workers ages, the declines were notably narrower when compared with those recorded for the 2006 and 2011 cohorts at the same stage of their working lives, at 17.8 and 15.2 percentage points respectively (*Chart 2*). Indeed, the narrower drops in LFPRs in the 2016 cohort vis-à-vis the 2011 cohort contributed about 43 000 extra workers to the market, or around a quarter of the increase in total labour force during 2012-2016.

Flexibility offered by part-time positions

One key driver for the rise in labour supply from older age groups was the generally more flexible work arrangement provided by the greater availability of part-time employment opportunities. Specifically, workers aged 55 and above who were voluntarily engaged in part-time jobs² rose by around 49 000 between 2011 and 2016, which made up about one-fifth of the increase in the number of employed persons in this age group over the period. As part-time positions typically can better accommodate the workers' household responsibilities and other considerations, this is particularly relevant for older persons without any immediate financial needs who thus have greater autonomy in shaping their mode of working to meet their circumstances³.

Higher LFPRs for female in prime working age likely to extend into older age groups

Furthermore, the LFPR for prime working age female in the more recent cohorts was able to keep steady at a higher level through their working lives. Specifically, for the cohort aged 45-54 in 2016, the group's LFPRs had been hovering slightly above two-thirds since they were aged 30-39, whereas the LFPRs for the cohort aged 45-54 in 2011 was range-bounded in the low 60s throughout the same age brackets and the cohort aged 45-54 in 2006 recorded even lower LFPRs (*Chart 3*).

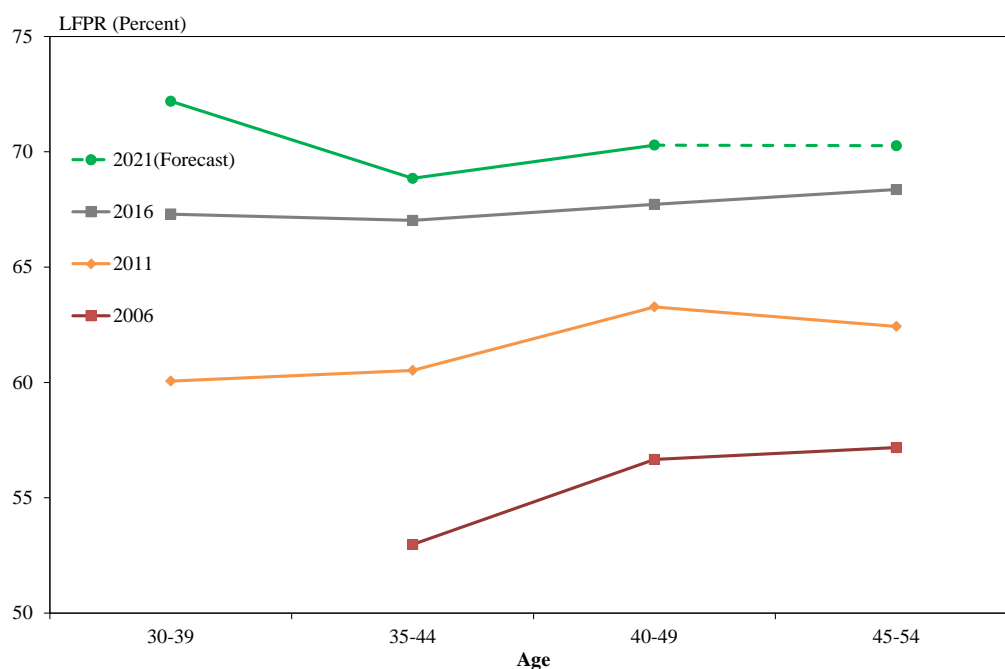
The gains in LFPRs of prime working age female can be attributable to the gradual shift of the local workforce towards attaining post-secondary education. Specifically, the LFPR for prime working age female with post-secondary education, at 82.9% in 2016, was significantly higher than those without such education (at 64.7%). While their male counterparts admittedly experienced similar upgrade in educational attainment, the largely comparable LFPRs between prime working age male with post-secondary education and those without (at 95.9% and 93.0% respectively in 2016) suggested that the enhanced educational attainment had conceivably minimal impact on the overall LFPR of prime working age male, which had remained at an elevated level of over 90% all along. In contrast, the higher LFPRs for female towards the latter part of prime working age, combined with the trend of delaying retirement as mentioned above, can be expected to provide momentum specifically to the further climbs in LFPRs for female older age groups over the coming decade.

² Voluntary part-time workers are defined here to include persons working less than 35 hours during the seven days before enumeration due to reasons other than underemployment and vacation. For analysis on voluntary part-time workers, please see an article entitled "Part-time employment in Hong Kong" published in the Half-yearly Economic Report 2013. <http://www.hkeconomy.gov.hk/en/pdf/box-13q2-5-1.pdf>.

³ For further analysis on employment situation of older age persons, please see an article entitled "Elderly employment" published in the 2016 Economic Background and 2017 Prospects. <http://www.hkeconomy.gov.hk/en/pdf/box-16q4-6-1.pdf>.

Box 5.1 (Cont'd)

Chart 3: Increasingly active labour force participation among prime working age female is observed in more recent cohorts



Notes: Year in legend refers to the year when the cohort reaches the age group of 45-54.

For the 2006 cohort, its LFPR (excluding foreign domestic helpers) in 1991 (when the group was aged 30-39) is not available and therefore omitted.

Sources: General Household Survey and Hong Kong Labour Force Projections for 2017 to 2066, C&SD.

Conclusion

The more active participation of older age groups in the local labour force is a timely development to help alleviate the tight demand-supply balance in the market, as well as an indication of the high degree of flexibility and responsiveness of the local labour market.

Recognising that the older age groups look set to gain further importance in the composition of the labour force, the Labour Department (LD) has adopted a series of on-going measures to promote the employment of older age persons, including setting up special counters at job centres to provide priority registration and job referral services for elderly job seekers, and organising tailor-made employment briefings. In parallel, LD also holds thematic job fairs targeted at older age groups and experience-sharing sessions on employing elderly persons. These job seekers can also benefit from the Employment Programme for the Middle-aged, which encourages employers to take on job-seekers aged 40 or above and offer them on-the-job training. Covering both full-time employment and part-time jobs, employers who engage these job-seekers and provide them with on-the-job training under the programme may apply for a training allowance for a period of three to six months.

Apart from fostering participation of older age groups in the labour force, the Government will spare no efforts in investing in education and training to upgrade our human capital for the next generations of workers, with a view to enhancing the workforce's productivity and supporting businesses in further climbing up the value chain, and thereby sustaining the vibrancy in the local economy.

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 June 2017. To bring the analysis more up-to-date, attempts have been made wherever possible by drawing reference to information from supplementary sources.

5.11 On the back of the favourable economic performance, private sector employment grew solidly further by 0.8% in June 2017 over a year earlier to 2 831 400. In terms of sectoral profile, the pace of job creation was more appreciable in such sectors as construction sites (covering manual workers only) (up 6.2% year-on-year), human health services (up 3.3%), education (up 2.0%), and professional and business services (excluding cleaning and similar services) (up 1.9%). Thanks to the resilient local consumer demand and the relative improvement in inbound tourism, employment gains were also observed in the consumption- and tourism-related segment, viz. retail (up 0.6%), and accommodation and food services (up 0.3%). On the other hand, apart from the secular downtrend in manufacturing (down 2.8% year-on-year), declines in employment were also seen in the arts, entertainment and recreation sector (down 1.7%) and the import/export trade and wholesale sector (down 0.4%). Analysed by establishment size, employment in large enterprises and small and medium-sized enterprises (SMEs)⁽⁷⁾ grew by 1.0% and 0.6% respectively in June 2017 over a year earlier. As for the civil service, employment went up by 1.4%.

Table 5.6 : Employment by major economic sector

	<u>2016</u>					<u>2017</u>	
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>
Import/export trade and wholesale	542 400 (-0.7)	542 900 (-1.1)	543 000 (-0.5)	542 000 (-0.6)	541 600 (-0.7)	540 900 (-0.4)	541 000 (-0.4)
Retail	266 600 (-1.1)	266 200 (-1.9)	266 200 (-1.4)	266 500 (-0.9)	267 500 (-0.2)	267 300 (0.4)	267 800 (0.6)
Accommodation ^(a) and food services	281 600 (-0.5)	280 600 (-1.1)	280 800 (-0.7)	282 100 (-0.1)	282 900 (-0.1)	280 900 (0.1)	281 500 (0.3)
Transportation, storage, postal and courier services	178 400 (0.5)	178 600 (1.2)	177 900 (0.8)	178 200 (§)	178 800 (0.2)	178 100 (-0.3)	177 600 (-0.1)
Information and communications	106 000 (0.7)	105 700 (1.6)	105 100 (0.2)	105 700 (0.2)	107 300 (0.8)	107 300 (1.5)	106 600 (1.4)
Financing, insurance, real estate, professional and business services	719 500 (1.0)	714 100 (0.4)	718 000 (0.8)	720 600 (1.1)	725 200 (1.8)	728 300 (2.0)	728 600 (1.5)
Social and personal services	505 500 (1.7)	505 500 (2.3)	503 400 (1.7)	505 200 (1.6)	508 000 (1.2)	510 300 (1.0)	510 800 (1.5)
Manufacturing	96 000 (-3.6)	97 800 (-2.5)	96 100 (-3.5)	95 300 (-4.4)	94 900 (-4.1)	94 500 (-3.4)	93 400 (-2.8)
Construction sites (covering manual workers only)	107 800 (13.3)	104 800 (14.1)	106 200 (14.4)	107 800 (15.0)	112 400 (10.2)	117 600 (12.2)	112 800 (6.2)
<i>All establishments surveyed in the private sector^(b)</i>	2 814 800 (0.6)	2 807 200 (0.5) <§>	2 807 600 (0.6) <0.2>	2 814 500 (0.7) <0.3>	2 829 800 (0.8) <0.2>	2 836 500 (1.0) <0.3>	2 831 400 (0.8) <0.1>
<i>Civil service^(c)</i>	166 100 (1.2)	166 200 (1.5)	165 500 (1.1)	165 900 (1.1)	166 600 (1.0)	167 700 (0.9)	167 900 (1.4)

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.

Vacancies

5.12 In tandem with buoyant economic growth, the number of job vacancies in private sector establishments grew further by 2.0% year-on-year to 69 590.

5.13 Sectoral variation in vacancy movement was observed in June 2017. Benefiting from a new round of recruitment for large-scale infrastructure projects, vacancies in construction sites (covering manual workers only) surged by 176.2% year-on-year in June 2017. More notable increases were also recorded in accommodation services (up 18.9% year-on-year), cleaning and similar services (up 17.2%), financing and insurance (up 9.8%), information and communications (up 9.6%), and such trade-related sectors as transportation, storage, postal and courier services (up 8.4%) and import and export trade (up 6.7%) on the back of the reviving global demand and robust regional trade flows. On the other hand, decreases in job openings were witnessed in such sectors as human health services (down 10.7% year-on-year), education (down 8.7%), and professional and business services (excluding cleaning and similar services) (down 6.5%), yet the appreciable employment growth in these sectors suggested that labour demand remained robust therein. Analysed by occupational category, higher-skilled vacancies posted a further double-digit year-on-year increase of 11.4%, while the lower-skilled segment recorded a narrowed decline of 2.1%. Analysed by the size of establishment, growth in vacancies in large enterprises picked up to 5.2%, while vacancies of SMEs fell further by 2.5%. As for the civil service, the number of job openings went down by 5.4% year-on-year to 8 420 in June 2017.

5.14 The continued increase in the number of vacancies, alongside the concurrent drop in unemployed persons, both reflecting generally tight labour market, drove up the ratio of job vacancies per 100 unemployed persons to 56 in June 2017 from 50 a year earlier. The ratio for the higher-skilled segment increased more visibly from 69 to 91, the highest level since June 2015, while that of the lower-skilled segment edged up from 51 to 53. In terms of sectoral profile, manpower shortages were still apparent in residential care and social work services, financing and insurance, human health services, and real estate sectors in June 2017, for which the corresponding ratios exceeded 100.

Table 5.7 : Vacancies by major economic sector

	<u>Number of vacancies</u>							Vacancy rate in <u>Jun 2017</u> (%)	
	<u>Annual</u> <u>Average</u>	<u>2016</u>					<u>2017</u>		
		<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Mar</u>	<u>Jun</u>		
Import/export trade and wholesale	6 990 (-10.5)	6 920 (-23.1)	6 940 (-15.4)	7 030 (-7.5)	7 070 (9.7)	7 530 (8.8)	7 320 (5.5)	1.3	
Retail	7 600 (-8.7)	7 660 (-10.5)	7 100 (-15.9)	8 280 (-0.9)	7 370 (-7.2)	7 540 (-1.6)	7 080 (-0.2)	2.6	
Accommodation ^(a) and food services	13 140 (-10.0)	12 930 (-16.4)	13 040 (-13.9)	13 230 (-9.4)	13 360 (1.2)	13 670 (5.7)	13 220 (1.4)	4.5	
Transportation, storage, postal and courier services	3 240 (-11.0)	3 440 (-13.2)	3 290 (-19.1)	3 210 (-6.8)	3 040 (-2.0)	3 600 (4.9)	3 560 (8.4)	2.0	
Information and communications	2 640 (-5.7)	2 550 (-13.0)	2 470 (-0.3)	2 830 (7.9)	2 710 (-14.4)	2 720 (6.6)	2 710 (9.6)	2.5	
Financing, insurance, real estate, professional and business services	17 790 (-5.3)	18 400 (0.2)	18 020 (-4.1)	17 670 (-4.9)	17 070 (-12.2)	18 620 (1.2)	18 540 (2.9)	2.5	
Social and personal services	14 040 (-11.1)	14 280 (-8.6)	14 260 (-17.5)	14 210 (-9.9)	13 410 (-7.8)	13 460 (-5.7)	13 130 (-7.9)	2.5	
Manufacturing	2 330 (-14.2)	2 880 (-3.5)	2 280 (-16.2)	2 100 (-22.1)	2 070 (-16.4)	2 570 (-11.0)	2 290 (0.2)	2.4	
Construction sites (covering manual workers only)	740 (-7.4)	960 (8.8)	550 (-41.6)	590 (-16.6)	850 (29.7)	570 (-40.8)	1 510 (176.2)	1.3	
All establishments surveyed in the private sector ^(b)	68 750 (-9.1)	70 300 (-10.0)	68 200 (-13.0)	69 340 (-7.1)	67 140 (-5.8)	70 460 (0.2)	69 590 (2.0)	2.4	
		<-7.2>	<-3.3>	<4.3>	<0.2>	<-0.6>	<-1.7>		
Civil service ^(c)	8 640 (4.7)	8 090 (3.3)	8 900 (10.8)	8 740 (2.4)	8 820 (2.6)	8 660 (7.1)	8 420 (-5.4)	4.8	

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.

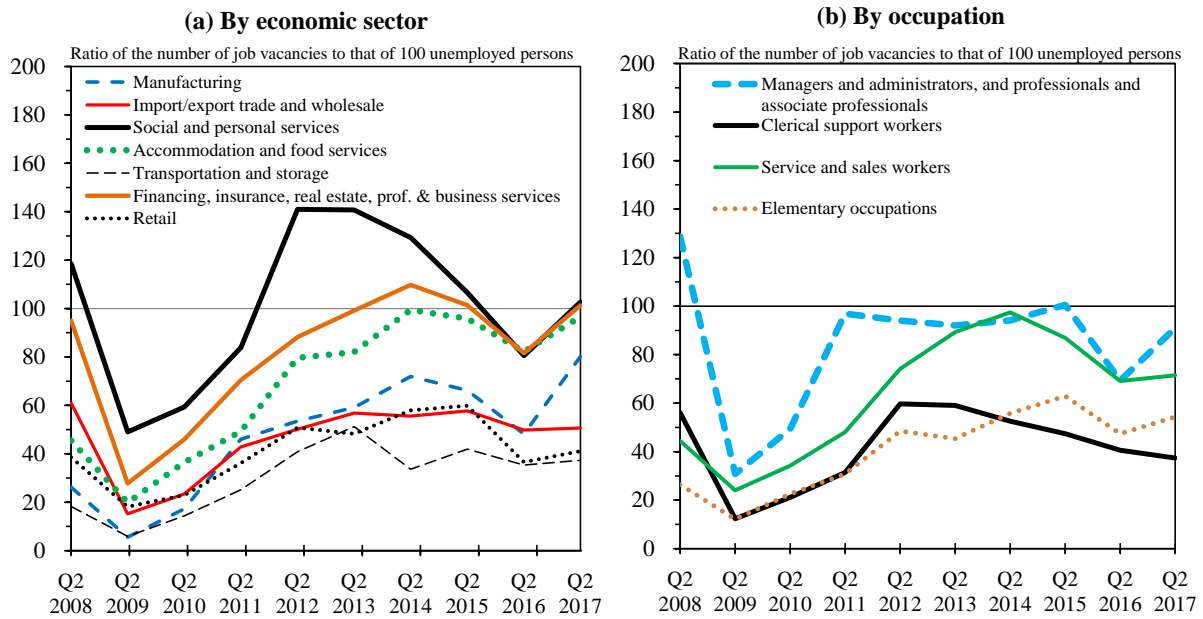
(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

() % 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 tightening in the first half of 2017



5.15 The vacancy rate for private sector establishments, measured in terms of the percentage of job vacancies to total employment opportunities, was 2.4% in June 2017 and thus unchanged from both March 2017 and June 2016. Year-on-year changes in the vacancy rate were benign for most of the economic sectors. Yet, a more apparent increase was seen in construction sites (covering manual workers only), while a more noticeable decrease was seen in residential care and social work services.

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 averaged 128 500 per month in the third quarter of 2017, 9.3% higher than that of a year earlier, echoing a generally positive hiring sentiment of late.

Wages and earnings

5.17 Wages sustained solid growth, on the back of a persistently tight labour market. *Wage index*, which covers regular payment to employees at the supervisory level or below, rose by 3.8% year-on-year in June 2017, translating into real improvement of 1.5% after adjusting for inflation⁽⁸⁾.

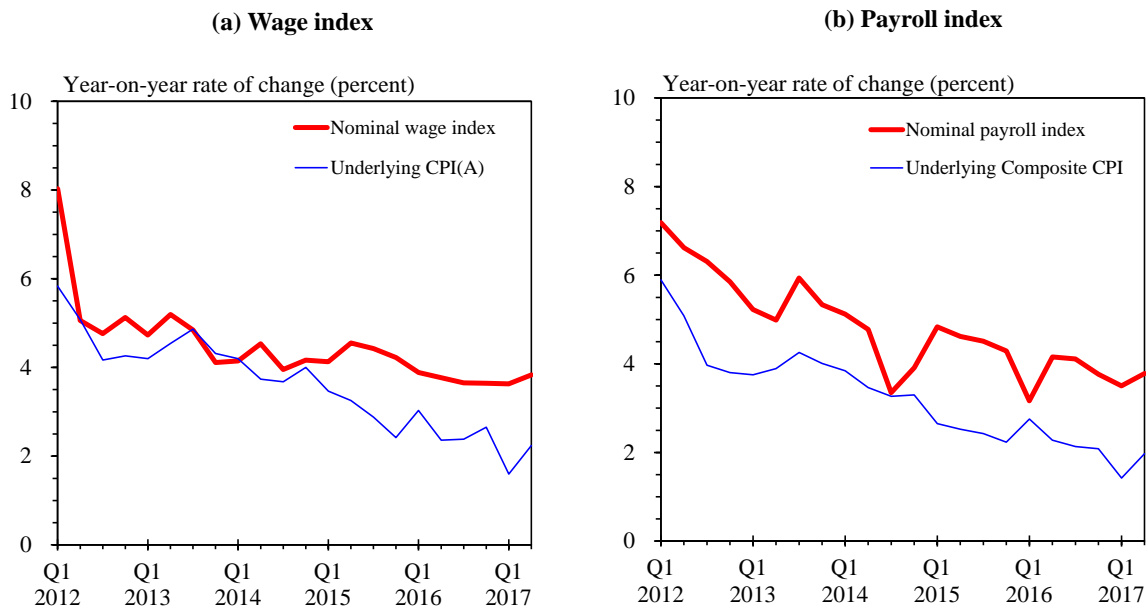
5.18 Increases in nominal wages were observed across all economic sectors and occupations in June 2017, with especially appreciable gains in professional and business services (up 5.1% year-on-year), accommodation and food service activities (up 4.9%), and personal services (up 4.6%). Analysed by occupation, more pronounced wage gains were found in such lower-skilled workers as service workers (up 4.9%), miscellaneous non-production workers (up 4.7%), and clerical and secretarial workers (up 4.3%).

5.19 According to the Salary Indices for Managerial and Professional Employees, compensation among workers at the upper end of the employment spectrum rose solidly further. The Salary Index covering staff remaining in the same occupation and the same company over the period rose further by 4.9% in nominal terms and by 3.1% in real terms in June 2017 over a year earlier. Including the newly recruited and promoted employees, the broader-based index registered a nominal increase of 4.0%, translating into a gain of 2.2% in real terms.

5.20 *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, rose by 3.8% in the second quarter of 2017. After adjusting for inflation, real earnings went up by 1.7%.

5.21 Rises in nominal payroll were likewise broad-based in the second quarter of 2017. Thanks to the relative improvement in inbound tourism and the vibrant regional trade flows, the pace of payroll increases in the second quarter of 2017 picked up in the accommodation and food service activities sector (up 5.3% year-on-year), retail trade sector (up 3.2%), and import/export and wholesale trades sector (up 3.0%). Meanwhile, average payroll in the real estate activities sector continued to record an impressive gain, at 4.7%, amid the generally buoyant residential property market during the second quarter.

Diagram 5.6 : Nominal wages and earnings sustained solid growth in the second quarter of 2017



Note: The year-on-year rates of change of the CPIs from the fourth quarter of 2015 onwards are computed from the new 2014/15-based series, and those before are from the old 2009/10-based series.

5.22 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) of the lowest decile group grew appreciably further by 6.8% in the third quarter of 2017 over a year earlier, translating into a real improvement of 4.6% after discounting inflation. The upward adjustment of the SMW rate since May 2017 should bode well for earnings prospects of the grassroots workers in the months ahead. For the overall income situation, the year-on-year growth of median monthly household income (excluding foreign domestic helpers) picked up somewhat in the third quarter of 2017, to 4.9% in nominal terms. After discounting inflation, there was an increase of 3.1% in real terms.

Highlights of labour-related measures and policy developments

5.23 LD regularly organises large-scale job fairs in different locations, canvassing vacancies from various industries for application by job-seekers on the spot. During January to September 2017, LD organised 14 large-scale job fairs in Wan Chai, Yau Tong, Mong Kok, Tsim Sha Tsui, Sham Shui Po, Tsuen Wan, Tuen Mun and North District. A total of 425 participating organisations offered about 30 400 vacancies from the retail, catering, property management, transport and other industries. There were also 16 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.

5.24 Moreover, LD has started the work on formulating the sector-specific working hours guidelines through the department's industry-based tripartite committees. These committees, comprising representatives from employers, employees and the Government, should serve as useful platforms for the parties concerned to work together in drawing up the guidelines to provide guidance on suggested working hours arrangements, overtime compensation methods and good working hours management measures.

5.25 The increase of the SMW rate by 6.2% from \$32.5 to \$34.5 per hour with effect from 1 May 2017 has been operating smoothly. In September 2017, the Minimum Wage Commission conducted consultation meetings to gauge the views of stakeholders in low paying sectors on the uprating and implementation of SMW.

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 May – July 2016 to October – December 2016 have been revised to take into account the final end-2016 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 – March 2011. Starting from the reference quarter of January – 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. The CPI(C), meanwhile, reflects consumer prices for the relatively high expenditure group and is thus used as the price deflator for salary of managerial and professional employees.
- (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.