

Box 5.1

A brief analysis on the unemployment duration in the current economic downturn

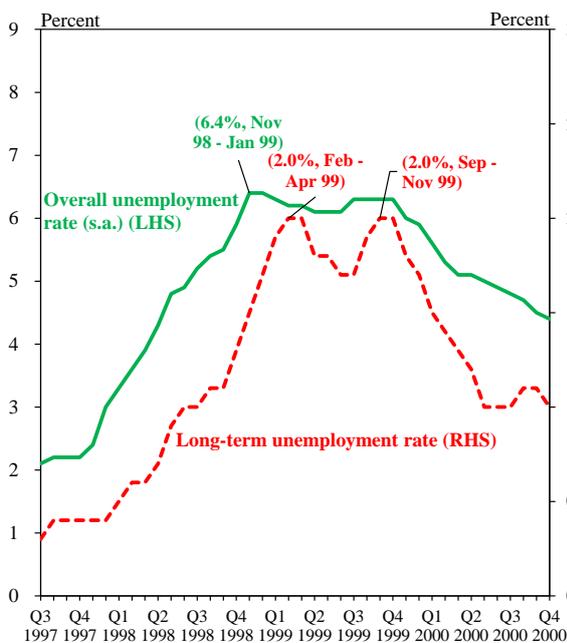
The unemployment situation in Hong Kong deteriorated drastically in the current economic downturn. The overall seasonally adjusted (s.a.) unemployment rate went up from a low level of 2.8% in the second quarter of 2019 (i.e. the quarter right before the recession) to 6.4% in the third quarter of 2020. As for the long-term unemployment rate (i.e. the proportion of persons unemployed for six months or longer in the labour force), it was at a low level of 0.6% in the second and third quarters of 2019, but then climbed up successively to 2.2% in the third quarter of 2020. It was higher than the respective highs of 2.0% and 1.7% reached during the 1997-98 Asian Financial Crisis and the 2008-09 Global Financial Crisis episodes, but lower than the historical peak of 2.7% reached during the 2003 SARS episode (it was already quite high at 2.2% in the fourth quarter of 2002, before the outbreak of SARS in Hong Kong).

Comparison between the overall unemployment rate and the long-term unemployment rate: Current downturn versus the past three episodes

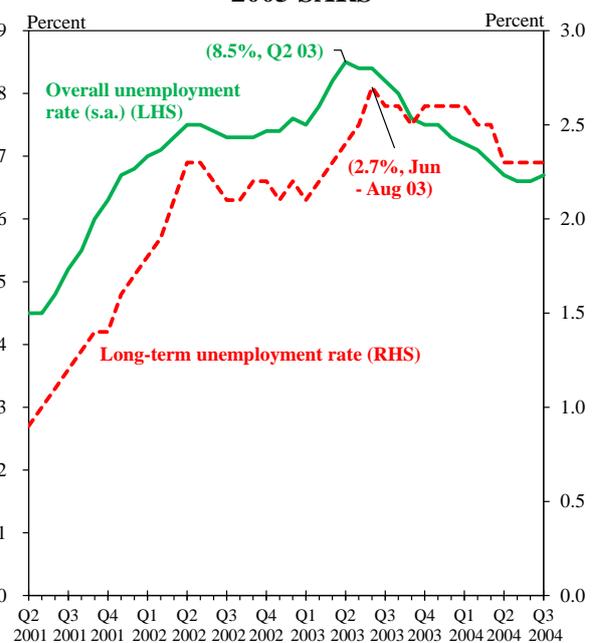
In the past three episodes of economic downturn (*Charts 1(a) – 1(c)*), when the overall unemployment rate increased, the long-term unemployment rate also rose, reflecting that more people became unemployed for longer periods as the overall unemployment situation deteriorated. Even when the overall unemployment rate began to stabilise or even edge down, the long-term unemployment rate still increased further for some time before starting to ease. This probably reflects that those being unemployed for relatively long periods would tend to stay unemployed even when the overall labour market situation began to improve. Similar to the experiences in the past episodes, the long-term unemployment rate also rose alongside the overall unemployment rate in the current downturn (*Chart 1(d)*). However, the 1.6-percentage-point increase in the long-term unemployment rate in the third quarter of 2020 over a year earlier was the largest year-on-year increase seen in the four episodes of downturn.

Chart 1: Overall unemployment rate and long-term unemployment rate in downturns

(a) 1997-98 Asian Financial Crisis

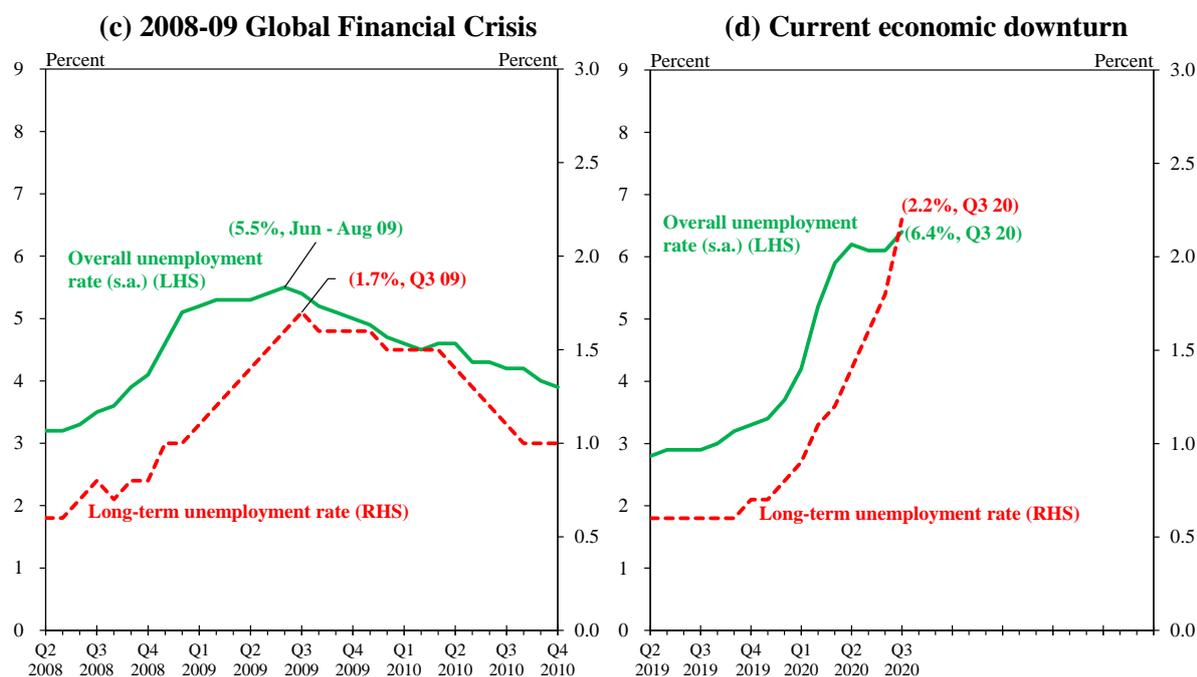


(b) 2001 global economic slowdown and 2003 SARS



Box 5.1 (Cont'd)

Chart 1: Overall unemployment rate and long-term unemployment rate in downturns (Cont'd)



Duration distribution of unemployment in the current downturn

Table 1 provides a further analysis on the unemployment duration in the current economic downturn. The number of unemployed persons more than doubled from 114 100 in the second quarter of 2019 to 259 800 in the third quarter of 2020. The number of unemployed persons across all selected duration groups increased. The increase in those unemployed for 6 months or longer but shorter than 12 months was particularly drastic, more than five-fold from 10 100 to 51 200. Separately, those unemployed for 3 months or longer but shorter than 6 months also increased sizably, by 175% from 20 700 to 57 000.

Table 1: Duration distribution of unemployment

	Q2 2019	Q3 2020
Median duration of all unemployed	65 days	108 days
No. of unemployed persons by duration		
Less than 3 months	69 500	119 200
3 months or longer but shorter than 6 months	20 700	57 000
6 months or longer (i.e. long-term unemployment)	23 900	83 600
<i>6 months or longer but shorter than 12 months</i>	<i>10 100</i>	<i>51 200</i>
<i>12 months or longer but shorter than 18 months</i>	<i>5 000</i>	<i>13 400</i>
<i>18 months or longer</i>	<i>8 700</i>	<i>19 100</i>
Total	114 100	259 800
Proportion of unemployed persons by duration^(*)		
Less than 3 months	60.9%	45.9%
3 months or longer but shorter than 6 months	18.2%	22.0%
6 months or longer (i.e. long-term unemployment)	20.9%	32.2%
<i>6 months or longer but shorter than 12 months</i>	<i>8.9%</i>	<i>19.7%</i>
<i>12 months or longer but shorter than 18 months</i>	<i>4.4%</i>	<i>5.1%</i>
<i>18 months or longer</i>	<i>7.6%</i>	<i>7.3%</i>
Total	100.0%	100.0%

Note: (*) Calculated based on unrounded figures.

Box 5.1 (Cont'd)

As a result, the proportions of those unemployed for 3 months or longer but shorter than 12 months increased visibly in the current downturn. These are people who became unemployed during the period from the third quarter of 2019 to the second quarter of 2020 (i.e. 3 to 12 months before the third quarter of 2020). This period is also the time when the number of unemployed persons surged. It is also worthwhile to note that the increase in unemployed persons during the period, at 120 700, was only slightly higher than the number of persons unemployed for 3 months or longer but shorter than 12 months in the third quarter of 2020 (i.e. 108 200⁽¹⁾), suggesting that many of those who lost their jobs during the period failed to get back to employment so far.

As the proportions of those unemployed for longer periods increased, the median duration of unemployment lengthened visibly from 65 days in the second quarter of 2019 to 108 days in the third quarter of 2020. This was longer than that of 103 days reached during the Asian Financial Crisis episode (Mar – May 1999), on par with that reached during the Global Financial Crisis episode (108 days in Nov 2009 – Jan 2010), and near the record 114 days registered in the aftermath of SARS in Nov 2003 – Jan 2004.

Outlook

The job market has been hit hard during the current downturn, with a record decline in total employment and sharp increases in unemployment rate and long-term unemployment rate. While the overall economic situation saw some improvement in recent months, hiring sentiments among employers would probably remain cautious in the near term, especially when the COVID-19 pandemic is still evolving. People who have lost their jobs in the current downturn would face difficulty in getting back to employment. This would be particularly so for those who were previously employed in industries that have been severely disrupted by the pandemic and are expected to undergo some structural adjustments in the period ahead. If past experience is anything to go by, the duration of unemployment might lengthen further and the long-term unemployment rate might continue to rise in the coming months, even if the pressure on the overall unemployment rate shows further stabilisation.

(1) The sum of the number of persons unemployed for 3 months or longer but shorter than 6 months (57 000) and the number of persons unemployed for 6 months or longer but shorter than 12 months (51 200).