

Box 6.1

The employment and income situation of lower-end workers* since 2003

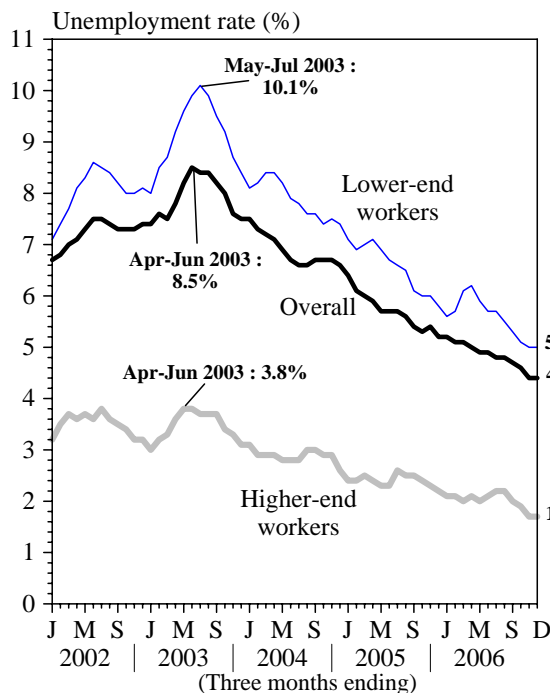
Improved labour market conditions since 2003

The current economic recovery, which began in the second half of 2003, was well sustained through to 2006. Over this period, net additional jobs totalling 299 000 had been created. The majority of them were full-time jobs, reflecting the growing confidence among employers over staff recruitment alongside the strong economic recovery. As a result, unemployment was reduced significantly by half, with the numbers falling from 307 700 to 153 700 and the rate from 8.5% to 4.4%. The underemployment rate also dropped from 4.3% to 2.4% over the same period. Average employment earnings resumed increase in early 2005, and have since remained on a modest uptrend.

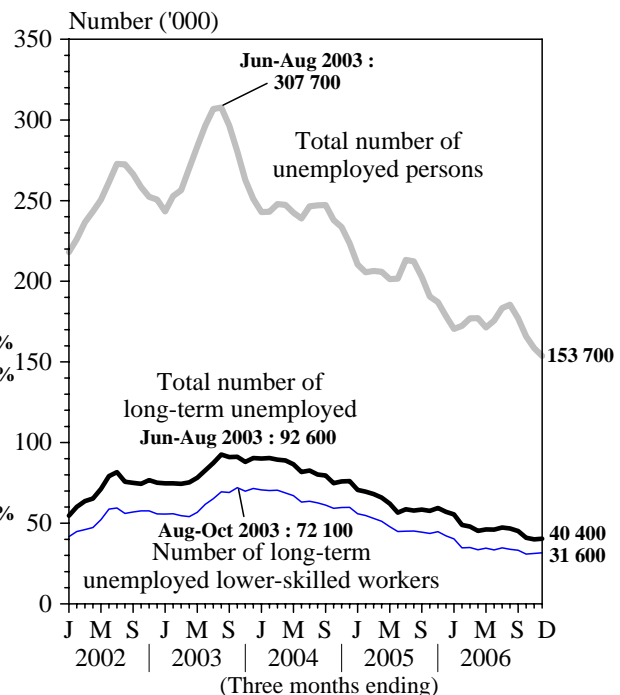
Lower-end workers benefiting markedly from employment gains

Comparing end-2006 with mid-2003, employment at the lower segment of the labour market grew by 6.4% or 135 600. Consequently, the number of unemployed workers at the lower end fell sharply by 49.5%, larger than the 46.8% drop observed for those at the upper end. The unemployment rate for the former group went down by 5.1 percentage points (from 10.1% to 5.0%), as against the fall of 2.1 percentage points (from 3.8% to 1.7%) for the latter group.

Extensive improvement in the labour market



Long-term unemployment reduced markedly



The picture regarding long-term unemployment was even more encouraging. As a significant proportion of persons unemployed for six months or longer were in the lower strata, the markedly improved long-term unemployment situation since 2003 had benefited this particular group of people more. At end-2006, 31 600 workers at the lower segment

(*) Refer to clerks, service workers and shop sales workers, craft and related workers, plant and machine operators and assemblers, and workers in elementary occupations.

Box 6.1 (cont'd)

were long-term unemployed, accounting for 20.6% of the overall unemployed population. These figures were distinctly below 72 100 and 25.7% in mid-2003. They also compared favourably with those observed for the higher-skilled workers.

Improved employment earnings at both the lower and upper ends, with no significant widening in wage differential since 2003

On labour income, there was in fact a larger increase in employment earnings among the lower-end workers (the bottom 30% of earnings distribution) than the upper-end ones (the top 30%), at 3.2% as against 2.5% between 2003 and 2006, although in absolute terms the former increase was just around \$200 as against the latter rise of around \$800.

Average employment earnings of employed persons* (\$)

	<u>Low-income group</u> ⁺	<u>High-income group</u> ⁺	<u>Overall</u>	Ratio of low-income group <u>To high-income group</u>
2003	5,000	33,400	15,600	14.8%
2004	4,800	33,600	15,500	14.2%
2005	5,100	34,200	15,700	14.8%
2006	5,100	34,300	16,100	14.9%

Notes: (*) Excluding foreign domestic helpers.

(+) Low-income group refers to workers in the bottom 30% of earnings distribution, while high-income group refers to workers in the top 30%. Due to rounding, changes in average employment earnings between 2003 and 2006 quoted in the above paragraph may not tally with those shown in the table.

As to income disparity, a major indicator is the ratio of average employment earnings of low-income workers to those of high-income workers. This ratio stood at 14.9% in 2006 and was roughly similar to that of 14.8% in 2003, suggesting no significant worsening in income disparity between the two groups over this three-year period.

Concurrently, there was an “uplifting” of the job profile more towards full-time and higher-paid jobs. Indicating this, the number of full-time jobs increased by 14.0% between May – July 2003 and Q4 2006, in stark contrast to the 15.9% decline in part-time jobs. Meanwhile, the share of full-time jobs with monthly employment income below \$7,000 shrank from 21.8% to 18.4%, whereas that for higher employment income went up from 78.2% to 81.6%. The share for full-time employees earning below \$5,000, in particular, dwindled to just 4.7%. This has to some extent helped to reduce the income gap between the higher- and lower-income workers.

Sustained economic growth still the key to improving workers’ well-being

Apparently, both the lower-end and upper-end workers had recouped a considerable part of the ground lost in the earlier economic downturn, more so in terms of increase in employment than in wages. The sustained economic growth since mid-2003 thus remains the key to improving the well-being of workers at all levels.

While clearly the lower-end workers are still subject to the influence of ongoing structural change, a recent study indicates that there has been little evidence supporting the view of a marked increase in structural unemployment in Hong Kong in more recent years (see **Box 1.2** of Half-yearly Economic Report 2006 for details). It is also observed that to no small degree the relatively high unemployment faced by the lower-skilled workers is, in fact, caused by the weakness in the construction and consumption-related sectors, which together account for 43% of the total unemployment. Thus, if the construction sector could turn around while the consumption-related sectors could improve further, the unemployment situation for the lower-skilled workers should see further improvement. This in turn might bring about a further rise in wages for the lower-end workers in due course.