

**Box 5.1****An updated review on the decline in employment as compared with the pre-recession level <sup>(1)</sup>**

In *Box 5.1* in the *Half-yearly Economic Report 2020*, the decline in employment in the second quarter of 2020 as compared to the pre-recession level (i.e. the second quarter of 2019) was analysed by economic sector and by occupation. After that, the Hong Kong economy began to recover. This article gives an updated review of the employment situation, based on the latest available figures for the first quarter of 2021.

**Decline in employment when the economy hit the trough in the second quarter of 2020: A recap**

Total employment declined by a near-record of 237 900 or 6.7% in the second quarter of 2020 as compared with the pre-recession level (*Row (a) in Table 1*). Analysed by economic sector, declines in employment were particularly visible in the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors), the import/export trade and wholesale sector and the construction sector. Analysed by occupation, the decrease was concentrated in the lower-skilled segment, accounting for 82% of the decline in overall employment, as lower-skilled occupations took up proportionately larger shares of employment in the aforementioned hard-hit sectors.

**Table 1: Changes in employment during the downturn and subsequent recovery in recent quarters**

Time frame of comparison	Change in overall employment <sup>(*)</sup>	Economic sectors that recorded more visible changes in employment <sup>(^)</sup>	Major occupations that recorded more visible changes in employment <sup>(^)</sup>
<b>(a) Downturn</b>			
Q2 2020 vs Q2 2019	-237 900 [-6.7%]	<ul style="list-style-type: none"> <li>• Consumption- and tourism-related sectors (-118 000)</li> <li>• Import / export trade and wholesale (-67 500)</li> <li>• Construction (-35 000)</li> </ul>	<ul style="list-style-type: none"> <li>• Lower-skilled workers (-193 900) <ul style="list-style-type: none"> <li>- <i>Service and sales workers</i> (-94 600)</li> <li>- <i>Elementary occupations</i> (-54 500)</li> <li>- <i>Clerical support workers</i> (-39 400)</li> </ul> </li> <li>• Higher-skilled workers (-44 000)</li> </ul>
<b>(b) Subsequent recovery</b>			
Q1 2021 vs Q2 2020	+2 900 [+0.1%]	<ul style="list-style-type: none"> <li>• Financing, insurance, real estate, professional and business services (+15 700)</li> <li>• Construction (+9 800)</li> <li>• Import / export trade and wholesale (-14 900)</li> <li>• Manufacturing (-10 100)</li> <li>• Education (-7 600)</li> </ul>	<ul style="list-style-type: none"> <li>• Lower-skilled workers (+51 700) <ul style="list-style-type: none"> <li>- <i>Elementary occupations</i> (+28 200)</li> <li>- <i>Clerical support workers</i> (+27 100)</li> </ul> </li> <li>• Higher-skilled workers (-48 700) <ul style="list-style-type: none"> <li>- <i>Associate professionals</i> (-31 400)</li> </ul> </li> </ul>
<b>(c) Latest situation as compared to that before recession</b>			
Q1 2021 vs Q2 2019	-235 000 [-6.7%]	<ul style="list-style-type: none"> <li>• Consumption- and tourism-related sectors (-116 900)</li> <li>• Import / export trade and wholesale (-82 400)</li> </ul>	<ul style="list-style-type: none"> <li>• Lower-skilled workers (-142 200) <ul style="list-style-type: none"> <li>- <i>Service and sales workers</i> (-100 500)</li> </ul> </li> <li>• Higher-skilled workers (-92 700) <ul style="list-style-type: none"> <li>- <i>Managers and administrators</i> (-49 000)</li> <li>- <i>Associate professionals</i> (-28 700)</li> </ul> </li> </ul>

Notes: (\*) Figures in square brackets refer to the rates of change in employment during the time frame of comparison.

(^) Figures in parentheses refer to the changes in employment in the respective sector / occupational category during the time frame of comparison.

(1) All employment figures are compiled from the General Household Survey conducted by the Census and Statistics Department and exclude foreign domestic helpers. Individual figures may not add up to total due to rounding.

**Box 5.1 (Cont'd)****Employment situation in the subsequent recovery**

Hong Kong's real GDP resumed increases on a quarter-to-quarter comparison in the second half of 2020, and improved visibly in the first quarter of 2021. However, total employment stayed largely the same in the first quarter of 2021 as compared with the second quarter of 2020, increasing only marginally by 2 900 (or up 0.1%).

Changes in employment were diverse across economic sectors and occupations. Analysed by economic sector, noticeable increases in employment were recorded in the financing, insurance, real estate, professional and business services sector (up 15 700) and the construction sector (up 9 800), but employment fell in the import/export trade and wholesale sector (down 14 900), the manufacturing sector (down 10 100) and the education sector (down 7 600) (*Row (b) in Table 1*). Analysed by occupation, employment in the lower-skilled segment rebounded by 51 700. The increase was concentrated in elementary occupations (up 28 200) and clerical support workers (up 27 100) (*Row (b) in Table 1*). A two-way breakdown of employment by occupation and by economic sector confirmed that these increases mainly came from the financing, insurance, real estate, professional and business services sector. In particular, the rise in employment in elementary occupations was conceivably thanks to the increase in demand for cleaners, security guards, watchmen etc. as the epidemic continued. On the other hand, employment in the higher-skilled segment declined further by 48 700, with a disproportionately large share coming from associate professionals<sup>(2)</sup> (down 31 400). A closer look at the data suggest that many sectors saw declines in employment in this lower strata of the higher-skilled segment.

As compared to the pre-recession situation in the second quarter of 2019, total employment remained sizably lower in the first quarter of 2021, by 235 000 or 6.7%. Employment in most economic sectors and occupations still fell below the pre-recession levels, especially in the retail, accommodation and food services sectors, the import/export trade and wholesale sector, and for service and sales workers (*Row (c) in Table 1*). Nevertheless, employment in some sectors surpassed the pre-recession levels, particularly in professional and business services (up 23 600 or 6.1%), human health and social work activities (up 17 100 or 7.8%), and financing (up 11 800 or 5.7%).

**Outlook**

Total employment has only increased marginally so far at the initial stage of economic recovery, as hiring sentiment is still cautious amid the various uncertainties and the slack in the economy. Yet, past experiences suggest that total employment would see a more visible increase should the economy continue to revive in the period ahead. However, improvements in employment could be uneven across sectors and occupations. Specifically, the employment recovery of tourism-related sectors could be slow as tourism will take time to return to normal. Meanwhile, the epidemic has expedited the adoption of innovation and technology in people's daily lives and companies' operations, which could affect the post-pandemic employment patterns of different industries. The Government will monitor the developments closely and provide more support and assistance as necessary, including more training and re-training opportunities, and job-matching assistance.

(2) The share of associate professionals in the higher-skilled segment was only 54% in the second quarter of 2020, but they accounted for 65% of the decline in employment of the whole segment between the second quarter of 2020 and the first quarter of 2021.