

**Box 5.1**

**Comparison of current labour market conditions by selected sectors with the situation following the Asian Financial Crisis of 1997**

Further to the analysis of labour market conditions by skill segment in the preceding report, this box article compares the current performance of selected sectors as against the situation under the Asian Financial Crisis (AFC) in 1997.

Sectors hardest hit under the current crisis in terms of employment, namely the trading, retail, food services, construction and financial services sectors are selected for analysis. These sectors altogether accounted for 56% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1).

**Table 1: Increases in unemployment among selected sectors**

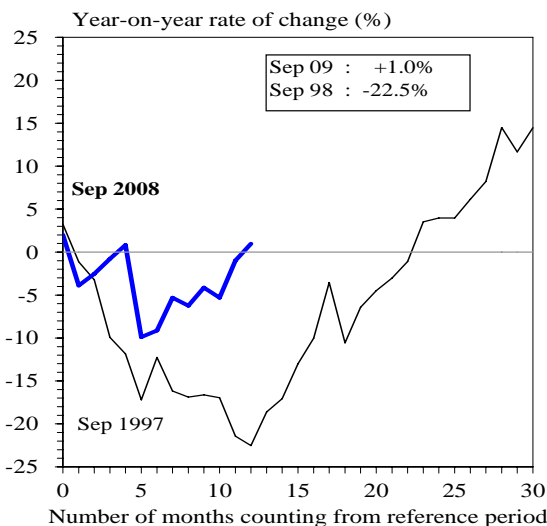
	% of labour force at Jul-Sep 09	Unemployment rate			Proportion of increase in overall unemployed persons
		Jun – Aug 08 (before the outbreak of global financial crisis)	Jul – Sep 09	Change over the period (% point)	
<b>Trading<sup>(*)</sup></b>	<b>15.9%</b>	<b>2.2%</b>	<b>4.9%</b>	<b>+2.7</b>	<b>18.9%</b>
<b>Food services</b>	<b>6.5%</b>	<b>5.5%</b>	<b>9.1%</b>	<b>+3.6</b>	<b>11.2%</b>
<b>Retail</b>	<b>8.5%</b>	<b>4.3%</b>	<b>6.7%</b>	<b>+2.4</b>	<b>9.6%</b>
<b>Construction</b>	<b>7.8%</b>	<b>6.3%</b>	<b>9.4%</b>	<b>+3.1</b>	<b>11.3%</b>
<b>Financial services<sup>(^)</sup></b>	<b>6.0%</b>	<b>1.5%</b>	<b>3.3%</b>	<b>+1.8</b>	<b>4.8%</b>
<b>Total</b>	<b>100.0%</b>	<b>3.5%</b>	<b>5.6%</b>	<b>+2.1</b>	<b>100.0%</b>

Notes: (\*) The trading sector includes import/export trades and wholesale trade.  
 (^) The financial services sector includes financing and insurance.

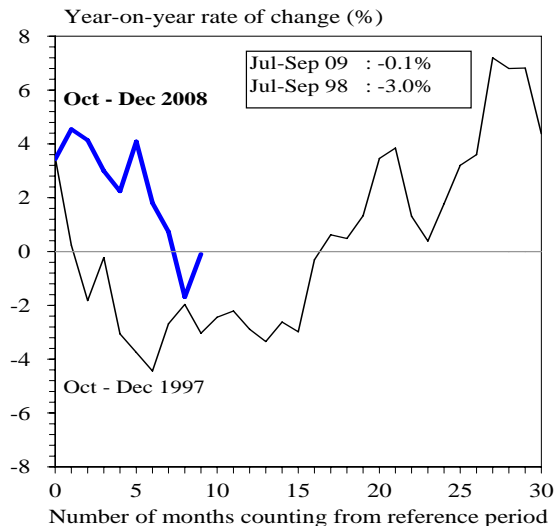
**Consumption-related sectors**

In July – September 2009, the retail and food services sectors together took up 15% of total labour force. Shortly after the outbreak of the global financial crisis, unemployment rates in these two sectors rose sharply and accounted for 21% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1). However, when compared to the AFC, local consumer sentiment this time round held up much better, buttressed mainly by a rebound in asset markets and support from Government’s relief measures (Charts 1a and 2a). As a result, the job loss in the retail sector was much lesser in the current crisis than that during the AFC (Chart 1b). The decline in employment in the food services sector was also much less drastic in the first six months after the outbreak of the global crisis, though with slightly more job loss in the latest period (Chart 2b).

**Chart 1a : Retail sales volume index (s.a.)**

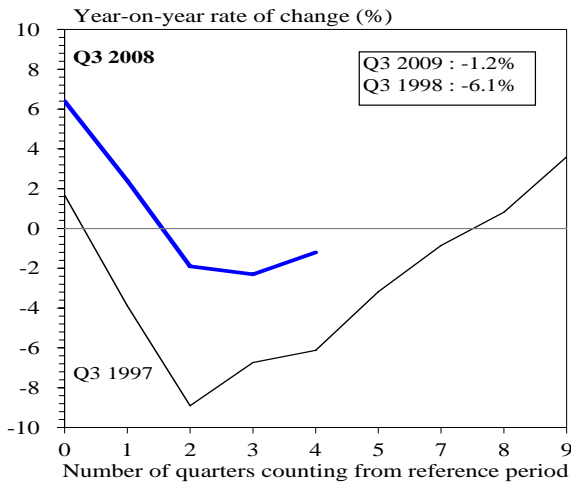


**Chart 1b : Employment in the retail sector**

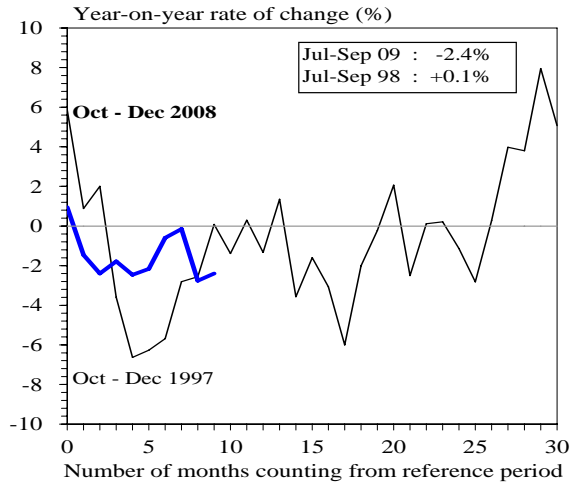


**Box 5.1 (Cont'd)**

**Chart 2a : Restaurant receipts (volume)**



**Chart 2b : Employment in the food services sector**

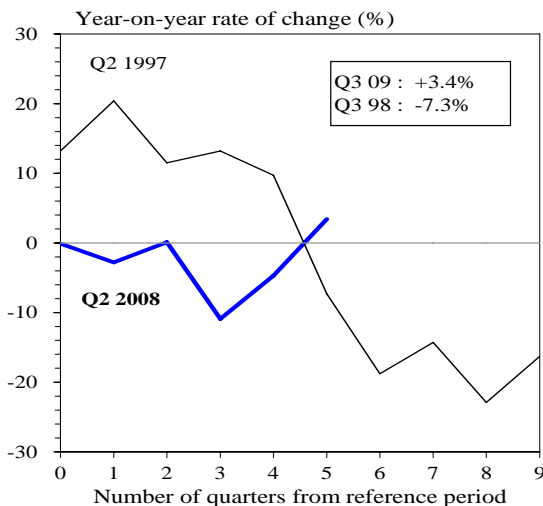


**Construction sector**

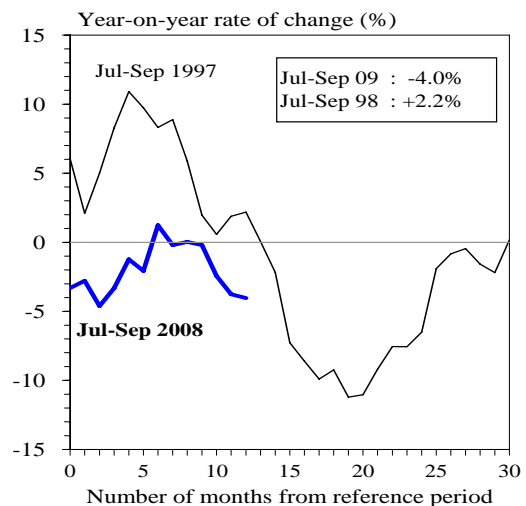
The construction sector made up 8% of the total labour force in July – September 2009 and accounted for 11% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1). The construction sector suffered heavily under the negative shocks of the current crisis, exacerbating the sluggishness in private construction works which were already apparent before the crisis (Chart 3a). As a result, employment conditions in this sector worsened significantly and almost instantly after the outbreak of the global financial tsunami, at a pace that was much more drastic than in the AFC (Chart 3b). However, the job losses would have been even larger if not for the Government’s efforts in expediting the small construction projects and the launch of “Operation Building Bright” in May 2009.

Reflecting Government’s efforts on this front, public sector building and construction grew sharply by 11.1% in the second quarter and then by 34.4% in the third quarter, partially offsetting the respective declines of 8.4% and 4.5% in private sector works over this period. As a result, when compared to the pre-crisis level at June – August 2008, the cumulative job loss amounted to only 6 600 in July – September 2009. Unemployment rate in the construction sector also went successively lower, from 12.7% in February – April 2009 to 9.4% in July – September 2009. In contrast, the unemployment rate kept on rising during the AFC. With the recent rebound in property market, the construction sector is expected to show further improvement in the coming months.

**Chart 3a: Real gross value of investment in building and construction**



**Chart 3b: Employment in the construction sector**

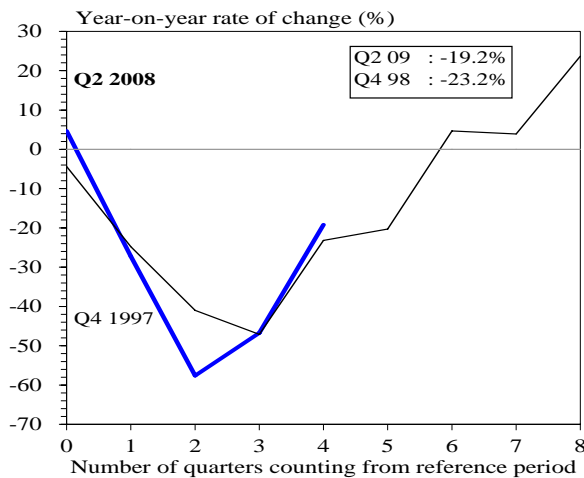


**Box 5.1 (Cont'd)**

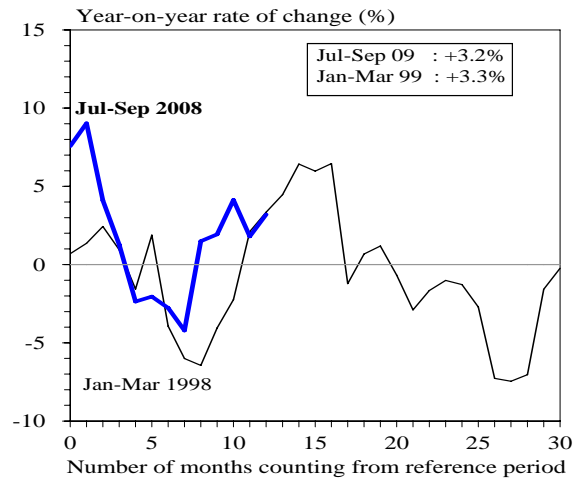
**Financial services sector**

The financial services sector, as a high value-added sector, contributed only 6% of total labour force in July – September 2009 (Table 1). While activities in this sector plummeting sharply in the aftershock of the global crisis, the employment situation held up much better this time as compared to the AFC. Alongside the recent rebound in this sector (Chart 4a), job shedding was largely arrested by the first quarter of 2009, and employment reverted to positive year-on-year increases since March – May 2009. By the third quarter of 2009, there was actually a cumulative job gain of 2 300 when compared to the pre-crisis level (Chart 4b).

**Chart 4a : Business receipt index in the financing sector**

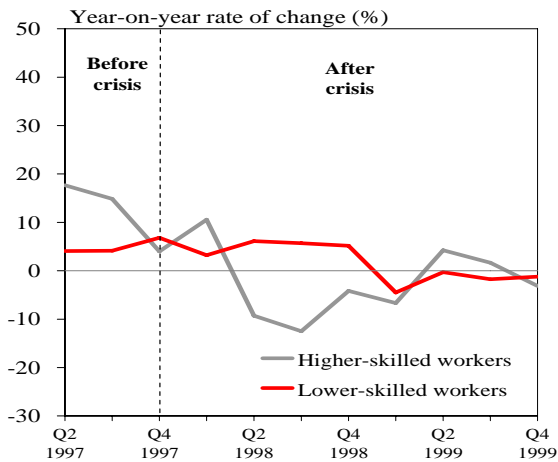


**Chart 4b : Employment in the financial services sector**

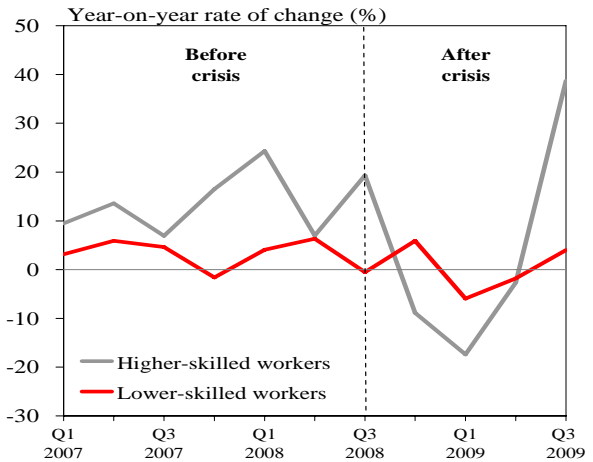


A greater reduction in earnings immediately following the current crisis as compared with the AFC also helped to prevent large scale job shedding. Recently, some financial institutions have begun to award bonuses which have been held back in late 2008 / early 2009. A strong rebound in employment earnings in this sector was therefore observed (Charts 5a and 5b).

**Chart 5a : Average earnings\* of the financial services in AFC**



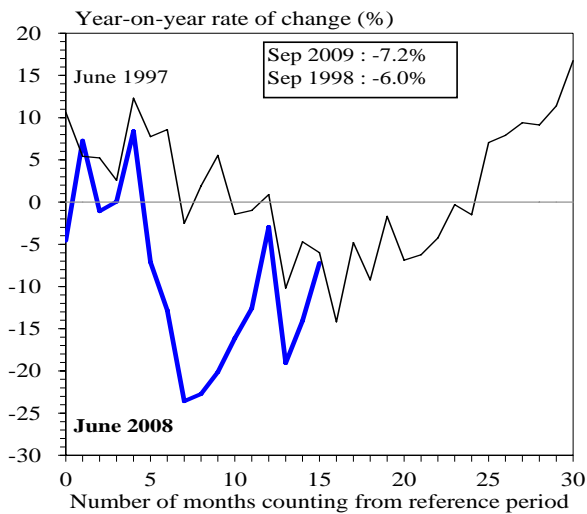
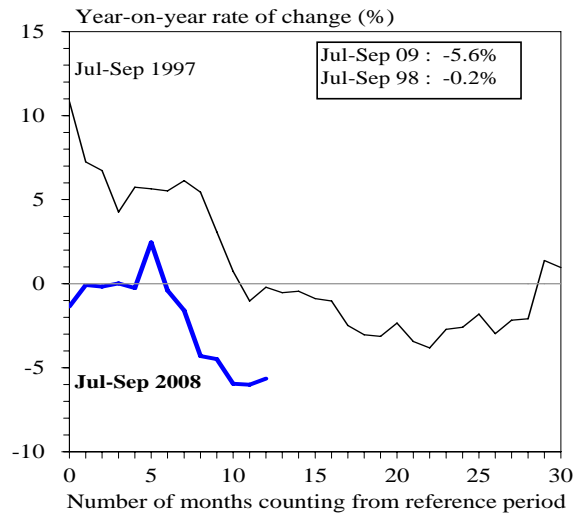
**Chart 5b : Average earnings\* of the financial services in the current crisis**



Note: (\*) Excluding foreign domestic helpers.

**Box 5.1 (Cont'd)****Trading sector**

Under the current crisis, recession swept through almost all economies on a global scale, leading to a severe contraction in global trade worst in decades. The extent of negative shocks was clearly much more drastic than that during the AFC. This explains the sharp plunge in Hong Kong's exports and hence the heavier drag on employment in the trading sector as compared to the situation in 1997/98 (Charts 6a and 6b). This sector alone accounted for 16% of total labour force and 19% of the increase in number of total unemployed persons between June – August 2008 and July – September 2009 (Table 1). Employment in this sector went down by 5.6% in July – September 2009 year-on-year, as compared to only 0.2% decline in July – September 1998.

**Chart 6a : Hong Kong's exports (volume)****Chart 6b : Employment in the trading sector****Conclusion**

The negative external shocks of this once-in-a-century crisis were truly on a global scale, and clearly much more severe than that in the AFC. Despite this, Hong Kong's labour demand has exhibited greater resilience in most sectors, thanks to the Government efforts in preserving employment in various sectors, greater restraint on the part of employers in laying off workers, and employees' willingness in accommodating reduction in earnings and shorter working hours.