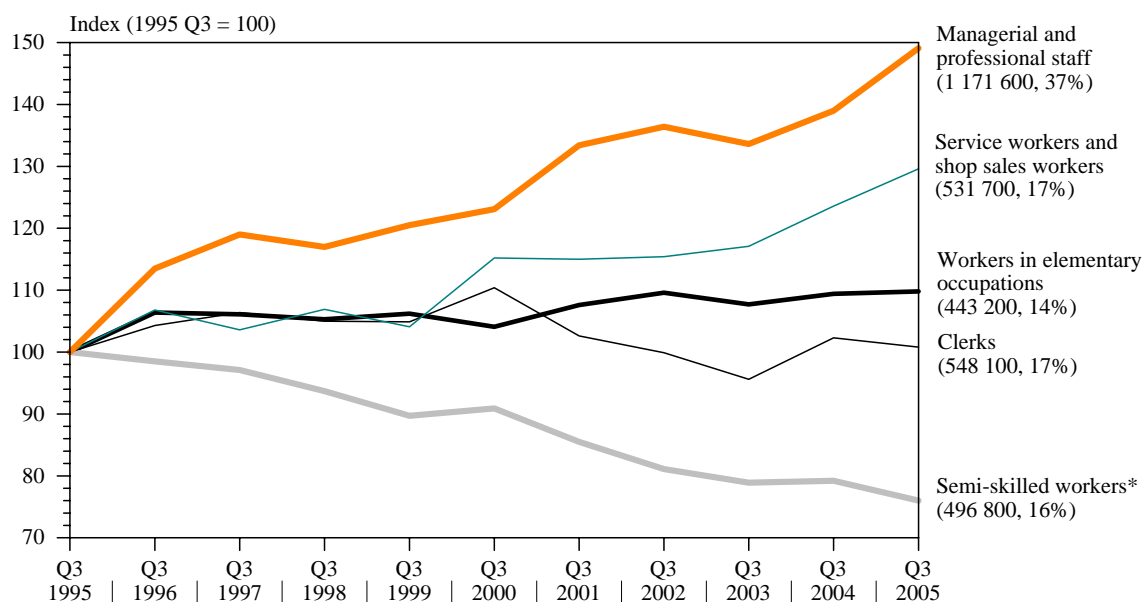


**Box 6.1****An analysis of employment and income growth**

Over the past decade, the total number of employed persons<sup>(1)</sup> grew by an average of 1.3% per annum, reaching 3.19 million in Q3 2005. The increase was most apparent among higher-skilled workers, including managers and administrators, professionals and associate professionals, with an average growth at 4.1% per annum, followed by service workers and shop sales workers, at 2.6% per annum. Meanwhile, workers in the other occupations registered relatively minor changes.

At 37% in Q3 2005, the share of higher-skilled workers in total employment was distinctly higher than that of 28% in Q3 1995. During the decade, the ratio of lower-skilled workers to higher-skilled workers decreased considerably from 2.6 : 1 to 1.7 : 1, amid the increasing transformation of the economy towards higher value-added and knowledge-based activities, as well as the on-going trend of office automation and relocation of back-office jobs to the Mainland. Concurrent with this shift in employment composition, there was a continuous improvement in the educational attainment of the local workforce, as manifested by the increase in the proportion of workers with tertiary education from 18.9% in Q3 1995 to 29.2% in Q3 2005.

**Employment by major occupation category**

Notes : Figures in brackets represent the number of employed persons (excluding foreign domestic helpers) in Q3 2005, and the percentage figures refer to the proportion of employed persons in the respective occupations.

(\*) Semi-skilled workers include craft and related workers, and plant and machine operators and assemblers.

With proportionately more people moving up the occupational hierarchy, employment earnings for employees<sup>(2)</sup> as a whole improved over the past decade. Reflecting this, the average monthly employment earnings of employees rose from \$11,800 in Q3 1995 to \$14,800 in Q3 2005<sup>(3)</sup>, representing a cumulative gain of 25% over the period. Improvement

(1) Foreign domestic helpers are excluded throughout the analysis.

(2) Employees accounted for an overwhelming proportion of 87% of total employment in Q3 2005. Self-employed persons and employers are excluded in the analysis and they had smaller shares of 7% and 5% respectively.

(3) The price levels for 1995 Q3 and 2005 Q3 were broadly similar, as the deflation prevailing during late 1998 to mid-2004 was virtually offset by the inflation in the remaining periods.

**Box 6.1 (cont'd)**

in workers' earnings was also reflected by the decline in the number and proportion of full-time employees with monthly employment earnings less than \$5,000 between Q3 1995 and Q3 2005. During this period, whereas the number of low-income employees went up in overall terms, it was attributable primarily to an increase in the number of part-time employees working voluntarily for less than 35 hours a week, from 44 000 to 77 400. At the same time, the number of underemployed low-income employees also increased, but to a lesser extent.

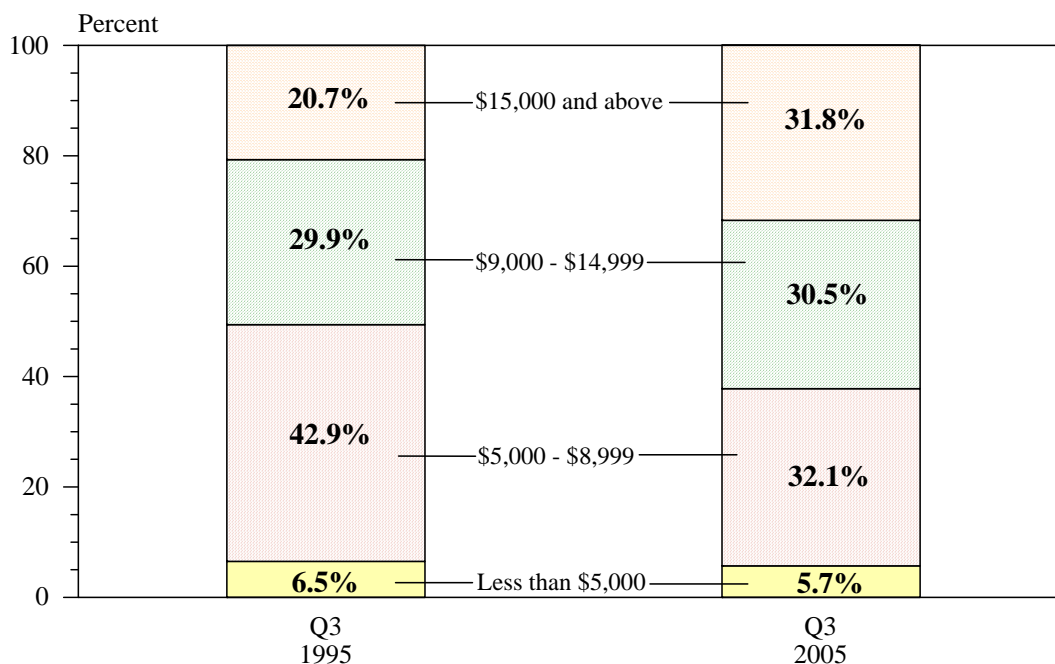
**Employees with monthly employment earnings below \$5,000**

Part-time, of whom :

	<u>Full-time</u>	<u>Involuntary or underemployed</u>	<u>Voluntary</u>	<u>Overall</u>
1995 Q3	149 000 (6.0)	32 700 (1.3)	44 000 (1.8)	225 700 (9.1)
2005 Q3	140 100 (5.0)	49 800 (1.8)	77 400 (2.8)	267 300 (9.6)

Note : ( ) Figures in brackets represent percentage shares in all employees.

More specifically on employment earnings of full-time employees, there was a distinct surge in those employees in the upper strata earning \$15,000 or more per month, from one-fifth of the total in Q3 1995 to around one-third in Q3 2005. This offset the concurrent decline in the proportion of full-time employees earning \$5,000 - 8,999 per month. Meanwhile, the proportion of middle-income employees earning \$9,000 - 14,999 per month held broadly stable.

**Share of full-time employees\* by monthly employment earnings**

Note : (\*) Excluding foreign domestic helpers.