

Box 5.1

An analysis of youth unemployment since 2003^(*)

Sustained economic expansion over the past few years has led to a broad-based improvement in labour market conditions. Youths, who are aged 15-24, tend to experience greater difficulties in securing jobs, due to relative lack of working experience and high degree of mobility as perceived by many employers. This article focuses on this group, especially with regard to the question of whether youths have been able to share the fruits of the current economic upturn.

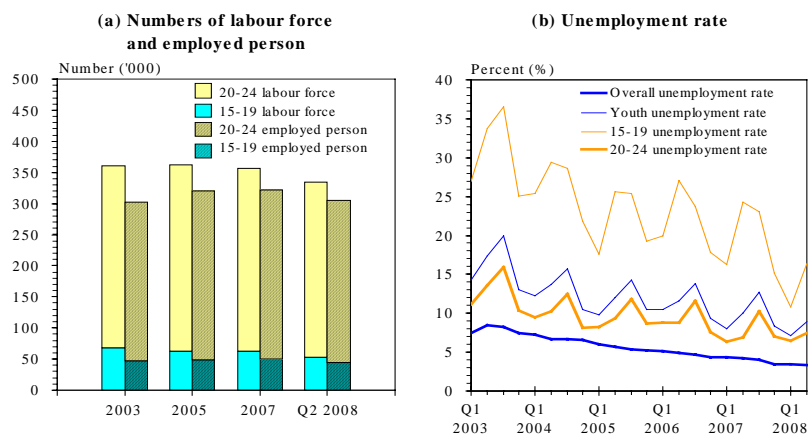
Unemployment situation of the youth group

The unemployment rate in the youth group has been persistently higher than that of the overall labour force. Between 2003 and 2007, the unemployment rate averaged 12.4%, as compared to the economy-wide average of 5.8%. Within the youth group, unemployment rate of teenagers aged 15-19 was much higher, averaging at 24.2%, 2.5 times that in the 20-24 group (9.8%). In Q2 2008, the youth group experienced an unemployment rate of 8.9% (16.4% and 7.5% for the 15-19 and 20-24 age groups respectively), while the territory-wide figure was 3.3%.

Despite a less favourable labour market position, the youth group has been able to benefit from the economic upswing since 2003. Comparing 2007 with 2003, employment for this group rose by an annual average of 1.4%. This rate is notably lower than the 2.2% growth per year in total employment over the same period. These figures however have to be viewed in conjunction with the concurrent shrinkage in the youth labour force, by 0.4% per annum, in contrast to an average annual growth of 1.1% in total labour force. As a result, the youth unemployment rate has dropped considerably, from 16.1% in 2003 to 9.7% in 2007, leading to a much narrower gap between youth unemployment and overall unemployment. For the same reasons, median duration of unemployment and long-term unemployment rate (i.e. unemployed for six months or longer) in the youth group also fell noticeably, from 77 days and 3.7% to 58 days and 1.3% respectively over the same period.

A similar development trend has been observed in the more recent period. In Q2 2008, total youth employment was 3.6% lower than a year earlier. Given a larger decline of 4.7% in the labour supply of this group, the youth unemployment situation continued to improve. To a certain extent, this reflects the increased opportunities for higher education in the sense that more youngsters have delayed their entry into the labour force or have opted out to pursue further studies. Reflecting this, the school attendance rates of youths aged 15-19 and 20-24 in Q2 2008, at 89.4% and 35.8% respectively, were both higher than the corresponding figures of 83.2% and 28.7% in Q2 2003. Meanwhile, the labour force participation rate (LFPR) of the two age groups fell from 15.5% and 70.3% to 12.2% and 66.2% over the same period.

The youth group has also been able to benefit from the current economic upswing



(*) This analysis excludes foreign domestic helpers (FDHs). The overall unemployment and underemployment figures in this analysis include FDHs, however.

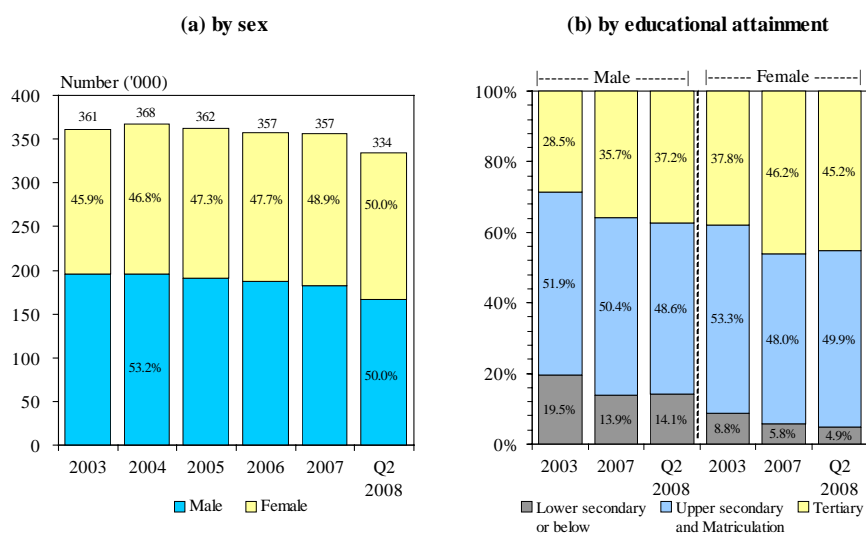
Box 5.1 (Cont'd)

The youth labour force by sex, educational attainment and industry

Although across-the-board dips in labour force were observed in all the four age-sex cohorts in recent years, the decline has been most prevalent among teenagers aged 15-19. As a result, the share of 20-24 age group in the total youth labour force rose from 81.5% in Q2 2003 to 84.0% in Q2 2008. The gender mix of the youth labour force has also changed. Labour supply of female youths increased whilst a decrease was recorded in the case of their male counterparts. As a result, the female share in the total youth labour force increased from 45.5% in Q2 2003 to 50.0% in Q2 2008. Regarding the LFPR, that of female youths was higher than that of male youths throughout the period, with the gender gap even widening over time.

The increasing prominence of females in the youth labour force and the specific trends exhibited by youth's LFPR can be partly contributed to a more rapid improvement in educational attainment up to tertiary level among females than males. Indeed, within the youth labour force, males generally possessed lower educational attainment than females. In Q2 2008, 37.2% of males had attained tertiary education or above, smaller than the corresponding proportion of 45.2% for females. It is worth noting, however, that both male and female youths have raised their level of educational attainment at a faster pace than the overall workforce. In addition, a sectoral analysis indicates substantial declines of youth labour supply in the manufacturing and construction sectors, amid the increasing service orientation of the Hong Kong economy. On the other hand, notable increases in youth labour supply were observed in such service sectors as financing, hotels, business services and import/export trade.

A declining youth labour force has nevertheless become increasingly well-educated



Employment status of the youth group(^)

Like the trend observed in the youth labour force, different genders showed divergent movements in terms of employment. Between Q2 2003 and Q2 2008, the number of employed female youths increased by 14 700, while that of employed male youths fell by 5 800. In terms of employment status, declines in the number of underemployed were found regardless of gender, which were more than offset by the increase in employment of voluntary part-time workers. Regarding full-time employment, females have fared much better than males during the period, which explains the key factor underlying the different employment trends of the two sexes. However, these findings have to be interpreted with and viewed in conjunction with supply side developments, especially the larger shrinkage in the supply of male youth workers.

(^) Employment status can be defined in terms of 3 groups: (1) full-time workers refer to those working 35 hours or longer and those working less than 35 hours due to vacation during the 7 days before the enumeration; (2) underemployed workers who are *involuntarily* working less than 35 hours a week; and (3) voluntary part-timers who are working less than 35 hours owing to reasons other than vacation and underemployment.

Box 5.1 (Cont'd)

In sum, the most notable development trend in recent years is the increasing prevalence of voluntary part-time employment among the youth group, as this kind of work arrangement offers greater flexibility to both employers and workers and hence better fit their interests, bearing in mind that many youths are still full-time students who may not find it easy to assume full-time employments. Those who wish to have employment income to supplement their daily expenses are therefore likely to become voluntary part-timers. For instance, 84.2% of employed full-time students were voluntary part-timers in Q2 2008.

A shift towards voluntary part-time employment was seen regardless of sex

	Male			Female		
	Q2 2003	Q2 2008	Change	Q2 2003	Q2 2008	Change
Full-time	135 100	129 800	-5 300	121 800	124 700	+2 900
Underemployed	10 800	3 500	-7 300	6 500	2 800	-3 700
Voluntary part-time	10 400	17 200	+6 800	10 900	26 500	+15 600
Total	156 300	150 500	-5 800	139 300	154 000	+14 700

International comparison of youth unemployment

As mentioned at the beginning, the youth unemployment figure has remained significantly higher than the economy-wide average. This phenomenon is not unique for Hong Kong. For the United States, the youth unemployment rate in 2007 was 15.7%, 3.4 times the overall figure of 4.6%. The corresponding multiple for Hong Kong's youth unemployment rate was only 2.3 times, which was lower than those in the United Kingdom, Taiwan and South Korea.

Comparison of overall and youth unemployment rates in Hong Kong and selected economies in 2007

	<u>Overall unemployment rate (a)</u>	<u>Youth unemployment rate (b)</u>	<u>Ratio (a):(b)</u>
United States	4.6	15.7	1:3.4
South Korea	3.3	8.8	1:2.7
Taiwan	3.9	10.6	1:2.7
United Kingdom	5.5	14.4	1:2.6
Hong Kong	4.0	9.0	1:2.3
Australia	4.4	9.3	1:2.1
Japan	3.8	7.7	1:2.0

Sources: CEIC database; Websites of respective economies' statistical offices.

Conclusion

With the general improvement in education, Hong Kong's younger generation should be better equipped to face the ongoing transformation towards a knowledge-based economy. Females, in particular, have become a key driving force of youth employment. The Administration has spared no efforts to promote youth employment. The Chief Executive pledged in his 2007-08 Policy Address to expand the training capacities of the Employees Retraining Board, with a view to providing more training opportunities for youths. For the three years starting from 1 April 2008, the Administration has also earmarked \$1 billion to create 3 000 jobs for those aged 15-29 in collaboration with non-government organisations. To enhance the employability of youths, the Labour Department, apart from providing pre-employment and on-the-job training through the Youth Pre-employment Training Programme and the Youth Work Experience and Training Scheme, has set up two Youth Employment Resource Centres to provide one-stop advisory and support services on employment and self-employment to young people aged 15-29. All these initiatives underline the Administration's determination to promote youth employment.