

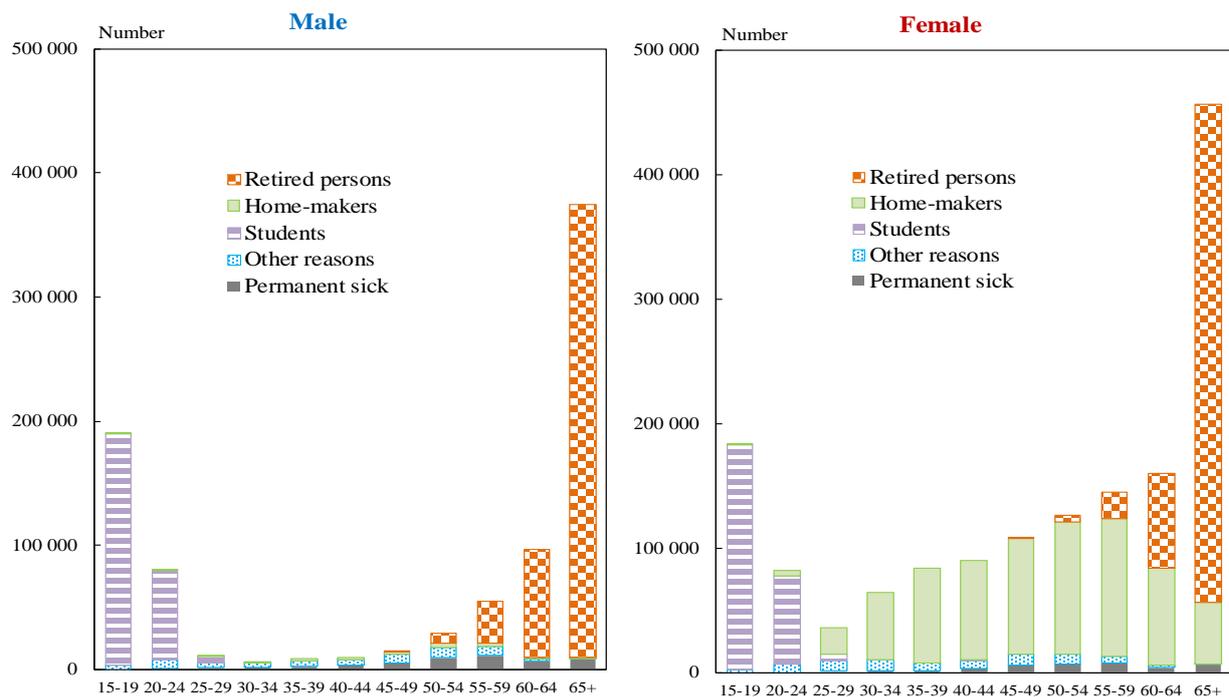
Box 5.1

Hong Kong's latent labour force

According to the latest labour force projections released by the Census and Statistics Department (C&SD), Hong Kong's labour force⁽¹⁾ will begin to shrink after 2018 as the impact of population ageing turns more evident. The resultant labour shortage, if not properly addressed, will inevitably hamper our economic growth potential. One possible way to readily replenish our future manpower supply as advocated by some stakeholders is to attract the latent labour force (technically known as economically inactive population⁽²⁾) in Hong Kong to enter / re-enter the labour market by providing them adequate employment incentives. This article analyses the socio-economic characteristics of the latent labour force, with a view to shedding some light on the above suggestion.

In 2012, the latent labour force amounted to some 2.4 million, representing around 40% of the population aged 15 and above. The reasons for being economically inactive vary across different age groups. For example, 89% of the younger (aged 15-29) economically inactive persons were students. Among those at prime working age (aged 30-59), 72% had to take up family responsibilities as home-makers, of which 98% were females. As for the elderly (aged 60 and above), 85% were retirees (*Chart 1*).

Chart 1 : Most of the economically inactive persons are students, female home-makers or retirees



Source : General Household Survey, C&SD.

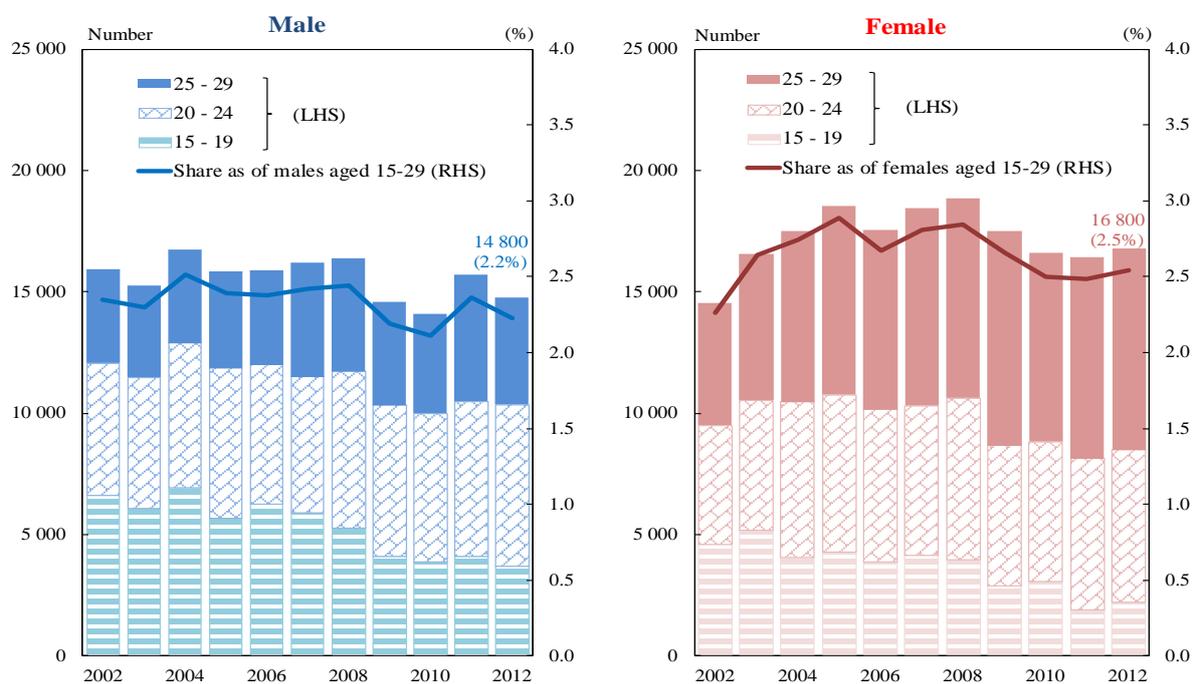
- (1) All labour statistics in this article exclude foreign domestic helpers.
- (2) The economically inactive population refers to persons who have not had a job and have not been at work during the seven days before enumeration, excluding persons who have been on leave / holiday during the seven-day period and persons who are unemployed. The figures in this article refer to those persons aged 15 and above living in domestic households.

Box 5.1 (Cont'd)

1. Young (aged 15-29) economically inactive persons

Youth employment is often one of the key focuses of policy-makers. In particular, economically inactive youngsters who are not in employment, education or training (the so-called NEETs) tend to attract more concerns. In 2012, there were roughly 31 500 NEETs in Hong Kong⁽³⁾, representing only 1.3% of the total economically inactive population. The number and proportion of NEETs held largely steady for both genders over the past decade (*Chart 2*). As compared to other advanced economies, such as United Kingdom (8.4%), France (6.5%), Germany (6.0%) and Switzerland (4.2%)⁽⁴⁾, Hong Kong's proportion of NEETs as of the population in the respective age group, at 2.4% in 2012, is comparatively low.

Chart 2 : Both number and proportion of NEETs stayed low over the past decade



Note: Figures in brackets denote the NEETs as % shares of the population in the respective age-sex groups.
 Source : General Household Survey, C&SD.

Among the 31 500 NEETs, around 30% of them had completed post-secondary education, which was distinctly lower than that of 54% for their economically active counterparts. The generally lower educational attainment may result in less promising employment prospects, which may in turn translate into NEETs' reluctance to settle in career development after education. However, the number of NEETs after all was quite small.

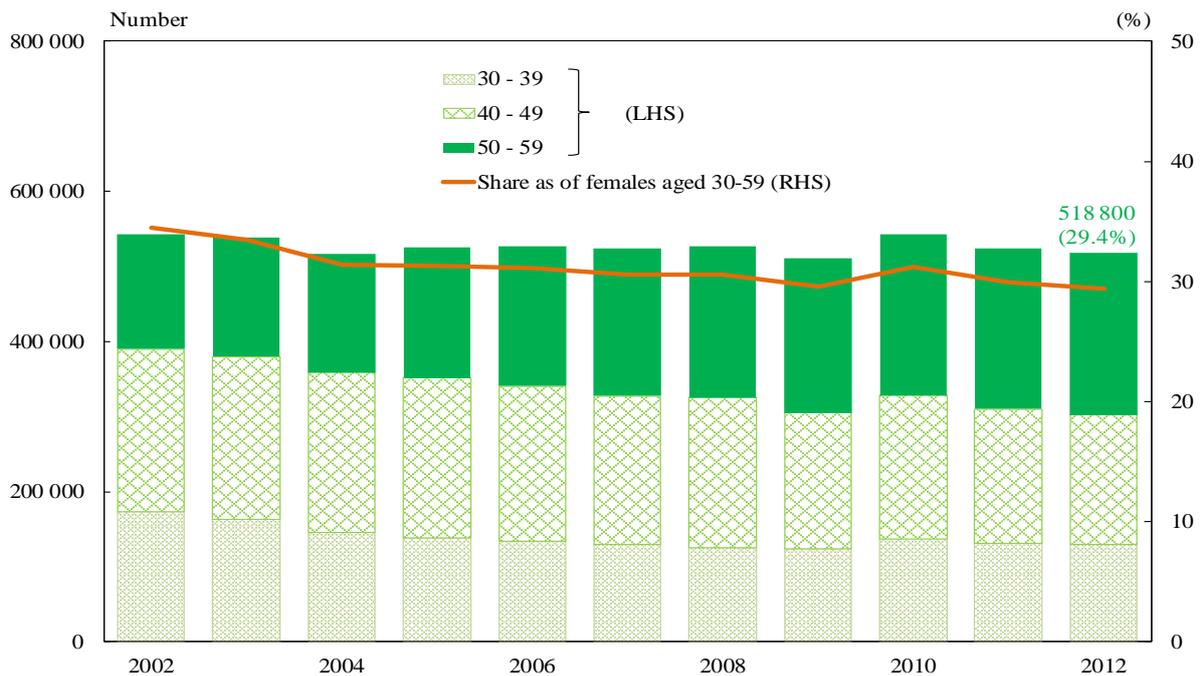
- (3) The number of NEETs was proxied by the number of economically inactive persons aged 15-29 who stated the reasons for not joining the workforce as "other reasons", which may refer to not seeking for job, not available for job, temporarily sick, etc.
- (4) Figures as of 2012 from Eurostat, which refer to the percentage shares of persons who (a) are inactive and (b) have not received any education or training in the four weeks preceding the survey to the total population consists of the same age group, excluding the respondents who have not answered the question 'participation to regular education and training'. Despite the differences in statistical definition, generally speaking, the figures are largely comparable to that in Hong Kong.

Box 5.1 (Cont'd)

2. Female home-makers at prime working age (aged 30-59)

Thanks to improved educational attainment and elevated social status, the labour force participation rate of females at prime working age increased notably in the past decade, from 60% in 2002 to 65% in 2012. Among those women aged 30-59 who chose to stay out of the workforce, around 518 800 (or 84%) were home-makers (*Chart 3*). The female home-makers aged 30-59 alone accounted for 22% of the economically inactive population in 2012, which could signify an important potential source of additional labour force.

Chart 3 : The proportion of female home-makers among the prime working age population, though declining over the years, stayed rather high

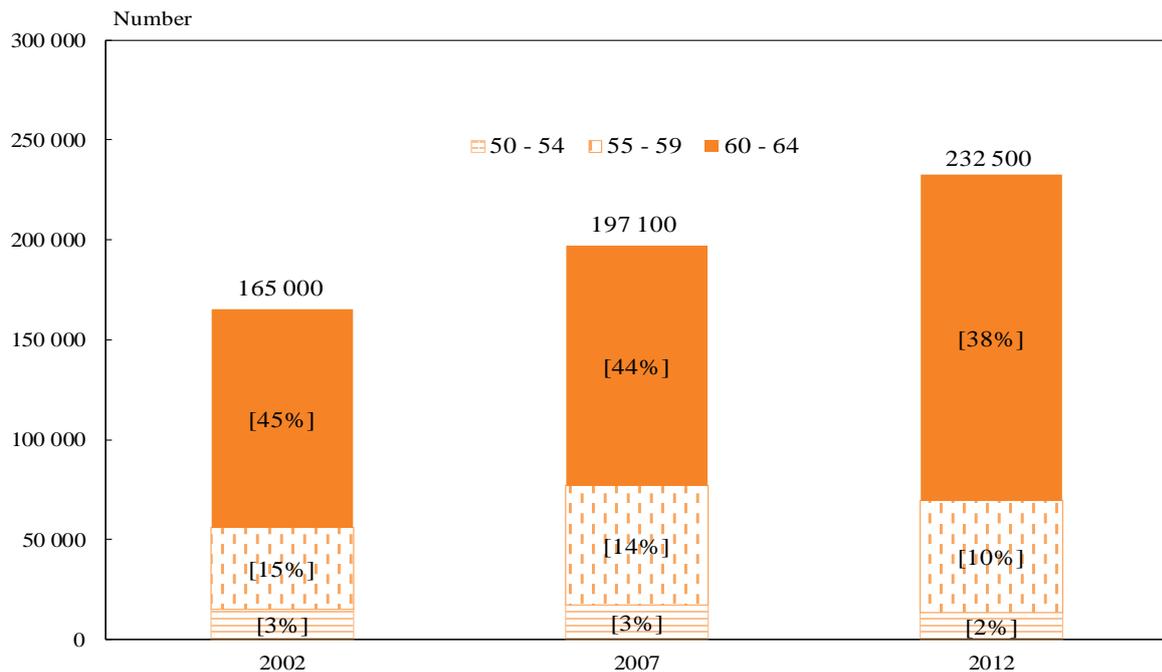


Note: Figure in brackets denotes the female home-makers as % share of the population in the respective age group.
 Source: General Household Survey, C&SD.

Nevertheless, it should be noted that these female home-makers had domestic responsibilities, especially child rearing, which may restrain them from participating in the labour market. More specifically, the majority of them were now married (91%), living with children (82%) and taking up family responsibilities without assistance from foreign domestic helpers (92%). These proportions were notably higher than those of their corresponding economically active group, with figures of 65%, 66% and 86% respectively.

3. Early retirees (aged 50-64)

While there is no mandatory retirement age in Hong Kong, many companies set the normal retirement age at 55-65. Even though the labour force participation rate of those aged 50-64 increased from 56% in 2002 to 60% in 2012 alongside a maturing workforce, the number of retirees in this age group (crudely referred as “early retirees”) still went up visibly from 165 000 in 2002 to 232 500 in 2012 (*Chart 4*). As a result, early retirees constituted a larger share of the economically inactive population at 9.7% in 2012, up from 7.9% in 2002. While these early retirees can be regarded as another potential source of additional labour supply, it is worth noting that only 7% of them were Comprehensive Social Security Assistance households, while around half of them were residing in owner-occupier premises without mortgage and loan in 2012. As many of these early retirees do not appear to have imminent financial needs, it could be quite difficult to motivate them to re-enter the labour market.

Box 5.1 (Cont'd)**Chart 4 : The proportion of retirees was much higher once entering the 60-64 age group**

Note : Figures in square brackets denote the retirees as % shares of the population in the respective age groups.

Source : General Household Survey, C&SD.

Key observations

The above three groups together comprised 782 900 persons or 32% of the latent labour force in 2012. They represented around 22% of the labour force in 2012, which can be a potential source of workforce to tap. However, a separate survey⁽⁵⁾ conducted by C&SD in 2011 showed that merely around 4% of all economically inactive persons were willing to work given suitable employment. The corresponding ratios for NEETs, female home-makers at prime working age and early retirees were slightly higher, at 8.7%, 8.1% and 5.0% respectively. The survey also showed that most of the economically inactive persons in taking up jobs gave considerations to whether remuneration met their expectation, working environment was more comfortable or working hours were adequately flexible. For instance, up to around 40% of those home-makers who were willing to take up jobs only prepared to work part-time (i.e. less than 5 days per week or less than 6 hours per working day). And, for those prepared to work full-time, more than one-third admitted that they would only take up jobs during those hours with no need to take care of household responsibilities.

These observations suggest that the causes of not entering the labour market could be multi-dimensional. For example, the lack of jobs with flexi-time working arrangements or affordable quality childcare facilities as perceived by some female home-makers could somehow affect their labour supply. Over the years, the Government has put forward various initiatives targeting on different groups to promote employment, such as Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme, Employment Programme for the Middle-aged, Work Incentive Transport Subsidy Scheme, etc. Indeed, the challenges that population ageing has brought to us call for continuous efforts in providing stronger incentives and support to different age groups for greater participation in the workforce down the road. To this end, the Steering Committee on Population Policy plans to launch a public engagement exercise later this year to enable the public to better understand the depth of our demographic problems and collect public views on population policy.

(5) Special Topics Report No. 59, "Desire of economically inactive persons for taking up jobs if being offered suitable employment".