

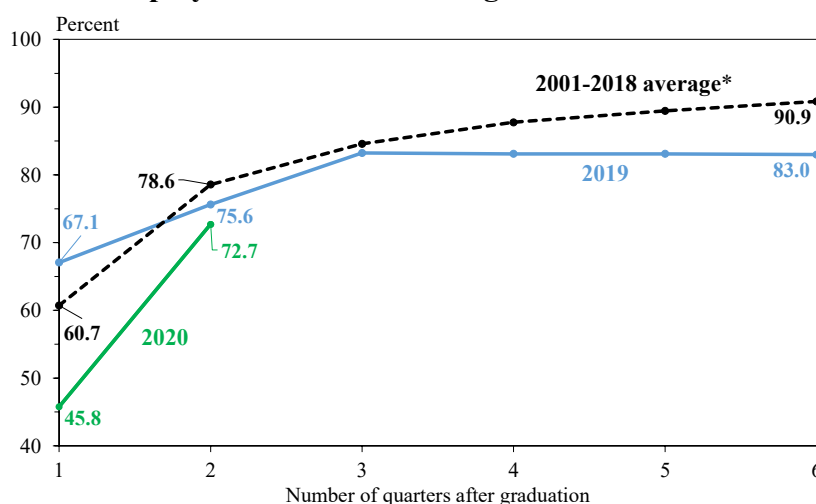
## Box 6.1

**Employment situation of fresh graduates and school leavers in economic downturns**

The unemployment situation of youth deteriorated rapidly in the current economic downturn. The unemployment rate among youth aged 15-24 hit a record high of 20.6% in the third quarter of 2020, with the number of unemployed being as high as 50 100. Their latest unemployment rate remained elevated at 17.2% in the fourth quarter of 2020, with the number of unemployed staying high at 40 800. Among the youths, the unemployment situation of fresh graduates and school leavers (referred to as fresh graduates in this article for brevity) was particularly severe. Among the 40 800 unemployed youths in the fourth quarter of 2020, close to 50% or 19 800 were those who graduated or left schools in 2019 or 2020. These recent fresh graduates were disproportionately hard hit by the recession considering that they constituted around 37% of the youth labour force. This article gives a review on the employment situation of recent fresh graduates in the current downturn, and compares it with the situations in the previous downturns.

Fresh graduates typically need more time to find jobs, as they lack working experiences and are often unfamiliar with the job-hunting process. **Chart 1** shows the long-term average of the employment situation of various batches of fresh graduates<sup>(1)</sup> in those years in the past two decades when the economy was not in a downturn<sup>(2)</sup>. On average, only 60.7% of those who opted to enter the labour market were employed in the first quarter after graduation<sup>(3)</sup> (implying an unemployment rate of 39.3%). Nonetheless, the proportion of fresh graduates being employed increased gradually in the ensuing quarters after graduation. By the sixth quarter after graduation, the employment rate averaged 90.9%, though their unemployment rate was still higher than that of the overall labour force<sup>(4)</sup>.

**Chart 1: Employment rates<sup>#</sup> of fresh graduates and school leavers**



Notes: (#) Employment rate refers to the proportion of employed persons in the labour force in respect of those fresh graduates aged 15-25.

(\*) Excluding those graduated in 2003, 2008 and 2009.

Source: GHS, C&SD.

(1) Refer to different cohorts of fresh graduates aged 15-25.

(2) The years of graduation refer to the years from 2001 to 2018, excluding 2003, 2008 and 2009. Since C&SD started collecting information on the year of graduation in 2001, relevant statistics are only available from 2001 onwards.

(3) As students in Hong Kong normally complete their study around mid-year, the third quarter of their year of graduation is taken approximately as the first quarter immediately after their graduation.

(4) The implied unemployment rate of 9.1% among these fresh graduates was still visibly higher than the long-term average of the overall annual unemployment rate between 2001 and 2018 (excluding 2003, 2008 and 2009), which was 4.3%.

**Box 6.1 (Cont'd)****Employment situation of fresh graduates in the current downturn**

Considering that it is more difficult for fresh graduates to find employment as compared to others even at times when the economy is in a normal state, it is conceivable that their employment situation would be hit particularly hard during downturns. The situation in the current downturn is taken as an illustration. Although the economy has already entered recession, the employment rate of fresh graduates in 2019 in the first quarter after graduation (i.e. in the third quarter of 2019) was relatively high at 67.1%, 6.4 percentage points above the corresponding long-term average. Conceivably, it was because many of them were already hired in the first half of 2019, when the labour market was still very tight with the overall seasonally adjusted unemployment rate at the lowest level in more than two decades<sup>(5)</sup>. As the recession deepened, the employment rate of these fresh graduates in the ensuing quarters became lower than the corresponding long-term average at the same time points after graduation (*Chart 1*), and the gap gradually widened. Specifically, among the fresh graduates in 2019, only 83.0% of those who entered the labour market were employed one and a half years after graduation (i.e. in the fourth quarter of 2020), lower than the corresponding long-term average of 90.9% by close to 8 percentage points.

The latest batch of fresh graduates in 2020 suffered an even more severe blow, as they faced an austere labour market at the time of their graduation. Only 45.8% of those who were in the labour force were employed in the first quarter after graduation (i.e. in the third quarter of 2020), the lowest since relevant figures were available. Although more of the fresh graduates in 2020 managed to find jobs by the second quarter after their graduation, the employment rate remained low at 72.7%, being 5.9 percentage points below the corresponding long-term average (*Chart 1*).

**Employment situations of fresh graduates in the previous downturns**

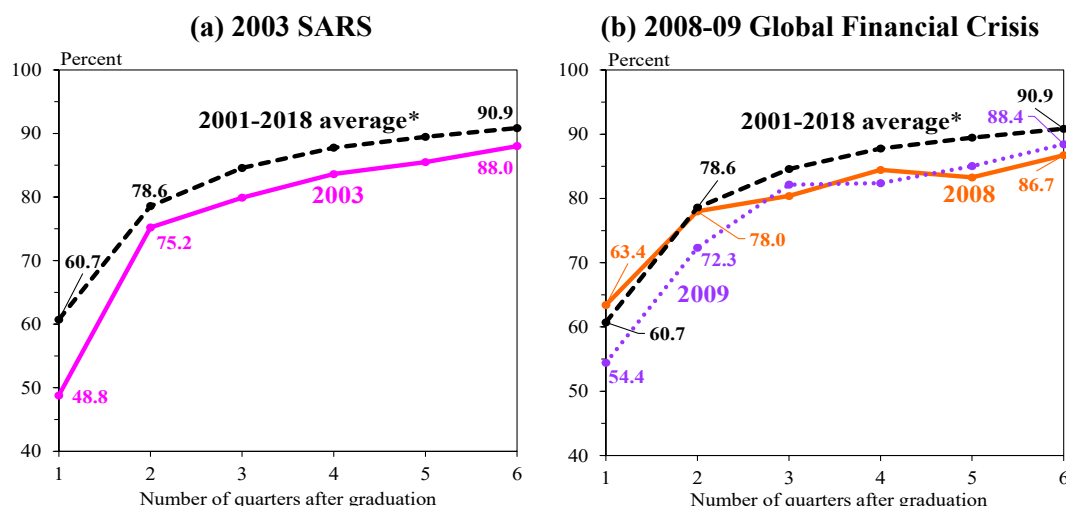
The downturn due to SARS in 2003 was short. The economy only experienced two quarters of quarter-to-quarter contraction in the first half of 2003 and then began to rebound in the second half. Against this backdrop, the labour market started to improve more notably towards the end of 2003, with the overall seasonally adjusted unemployment rate dropping from the historic high of 8.5% in the second quarter to 7.5% in the fourth quarter. Hence, while those fresh graduates in 2003 had an employment rate of just 48.8% in the first quarter after graduation (i.e. the third quarter of 2003), which was the second lowest on record, their employment rate increased sizably in the second quarter after graduation and rose steadily further in the ensuing quarters, though still slightly below the corresponding long-term average at the same time points after graduation (*Chart 2(a)*).

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(5) Even in the third quarter of 2019 when the overall seasonally adjusted unemployment rate began to increase, it was still at a rather low level of 2.9%, just 0.1 percentage point higher than the 2.8% in the first half of 2019.

## Box 6.1 (Cont'd)

Chart 2: Employment rates of fresh graduates and school leavers in previous downturns



Note: (\*) Excluding those graduated in 2003, 2008 and 2009.

Source: GHS, C&SD.

The employment situation of those fresh graduates in 2008 and 2009 likewise suffered during the global financial crisis (GFC) which started near the end of 2008. Understandably, the timing when they were hit in terms of the number of quarters after graduation differed from those hit by the downturn in 2003. For those fresh graduates in 2008, the employment rate in the first and second quarters after graduation (i.e. the third and fourth quarters of 2008) was roughly on par with or even slightly better than the corresponding long-term averages, as the overall labour market remained relatively tight<sup>(6)</sup> (**Chart 2(b)**). Yet, as the downturn dragged on and the labour market conditions deteriorated, the employment rate of those fresh graduates in 2008, though mildly increased as time went on, became lower than the corresponding long-term average at the same time points of graduation. As for those fresh graduates in 2009, their employment rate was lower than the corresponding long-term average in each of the six quarters after graduation. Nonetheless, as the economy and the overall labour market situation continued to improve in 2010<sup>(7)</sup>, their employment rate increased to 88.4% in the sixth quarter after graduation (i.e. the fourth quarter of 2010), only slightly below the corresponding long-term average of 90.9%.

### Concluding remarks

In view of the huge uncertainty surrounding the economic outlook amid the pandemic, hiring sentiments among employers are likely to remain cautious in the near term. The employment situation of fresh graduates, who lack working experiences and are thus often less competitive in the labour market, would still be subject to immense pressure going forward. As seen in the experiences in the previous two episodes of downturn, employment opportunities for fresh graduates should increase when the overall labour market eventually improves alongside the overall economy. Considering the current difficult situation faced by fresh graduates in finding employment, the Government has rolled out specific measures to assist them, including the creation of about 4 400 jobs dedicated for fresh graduates in the Job Creation Scheme under the Anti-epidemic Fund, and the launch of the Greater Bay Area Youth Employment Scheme in January 2021, which provides a total of 2 000 places for youths graduated from undergraduate programmes or above in 2019 to 2021.

(6) The overall seasonally adjusted unemployment rate was at 3.5% and 4.1% respectively in the third and fourth quarters of 2008, below the long-term average of 4.3% (the long-term average also covers the years from 2001 to 2018, excluding 2003, 2008 and 2009).

(7) In particular, the overall seasonally adjusted unemployment rate declined to 3.9% in the fourth quarter of 2010, 1.1 percentage points lower than the 5.0% a year earlier.