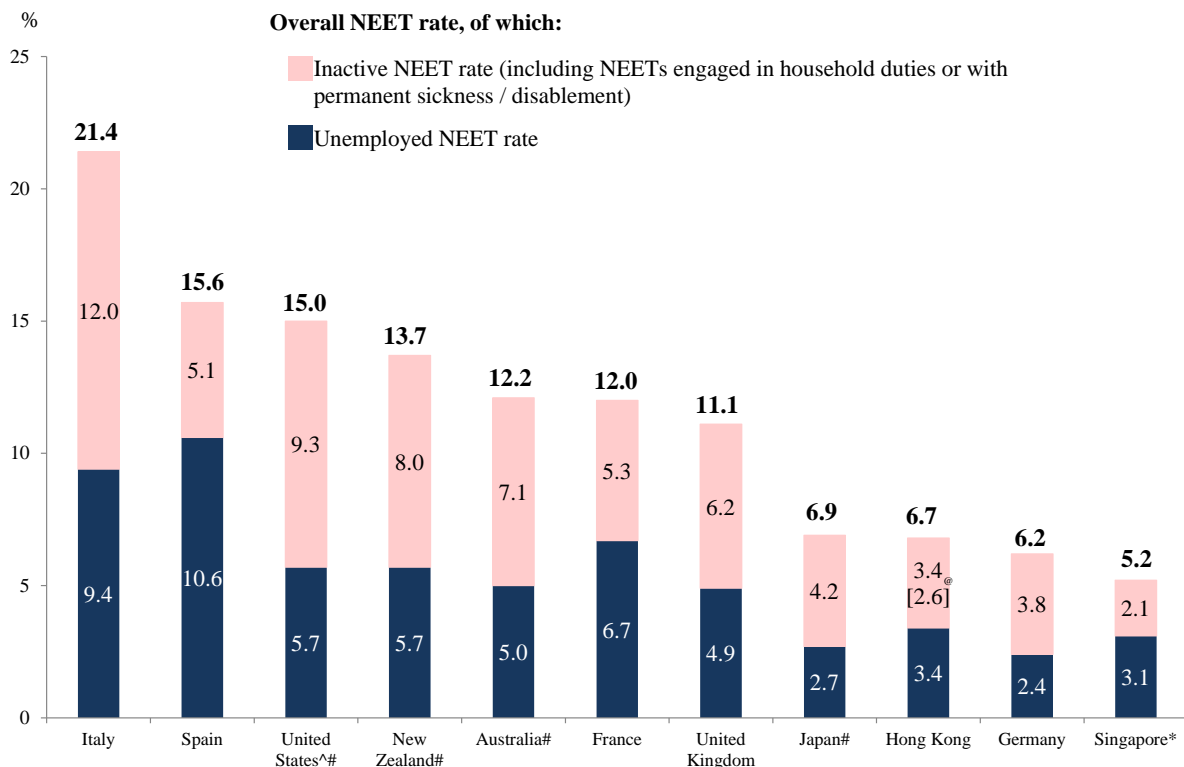


Box 5.1**Characteristics of NEET in Hong Kong**

How to effectively engage young people to work is often one of the key focuses of policy-makers. In recent years, the concept of NEET (i.e. youths not in employment, education or training) is widely made reference to in policy dialogues for better understanding of young people's vulnerabilities in terms of labour market participation and social inclusion. This proxy is also indicative when measuring the extent to which young people are at risk of being marginalised from traditional employment.

International comparison of NEET rates

For the sake of international comparison, NEET in this article is defined as youths aged 15-24⁽¹⁾ who are either (a) unemployed and not in education / training (i.e. unemployed NEET), or (b) economically inactive⁽²⁾ but not in education / training. For the latter group, while some youths therein may stay economically inactive due to engagement in household duties (i.e. home-makers) or permanent sickness / disablement, the rest is broadly classified as inactive NEET in the ensuing analysis.

Chart 1: NEET rates of selected economies in 2015

Notes: (^) NEETs in the United States refers to those aged 16-24 not in employment, education or training.
 (*) Refers to figures in 2009. The figure refers to a proxy NEET rate which includes the entire unemployed group, regardless of whether or not these people are in education or training.
 (#) Refer to the figures for Q4 2012 for Japan, Mar 2013 for Australia, Q1 2013 for New Zealand and the United States.
 (@) Inactive NEET rate after excluding NEETs engaged in household duties or with permanent sickness / disablement. The inactive and unemployed NEET rates may not add up to the overall NEET rate due to rounding.

Sources: Census and Statistics Department (C&SD), Eurostat, OECD and other national statistical authorities.

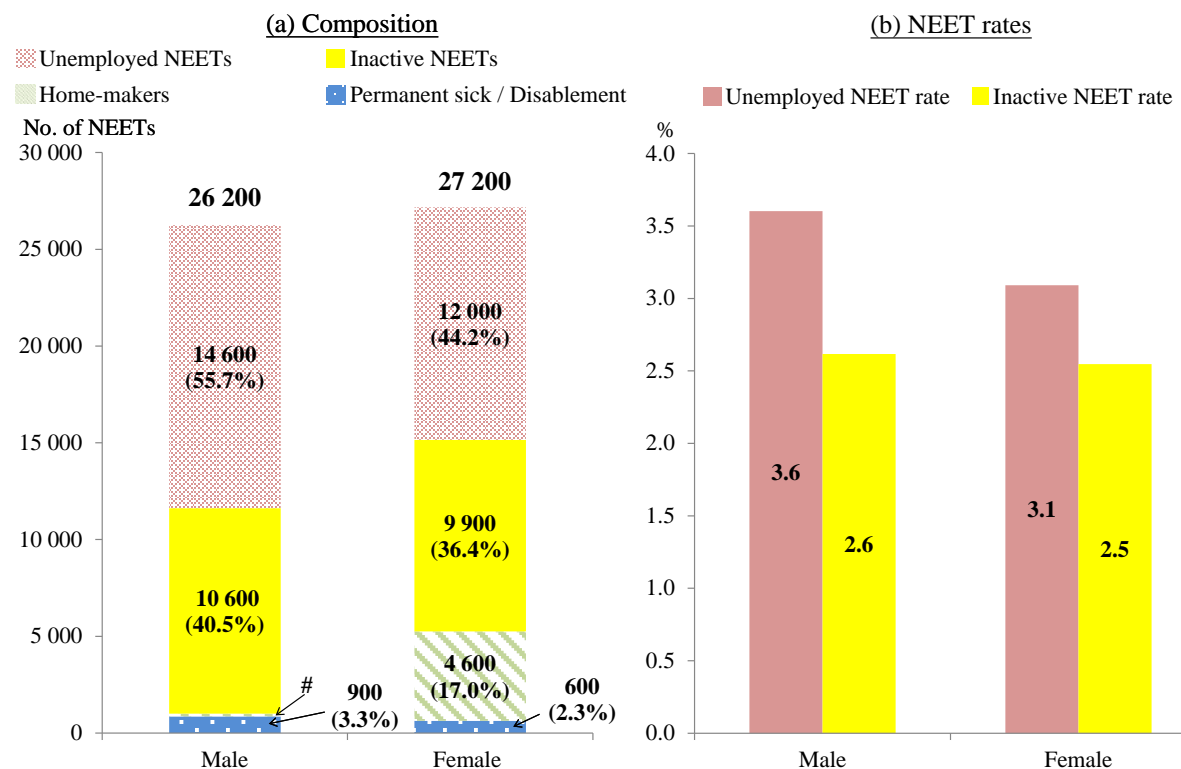
- (1) Figures quoted in this article exclude foreign domestic helpers (FDHs) from 1993 onwards.
- (2) The economically inactive population refers to persons who have not had a job and have not been at work during the seven days before enumeration, excluding persons who have been on leave / holiday during the seven-day period and persons who are unemployed.

Box 5.1 (Cont'd)

In 2015, there were 53 400 NEETs in Hong Kong, accounting for 6.7% of the youth population (i.e. overall NEET rate). As compared to other advanced economies, both overall NEET and inactive NEET rates (including NEETs engaged in household duties or with permanent sickness / disablement) of Hong Kong were relatively low (*Chart 1*). Meanwhile, the unemployed NEET rate in Hong Kong was 3.4% in 2015, which compared favourably to economies like Spain (10.6%), Italy (9.4%) and France (6.7%) where the youth unemployment rates hovered at high levels in recent years, and was also comparable to other high-income Asian economies.

Heterogeneity of different groups of NEETs

In 2015, the numbers of male and female NEETs were largely similar, at 26 200 and 27 200 respectively (*Chart 2a*). For both genders, unemployed NEETs and inactive NEETs together accounted for a lion share of the respective totals, especially so for males. As regards female NEETs, around one-sixth were home-makers (17.0% or 4 600), as compared to less than 1% of their male counterparts. In terms of NEET rates, young men had slightly higher unemployed NEET rate than females. Meanwhile, the inactive NEET rates for both genders were of no significant difference (*Chart 2b*).

Chart 2: Composition of NEET and NEET rates by gender in 2015

Notes: () Figures in brackets on the left panel denote the share of each type of NEETs among overall NEETs by gender. Figures may not add up to 100% due to rounding.

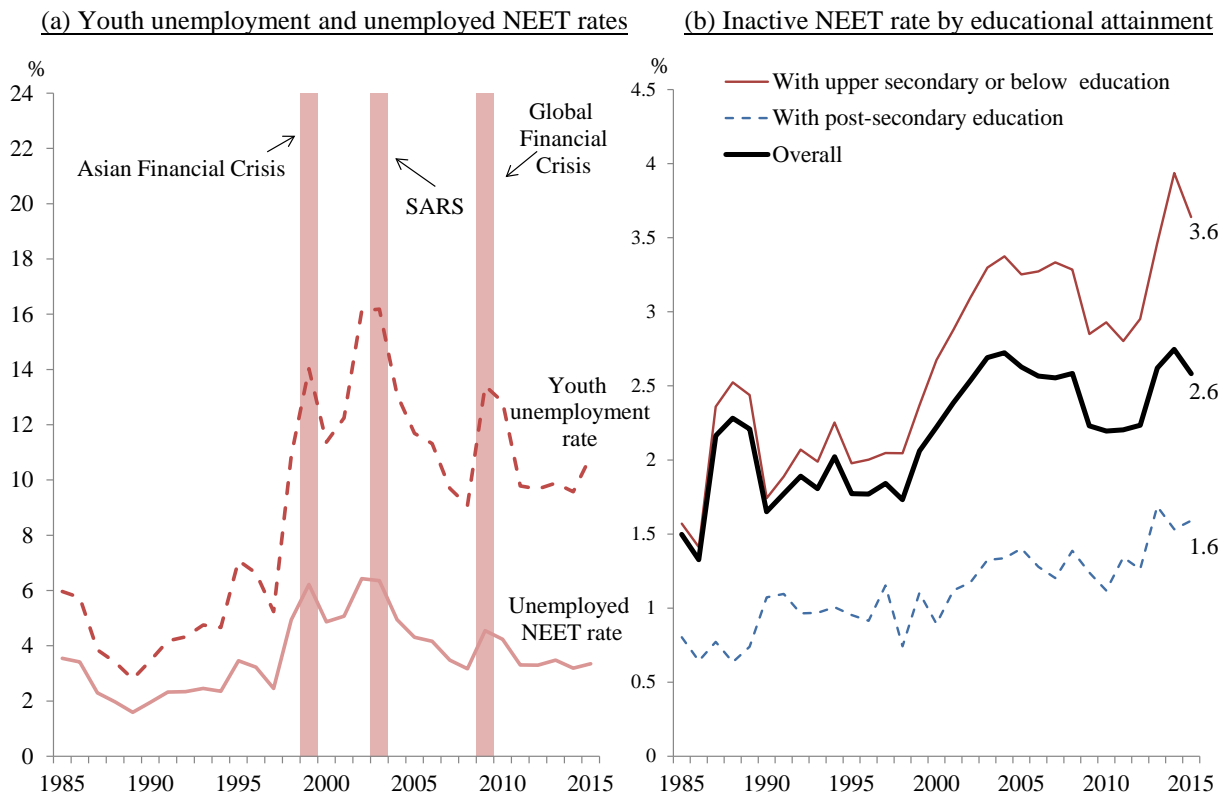
(#) Figures are not released due to relatively large sampling error.

Source: General Household Survey (GHS), C&SD.

In examining various NEET rates over a longer period of time, it is noted that the unemployed NEET rate is more sensitive to changes in economic situation. In particular, the unemployed NEET rate went up visibly during the Asian Financial Crisis in 1997-98, the Severe Acute Respiratory Syndrome (SARS) outbreak in 2003, and the Global Financial Crisis of 2008, alongside the slack in the labour market and rising youth unemployment (*Chart 3a*).

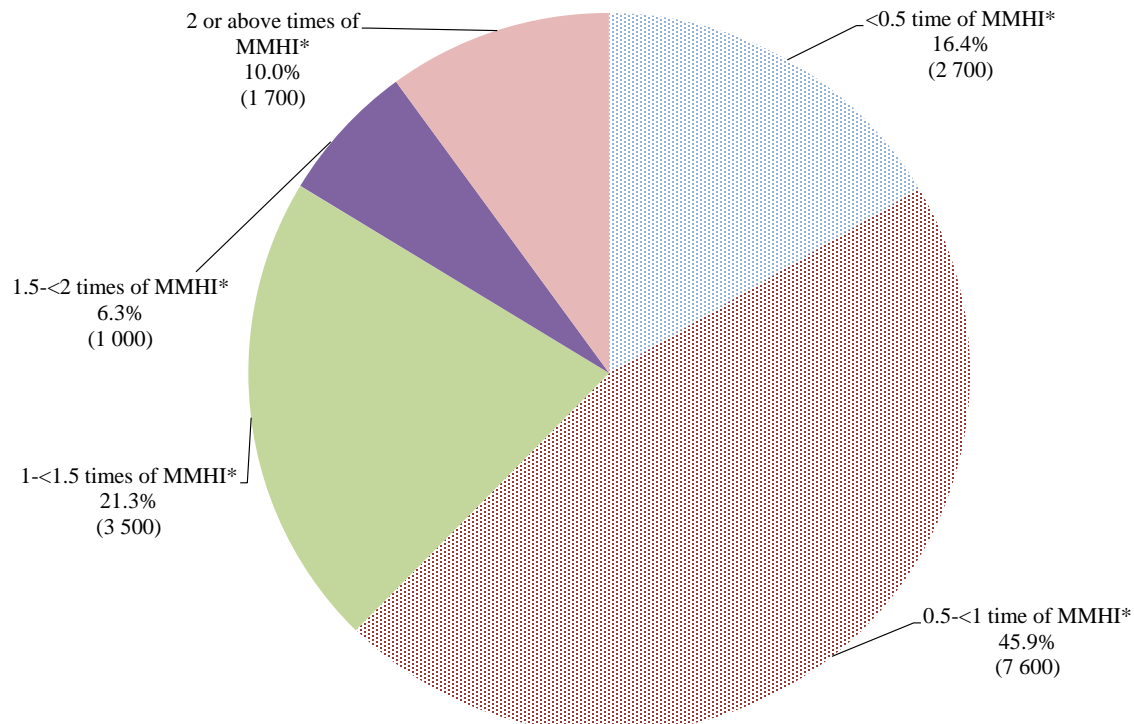
Box 5.1 (Cont'd)

In contrast, inactive NEETs stayed low in number and proportion in the past 30 years without bearing a clear relationship with business cycles. Comparing 2015 with 1985, the number of inactive NEETs went up from 15 100 to 20 500, giving in a mild uptrend of inactive NEET rate from 1.5% to 2.6% (*Chart 3b*). Analysed by educational attainment, the inactive NEET rate is persistently higher among less educated youths. Specifically in 2015, 3.6% of the youths with upper secondary or below education were inactive NEETs, as compared to 1.6% for those with post-secondary education. Apart from reflecting the fact that better educated youths are less likely to be out of the labour force, the above phenomenon also suggests that education plays an important role in shielding young people from workplace disengagement.

Chart 3: NEET rates during 1985 to 2015

Source: GHS, C&SD.

Availability of financial support from family may have also played a role in influencing youths' incentive to work. Some 81% of the 20 500 inactive NEETs in 2015 lived with their parents in economically active households (i.e. at least one household member engaged in the labour market). However, there is no strong evidence to suggest that most inactive NEETs come from relatively well-off families. Indeed, comparing the median monthly household income (excluding income of FDHs) (MMHI) of economically active households with youths living with parents to that of similar households with inactive NEETs, the latter was on average some 20% lower. As depicted by *Chart 4*, over 60% of inactive NEETs lived in economically active households with monthly household income less than MMHI of comparable households, hinting that inactive NEETs were more pronounced in families with lower household incomes.

Box 5.1 (Cont'd)**Chart 4: Number and proportion of inactive NEETs living with parents in economically active households by monthly household income in 2015**

Note: (*) MMHI refers to the median monthly domestic household income (excluding income of FDHs) of economically active households with youths living with parents.

Source: GHS, C&SD.

Final Remarks

There are often labels attached to NEETs as youths who are discouraged, disengaged and socially excluded. However, the above analysis shows that NEETs actually comprise heterogeneous groups of young people with multifaceted characteristics and needs. Unemployed NEETs, for instance, may face temporary hardship in finding jobs. Targeted policies like providing comprehensive training and employment support would be useful to assist them in embarking their career.

In an affluent economy like Hong Kong with accessible opportunities and resources to develop ones' own skills and interests, the life prospects of nowadays youth can be actualised in more diversified and individualised trajectories. Indeed, some of the so-called "inactive NEETs" might choose to follow certain non-traditional pathways to pursue their aspirations, including engaging in unpaid work like volunteering, which should not be regarded as undesirable behavior. At the same time, we should pay more attention to those who have difficulties in gaining access to labour market, and explore the need to devise appropriate policy responses that can help bring in their talents for the longer-term social and economic development of Hong Kong.