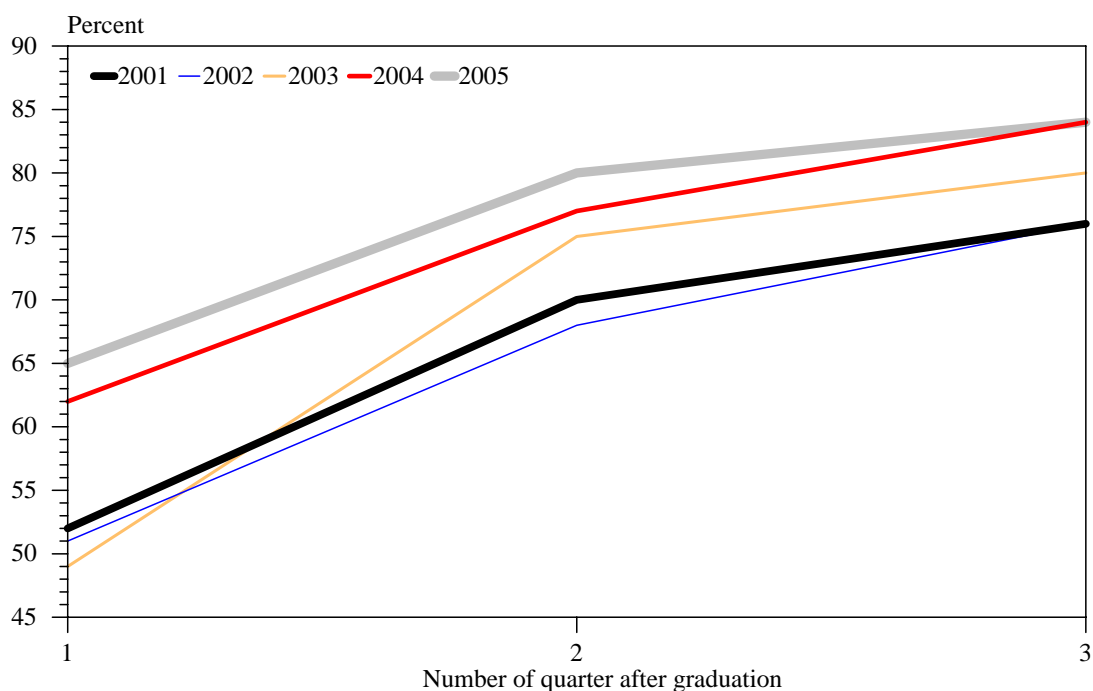


Box 5.1

Recent employment situation of fresh graduates and school leavers

Over the past two years, fresh graduates and school leavers have benefited greatly from the improving economic and labour market situation. Reflecting this, the employment rates⁽¹⁾ for these new entrants into the workforce were high at 62% and 65% respectively in the third quarter of 2004 and 2005 (i.e. the first quarter immediately after graduation)⁽²⁾. These figures compared very favourably with those of 49-52% in the same quarter of preceding three years, when the Hong Kong economy was hard hit by the property market slump and a prolonged deflation upon the impacts of the Asian financial crisis and the subsequent global economic downturn and outbreak of SARS in 2001 - 2003.

Employment rate for fresh graduates and school leavers



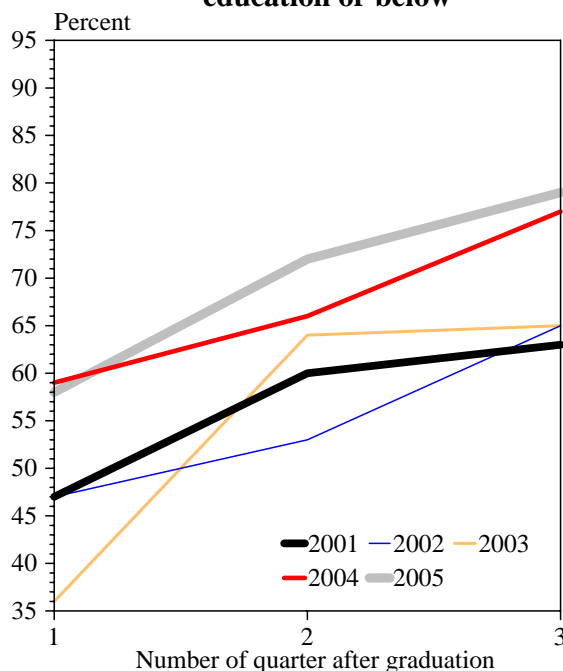
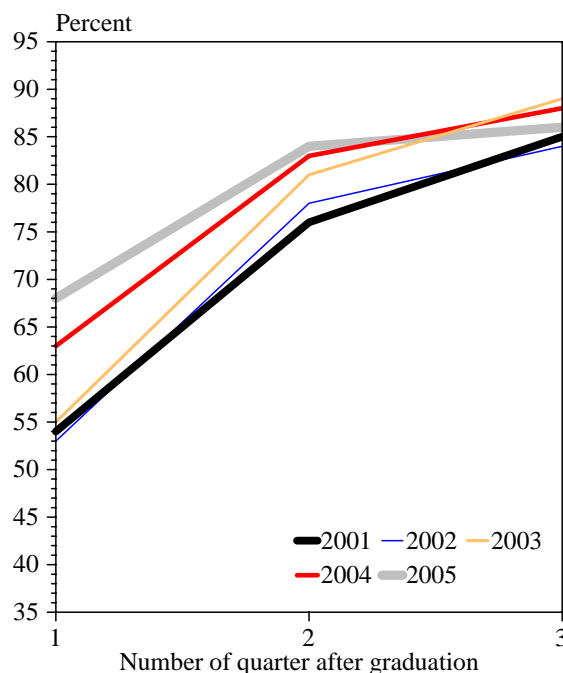
Source : General Household Survey, Census and Statistics Department.

As for the ensuing quarters after graduation, the employment rates for fresh graduates and school leavers were again higher in 2004 and 2005 than in the earlier few years, albeit by a smaller margin. So, these newcomers on the whole had relatively less difficulty in finding jobs during the economic upturn over the last two years.

A further breakdown by educational attainment revealed that fresh graduates with upper secondary/matriculation education or below had an employment rate averaging at 58% in Q3 2005, much improved from the low of 36% in Q3 2003. This was broadly in line with the distinct downtrend in the unemployment rate for lower-skilled workers over the same period.

(1) Unless stated otherwise, the employment rate here refers to the ratio of employment to labour supply in respect of fresh graduates and school leavers aged 15 to 25, including those graduated from overseas countries.

(2) As students in Hong Kong normally complete their study in around mid-year, the first quarter after graduation refers to Q3 of the year.

Box 5.1 (cont'd)**Employment rate for fresh graduates and school leavers****Upper secondary/matriculation
education or below****Tertiary education**

Source : General Household Survey, Census and Statistics Department.

By comparison, those better-educated graduates with tertiary education had an even higher employment rate at 68% in Q3 2005, likewise up from their 2001-03 levels at 53-55%. This was largely consistent with the trend of increasing employment among associate professionals, which were generally considered as the entry post for most of these first-time job-seekers. With higher educational attainment, this particular group of people tended to benefit more from the greater demand for higher skilled workers resulting from the economic restructuring towards knowledge-based activities.

Yet the cyclical ups and downs of an economy were also an important factor affecting the pace of fresh graduates and school leavers entering the labour market, and henceforth the respective employment rate. As shown in the table below, the proportion of fresh graduates with bachelor degree or above entering the labour market seemed to bear an inverse relationship with the overall economic conditions in recent years. Yet for sub-degree graduates, there was a steady rise in the proportion of those pursuing further studies, apparently regardless of the economic cycles. To some extent, this might be due to the increasing aspiration among people of younger age to upgrade their knowledge and skills in order to rise to the challenges of a knowledge-based economy.

**Proportion of UGC-funded full-time programme graduates
pursuing further studies**

Year of completed studying	Bachelor degree or above (%)	Sub-degree (%)
2001	12.7%	21.3%
2002	15.6%	30.2%
2003	15.4%	33.5%
2004	13.3%	43.0%
2005	11.8%	48.3%

Source: Graduate Employment Surveys conducted by UGC-funded institutions.

Box 5.1 (cont'd)

On wages and earnings, fresh graduates with tertiary education generally experienced a renewed rise in salaries over the past two years. Even so, the statistics indicated that the average salary of full-time graduates in 2005 was still some way below that in 1997, especially at the sub-degree level, reflecting the influences of both demand and supply factors. More specifically, despite the recent economic revival, the labour market in 2005 had yet to recover fully from the earlier shocks. Furthermore, there was a growing supply of tertiary graduates, following the Government's vast investment in higher education in recent years.

**Average annual salaries of
UGC-funded full-time programme graduates**

<u>Year of completed studying</u>	<u>Bachelor degree or above (\$)</u>	<u>Sub-degree (\$)</u>
1997	178,000	166,000
2001	168,000	156,000
2002	147,000	125,000
2003	139,000	117,000
2004	143,000	115,000
2005	151,000	119,000

Source: Graduate Employment Surveys conducted by UGC-funded institutions.

The corresponding income figures for 2006 are not yet available. But the anecdotal evidence available so far points to a further hike in the entry pay for fresh graduates with tertiary degree education. The rate of pay rise seems to be larger for those jobs in the accounting, banking and finance fields.