

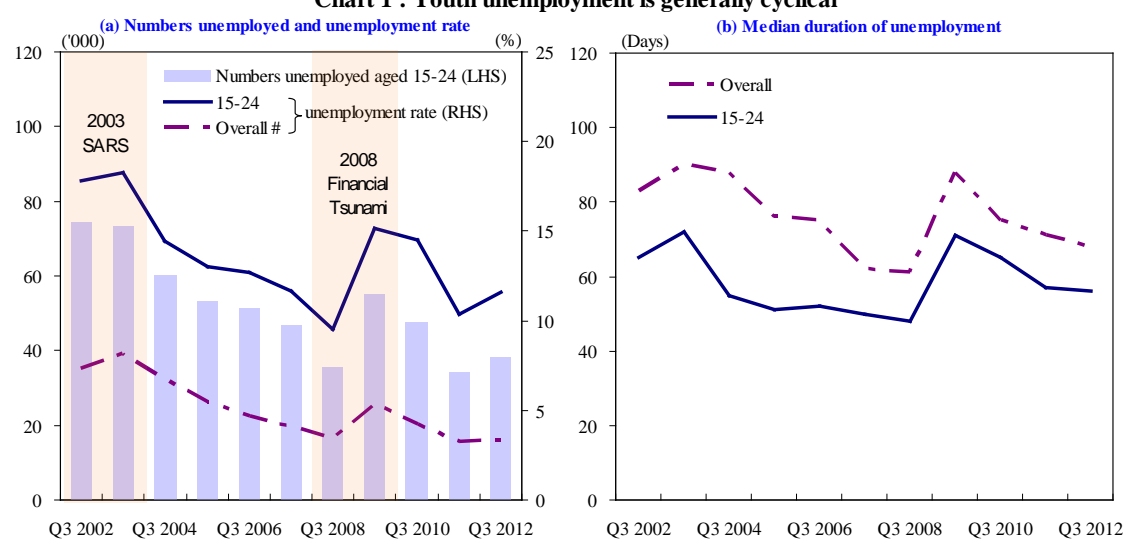
**Box 5.1****Youth unemployment in Hong Kong**

The unemployment situation of youths<sup>(1)</sup> has been one of the major concerns in the global labour market, particularly in an era of increasing economic volatility and uncertainty when skyrocketing youth jobless rates are observed in many advanced economies. Against such backdrop, this box article analyses the recent situation in Hong Kong with an international comparison, followed by an examination on the salient labour market features of youths.

**Recent developments in Hong Kong**

The youth unemployment rate in Hong Kong was 11.6% in Q3 2012<sup>(2)</sup>. Although slightly up from 10.4% over a year earlier, it was visibly lower by 3.6 and 2.2 percentage points than the latest high of 15.2% in Q3 2009 and the 10-year same-quarter average of 13.8% respectively, thanks to the tight labour market. While this jobless rate is consistently higher than the overall average, their movements over time tie in closely with the ups and downs of the economy (*Chart 1a*). As such, the buoyant labour demand in most part of 2012 has cushioned the potential impact from the double cohort under the introduction of the New Academic Structure (NAS) to youth unemployment so far<sup>(3)</sup>.

Among the unemployed youths, the median duration of unemployment shortened successively to 56 days in Q3 2012, the lowest since the pre-crisis trough in Q3 2008. In this light, young job-seekers in general can find employment within 2 months. Another point worth noting is that the length of unemployment for the young cohort is also notably and persistently shorter than the overall average (*Chart 1b*).

**Chart 1 : Youth unemployment is generally cyclical**

Note: (#) Seasonally adjusted.

Source: General Household Survey, C&SD.

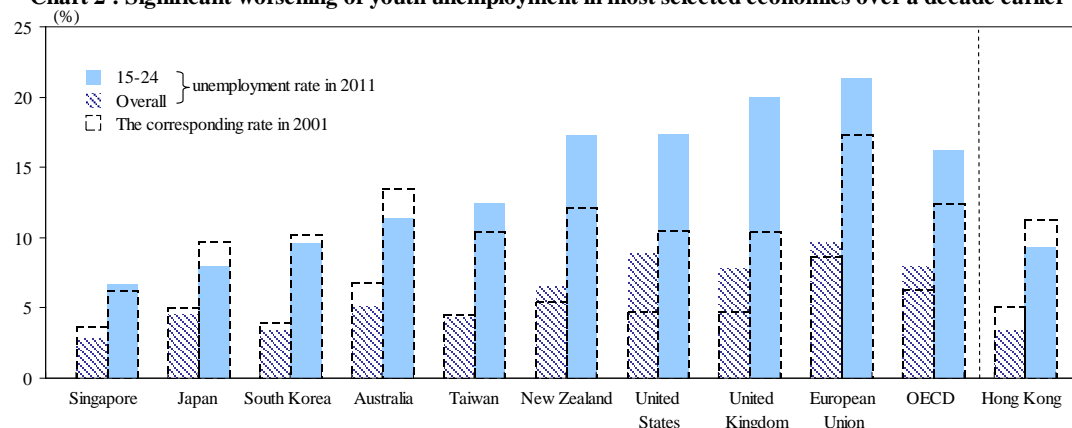
**A comparison of youth unemployment among selected economies**

The situations of other economies are in stark contrast with that of Hong Kong. Most of them, in particular those in advanced economies, showed very high levels in both youth and overall unemployment rates with significant worsening over a decade earlier upon their bleaker macroeconomic conditions (*Chart 2*).

- (1) Unless stated otherwise, youths are defined in this analysis as persons aged 15-24.
- (2) Further breakdown indicated that the unemployment rate for persons aged 15-19 was 15.4% while that for those aged 20-24 was 10.9% in Q3 2012. In absolute terms, the numbers unemployed amounted to 7 800 for the former cohort and 30 600 for the latter.
- (3) It is expected some 100 000 students, comprising secondary 7 graduates under the old structure and secondary 6 graduates under NAS, have graduated under the double cohort year of 2012. Nevertheless, as a result of the general delay in work entry and multiple enhanced pathways, the latest number of new entrants aged 15-19 was still lower than the same quarterly levels in early and mid-2000s. Besides, in tandem with the tight labour market, the proportion of employment for these new entrants surged to over 60% in Q3 2012 and 2011 respectively, still higher than those (roughly 50%-60%) in the same quarter of preceding years.

## Box 5.1 (Cont'd)

Chart 2 : Significant worsening of youth unemployment in most selected economies over a decade earlier



Sources: National statistics offices; ILO database; OECD database; Eurostat; and General Household Survey, C&SD.

Another indicator commonly adopted for international comparison is the ratio of youth unemployment rate to the territorial average. As shown in *Table 1*, most selected economies had a ratio ranging from 2 to 3, i.e. higher youth jobless rate is a global phenomenon. While the ratio of Hong Kong was broadly in line at 2.7 in 2011, its overall and youth jobless rates were both remarkably low when compared with most of the advanced economies.

Table 1 : Higher youth unemployment rate relative to overall as a global phenomenon

	Overall unemployment rate (%)	Youth unemployment rate (%)	Ratio
	(a)	(b)	(a) : (b)
<b>Hong Kong</b>	<b>3.4</b>	<b>9.3</b>	<b>1 : 2.7</b>
Singapore	2.9	6.7	1 : 2.3
Japan	4.5	8.0	1 : 1.8
South Korea	3.4	9.6	1 : 2.8
Australia	5.1	11.3	1 : 2.2
Taiwan	4.4	12.5	1 : 2.8
New Zealand	6.5	17.3	1 : 2.7
United States	8.9	17.3	1 : 1.9
United Kingdom	7.8	20.0	1 : 2.6
European Union	9.7	21.3	1 : 2.2
OECD	8.0	16.2	1 : 2.0

Sources: National statistics offices; ILO database; OECD database; Eurostat; and General Household Survey, C&SD.

### Several salient features of youth unemployment

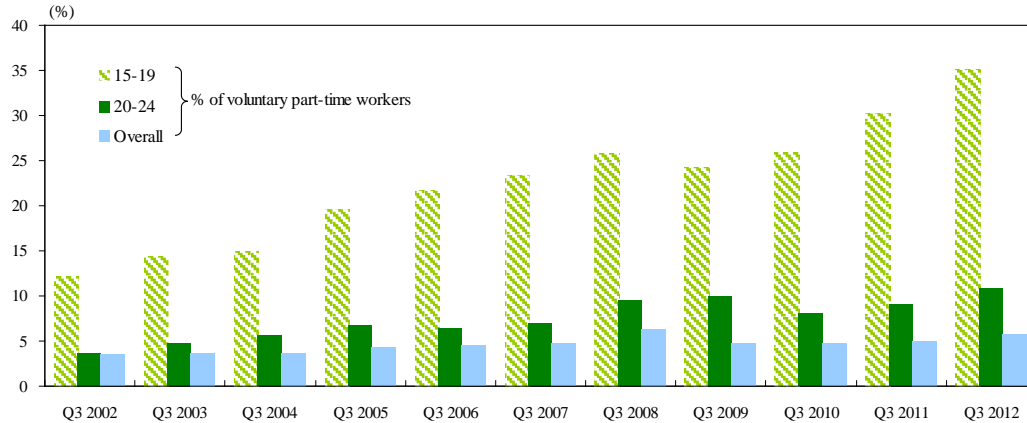
The higher jobless rate for younger cohort relative to the economy-wide average in Hong Kong should also be seen in the following contexts:

**(a) Larger proportion of first-time job-seekers:** A large proportion (44.8% in Q3 2012) of unemployed youths were first-time job-seekers, versus a notably smaller 14.7% of the overall unemployment. This proportion is largely seasonal with conspicuous upswing during the summer and should normally come down in the latter part of the year as job-seekers are absorbed into employment over time. For 2011 as a whole, the number of first-time job-seekers still contributed around 30% of youth unemployment. Since they are in the transition from schooling to employment, such process usually involves considerable searching and switching before settling into a more stable employment, and understandably, young people generally have higher frictional unemployment than the others.

**(b) Higher incidence of part-time work:** As regards the working youths, there was a higher incidence of part-timers, and most of them were full-time students. Specifically, such employment is more prevalent among younger workers aged 15-19, with around one-third (35.1%) working part-time in Q3 2012. While relatively low proportion (10.9%) was seen for those aged 20-24, it was still higher than the overall average at 5.7% (*Chart 3*). Concurrently, as many part-time positions are temporary and normally on-and-off, this would partly increase the unemployment incidence for the youths who may face more frequent job searching.

**Box 5.1 (Cont'd)**

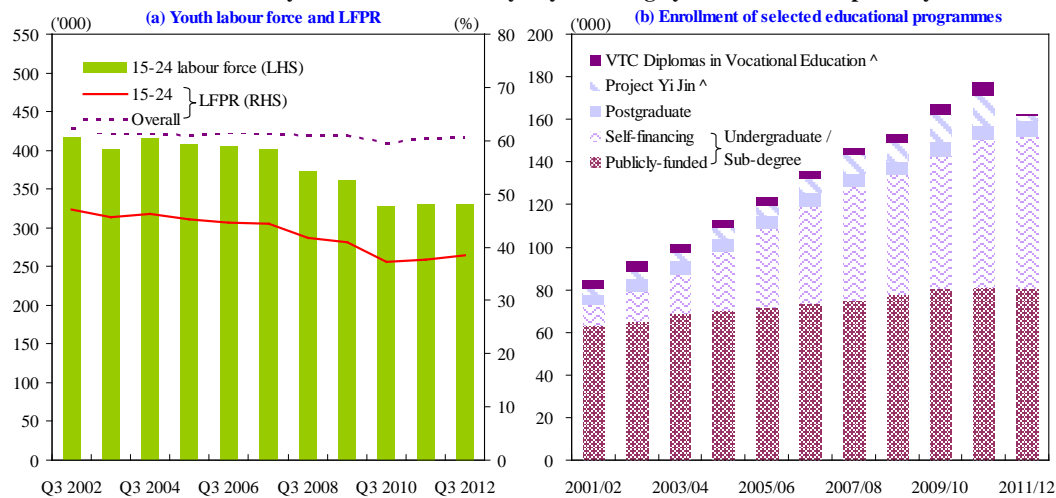
**Chart 3 : Higher proportion of voluntary part-timers among youths, especially for those aged 15-19**



Source: General Household Survey, C&SD.

(c) **Shrinking youth workforce:** The youth labour supply exhibited a general downtrend over the past decade, suggesting a secular delay in the entry of youngsters into the labour market (*Chart 4a*). This indicates on one hand young people’s pursuit of qualifications and skills in meeting the rising demand for quality people amid Hong Kong’s transformation into a knowledge-based economy, as well as a substantial increase in education / training opportunities on the other (*Chart 4b*). Specifically, while the overall labour force participation rate (LFPR) remained rather stable at around 60% over the past decade, the youth LFPR fell successively from 47.0% in Q3 2002 to 38.5% in Q3 2012. As a result, youths only accounted for 8.7% of the total workforce in Q3 2012, as against 11.0% five years ago and 11.9% ten years ago.

**Chart 4 : Delay in labour market entry of youths largely due to increased pathways**



Note: (\*) The apparent reduction in enrollment for Project Yi Jin and Vocational Training Council (VTC) diplomas in 2011/12 was due to the 2011 "gap year" when there was no secondary 5 graduates. The corresponding places would be boosted up to 15 000 and 7 000 in 2012/13 in preparation for the double cohort year, more than the comparable levels in 2010/11 and before.

Sources: Education Bureau, and General Household Survey, C&SD.

**Concluding remarks**

In a liberal and open economy like Hong Kong, barriers of entry to the labour market faced by youngsters, e.g. prohibitory social institutions or workplace discrimination, are minimal. Aside from the perceived lack of working experience, higher job mobility, more wait-and-search, higher propensity to work part-time, together with a general delay in labour market entry, could be underlying labour market features of the youths. Along Hong Kong’s transformation towards a knowledge-based economy, education, vocational training and on-the-job training would be essential for youths to equip themselves for future challenges. The Government will continue its efforts to provide young people with adequate choices and opportunities in education, training and employment, assist them to develop careers commensurate with their ability and aspirations, thereby enhancing the overall labour productivity in Hong Kong over the longer term.