

Box 5.1**Labour force in Hong Kong: trends in older age groups¹**

The Census and Statistics Department (C&SD) released, in early September, an updated (2016-based) set of population and labour force projections covering the 50-year period from 2017 to 2066. Taking into account the latest demographic outlook and the more recent developments in the local labour market, total labour force is expected to rise from 3.62 million in 2016 to reach a plateau in 2019 to 2022 at 3.67 – 3.68 million, before declining gradually as the impact of population ageing turns more apparent. The postponement in the peaking of local labour force as compared to the previous round of projection (2014-based) is mainly attributable to a significant increase in the number of older age persons entering or re-entering into the labour force. Specifically, the labour force aged 55 and above went up notably by 11.9% (or up by 78 000 in number) between 2014 and 2016, vis-à-vis the modest expansion of 0.7% (or up by 26 900 in number) in the total labour force during the period.

Indeed, more active participation of older age groups in the workforce would remain the vital source of manpower over the coming decade. This article discusses the factors contributing to the higher labour force participation among older age groups, and possible implications for the labour market developments.

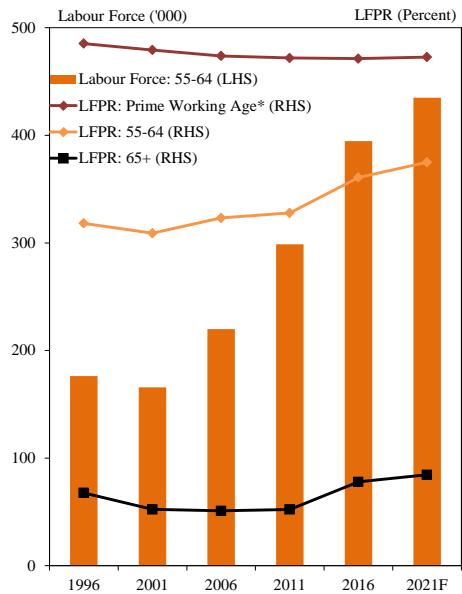
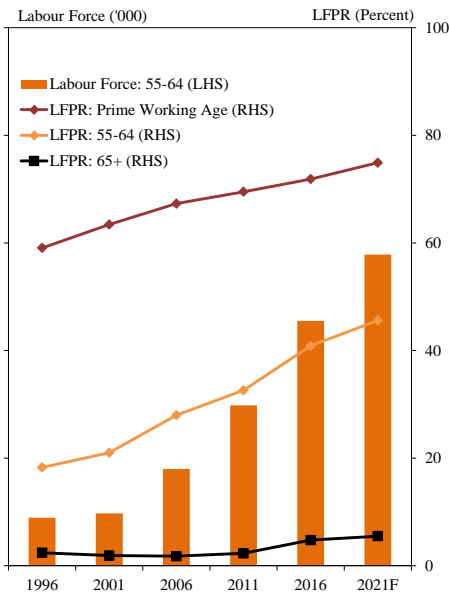
Effect of delayed retirement

In Hong Kong, there is no statutory retirement age for employees in the private sector. In tandem with rising life expectancy and Hong Kong's structural transformation towards a knowledge-based economy, the society's perception on retirement has kept evolving.

First, an increasing number of workers are conceivably more inclined to extend their working lives to, among other considerations, better prepare financially for their retirement. Besides, the implementation of the Statutory Minimum Wage since 2011, coupled with the largely favourable macroeconomic environment in recent years, have resulted in better job and income prospects in particular for lower-skilled workers, thereby enticing more grassroots people, including notably those of higher ages to enter or re-enter the labour market. Meanwhile, employers in general have become more receptive to engage mature workers with the right skill set and relevant experience for less physically demanding jobs.

All these developments have boded well for older workers' participation in the workforce. Specifically, the labour force participation rate (LFPR) for persons aged 55-64 posted a substantial gain of 7.3 percentage points between 2011 and 2016, to 56.4% (versus a comparatively modest gain of 2.2 percentage points during the preceding five years), with the LFPR for females in this age group rising by 8.3 percentage points and that for their male counterparts up by 6.6 percentage points (*Charts 1a & 1b*). The LFPRs for female and male workers aged 65+ also recorded significant gains during the past five years, albeit remaining at relatively modest levels of 4.8% and 15.6% respectively in 2016. On the other hand, the LFPR for prime working age (i.e. 25-54) female rose at a more moderate pace of 2.4 percentage points to 71.9% over the same period, while that for prime working age male basically held steady at a high level of around 94%.

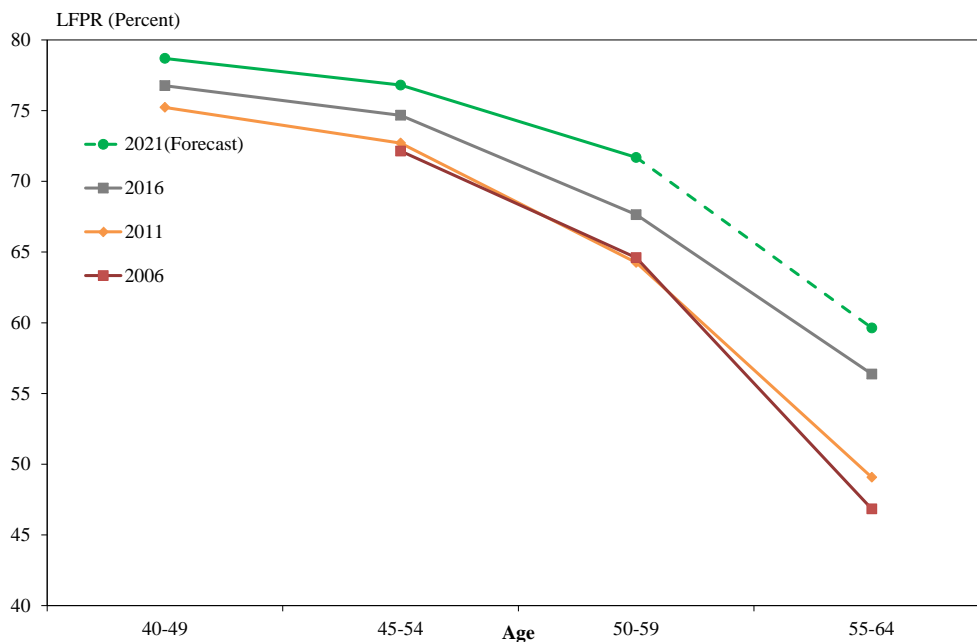
¹ Labour force referred to in this article does not include foreign domestic helpers (FDHs).

Box 5.1 (Cont'd)**Chart 1a: Labour force and LFPRs of selected age groups in the male population****Chart 1b: Labour force and LFPRs of selected age groups in the female population**

Note: (*) Prime working age person refers to those aged 25-54.

Sources: General Household Survey and Hong Kong Labour Force Projections for 2017 to 2066, C&SD.

A cohort analysis, particularly on the changes in LFPRs as workers move across age groups over time, may offer further insight on workers' delay in retirement in a more quantified manner.

Chart 2: The more recent cohorts showed slower declines in LFPRs when their age turned 55 and above compared with the earlier cohorts

Notes: Year in legend refers to the year when the cohort reaches the age group of 55-64. For instance, the 2016 cohort denotes the 55-64 age group in 2016, which was the 40-49, 45-54 and 50-59 age groups back in 2001, 2006 and 2011 respectively.

Data on LFPRs excluding foreign domestic helpers are only available from 1993 onwards. For the 2006 cohort, its LFPR in 1991 (when the group was aged 40-49) is therefore omitted.

Sources: General Household Survey and Hong Kong Labour Force Projections for 2017 to 2066, C&SD.

Box 5.1 (Cont'd)

The LFPR for the 55-64 age group in 2016 (the 2016 cohort) was 56.4%, 11.3 percentage points lower than this cohort's LFPR five years earlier (i.e. LFPR for the age group of 50-59 in 2011). The 2021 cohort is forecast to post a similar decline in LFPR (at 12.1 percentage points) vis-à-vis the situation in 2016. Although falling LFPRs are inevitable when a cohort of workers ages, the declines were notably narrower when compared with those recorded for the 2006 and 2011 cohorts at the same stage of their working lives, at 17.8 and 15.2 percentage points respectively (*Chart 2*). Indeed, the narrower drops in LFPRs in the 2016 cohort vis-à-vis the 2011 cohort contributed about 43 000 extra workers to the market, or around a quarter of the increase in total labour force during 2012-2016.

Flexibility offered by part-time positions

One key driver for the rise in labour supply from older age groups was the generally more flexible work arrangement provided by the greater availability of part-time employment opportunities. Specifically, workers aged 55 and above who were voluntarily engaged in part-time jobs² rose by around 49 000 between 2011 and 2016, which made up about one-fifth of the increase in the number of employed persons in this age group over the period. As part-time positions typically can better accommodate the workers' household responsibilities and other considerations, this is particularly relevant for older persons without any immediate financial needs who thus have greater autonomy in shaping their mode of working to meet their circumstances³.

Higher LFPRs for female in prime working age likely to extend into older age groups

Furthermore, the LFPR for prime working age female in the more recent cohorts was able to keep steady at a higher level through their working lives. Specifically, for the cohort aged 45-54 in 2016, the group's LFPRs had been hovering slightly above two-thirds since they were aged 30-39, whereas the LFPRs for the cohort aged 45-54 in 2011 was range-bounded in the low 60s throughout the same age brackets and the cohort aged 45-54 in 2006 recorded even lower LFPRs (*Chart 3*).

The gains in LFPRs of prime working age female can be attributable to the gradual shift of the local workforce towards attaining post-secondary education. Specifically, the LFPR for prime working age female with post-secondary education, at 82.9% in 2016, was significantly higher than those without such education (at 64.7%). While their male counterparts admittedly experienced similar upgrade in educational attainment, the largely comparable LFPRs between prime working age male with post-secondary education and those without (at 95.9% and 93.0% respectively in 2016) suggested that the enhanced educational attainment had conceivably minimal impact on the overall LFPR of prime working age male, which had remained at an elevated level of over 90% all along. In contrast, the higher LFPRs for female towards the latter part of prime working age, combined with the trend of delaying retirement as mentioned above, can be expected to provide momentum specifically to the further climbs in LFPRs for female older age groups over the coming decade.

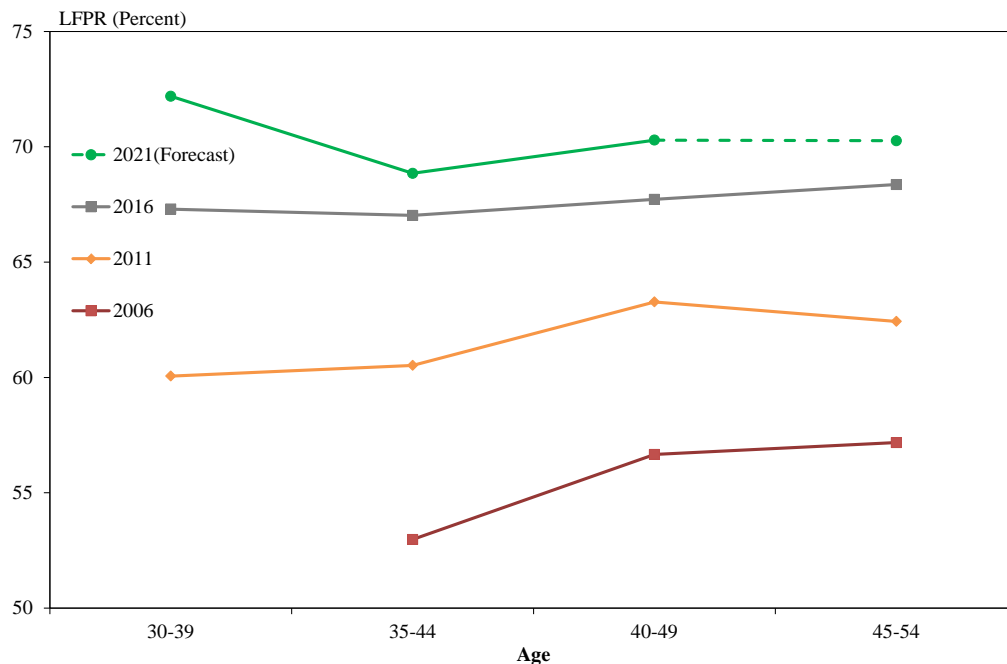
² Voluntary part-time workers are defined here to include persons working less than 35 hours during the seven days before enumeration due to reasons other than underemployment and vacation.

For analysis on voluntary part-time workers, please see an article entitled "Part-time employment in Hong Kong" published in the Half-yearly Economic Report 2013.

<http://www.hkeconomy.gov.hk/en/pdf/box-13q2-5-1.pdf>.

³ For further analysis on employment situation of older age persons, please see an article entitled "Elderly employment" published in the 2016 Economic Background and 2017 Prospects.

<http://www.hkeconomy.gov.hk/en/pdf/box-16q4-6-1.pdf>.

Box 5.1 (Cont'd)**Chart 3: Increasingly active labour force participation among prime working age female is observed in more recent cohorts**

Notes: Year in legend refers to the year when the cohort reaches the age group of 45-54.

For the 2006 cohort, its LFPR (excluding foreign domestic helpers) in 1991 (when the group was aged 30-39) is not available and therefore omitted.

Sources: General Household Survey and Hong Kong Labour Force Projections for 2017 to 2066, C&SD.

Conclusion

The more active participation of older age groups in the local labour force is a timely development to help alleviate the tight demand-supply balance in the market, as well as an indication of the high degree of flexibility and responsiveness of the local labour market.

Recognising that the older age groups look set to gain further importance in the composition of the labour force, the Labour Department (LD) has adopted a series of on-going measures to promote the employment of older age persons, including setting up special counters at job centres to provide priority registration and job referral services for elderly job seekers, and organising tailor-made employment briefings. In parallel, LD also holds thematic job fairs targeted at older age groups and experience-sharing sessions on employing elderly persons. These job seekers can also benefit from the Employment Programme for the Middle-aged, which encourages employers to take on job-seekers aged 40 or above and offer them on-the-job training. Covering both full-time employment and part-time jobs, employers who engage these job-seekers and provide them with on-the-job training under the programme may apply for a training allowance for a period of three to six months.

Apart from fostering participation of older age groups in the labour force, the Government will spare no efforts in investing in education and training to upgrade our human capital for the next generations of workers, with a view to enhancing the workforce's productivity and supporting businesses in further climbing up the value chain, and thereby sustaining the vibrancy in the local economy.