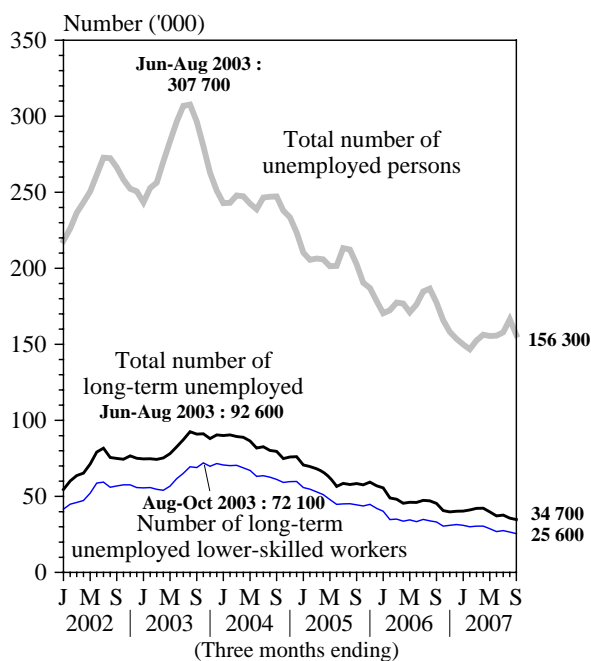
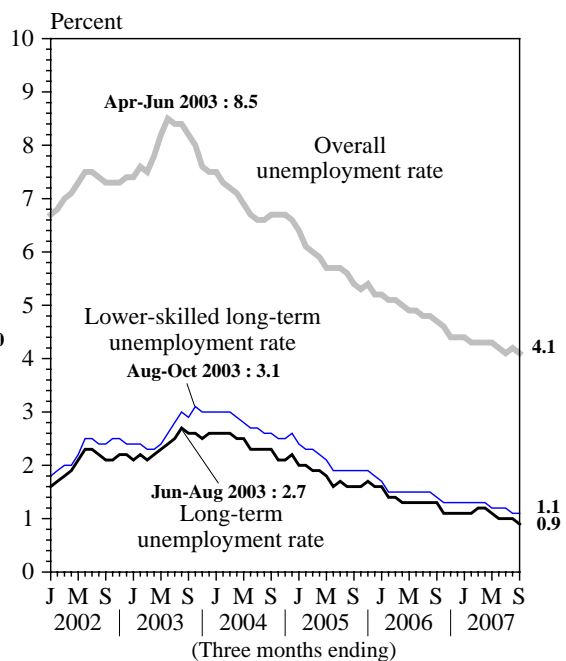


Box 5.1**Long-term Unemployment⁽¹⁾ Situation since 2003*****Improved labour market conditions***

Labour market conditions have improved on a broad front since 2003, on the back of sustained economic growth. The unemployment rate has fallen by more than half, from a peak of 8.5% in mid-2003 to a nine-year low of 4.1% in Q3 2007. Concurrently, the number of unemployed persons fell from 307 700 to 156 300, while those of the long-term unemployed also dropped from 92 600 to 34 700. With the latter group registering a more noticeable decline, the long-term unemployment rate fell from a peak of 2.7% to 0.9% in Q3 2007, with the share of long-term unemployed in the total numbers unemployed shrinking from 30% to 22%. Meanwhile, the median duration of unemployment has also shortened from 88 days to 63 days.

Long-term unemployment eased considerably since mid-2003**(a) Numbers unemployed****(b) Unemployment rate**

Reduction in long-term unemployment first occurred among workers with a shorter duration of unemployment. In particular, workers unemployed for less than one year as a proportion of the long-term unemployed fell from 46% in 2003 to 41% in 2006. Despite an absolute reduction, the proportion of the “hard-core unemployed”⁽²⁾ increased from 32% to 39%. However since early 2007, workers who had been jobless for longer also began to enjoy substantial improvements in employment situation. In the first three quarters of 2007, the “hard-core unemployed” registered a year-on-year decline of 34.8%, which amounted to 35% of the total long-term unemployed.

Long-term unemployment was more prevalent among young and lower-skilled workers

The improvements noted above notwithstanding, some workers still faced difficulties in securing jobs. In terms of socio-economic attributes in Q3 2007, young workers aged 15-19 and older male workers aged 50-59 suffered the highest long-term unemployment rate (LTUR), at 2.8% and 1.6% respectively. Less-educated workers were also prone to relatively long duration of unemployment. Workers with primary or below education registered a LTUR of 1.6%, outpacing the overall rate of 0.9%. Meanwhile, lower-skilled workers also registered a LTUR above that of higher-skilled workers (1.1% vs. 0.5%).

(1) Refers to workers unemployed for six months or longer.

(2) Those unemployed for 18 months or longer.

Box 5.1 (Cont'd)

Analysed by economic sector, manufacturing, construction and wholesale/retail trades experienced relatively high LTURs, at 1.9%, 1.6% and 1.3% respectively in Q3 2007. Long-term unemployment in these sectors also tended to take up a larger proportion out of the overall unemployment, at 37%, 22% and 28% respectively, at or above the overall average of 22%.

Mirroring such a sectoral profile, long term unemployment was more prevalent among craft and related workers (1.4%), workers engaged in elementary occupations (1.3%) and service workers and shop sales workers (1.2%) in Q3 2007. In terms of absolute number, these three occupations already accounted for 56% of the total long-term unemployment.

Occupation profile of long-term unemployment in Q3 2007

<u>Occupation</u>	<u>Number of long-term unemployed</u>	<u>LTUR</u>	<u>Share of long-term unemployed out of total</u>
1. Elementary occupations	9 100	1.3%	31%
2. Service workers and shop sales workers	6 500	1.2%	22%
3. Craft and related workers	4 000	1.4%	20%
Overall	34 700	0.9%	22%

Long-term unemployment trends

Under the current economic upturn, the decline in long-term unemployment has been broad-based. Though lower-skilled, less-educated and young workers faced higher long-term unemployment, the improvements have been substantial. Comparing the LTURs in Q3 2007 with their respective peaks in 2003, improvements were most significant among the following groups:

Groups with most significant improvement in LTUR	Peak in 2003	Q3 2007
(1) Craft and related workers, service workers and shop sales workers, and plant and machine operators and assemblers;	3.9%	1.1%
(2) Workers in restaurants and hotels, construction and manufacturing sectors;	5.1%; 5.1%; 3.9%	1.0%; 1.6%; 1.9%
(3) Young workers aged 15-19 and workers aged 50 or above; and	8.5%; 4.3%	2.8%; 1.4%
(4) Workers with lower secondary or below education.	4.4%	1.5%

For most groups, the recovery was driven by employment growth. However, the reduction in LTUR for craft and related workers and workers in the construction sector was mainly caused by shrinkage in the respective labour supplies. Further improvement in their long-term unemployment situation would likely benefit from a faster pace of job creation.

Conclusions

From 2003 to Q3 2007, the long-term unemployment situation, especially for workers at the lower-end, showed a significant improvement. As long-term unemployment was mainly seen among these workers, this turnaround was partly attributable to the relatively high base and partly to faster employment growth relative to labour supply.

Since the hard-core unemployed still accounts for about one-third of the long-term unemployed, structural unemployment remains a challenge. The comprehensive expansion of the Employees Retraining Scheme set out in the 2007-08 Policy Address can be expected to raise employability of our labour force, and hence reduce difficulties in securing employment.