CHAPTER 5 : THE LABOUR SECTOR

Summary

- *The labour market, after the distinct weakening in the first quarter, showed signs of stabilisation in the second quarter, thanks to the rebound in the economy both on the external and domestic fronts. Apart from the high degree of flexibility and resilience of the labour market, the recent encouraging development was also helped by the Government's fiscal stimulus packages and the cushion from the Loan Guarantee Schemes.*

- *On a seasonally adjusted quarter-to-quarter comparison, total employment stabilised after experiencing three consecutive quarters of decline, thereby helping to slow the pace of increase in unemployment rate during the quarter.*

- *Vacancies in private sector establishments fell almost across-the-board in March 2009. Reflecting the weak labour market conditions in the first quarter, pay reductions were widespread in many industries in both nominal and real terms.*

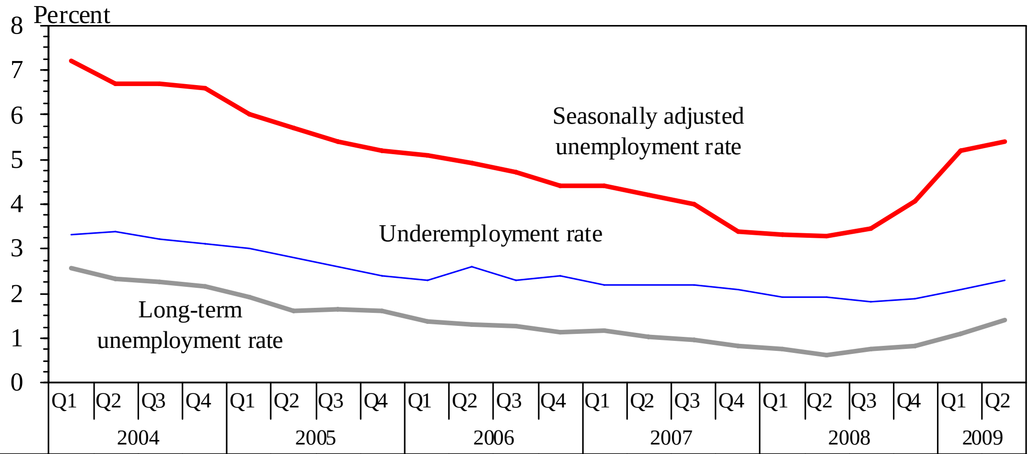
- *Updated information from the General Household Survey showed an encouraging development that in the second quarter of 2009 the average employment earnings rose back slightly over a year earlier. According to the latest data, the number of private sector vacancies posted by the Labour Department in June increased over the number in May this year, the first positive change since March 2009.*

- *Looking ahead, given the still weak state of the economy and the entry of fresh graduates and school leavers into the labour market in the coming months, the unemployment rate would continue to face further upward pressure in the near term.*

Overall labour market situation

5.1 Labour market conditions weakened significantly in early 2009 as recessionary forces led to job losses and pay cuts. However, signs of stabilisation emerged in the second quarter of 2009 in tandem with the relative improvement in the economy. On a quarter-to-quarter comparison, the seasonally adjusted unemployment rate(1) rose only marginally, by 0.2 percentage point to 5.4% in the second quarter of 2009, after a sharp rise of 1.1 percentage points to 5.2% in the first quarter. Still, in the first half of 2009, the seasonally adjusted unemployment rate has risen by a cumulative 1.3 percentage points, from 4.1% in the fourth quarter of 2008[2] to a 43-month high of 5.4% in the second quarter of 2009. The corresponding number of unemployed soared by 61 900 to 203 000 in the second quarter of 2009. At the same time, the underemployment rate[3] increased from 1.9% in the fourth quarter of 2008 to 2.1% in the first quarter of 2009 and further to 2.3% in the second quarter of 2009.

Diagram 5.1 : The rise in unemployment rate slowed down visibly in the second quarter of 2009



	2004 Q1	2004 Q2	2004 Q3	2004 Q4	2005 Q1	2005 Q2	2005 Q3	2005 Q4	2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Seasonally adjusted unemployment rate	7.2	6.7	6.7	6.6	6.0	5.7	5.4	5.2	5.1	4.9	4.7	4.4	4.4	4.2	4.0	3.4	3.3	3.3	3.4	4.1	5.2	5.4
Underemployment rate	3.3	3.4	3.2	3.1	3.0	2.8	2.6	2.4	2.3	2.6	2.3	2.4	2.2	2.2	2.2	2.1	1.9	1.9	1.8	1.9	2.1	2.3
Long-term unemployment rate	2.6	2.3	2.3	2.2	1.9	1.6	1.6	1.6	1.4	1.3	1.3	1.1	1.2	1.0	0.9	0.8	0.8	0.6	0.8	0.8	1.1	1.4

Total employment and labour supply

5.2 *Total employment*[4] contracted by 0.3% in the second quarter of 2009 as compared to a year earlier, same as in the first quarter of 2009. Yet on a seasonally quarter-to-quarter basis, total employment increased in the second quarter over the first quarter of 2009, following declines over three consecutive quarters. Indeed, the labour market has exhibited a greater degree of resilience in the current global financial crisis than in the Asian Financial Crisis, even though in terms of the scale of disruptions the current crisis is on a truly global scale than the regional crisis ten years ago (see Box 5.1 for details).

5.3 Analysed by employment status, the data show that full-time employee jobs decreased by 21 400 while the number of self-employed increased by 12 700 in the second quarter of 2009 as compared to the preceding quarter. These figures suggest that labour market conditions remained weak, albeit the slowdown in deterioration. Analysed by sector, notable decreases in employment were observed in the import/export trade, professional and business services (excluding cleaning and similar services), construction and real estate sectors. On the other hand, there were notable job gains in the miscellaneous personal services, financing, information and communications, education, and insurance sectors.

5.4 Comparing the second quarter of 2009 with the first quarter, the higher-skilled segment of the labour market suffered from a further job loss of 1 800 while the lower-skilled segment recorded a slight job gain of 400. In terms of occupation, clerks, craft and related workers, and managers and administrators had larger shrinkages in employment. At the same time, larger declines in employment were found among persons aged 15-29, and individuals with non-degree post-secondary education. When compared with the employment level just before the outbreak of global financial crisis (June – August 2008), the higher-skilled segment had a cumulative job loss of 1.7%, larger than that in the lower-skilled segment, at 0.1%.

5.5 Driven mainly by demographic factors, the *labour force*(5) grew by 2.0% year-on-year in the second quarter of 2009, as compared to the rate of 1.6% year-on-year in the preceding quarter. Against the first quarter of 2009, the overall labour force participation rate (LFPR) held stable at 61.3%, while the population aged 15 and above expanded by 0.4%. The differential in growth rates between the labour force and employment is a manifestation of demand-supply imbalance, leading to a further rise in the unemployment rate in the second quarter of 2009.

Table 5.1 : The labour force, and persons employed, unemployed and underemployed

		Labour force		Persons employed		Persons unemployed[a]	Persons underemployed
2008	Annual	3 648 900	(0.5)	3 518 800	(1.0)	130 100	69 000
	Q1	3 637 100	(0.9)	3 519 000	(1.9)	118 200	69 900
	Q2	3 638 200	(0.3)	3 517 100	(1.4)	121 100	67 900
	Q3	3 657 400	(0.2)	3 523 700	(0.9)	133 600	66 300
	Q4	3 661 900	(0.6)	3 520 700	(#)	141 200	69 000
2009	Q1	3 694 900	(1.6)	3 507 600	(-0.3)	187 200	79 200
Three months ending							
	Apr	3 699 000	(1.6)	3 502 100	(-0.5)	196 900	79 900
	May	3 714 700	(2.1)	3 514 900	(#)	199 700	85 200
	Jun	3 709 200	(2.0)	3 506 200	(-0.3)	203 000	84 900
			<0.4>		<#>		

Notes : (a) These include first-time job-seekers and re-entrants into the labour force.
( ) Year-on-year % change.
< > % change between the first quarter and second quarter of 2009.
\# Less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Employment contraction narrowed in the second quarter of 2009

(a) Year-on-year rate of change **(b) Quarter-to-quarter rate of change**

Profile of unemployment

5.6 Reflecting the intensifying drag from the global recession, the unemployment rate rose markedly in the first quarter of 2009 but the pace of increase slowed on entering the second quarter of 2009. Likewise, the rise in the number of unemployed persons tapered. On a quarter-to-quarter comparison, the number of unemployed persons increased by 15 800 to 203 000, while the seasonally adjusted unemployment rate climbed by a mere 0.2 percentage point to 5.4% in the second quarter of 2009. Over the same period, the rise in unemployment rate (seasonally unadjusted) was similar for both the higher- and lower-skilled, by 0.3 and 0.2 percentage points respectively to 3.1% and 6.1%. Compared to the situation just before the outbreak of global financial crisis (June – August 2008), the unemployment rate for lower-skilled workers had risen by a total of 2.4 percentage points, while that for higher-skilled workers had a smaller increase of 1.7 percentage points.

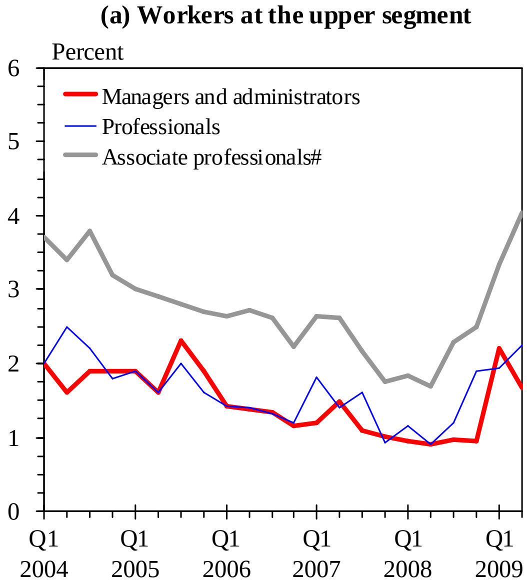
5.7 Analysed by economic sector, the rise in unemployment rate was most visible in the social work activities, food services and wholesale sectors. In terms of other socio-economic characteristics, individuals engaged as service workers and shop sales workers, and associate professionals, as well as workers aged 15-29 and those with secondary or above education suffered from a distinct rise in unemployment rate.

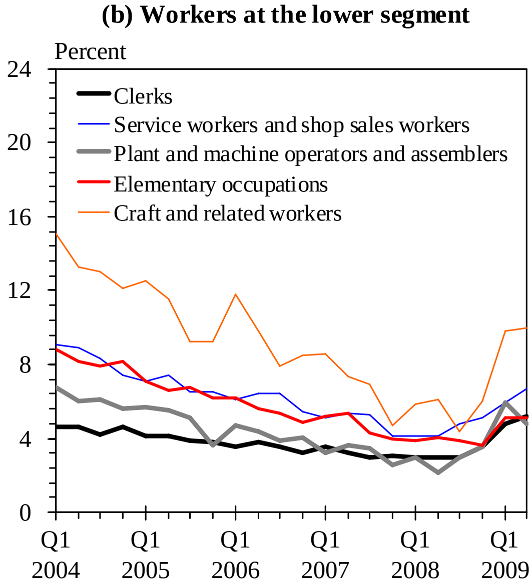
Table 5.2 : Unemployment rate by major economic sector

	2008				2009	
	Q1	Q2	Q3	Q4	Q1	Q2
Import/export trade and wholesale	2.4	2.4	2.5	3.3	4.6	4.9
Retail	4.0	4.4	4.6	5.4	6.0	6.5
Accommodation and food services	5.2	4.6	5.6	6.2	7.3	8.2
Transportation, storage, postal and courier services	3.3	2.8	2.9	3.9	5.8	4.9
Information and communications	1.9	2.4	2.1	3.3	4.6	4.8
Financing and insurance, real estate, professional and business services	2.5	2.3	2.6	2.3	3.6	4.0
Public administration, social and personal services	1.3	1.1	1.6	1.4	1.8	2.0
Manufacturing	4.0	4.3	4.6	5.0	6.2	6.8
Construction	7.5	7.6	5.5	6.1	11.2	11.8
Overall (seasonally adjusted)	3.3	3.3	3.4	4.1	5.2	5.4

Source : General Household Survey, Census and Statistics Department.

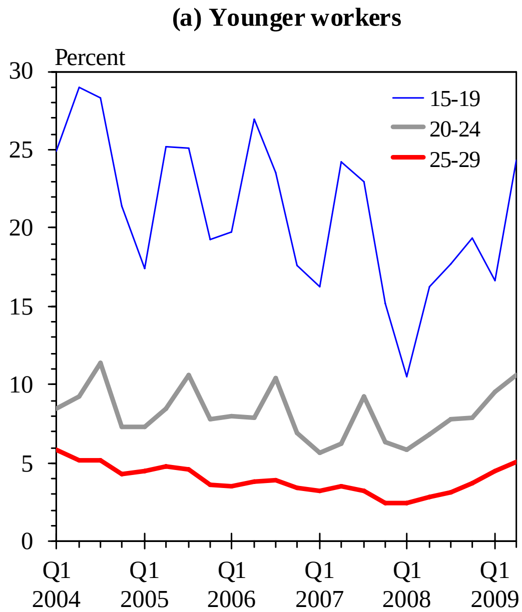
Diagram 5.3 : The rise in unemployment rate* tapered in most occupations in the second quarter of 2009

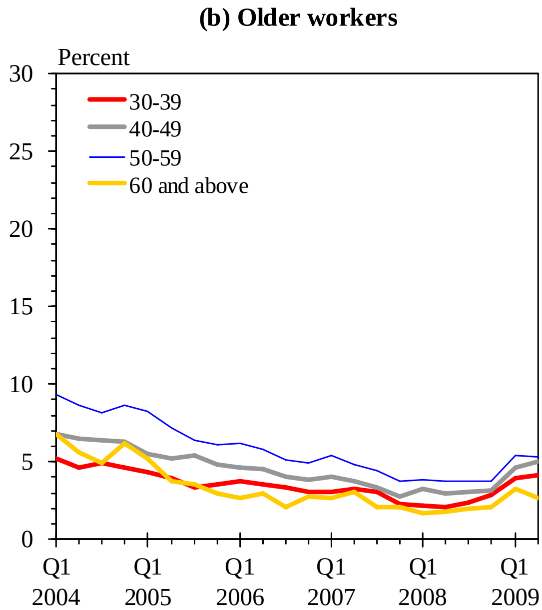




Notes : (*) Not seasonally adjusted, and not including first-time job seekers and re-entrants into the labour force.
(#) Including technicians and supervisors.

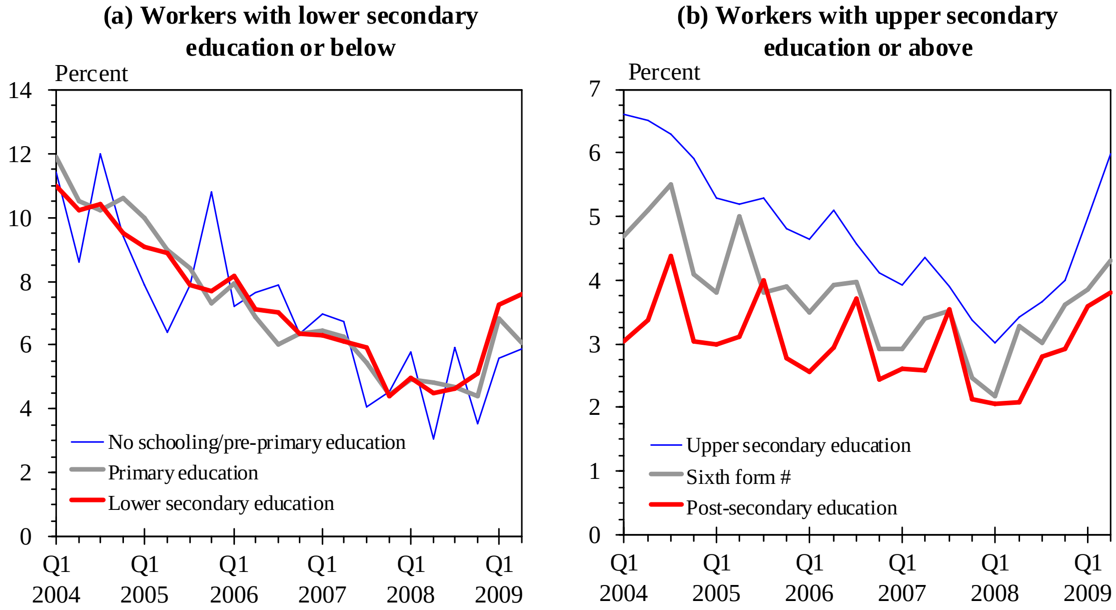
Diagram 5.4 : Notable increase in unemployment rate* was observed among younger workers in the second quarter of 2009





Note : (*) Not seasonally adjusted, but including first-time job seekers and re-entrants into the labour force.

Diagram 5.5 : Workers with secondary education or above suffered from the largest rise in unemployment rate* in the second quarter of 2009



Notes : (*) Not seasonally adjusted, but including first-time job seekers and re-entrants into the labour force.
(#) Including craft courses.

5.8 Indicators measuring the intensity of unemployment still depicted weak labour market conditions. The median duration of unemployment lengthened from 74 days in the first quarter of 2009 to 87 days in the second quarter. Both the number and the long-term unemployment rate (i.e. six months or longer) have been on the rise since the third quarter of 2008, reaching 51 700 persons and 1.4% respectively in the second quarter of 2009. On the other hand, the proportion of layoffs among the unemployed (excluding first-time job seekers) fell slightly from 72.0% in the first quarter to 70.7% in the second quarter of 2009.

Profile of underemployment

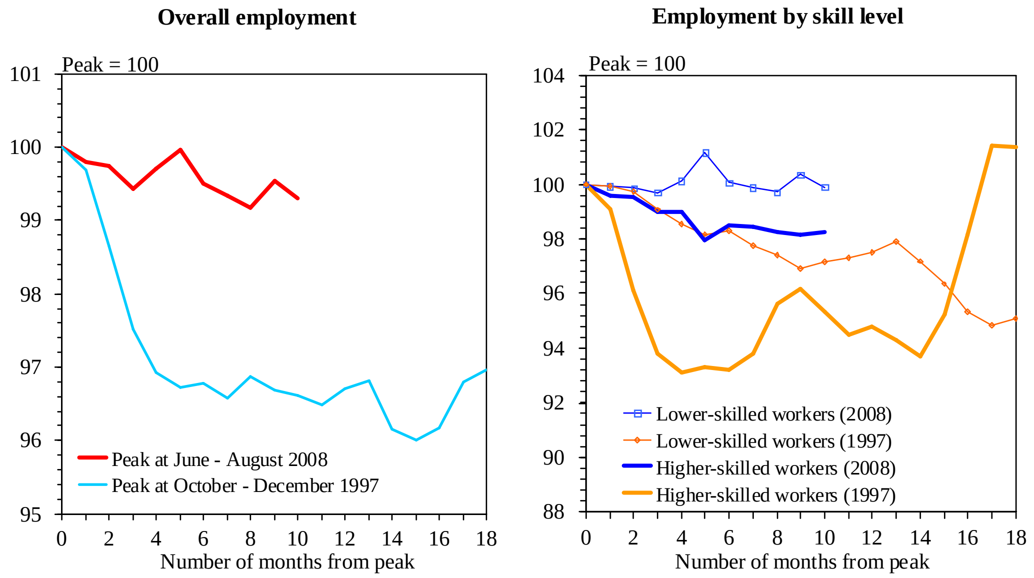
5.9 In the second quarter of 2009, the underemployment rate rose to 2.3% from 2.1% in the first quarter. The rise was particularly distinct in the construction sector (up by 2.9 percentage points to 13.4%). With over half of craft and related workers engaged in construction work, this occupation group thus recorded the largest increase in underemployment rate, by 2.3 percentage points to 10.8%.

Box 5.1

Comparison of labour market conditions by skill segment in the aftermath of Asian Financial Crisis and after the onset of the current global financial crisis

This box article aims to compare the adjustments in the labour market in the current global financial crisis (GFC) with the Asian Financial Crisis (AFC) in 1997.

Chart 1: Labour market is more resilient with fewer job losses in GFC



Note: Seasonality is involved throughout the analysis.

Contraction in employment is less severe in GFC than AFC

Although the real economy contracted more severely in the early phase of GFC than that after AFC, the labour market as a whole has exhibited greater resilience in the current crisis (Chart 1). Ten months after the pre-crisis employment peaked at June – August 2008, total employment declined by a cumulative of 24 800 in the second quarter of 2009. This was much smaller than the job loss of 109 200 during the first ten months of AFC. The increase in unemployed persons was also smaller in GFC than in AFC, at 74 100 as against 109 100 (Table 1).

Table 1: Snapshot on employment contraction in ten months after financial crises

	10 months after 1997 AFC (Change between Q4 97 & Aug-Oct 98)			10 months after 2008 GFC (Change between Jun-Aug 08 & Q2 09)		
	Employment	**Labour force**	**Unemployment (rate)**	**Employment**	**Labour force**	**Unemployment (rate)**
Overall	-109 200 (-3.4%)	-100 (#)	+109 100 (+3.2% points*)	-24 800 (-0.7%)	+49 300 (+1.3%)	+74 100 (+2.1% points*)
Of which:						
Higher-skilled	*-44 800 (-4.7%)*	*-31 600 (-3.3%)*	*+13 300 (+1.4% points)*	*-22 400 (-1.7%)*	*-400 (#)*	*+22 000 (+1.7% points)*
Lower-skilled	*-64 400 (-2.8%)*	*+11 000 (+0.5%)*	*+75 400 (+3.2% points)*	*-2 400 (-0.1%)*	*+56 700 (+2.4%)*	*+59 100 (+2.4% points)*

Notes: (*) Seasonally adjusted figures.
(#) Less than 0.05%.

It is worthy to note that the labour force participation rate (LFPR) and hence the labour force had moved in different directions during the two crises. During the first ten months of AFC,

Box 5.1 (Cont'd)

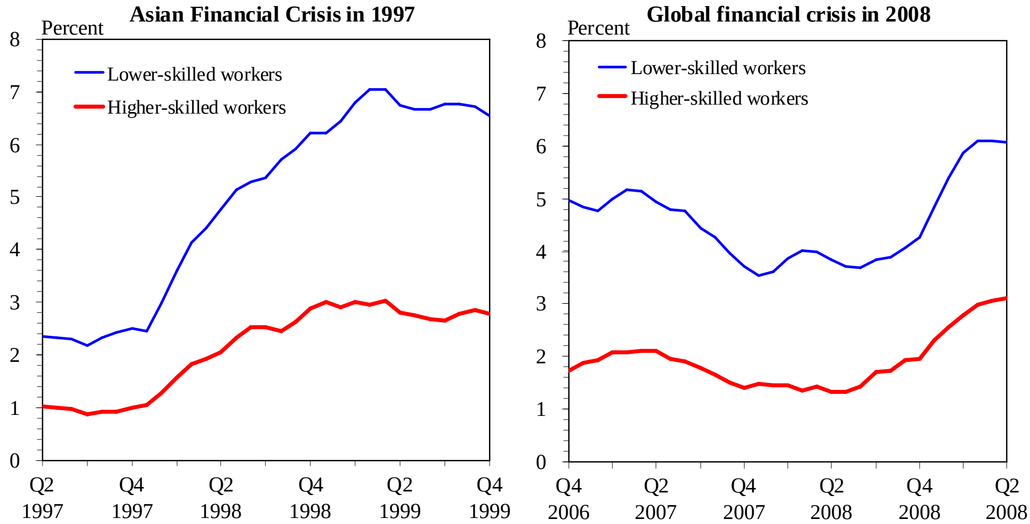
LFPR decreased by 0.7 percentage point for the economy as a whole and across most age groups, reflecting the drop-outs from the workforce amid the gloomy employment outlook at that time. On the contrary, the overall LFPR increased by 0.3 percentage point under the current crisis, in which more significant increase was seen among females aged 35-54. As such, the increase in unemployment rate could have been even more notable if not for the drop-outs in the labour force in AFC.

Higher-skilled workers suffered from a larger percentage decline in employment in the initial phase of both crises while unemployment rate of lower-skilled workers rose more

Analysed by skill segment, higher-skilled workers suffered from a larger percentage decline in employment in the first ten months after AFC (Table 1). A similar pattern is also observed during the early stage of GFC, with the decline in employment for higher-skilled segment also larger than lower-skilled segment, by 1.7% as against 0.1%. Over the whole period of AFC, total employment declined for five consecutive quarters, but most of the job-shedding took place in the first two quarters, particularly in the higher-skilled segment. In contrast, job-shedding for lower-skilled workers lasted over a longer period of six consecutive quarters.

In both crises, the increase in unemployment was across-the-board, but it was the lower-skilled segment that bore more of the brunt of the economic downturn. The unemployment rate for higher-skilled workers rose by 2.1 percentage points from a pre-crisis low of 0.9% in the third quarter of 1997 to 3.0% in March – May 1999 (Chart 2). Meanwhile, the unemployment rate for lower-skilled workers jumped by a larger extent of 4.8 percentage points from a pre-crisis low of 2.2% in the third quarter of 1997 to a peak of 7.0% in March – May 1999. A similar observation is found in the current crisis that lower-skilled workers have also experienced a larger rise in unemployment than higher-skilled workers. The unemployment rate for lower-skilled workers increased by 2.4 percentage points from 3.7% in June – August 2008 to 6.1% in the second quarter of 2009. In comparison, the unemployment rate for higher-skilled workers rose by 1.7 percentage points from 1.4% to 3.1% over the same period.

Chart 2: Unemployment rate* by skill segment in both crises



Note : (*) Not seasonally adjusted, and not including first-time job seekers and re-entrants into the labour force.

More moderate layoffs during GFC than AFC

As most companies did not have the experience to cope with an economic shock with scale similar to AFC, panic downsizing was not an uncommon response (Table 2). After experiencing different crises over the decade, employers appeared to have exercised greater restraint in laying off workers, despite the much weaker business environment during GFC.

Box 5.1 (Cont'd)

At the same time, workers also appeared to be more willing to accommodate wage reductions, shorter working hours and fewer working days. As a result, the increase in layoffs has been more moderate for both skill segments (Table 3). Mirroring this fact, the rise in unemployment rates for both skill segments is smaller this time round.

Table 2: Upsurge in layoffs during Asian Financial Crisis

	Change within one quarter after AFC (i.e. Q4 97-Q1 98)		Change within two quarters after AFC (i.e. Q4 97-Q2 98)		Change within three quarters after AFC (i.e. Q4 97-Q3 98)	
	No.	**%**	**No.**	**%**	**No.**	**%**
Overall	+27 600	+73.1%	+53 300	+141.0%	+71 100	+188.1%
Of which:						
Higher-skilled	*+3 700*	*+81.2%*	*+6 500*	*+142.2%*	*+12 300*	*+268.4%*
Lower-skilled	*+23 900*	*+72.0%*	*+46 800*	*+140.9%*	*+58 800*	*+177.0%*

Table 3: The current situation of layoffs was more moderate

	Change within one quarter after GFC (i.e. Q3 08-Q4 08)		Change within two quarters after GFC (i.e. Q3 08-Q1 09)		Change within three quarters after GFC (i.e. Q3 08-Q2 09)	
	No.	**%**	**No.**	**%**	**No.**	**%**
Overall	+16 900	+28.0%	+65 900	+109.3%	+70 800	+117.4%
Of which:						
Higher-skilled	*+5 100*	*+59.2%*	*+15 200*	*+176.3%*	*+19 700*	*+228.2%*
Lower-skilled	*+11 800*	*+22.8%*	*+50 700*	*+98.1%*	*+51 100*	*+98.9%*

Counter-cyclical measures have been introduced by the Government in GFC

Complementing the experience gained in the private sector, the Government also responds faster and more proactively to deal with the global financial crisis, especially in the direction of creating employment opportunities and providing assistance to companies in financial difficulties. Apart from the measures to preserve employment, the Government has also introduced several rounds of fiscal stimulus measures to mitigate the impact of the global recession. For 2008 and 2009 taken together, the total value of discretionary fiscal measures introduced by the Hong Kong Government has amounted to $87.6 billion or 5.2% of GDP, which would lift Hong Kong's GDP in 2009 by around 2 percentage points after taking into account import leakage and spillover effects. Clearly, in the absence of discretionary measures, the extent of recession in Hong Kong and correspondingly the extent of job loss, would have been more severe. Also, as part of the three-prone strategy of 'Stabilise the financial system, Support enterprises and Preserve jobs', the Government has extended the existing SME Loan Guarantee Scheme and introduced a Special Loan Guarantee Scheme to help business firms during this difficult period. By end-July 2009, some 11 000 companies, employing over 190 000 people, have benefited from these loan schemes. These loan schemes have rendered the assistance at a time when credit is restrained, thereby contributing towards the goal of preserving employment both directly in the companies that applied for the loans and indirectly in other companies that provide goods and services to them.

Further analysis

In order to more completely understand the labour market conditions between AFC and GFC, another box article focuses on sectoral analysis, will be provided in the next economic report.

Profile of employment in establishments

5.10 Quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available only after a relatively long time lag, with the latest figures referring only to March 2009. In view of this limitation, attempts have been made to bring the analysis more up-to-date, based particularly on information supplied from supplementary sources.

5.11 Comparing March 2009 with a year earlier, total employment in private sector establishments declined by 1.0%, reversing the uptrend since March 2004. By economic sector, notable job losses were seen in the manufacturing (down 7.0%), import/export trade and wholesale (down 4.5%), and real estate (down 1.2%) sectors; offsetting job gains recorded in the sectors of construction sites(6) (up 2.8%), accommodation services (up 2.7%), and social and personal services (up 2.6%). By establishment size, larger enterprises in the private sector appeared to have retained some capacity for job creation with a gain of 45 200 jobs (up 3.6%), whereas jobs in small and medium-sized enterprises (SMEs)(7) were reduced by 70 100 (down 5.7%) from a year earlier. As regards the civil service, the number of employees rose by 1.1% as compared with a year earlier. This reflected the efforts of the Government to speed up recruitment, as part of the measures to mitigate the impact of the global financial and economic crisis.

5.12 In addition to regular employment and placement services, the Labour Department (LD) has organised large-scale and mini-job fairs at various locations to respond speedily to the recruitment needs of employers and offer convenient services to job seekers. In the first half of 2009, the LD has organised nine large-scale job fairs and 198 mini-job fairs. At the same time, the Employees Retraining Board will closely monitor changes in labour market conditions to flexibly adjust the allocation of training places. The Board plans to provide 123 000 training places and has reserved resources to provide an additional 20 000 training places this financial year to meet increasing demand.

5.13 Faced with the entry of fresh graduates and school leavers into the labour market in the coming months, the Government has enhanced its employment programmes to encourage employment among youths and launched the “Internship Programme for University Graduates” in August this year. The programme aims to provide about 4 000 places for university graduates to work as interns and receive training in local and Mainland enterprises for 6 to 12 months.

Table 5.3 : Employment by major economic sector

	2008					2009
	Annual average	Mar	Jun	Sep	Dec	Mar
Import/export trade and wholesale	582 500 (-0.6)	586 200 (0.1)	585 400 (-0.1)	582 000 (-0.5)	576 600 (-1.8)	559 800 (-4.5)
Retail	236 000 (2.8)	233 400 (3.3)	236 100 (2.8)	237 800 (3.6)	236 900 (1.5)	232 000 (-0.6)
Accommodation and food services	241 500 (2.0)	238 200 (1.8)	241 900 (3.7)	245 100 (2.5)	240 700 (*)	238 200 (*)
Transportation, storage, postal and courier services[a]	156 300 (3.5)	155 500 (5.1)	157 000 (3.1)	156 900 (3.8)	155 800 (1.8)	158 000 (1.6)
Information and communications	88 600 (3.6)	86 900 (2.2)	89 800 (5.3)	89 900 (5.2)	87 700 (1.7)	86 100 (-0.9)
Financing and insurance, real estate, professional and business services[a]	577 100 (3.4)	573 700 (5.2)	578 600 (3.8)	581 800 (3.7)	574 400 (1.1)	572 700 (-0.2)
Social and personal services[a]	401 600 (3.6)	396 600 (3.3)	399 000 (2.9)	405 000 (4.5)	406 000 (3.8)	407 100 (2.6)
Manufacturing	132 500 (-3.5)	135 200 (-2.9)	133 000 (-3.7)	131 300 (-3.7)	130 600 (-3.8)	125 700 (-7.0)
Construction sites (manual workers only)	49 400 (-1.5)	50 500 (0.3)	49 600 (-3.0)	48 100 (-2.1)	49 400 (-1.3)	51 900 (2.8)
All establishments surveyed in the private sector[a] [b]	*2 476 400* *(1.8)*	*2 467 200* *(2.5)* *<0.9>*	*2 480 800* *(2.1)* *<0.2>*	*2 488 900* *(2.2)* *<0.5>*	*2 468 900* *(0.5)* *<-1.0>*	*2 442 200* *(-1.0)* *<-0.7>*
Civil service[c]	*154 000* *(0.1)*	*153 500* *(-0.2)*	*153 700* *(*)*	*154 300* *(0.4)*	*154 300* *(0.3)*	*155 100* *(1.1)*

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) Starting from March 2009, the survey coverage has been expanded to include more economic activities in some of the industries due to the change in industrial classification based on the Hong Kong Standard Industrial Classification Version 2.0. The activities newly covered are in the industries of transportation, storage, postal and courier services; professional and business services; and social and personal services.

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

(c) 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 outside Hong Kong, 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

5.14 With the heavy drag from the global crisis stifling firms' expansion and staffing plans, job vacancies had been dwindling since September 2008 and the decline had widened further in March 2009. Following a year-on-year decline of 33.1% in December 2008, private sector vacancies plummeted even more by 50.6% in March 2009 over a year earlier. Marked declines occurred almost across all major economic sectors, except the food and beverage services sector, which registered an increase of 5.3%. Notable decreases were found in the import/export trade and wholesale (down 67.1%), arts, entertainment, recreation and other services (down 66.2%), financing and insurance (down 65.8%), and professional and business services (excluding cleaning and similar services) (down 58.4%) sectors.

5.15 In the midst of such a difficult economic climate, job vacancies had dwindled across-the-board. Specifically, job vacancies for the higher-skilled and lower-skilled workers were cut back by 51.6% and 49.9% respectively in March 2009 over a year earlier. The declines were most serious among clerks (down 76.0%), followed by associate professionals (down 53.1%), managers and administrators (down 51.4%), and plant and machine operators and assemblers (down 50.1%). Compared to the unemployment numbers in March 2009, this gave a ratio of 15 job vacancies per 100 unemployed, in contrast to 48 in March 2008. In general, there were significantly more job-seekers but far fewer vacancies in the current job market. The corresponding ratio for lower-skilled jobs fell from 36 to 12, while that for higher-skilled jobs exhibited a greater decline from 124 to 31. These figures suggest that employment conditions for workers in both skill segments, especially those in the higher-skilled segment, remain austere under the prevailing weak economic climate. By establishment size, vacancies at SMEs and large enterprises were both significantly lower by 54.7% and 46.9% respectively in March 2009 when compared to a year earlier.

5.16 Over the period, the vacancy rate fell further from 1.3% in December 2008 to 1.1% in March 2009, and distinctly down from 2.2% a year ago. As compared to a year earlier, notable decreases were found in the financing and insurance, real estate, professional and business services (from 2.8% to 1.2%), information and communications (from 2.3% to 1.0%), and social and personal services (from 3.0% to 1.7%) sectors.

5.17 As regards the civil service, the total number of vacancies in March 2009 was 5 300, slightly down from 5 500 a year earlier. As a result of the Government's efforts to expedite the recruitment of civil servants, the filling of vacancies in the civil service can be expected to speed up in the remainder of this year.

5.18 Up-to-date information showed that the Labour Department (LD) posted around 46 000 private sector vacancies in June 2009, a number which was lower by 11.3% over June 2008 but up 13.5% over May 2009. When compared with a year earlier, private sector vacancies in the second quarter of 2009 decreased by 23.9%. In view of the current economic environment, employers are likely to remain cautious in recruitment decisions. The LD will continue its efforts to provide employment and placement services to facilitate job matching, in particular to those employees being made redundant amid the financial crisis. The LD will contact the affected employees and provide them with priority referral and job matching services so that they can find suitable jobs as soon as possible. The LD will also organise more job fairs to provide job seekers with up-to-date and relevant employment information.

Diagram 5.6 : Vacancies in most occupations have fallen in the first quarter of 2009

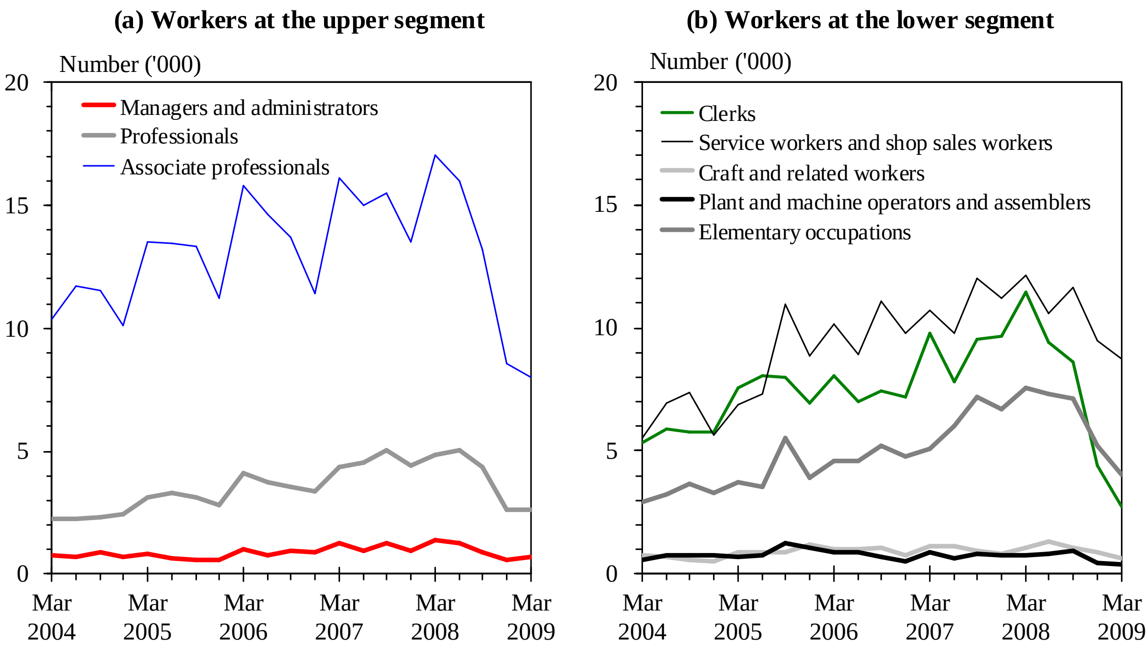


Table 5.4 : Vacancies by major economic sector

	Number of vacancies						
	2008					2009	
	Annual average	Mar	Jun	Sep	Dec	Mar	Vacancy Rate
Import/export trade and wholesale	7 600 (-17.1)	9 900 (-4.2)	9 000 (-0.6)	7 200 (-18.0)	4 100 (-50.1)	3 300 (-67.1)	0.6
Retail	5 000 (7.6)	5 700 (14.7)	5 200 (25.5)	5 500 (9.8)	3 500 (-19.7)	2 900 (-49.6)	1.2
Accommodation and food services	5 500 (5.0)	5 400 (24.6)	5 600 (21.7)	5 400 (-19.4)	5 700 (5.6)	5 200 (-4.2)	2.1
Transportation, storage, postal and courier services[(a)]	1 700 (-12.0)	2 300 (28.4)	1 900 (0.3)	1 600 (-24.9)	900 (-50.8)	1 000 (-58.2)	0.6
Information and communications	1 900 (-9.7)	2 100 (-5.0)	2 400 (26.1)	2 200 (-6.2)	800 (-55.5)	900 (-57.8)	1.0
Financing and insurance, real estate, and professional and business services[(a)]	13 100 (-9.6)	16 300 (10.1)	14 300 (2.9)	13 100 (-14.0)	8 600 (-38.2)	6 800 (-58.4)	1.2
Social and personal services[(a)]	10 500 (9.9)	12 400 (41.5)	11 100 (30.2)	11 200 (8.7)	7 300 (-31.2)	7 100 (-42.6)	1.7
Manufacturing	1 600 (-9.2)	2 000 (0.1)	2 000 (12.4)	1 500 (-16.2)	1 100 (-36.2)	700 (-67.1)	0.5
Construction sites (manual workers only)	# (26.3)	# (*)	# (87.5)	# (57.7)	# (-26.7)	# (-92.1)	*
All establishments surveyed in the private sector[(a)(b)]	*46 900* *(-4.0)*	*56 200* *(14.0)* *<-3.0>*	*51 600* *(12.5)* *<-1.5>*	*47 800* *(-8.7)* *<-12.2>*	*32 200* *(-33.1)* *<-20.4>*	*27 800* *(-50.6)* *<-28.2>*	1.1
Civil service[(c)]	*5 800* *(127.7)*	*5 500* *(366.2)*	*6 200* *(94.4)*	*5 500* *(81.6)*	*5 800* *(114.8)*	*5 300* *(-3.8)*	3.3

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

(a) Starting from March 2009, the survey coverage has been expanded to include more economic activities in some of the industries due to the change in industrial classification based on the Hong Kong Standard Industrial Classification Version 2.0. The activities newly covered are in the industries of transportation, storage, postal and courier services; professional and business services; and social and personal services.

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

(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

( ) % change over a year earlier.

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

(#) Less than 50.

(*) Less than 0.05%.

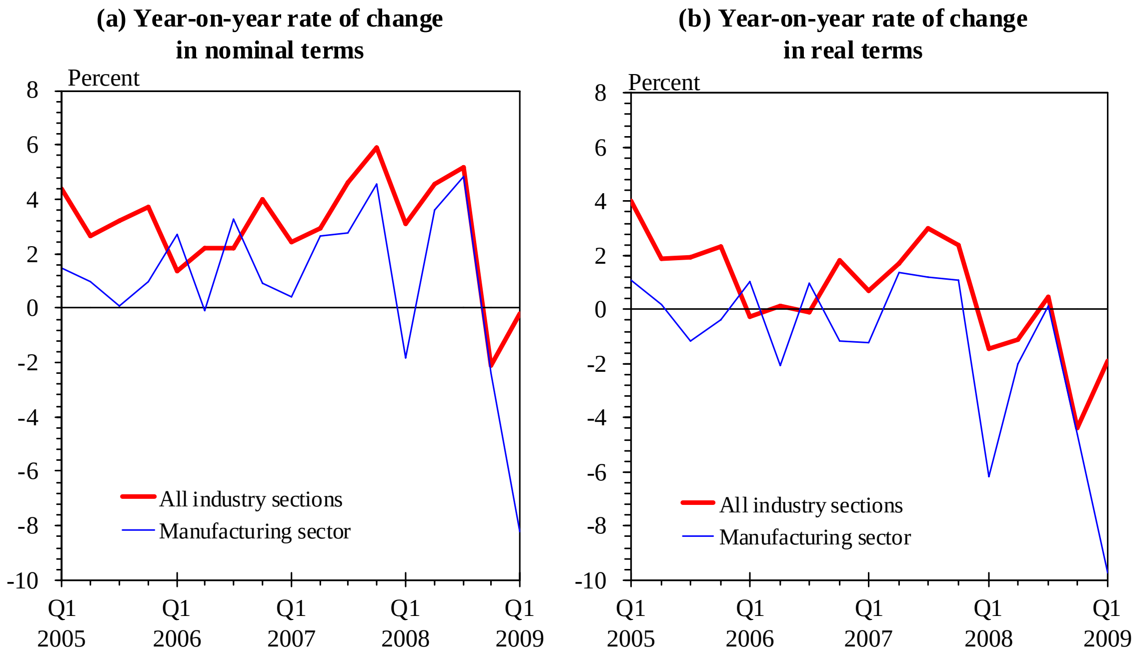
Sources : Quarterly Survey of Employment and Vacancies, Census and Statistics Department.
Quarterly Employment Survey of Construction Sites, Census and Statistics Department.

Earnings and wages

5.19 *Labour earnings*[8], as measured by payroll per person engaged in the private sector, fell by 0.2% in nominal terms in the first quarter of 2009 over a year earlier. The year-on-year rate of decline narrowed as compared to the 2.1% decline in the fourth quarter of 2008. After adjusting for inflation, labour earnings fell by 1.9% in real terms[9]. On a seasonally adjusted basis, private sector payroll remained stable in nominal terms but declined slightly by 0.9% in real terms over the preceding quarter.

5.20 Nominal pay reductions were widespread in many economic sectors. Although the property market staged a rebound in the first quarter of 2009, the total number of sale and purchase agreements received for registration in the first quarter of 2009 was still significantly lower than a year earlier. As a result, workers in real estate activities suffered the largest reduction in earnings, by 14.2% over a year earlier. A lower but still significant year-on-year reduction in earnings (by 9.8%) was observed in financing and insurance activities. External-oriented sectors such as manufacturing, and import/export trade and wholesale also experienced pay cuts of 8.2% and 5.7% respectively, conceivably due to an acute deterioration in export business in the first quarter. On the other hand, workers in the social and personal services sectors enjoyed visible earnings growth of 6.8%.

Diagram 5.7 : Payroll continued to decline in the first quarter of 2009



5.21 *Labour wages*, as a measure of regular payment to employees at the supervisory level or below, fell by 0.9% year-on-year in nominal terms in March 2009. This was in contrast to the 0.9% increase recorded in December 2008. The decrease was partly due to reduction in guaranteed bonuses and allowances. After adjusting for inflation, labour wages in real terms declined by 1.4% year-on-year in March 2009, as against the decrease of 0.4% year-on-year in December 2008.

5.22 In March 2009, decreases in nominal wages were more notable in the accommodation and food service activities (down 2.1%), and import/export and wholesale and retail trades (down 1.1%) and transportation (down 0.9%) sectors. On the other hand, workers engaged in the manufacturing, personal services, and professional and business services sectors enjoyed year-on-year increases in wages of 2.2%, 1.9% and 1.0% respectively. In terms of occupation category, some lower-skilled groups such as services workers, miscellaneous non-production workers and craftsmen still recorded mild increases in wages, by 1.2%, 1.1% and 0.7% respectively. In contrast, year-on-year declines were registered in the remaining occupations of operatives (down 2.7%), supervisory and technical workers (down 1.3%) and clerks (down 0.4%).

5.23 Latest statistics from the General Household Survey, though not strictly comparable to figures gathered from business establishments, revealed that in the second quarter of 2009, the overall average monthly employment earnings(10) of employed persons (excluding foreign domestic helpers) increased by 1.6% over a year earlier. Lower-skilled workers suffered a decline of 1.4% in average earnings, whereas higher-skilled workers enjoyed an increase of 3.5%.

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) Labour force and employment statistics compiled from the General Household Survey for the period from Q1 2008 to Q4 2008 have been revised to take into account the results of the revised population of 2008.

(3) 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.

(4) 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).

(5) 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.

(6) Taking into account off-site workers and related professional and support staff, employment in the entire building and construction sector actually decreased by 0.2% in the second quarter of 2009.

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.

(7) 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.

(8) 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.

(9) 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.

(10) 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.