

CHAPTER 6 : THE LABOUR SECTOR

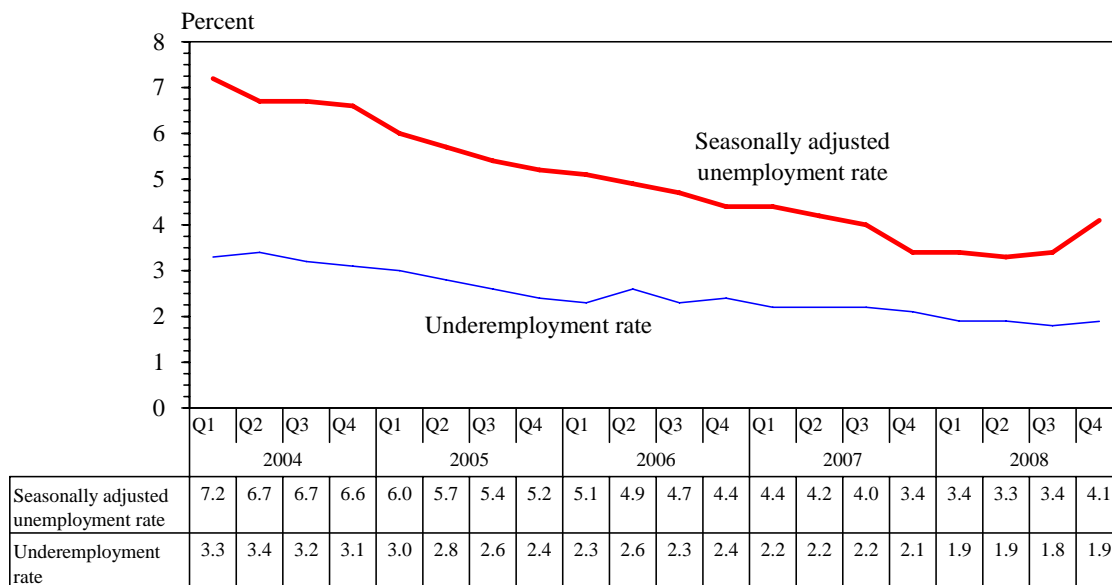
Summary

- *The labour market continued to fare strongly during the first eight months of 2008, with the seasonally adjusted unemployment rate declining to a ten-year low of 3.2% in June - August. However, as the adverse impact of the global financial tsunami became increasingly apparent since September, the unemployment rate reversed course, surging to 4.1% at the year-end.*
- *While labour demand slackened off virtually across-the-board in the aftermath of the financial turmoil, the adjustments were more visible in the externally-oriented sectors like trading, logistics and financial services.*
- *Labour income growth, whilst still holding up in the first three quarters of 2008, likewise showed signs of moderation in the fourth quarter.*
- *With the gloomy business sentiment as seen from the latest business tendency survey and with the cut-back in private sector vacancies posted with the Labour Department, labour market conditions are likely to worsen further in the wake of the deepening global recession. It is thus the Government's priority to preserve employment and prevent job loss by supporting enterprises and creating more job opportunities to tackle the economic challenges ahead.*

Overall labour market situation

6.1 In 2008, the labour market was characterised by sustained tightness through to August, but abrupt easing in the remainder of the year upon the impact of the global financial tsunami. As an indicator of the changing labour market conditions, the seasonally adjusted unemployment rate⁽¹⁾, having declined from 3.4% at end-2007 to 3.2% in mid-2008, leapt to 4.1% at the end of the year. Whereas the labour supply growth held broadly stable on a year-on-year comparison, employment growth slowed down visibly in the latter period. Meanwhile, the underemployment rate⁽²⁾ went down from 2.1% at end-2007 to 1.7% in August - October 2008, but rose back to 1.9% in October - December. Moreover, the number of private sector vacancies posted with the Labour Department fell by 4.8% year-on-year in the fourth quarter, reversing the uptrend seen in the earlier quarters. Along with the slackening labour demand, employment earnings exhibited signs of moderation especially among upper-end workers in the financial services sector.

Diagram 6.1 : The unemployment rate jumped in the fourth quarter of 2008, reversing the declining trend prevalent since mid-2003



Total employment and labour supply

6.2 At 1.6%, *total employment*⁽³⁾ growth for 2008 as a whole decelerated from that of 2.4% in 2007. This was attributable partly to the significant slowdown during the fourth quarter of 2008, when corporate downsizing and retrenchment were seen in many sectors for better cost economy under the precarious financial and economic conditions in this once-in-a-century global financial crisis. Specifically, overall employment grew by a meagre 0.7% on a year-on-year basis and was virtually flat on a quarter-to-quarter comparison in that period. A breakdown of occupation categories by economic sector showed that between the last two quarters of 2008, decreases in employment were found mainly among lower-skilled workers in restaurants and hotels, while larger declines were observed at the same time among higher-skilled workers in trading, logistics and financial services.

6.3 By comparison, the *labour force*⁽⁴⁾ had a relatively steady performance, with a smaller deceleration in the growth pace from 1.6% in 2007 to 1.0% in 2008. As for the fourth quarter of 2008, growth was somewhat similar at 1.3% year-on-year. But on a quarter-to-quarter basis, the increase was just 0.2%. This slowdown was mainly attributable to a decline in the labour force participation rate especially for younger persons aged 15 - 29, conceivably due to their greater tendency to pursue further study in the face of the worsening economic and employment situation.

6.4 When matched against the labour supply growth of 1.0% in 2008, the expansion in total employment was still higher at 1.6%. Yet these annual figures concealed a notable shift in their growth differential over the course of 2008, from 1 percentage point in favour of the latter in the first quarter to 0.6 of a percentage point in favour of the former in the fourth quarter, which signified a distinct loosening in the manpower resource balance towards the end of the year.

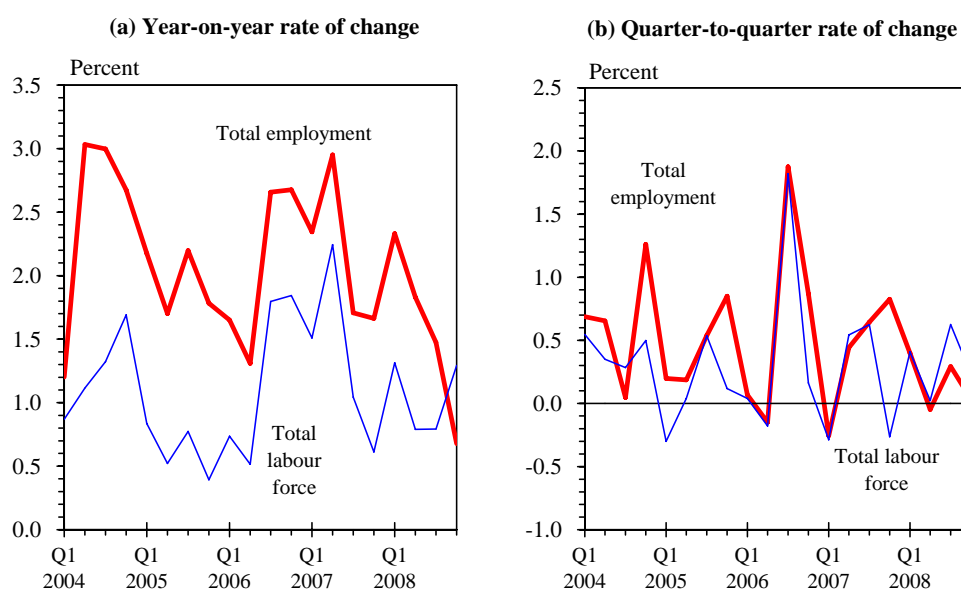
Table 6.1 : The labour force, and persons employed, unemployed and underemployed

| | <u>Labour force</u> | <u>Persons employed</u> | <u>Persons unemployed</u> ^(a) | <u>Persons underemployed</u> |
|-------------|---------------------|-------------------------|--|------------------------------|
| 2007 Annual | 3 629 600 (1.6) | 3 483 800 (2.4) | 145 700 | 79 200 |
| Q1 | 3 606 100 (1.5) | 3 454 100 (2.3) | 152 000 | 80 200 |
| Q2 | 3 625 700 (2.2) | 3 469 300 (3.0) | 156 300 | 80 900 |
| Q3 | 3 648 300 (1.0) | 3 491 700 (1.7) | 156 600 | 80 400 |
| Q4 | 3 638 600 (0.6) | 3 520 500 (1.7) | 118 200 | 74 700 |
| 2008 Annual | 3 667 600 (1.0) | 3 538 700 (1.6) | 128 900 | 68 600 |
| Q1 | 3 653 500 (1.3) | 3 534 500 (2.3) | 119 000 | 70 500 |
| Q2 | 3 654 300 (0.8) | 3 532 800 (1.8) | 121 500 | 67 800 |
| Q3 | 3 677 200 (0.8) | 3 543 100 (1.5) | 134 000 | 66 300 |
| Q4 | 3 685 700 (1.3) | 3 544 300 (0.7) | 141 300 | 69 800 |
| | <0.2> | <*> | | |

Notes : (a) These include first-time job-seekers and re-entrants into the labour force.
 () Year-on-year % change.
 < > % change between Q3 and Q4.
 * Less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.2 : While labour force growth was relatively stable, employment growth slowed over the course of 2008



Profile of unemployment

6.5 The overall unemployment situation as portrayed by the annual figures again remained broadly favourable, as borne out by the lower unemployment rate in 2008 than in 2007, at 3.5% as against 4.0%. The quarterly data, however, painted a less encouraging picture. Specifically, the numbers unemployed were on the increase for most of the year, reaching 141 300 by the year-end. The absolute numbers are however subject to the influence of seasonality.

6.6 After discounting the seasonal factor, the seasonally adjusted unemployment rate moved lower initially in 2008, basically extending the downtrend established since mid-2003. In the second quarter of 2008, the unemployment rate was down to 3.3%, markedly lower than 8.5% in the same quarter in 2003. The onset of the global financial tsunami since September 2008, however, led to a precipitous rise in the rate to 4.1% at the year-end. This upsurge occurred most visibly in the import/export trades, transport, retail, restaurants and hotels sectors (see **Box 6.1** for details), as well as among craft and related workers, professionals and clerks, persons in the age bracket of 15 - 39, and those with secondary education.

Diagram 6.3 : Unemployment rate* rose abruptly across almost all sectors in late 2008

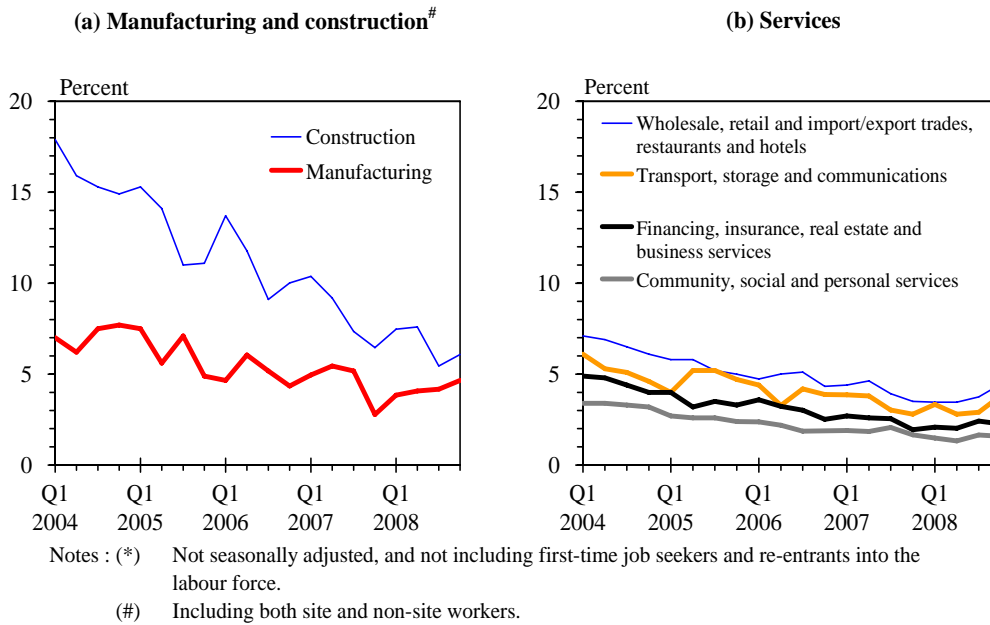


Diagram 6.4 : Unemployment rate* also increased extensively across most occupations in late 2008

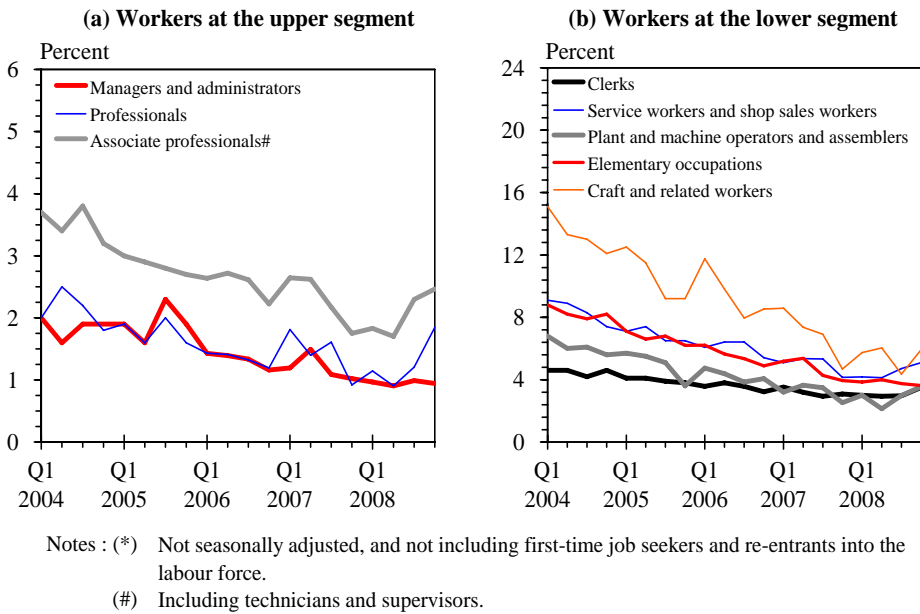
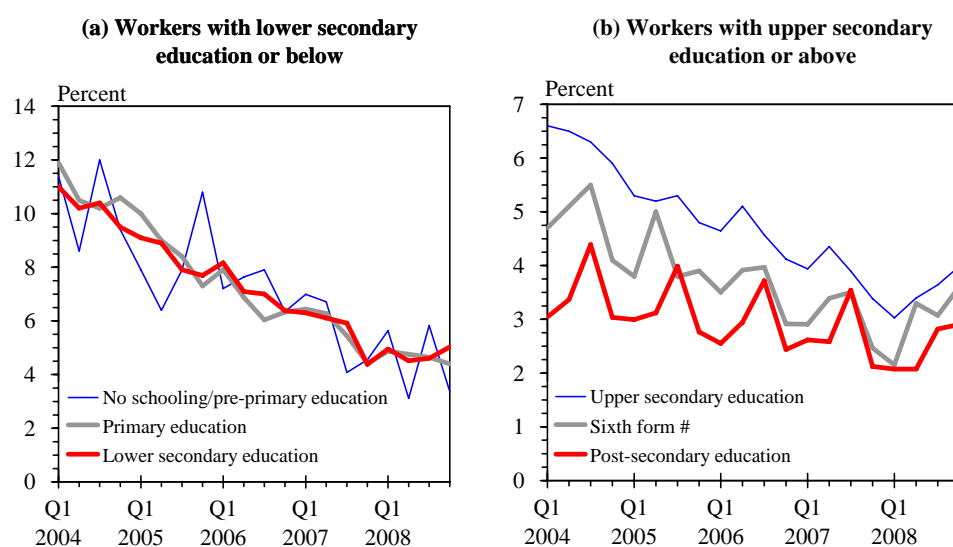


Diagram 6.5 : Unemployment rates* for workers with secondary education and above showed larger increases during the fourth quarter of 2008



6.7 Meanwhile, the median duration of unemployment in 2008, at 66 days, was shortened from that in 2007, at 72 days. Also, the number of long-term unemployed (i.e. six months or longer) fell over the year to 27 200, with the long-term unemployment rate down to 0.7%, the lowest level since 1998. On the surface, these figures indicated lesser intensity of the unemployment problem over the past year, but the quarterly profile again pointed to a worsening in the unemployment situation during the final quarter. Furthermore, among those unemployed in the fourth quarter, 62% were found to have been dismissed or laid off, distinctly larger than the proportion of 54% in the third quarter.

Profile of underemployment

6.8 In overall terms, the underemployment situation remained broadly stable. For 2008 as a whole, the underemployment rate averaged 1.9%, somewhat lower than 2.2% in 2007. As for the fourth quarter of these two years, the corresponding figures were similar at 1.9% and 2.1%.

6.9 On a quarter-to-quarter comparison, notable increases in underemployment rate were however observed in the sanitary services, construction and transport sectors during the fourth quarter of 2008. Analysed by economic sector, construction engaging a greater proportion of part-time and casual workers had the highest underemployment rate at 10.9%, followed by amusement and recreational services (3.2%), storage (3.1%), sanitary services (2.9%), transport (2.7%) and restaurants (2.2%).

Box 6.1

Latest labour market conditions after the outbreak of financial tsunami

The Hong Kong economy has been buffeted severely by the global financial tsunami since September 2008. Consequential to the slackened labour demand, the unemployment rate jumped by 0.9 of a percentage point in the aftermath of the turmoil to end the year at 4.1%, the highest level in 16 months. In response to this trying period, the Task Force on Economic Challenges (TFEC) has been established and chaired by the Chief Executive to continually monitor and assess the impact of the financial tsunami on the local and global markets. Four major sectors hard hit by the global financial turmoil were identified by TFEC, namely, trading and logistics, tourism and consumption-related services, real estate and construction, and financial services. This article analyses the labour market conditions of these four sectors.

Trading and logistics sector

The sector covers two major economic activities viz. trading and logistics. The former consists of the import/export and wholesale trades, while the latter includes freight transport, storage, postal and courier services. Taken together, trading and logistics account for as high as 24% (around 835 700) of the total workforce and 27% of GDP, reflecting Hong Kong's important position as a trading hub in the region.

With external demand sagging after the outbreak of the global financial turmoil, Hong Kong's total merchandise exports suffered a steeper decline of 11.4% in value terms in December 2008 over a year earlier, following a decline of 5.3% in November 2008. This led to a contraction of labour demand in the trading and logistics sector, as manifested by a reduction in employment of 12 100 or 1.4% between June - August and October - December. Concurrently, the respective unemployment rate soared from 2.5% to 3.6%, with a larger jump in that for lower-skilled workers from 3.4% to 4.9%.

Tourism and consumption-related sector

The tourism and consumption-related services sector comprises the retail trade, restaurants and hotels. It is a relatively labour-intensive sector, accounting for 16% (around 564 900) of the total employment but a mere 3.2% of GDP. Moreover, the sector has been rather sensitive to the cyclical ups and downs of the economy.

In 2008, the inbound tourism industry suffered a major setback towards the year-end, reflecting largely the negative effects of the global financial tsunami. On a year-on-year comparison, the number of visitor arrivals in November and December 2008 declined by 1.1% and 0.2% respectively, representing a sharp slowdown from the 11.6% leap in the year 2007. Coupled with weaker consumer spending, this led to a contraction in the volume of retail sales by 2.4% year-on-year in the fourth quarter 2008, reversing the uptrend seen during most of the preceding four years. Meanwhile, business receipts of the restaurants sector grew by only 2.6% in volume terms in the fourth quarter of 2008, markedly slower than the 6.6% in the third quarter. Consequently, the unemployment rate for the tourism and consumption-related services sector as a whole jumped from 4.5% in June - August to 5.8% in October - December. The increase was particularly noticeable among the lower-skilled workers, with the respective unemployment rate surging from 5.0% to 6.3%.

According to the Quarterly Business Tendency Survey for the first quarter of 2009, 80% of respondents in the accommodation and food services sector (mainly referring to restaurants and hotels) were found to have anticipated a further deterioration of business in the coming quarter. So, the prospects for the sector do not look promising in the near term.

Box 6.1 (Cont'd)

Chart 1 : Trading and logistics sector

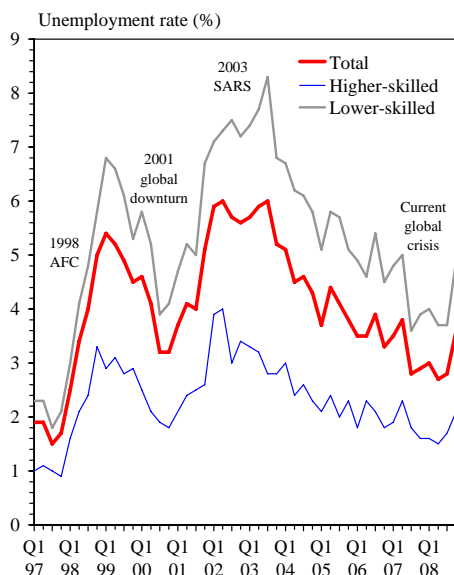
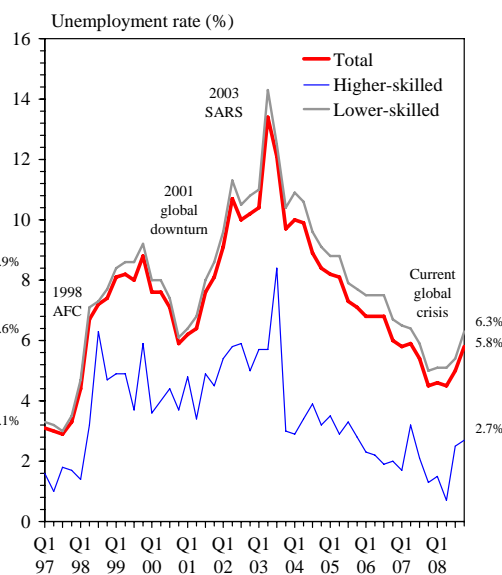


Chart 2 : Tourism and consumption-related sector



Real estate and construction sector

The real estate and construction sector accounts for 12% (around 413 600) of the overall employment and 7% of GDP. For construction alone, performance has been sluggish throughout the past decade, apparently irrespective of the economic cycles. This was mainly due to the lack of sizeable infrastructure and property development projects during the period. Nevertheless, with the series of public sector infrastructure projects progressively coming on stream, this is expected to provide some boost to construction employment shortly.

As for real estate, the market quieted down considerably since mid-2008. Both property prices and transactions plummeted amid mounting concerns about the gloomy economic outlook and tightened bank mortgage policy. Residential prices went down by 12.1% in December 2008 over a year earlier, as did residential rentals by 10.5%. Employment in the real estate sector was reduced due to increased layoffs and downsizing among the real estate agents.

For the real estate and construction sector as a whole, the unemployment rate moved up to 5.1% in October - December 2008. Whereas a much higher rate was still observed for the lower-skilled workers at 6.1%, it was the higher-skilled workers (especially those engaged as property agents) that faced the sharpest rise in unemployment rate from 1.9% in June - August to 2.4% in October - December.

Financial services sector

By comparison, the financial services sector is far less labour-intensive. This sector accounts for only 6% (around 199 400) of the total workforce but 16% of GDP, reflecting its high value-added contribution to the economy as well as the importance of Hong Kong as an international financial centre. The unemployment rate in the financial services sector declined slightly from 1.6% in June - August to 1.4% in October - December, but the unemployment rate for the higher-skilled workers actually rose from 1.3% to 1.6%. In absolute terms, there was a decrease in the sectoral employment by 11 400 or 5.4% since August. This was partly due to the staff retrenchment by some financial institutions in more recent months.

Box 6.1 (Cont'd)

Chart 3 : Real estate and construction sector

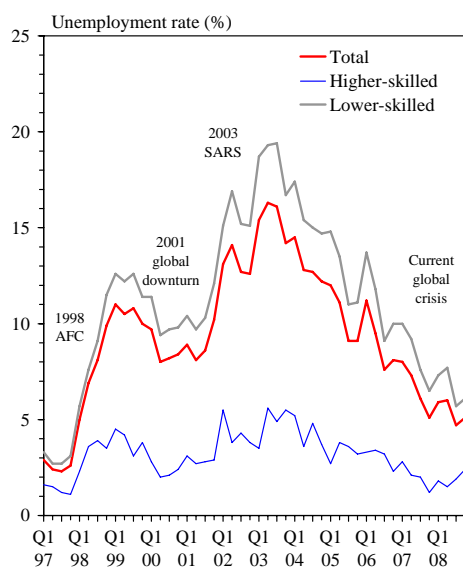
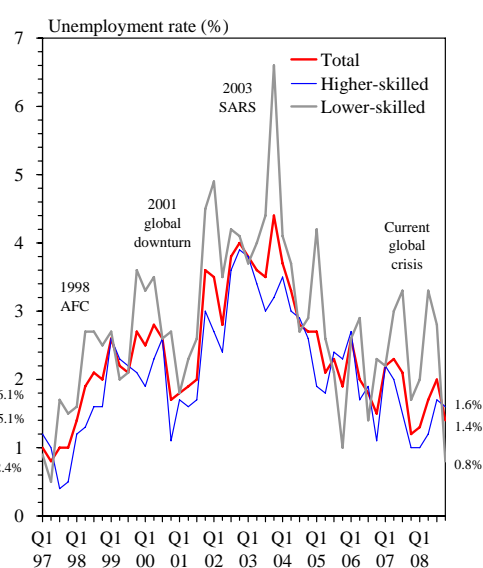


Chart 4 : Financial services sector



Near term outlook

The general feedback from various business surveys and the statistics obtained thus far suggest that the aforementioned sectors are likely to face a difficult year ahead. It is however difficult to assess precisely at this juncture the impact of the global financial tsunami on employment in these sectors. Much will depend on the severity and duration of downward adjustment in the global and local economies. In any event, it is the Government's priority to preserve employment and prevent job loss by supporting enterprises to withstand the economic challenges ahead. Thus, additional measures have been introduced recently to enhance the support for small and medium enterprises (SMEs) as well as to stimulate the general economy. Also, increased public sector resources have been put into the community to create more job opportunities. Specifically, the Chief Executive announced a package of measures in December 2008, which aimed to provide over 60 000 new jobs in 2009-10. In January 2009, the Chief Executive further announced a series of measures to cope with the expected wave of staff layoffs and company closures after the Lunar New Year, and to assist school-leavers who will be entering the labour market in the middle of 2009. These measures should help ease the negative impact of the economic recession on the labour market.

Profile of employment in establishments

6.10 The quarterly statistics collected from private sector establishments on employment, vacancies and wages are available after a longer time lag, with the latest figures being up to September 2008 only. Most of these figures therefore have yet to fully reflect the adverse impact of the global financial tsunami. This notwithstanding, attempts have been made where appropriate to bring the analysis more up-to-date, based on the information available from supplementary sources.

6.11 Comparing September 2008 with a year earlier, total employment in *private sector establishments* went up by 2.2%, little changed from the 2.1% growth in June. In terms of economic sectors, notable employment gains were seen in storage and communications (up 5.6%); financing, insurance, real estate and business services (4.7%); and water and air transport services (4.2%), more than offsetting the job losses in manufacturing (down 3.0%); construction sites⁽⁵⁾ (2.1%) and the wholesale trade (1.8%). It should be noted that these gains were attained against the robust economic conditions prevailing then. In terms of establishment size, larger enterprises continued to be a more important source of job creation than small and medium-sized enterprises (SMEs)⁽⁶⁾, with the former contributing to 72% of the total new jobs created in the private sector. As regards the civil service, the number of employees rose by 0.4% in September 2008 over a year earlier to 154 300. This reversed the general declining trend seen in the past several years.

Table 6.2 : Employment by major economic sector

| | 2007 | | | | | 2008 | | |
|--|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>Annual average</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> | <u>Dec</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> |
| Wholesale, import and export trades | 587 600 (0.7) | 587 500 (1.1) | 588 200 (1.1) | 586 500 (0.4) | 588 200 (0.3) | 587 200 (-0.1) | 587 000 (-0.2) | 583 500 (-0.5) |
| Retail trade | 232 900 (2.0) | 229 100 (1.4) | 232 600 (1.5) | 233 100 (2.0) | 236 800 (3.2) | 236 800 (3.3) | 239 800 (3.1) | 241 100 (3.4) |
| Restaurants and hotels | 235 100 (3.8) | 231 700 (4.4) | 232 500 (3.0) | 237 300 (4.9) | 238 900 (3.1) | 236 800 (2.2) | 239 200 (2.9) | 243 300 (2.5) |
| Transport and storage | 159 500 (2.4) | 155 900 (1.2) | 160 100 (3.1) | 160 000 (2.5) | 162 000 (2.9) | 163 500 (4.9) | 165 400 (3.3) | 164 900 (3.1) |
| Communications | 29 900 (1.3) | 30 300 (0.8) | 30 100 (2.7) | 29 800 (1.1) | 29 600 (0.6) | 30 500 (0.7) | 30 700 (1.9) | 31 300 (5.0) |
| Financing, insurance, real estate and business services | 505 400 (5.5) | 492 000 (5.1) | 503 200 (5.7) | 509 300 (6.0) | 517 300 (5.2) | 523 700 (6.4) | 528 500 (5.0) | 533 000 (4.7) |
| Community, social and personal services | 466 600 (2.6) | 464 200 (2.9) | 467 900 (3.6) | 465 400 (2.2) | 469 100 (1.8) | 477 200 (2.8) | 480 500 (2.7) | 484 500 (4.1) |
| Manufacturing | 157 000 (-2.2) | 158 700 (-1.7) | 157 300 (-2.3) | 156 000 (-2.6) | 156 000 (-2.0) | 153 100 (-3.6) | 152 200 (-3.2) | 151 200 (-3.0) |
| Building and construction sites | 50 200 (-5.1) | 50 400 (-8.3) | 51 100 (-2.2) | 49 200 (-7.7) | 50 100 (-1.8) | 50 500 (0.3) | 49 600 (-3.0) | 48 100 (-2.1) |
| <i>All establishments surveyed in the private sector^(a)</i> | 2 432 300 (2.3) | 2 407 800 (2.1) | 2 430 900 (2.6) | 2 434 500 (2.2) | 2 455 900 (2.1) | 2 467 200 (2.5) | 2 480 800 (2.1) | 2 488 900 (2.2) |
| | | <0.4> | <0.8> | <0.4> | <0.6> | <0.7> | <0.4> | <0.6> |
| <i>Civil service^(b)</i> | 153 800 (-0.4) | 153 800 (-0.8) | 153 700 (-0.5) | 153 800 (-0.2) | 153 900 (*) | 153 500 (-0.2) | 153 700 (*) | 154 300 (0.4) |

Notes : Employment figures enumerated from business establishments, as obtained from the Quarterly Survey of Employment and Vacancies, are somewhat different from those enumerated from households, as obtained from the General Household Survey. This is mainly due to difference in sectoral coverage: while the former survey covers selected major sectors, the latter survey covers all sectors in the economy.

(a) The total figures on private sector employment cover also employment in mining and quarrying and in electricity and gas supply, besides employment in the major sectors indicated above.

(b) These figures cover only those employed on civil service terms of appointment. Judges, judicial officers, ICAC officers, locally engaged staff working in Hong Kong Economic and Trade Offices abroad, and other Government employees such as non-civil service contract staff are not included.

() % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change.

(*) Less than 0.05%.

Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

Vacancies

6.12 Relative to the employment data, the vacancy figures tend to be more sensitive to the evolving economic and labour market situation. Past experience showed that at the early stage of an economic downturn, employers generally had a greater tendency to cut back on job vacancies than to trim head-counts. So, in stark contrast to the employment uptrend, job vacancies in private sector establishments were slashed by 8.7% year-on-year to 47 800 in September 2008. While vacancies were cut almost across-the-board, larger decreases were observed in restaurants and hotels (down 19.3%), the wholesale and import/export trades (16.8%), and financing, insurance, real estate and business services (16.5%).

6.13 Analysed by occupation category, the reduction in vacancies was more noticeable among higher-skilled workers (down 15.3%) than lower-skilled ones (4.0%). This was hardly surprising as the financing, insurance and real estate and the import/export trade sectors with a larger proportion of higher-skilled employees had been hardest hit by the global financial turmoil. In terms of size of establishment, vacancies at SMEs were reduced by a greater magnitude (down 10.8%) than those at large enterprises (6.6%).

6.14 In a similar vein, the vacancy rate moved down to 1.9% in September 2008, from 2.0% in June. The decrease was most apparent in such sectors as financing, insurance, real estate and business services (from 2.6% to 2.3%), manufacturing (from 1.5% to 1.2%), and the wholesale and import/export trades (from 1.5% to 1.2%).

6.15 As regards the civil service, the total number of vacancies in September 2008 was 5 500, up markedly by 82% over a year earlier. This was partly due to the new posts created in 2008-09 and the complete fade-out of open recruitment freezes. Consequential to the Government's efforts to expedite and advance the recruitment of civil servants, the filling of vacancies in the civil service can be expected to speed up in the year to come.

Diagram 6.6 : Vacancies in most occupations were slashed in the latter part of 2008

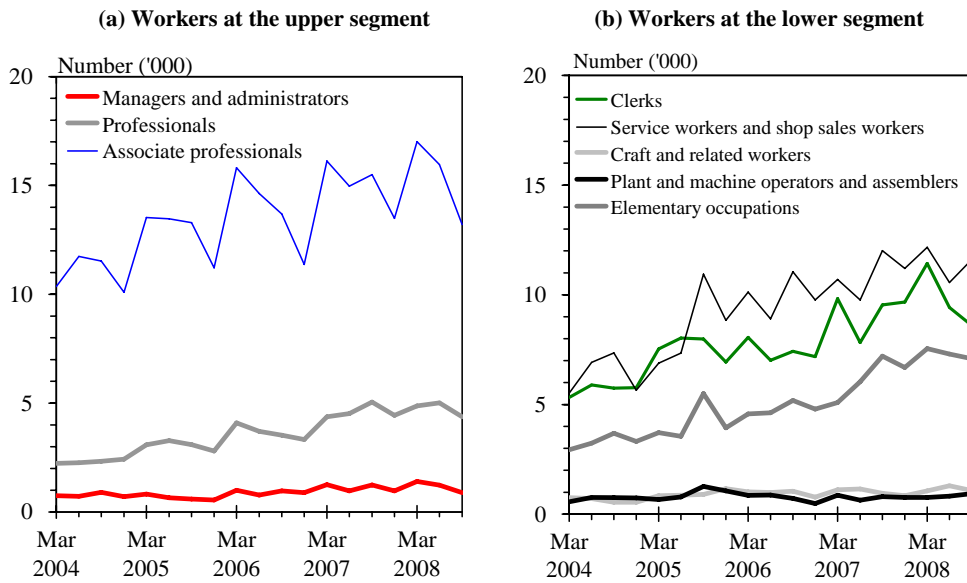
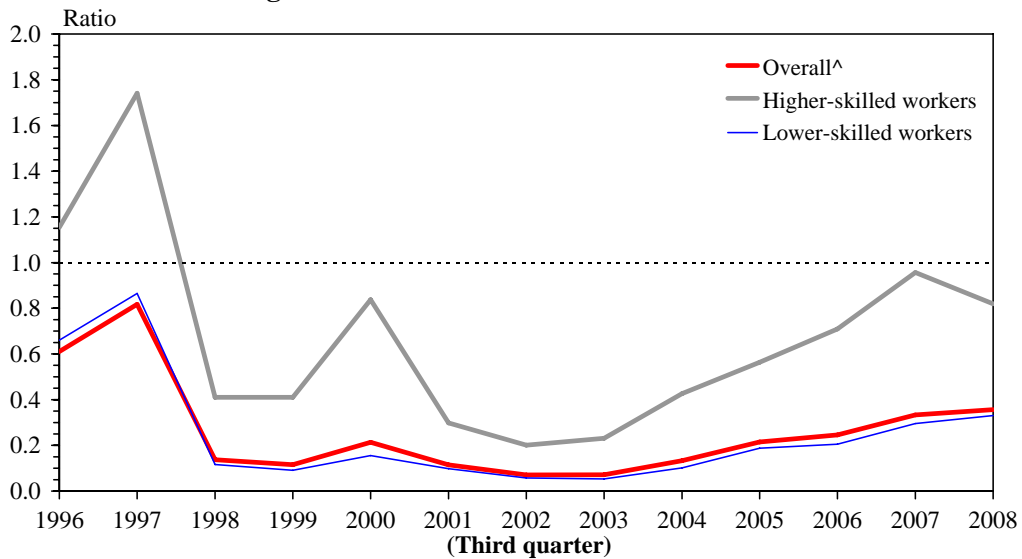


Diagram 6.7: While vacancy ratio* continued to increase in overall terms, that for higher-skilled workers reverted to a decrease in 2008



Notes: (*) The vacancy ratio refers to the ratio of vacancies to unemployed persons.
(^) Including first-time job seekers and re-entrants into the labour force.

Table 6.3 : Vacancies by major economic sector

| | <u>Number of vacancies</u> | | | | | | | | Vacancy rate in Sep 2008 (%) |
|--|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|------------------------------------|
| | <u>Annual average</u> | <u>2007</u> | | | <u>2008</u> | | | | |
| | | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> | <u>Dec</u> | <u>Mar</u> | <u>Jun</u> | <u>Sep</u> | |
| Wholesale, import and export trades | 9 100 (9.2) | 10 400 (-1.8) | 9 000 (8.6) | 8 800 (13.5) | 8 300 (21.9) | 9 900 (-4.3) | 9 000 (-0.9) | 7 300 (-16.8) | 1.2 |
| Retail trade | 4 700 (9.7) | 5 100 (5.5) | 4 200 (10.3) | 5 100 (17.3) | 4 500 (6.0) | 5 900 (15.3) | 5 400 (27.6) | 5 600 (9.8) | 2.3 |
| Restaurants and hotels | 5 200 (24.0) | 4 300 (6.8) | 4 500 (12.7) | 6 600 (31.5) | 5 300 (44.8) | 5 300 (25.2) | 5 300 (19.5) | 5 300 (-19.3) | 2.1 |
| Transport and storage | 2 200 (13.9) | 2 200 (7.1) | 2 200 (-0.4) | 2 300 (26.3) | 2 200 (27.0) | 2 400 (12.4) | 2 000 (-7.5) | 2 000 (-14.2) | 1.2 |
| Communications | 800 (13.7) | 800 (3.0) | 800 (-3.8) | 1 000 (51.9) | 800 (9.3) | 900 (17.8) | 900 (10.3) | 700 (-27.8) | 2.3 |
| Financing, insurance, real estate and business services | 14 100 (14.5) | 14 600 (7.7) | 13 700 (11.8) | 14 800 (16.2) | 13 000 (24.6) | 15 700 (7.5) | 14 100 (2.6) | 12 400 (-16.5) | 2.3 |
| Community, social and personal services | 10 600 (23.3) | 9 600 (22.3) | 9 500 (16.6) | 11 400 (23.6) | 12 000 (29.9) | 13 700 (42.1) | 12 600 (33.4) | 12 500 (9.2) | 2.5 |
| Manufacturing | 2 100 (11.4) | 2 400 (23.3) | 2 000 (-1.6) | 2 100 (11.7) | 1 900 (12.8) | 2 300 (-2.3) | 2 300 (15.5) | 1 800 (-15.2) | 1.2 |
| Building and construction sites | # (137.5) | # (660.0) | # (77.8) | # (160.0) | # (-6.3) | # (*) | # (87.5) | # (57.7) | 0.1 |
| <i>All establishments surveyed in the private sector^(a)</i> | <i>48 900 (15.5)</i> | <i>49 300 (8.3)</i> | <i>45 900 (10.5)</i> | <i>52 300 (19.9)</i> | <i>48 100 (24.6)</i> | <i>56 200 (14.0)</i> | <i>51 600 (12.5)</i> | <i>47 800 (-8.7)</i> | <i>1.9</i> |
| <i>Civil service^(b)</i> | <i>2 500 (*)</i> | <i>1 200 (-55.0)</i> | <i>3 200 (27.0)</i> | <i>3 000 (6.0)</i> | <i>2 700 (28.1)</i> | <i>5 500 (366.2)</i> | <i>6 200 (94.4)</i> | <i>5 500 (81.6)</i> | <i>3.5</i> |

Notes : Vacancy rate refers to the ratio of vacancies to total employment opportunities (actual employment plus vacancies).

(a) The total figures on private sector vacancies cover also vacancies in mining and quarrying and in electricity and gas supply, besides vacancies in the major sectors indicated above.

(b) These figures cover only vacancies for those staff to be employed on civil service terms of appointment. A general open recruitment freeze to the civil service was imposed during the period from 1 April 2003 to 31 March 2007. The civil service vacancies during this period refer only to the number of vacant posts for which exemptions from open recruitment freeze have been granted.

() % change over a year earlier.

< > Seasonally adjusted quarter-to-quarter % change.

(#) Less than 50.

(*) Less than 0.05%.

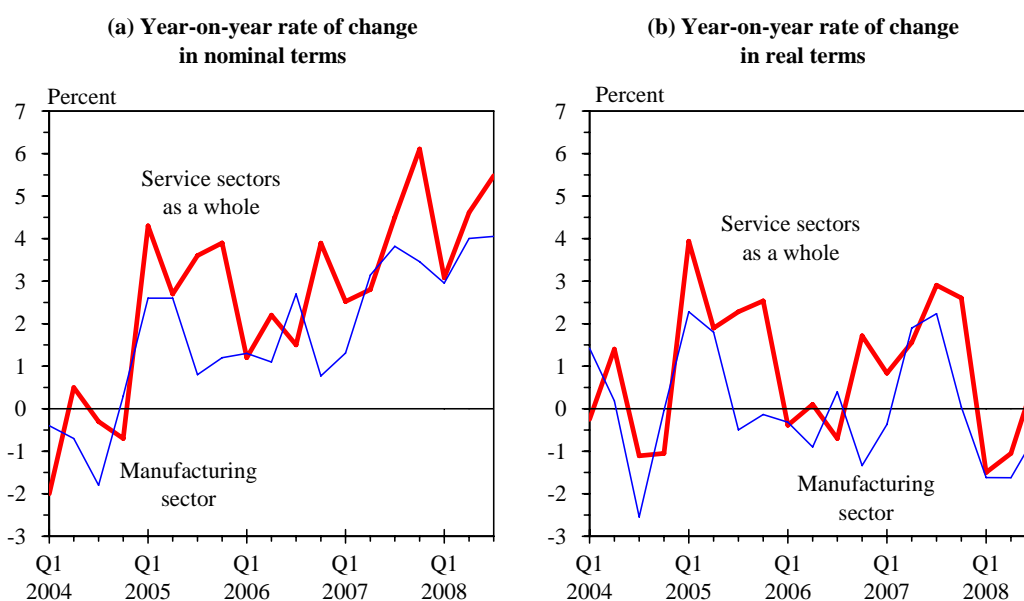
Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

Earnings and wages

6.16 *Labour earnings*⁽⁷⁾, as measured by payroll per person engaged in the private sector, rose by 5.2% in nominal terms in the third quarter of 2008 over a year earlier, in tandem with the robust economic performance and tight labour market prevailing then. However, after adjusting for the inflation, the increase was only 0.5% in real terms⁽⁸⁾. Taking the first three quarters of 2008 together, labour earnings were up by 4.2% in nominal terms, albeit down by 0.7% in real terms.

6.17 While nominal earnings showed an extensive increase both across sectors and occupations, the extent of pay rise varied, largely reflecting the different manpower demand and supply situation confronting those segments. In particular, workers in financial institutions had the largest upward adjustment in earnings in the first three quarters of 2008, by 12.4% year-on-year in nominal terms. A solid increase was also seen among workers in the wholesale, retail and import/export trades sector (up 4.7%).

Diagram 6.8 : Nominal earnings remained on an uptrend in the third quarter of 2008 amid the still favourable labour market conditions prevailing then



6.18 *Labour wages*, as a measure of regular payment to employees at the supervisory level or below, moved up by 3.9% in nominal terms (or 0.7% in real terms) in the first nine months of 2008 over a year earlier. Over the same period, the increase in nominal wages was more notable in the wholesale, retail and import/export trades (up 4.7%); financing, insurance, real estate and business services (4.5%), and restaurants and hotels (3.5%). In terms of occupation categories, operatives, clerical and secretarial workers, and

supervisory and technical workers were the ones enjoying larger wage hikes, by 4.8%, 4.5% and 4.4% respectively.

6.19 Latest statistics collected from the General Household Survey, though not strictly comparable to those gathered from business establishments, revealed that in the fourth quarter of 2008, the overall average monthly employment earnings⁽⁹⁾ of employed persons (excluding foreign domestic helpers) rose by 0.3% over a year earlier, markedly moderating from the 4.8% rise in the third quarter. Earnings growth for the higher-skilled workers actually turned to negative 1.6% in the fourth quarter, as compared with the 5.1% gain in the previous quarter. In particular, more noticeable drops in earnings were observed among workers engaged in the upper segment in the financing, insurance, real estate and business services sector (down 4.7%) and the transport, storage and communications sector (4.1%) which were badly hit by the financial tsunami at that time. On the other hand, lower-skilled workers still recorded moderate earnings growth at 3.2%, as compared to the 3.5% rise in the preceding quarter.

Government policy measures to promote employment

6.20 The Government's current priority is to preserve employment and support enterprises so that layoffs and business closures can be reduced. In addition to the facilitating measures to support SMEs throughout the year, a package of measures was announced in December 2008, which aimed at providing over 60 000 new jobs in 2009 to 2010, through expediting major and minor infrastructure projects, advancing the recruitment of civil servants and creating temporary positions. In January 2009, the Chief Executive proclaimed additional measures to promote employment. These included, in particular, creating additional research assistant and tutorship positions in universities; and internship opportunities (both in Hong Kong and on the Mainland) for university graduates. In parallel, the Special Loan Guarantee Scheme was introduced to facilitate local businesses to acquire the liquidity required to ride through the economic turmoil. These measures would help mitigate the negative impacts of the economic downturn brought about by the global financial tsunami.

6.21 In addition to regular employment and placement services, the Labour Department has organised large-scale and mini-job fairs at different locations to respond speedily to the recruitment needs of employers and offer convenient services to job seekers. In 2008, ten large-scale and 197 mini-job fairs were organised. The large-scale job fairs, making available about 16 000 vacancies,

were attended by over 22 000 job seekers while the mini-job fairs attracted some 25 400 job seekers. On youth employment, the Labour Department has pressed ahead with its Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme. It has also set up two youth employment resources centres to enhance the employability of young people and facilitate their sustainable development in both employment and self-employment. Meanwhile, the Government has stepped up training and retraining efforts to help enhance the employability of the local workforce. The Employees Retraining Board has relaxed the eligibility criteria for the Employees Retraining Scheme to cover young people aged between 15 and 29 and people with education level at sub-degree or below with effect from December 2007.

6.22 Furthermore, the Government is striving for early implementation of infrastructure projects in 2009, including those major projects as announced in the 2007-08 Policy Address and minor works projects. These would help to provide additional employment opportunities for local workers, particularly those in the building and construction sector.

Notes :

- (1) For a person aged 15 or above to be classified as unemployed, he or she should: (a) not have a job and not be performing any work for pay or profit during the reference period (i.e. seven days before enumeration); and (b) be available for work during the reference period; and (c) be seeking work during the 30 days before enumeration.

Notwithstanding the above, the following types of persons are also considered unemployed: (a) persons without a job, having sought work but not available for work because of temporary sickness; (b) persons without a job, available for work but not having sought work because they will take up new jobs or start business at a subsequent date, or expect to return to their original jobs; and (c) discouraged workers not having sought work because they believe work is not available to them.

Even at full employment, some frictional unemployment is bound to exist as workers move between jobs in order to obtain better terms of employment. The precise level of unemployment which can be described as purely frictional varies amongst economies, depending on the structure and characteristics of their labour markets.

Starting from May 2008, the seasonally adjusted unemployment rate is compiled by the X-12 ARIMA method to replace the previous X-11 ARIMA method. The seasonally adjusted unemployment rates since November 2006 – January 2007 have also been revised using the new method. The X-12 ARIMA method, being an update to the X11-ARIMA method, has now been a standard method used by statistical offices for performing seasonal adjustment of statistical series in many countries/territories. Since the two seasonal adjustment methods are indeed very similar, the revision made to the seasonally adjusted unemployment rate series due to the use of the new method is insignificant.

- (2) The main criteria for an employed person aged 15 or above to be classified as underemployed are: involuntarily working less than 35 hours during the reference period (i.e. seven days before enumeration), and either available for additional work during the reference period or seeking additional work during the 30 days before enumeration.

Following these criteria, employed persons taking no-pay leave due to slack work during the reference period are also classified as underemployed if they had worked less than 35 hours or were on leave for the entire reference period.

- (3) Figures enumerated from household data. The employed population is defined here to include those persons aged 15 or above who performed work for pay or profit or had a formal job attachment during the reference period (i.e. seven days before enumeration).
- (4) The labour force, or the economically active population, is defined to include all persons aged 15 or above who either were engaged in productive work during the reference period (i.e. seven days before enumeration) or would otherwise have been engaged in productive work but were unemployed.
- (5) Taking into account off-site workers and related professional and support staff, employment in the entire building and construction sector actually decreased by 2.2% in 2008.

Employment for the construction sector as a whole is enumerated from the General Household Survey carried out by the Census and Statistics Department. Apart from site workers, it also includes non-site workers engaged in minor alteration and addition, repair, maintenance and interior decoration work on existing buildings. In addition, it includes professionals, administrative and other support personnel engaged in that sector, such as engineers, architects, surveyors and contract managers, as well as general clerical staff.

- (6) Manufacturing enterprises with fewer than 100 employees and non-manufacturing enterprises with fewer than 50 employees are regarded as small and medium-sized enterprises (SMEs) in Hong Kong. Yet, establishments with the same main business registration number (BRN) and engaging in activities of the same industry sector are grouped into one business unit for the purpose of calculating the number of SMEs. Thus, a business with a lot of small chain stores each employing a small number of employees will be considered as a single large enterprise, instead of separate SMEs.
- (7) In addition to wages, which include all regular payments like basic pay and stipulated bonuses and allowances, earnings also cover overtime pay and other non-guaranteed or irregular bonuses and allowances, except severance pay and long service payment. Because of this difference, as well as the difference in sectoral and occupational coverage, the movements in average earnings, as measured by payroll per person engaged, do not necessarily match closely with those in wage rates.
- (8) Different consumer price indices are used for compiling the real indices of labour earnings and wages, taking into account their relevance to the respective occupation coverage. Specifically, the Composite CPI, being an indicator of overall consumer prices, is taken as the price deflator for earnings received by employees at all levels of the occupational hierarchy. The CPI(A), being an indicator of consumer prices for the

middle to lower income groups, is taken as the price deflator for wages in respect of workers in occupations up to the supervisory level, and also in respect of manual workers engaged in the construction sector.

- (9) The average (mean) monthly employment earnings are easily affected by extreme values in the survey sample, more so when reckoned for higher-end workers. They should therefore be interpreted with caution, in particular when they are compared over time.