CHAPTER 6 : THE LABOUR SECTOR

Summary

- *The labour market tightened in 2017 on the back of a vibrant local economy. Both the unemployment and underemployment rates went lower progressively over the course of 2017, averaging at post-1997 lows of 3.1% and 1.1% respectively for the year as a whole.*

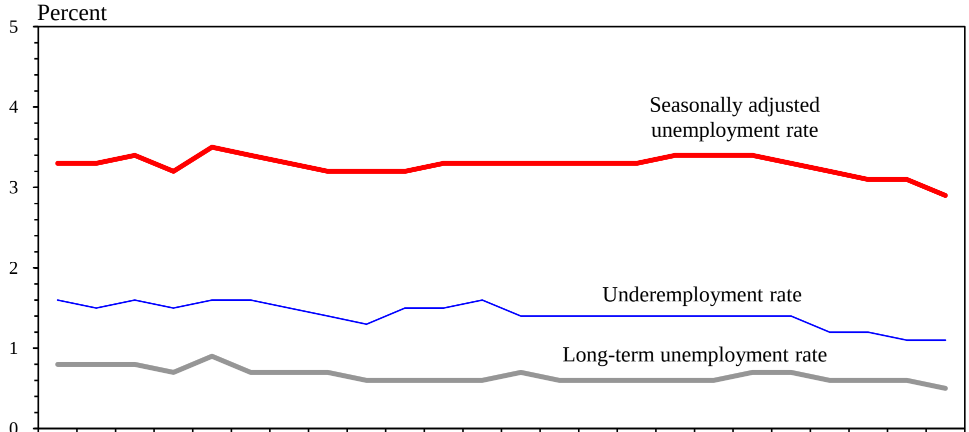
- *Vacancies in the private sector posted a modest increase upon entering 2017 in tandem with the solid employment growth, reflecting the robust labour demand. The number of private sector job vacancies rebounded by 1.6% year-on-year for the first three quarters of 2017 as a whole, after showing annual declines for three consecutive years.*

- *Benefiting from the broad-based tightening of the labour market, wages and earnings continued to post appreciable real growth across most of the major sectors in 2017. Meanwhile, the uprating of the Statutory Minimum Wage (SMW) since May 2017 provided additional impetus to the earnings growth for the grassroots.*

Overall labour market situation[(1)]

6.1 The labour market showed a broad-based tightening during 2017, thanks to the strong performance of the local economy. Both the labour force and total employment picked up notably in growth throughout the year, with the latter reaching a new record high of 3.83 million for the year as a whole. The seasonally adjusted *unemployment rate*[(2)] declined progressively over the course of 2017 and reached 2.9% in the final quarter of the year, below 3% for the first time in nearly 20 years. As a result, the unemployment rate averaged 3.1% for 2017 as a whole, 0.3 percentage point below that in 2016. Meanwhile, the *underemployment rate*[(3)] stayed low during the year, averaging 1.1% for 2017 as a whole, also down by 0.3 percentage point from 2016. Both figures were at their lowest levels since 1998. Data collected from private sector establishments likewise pointed to sturdy labour demand, with the number of vacancies registering year-on-year increases in the first three quarters of 2017 alongside the solid job gains. Backed by persistently tight manpower situation and benign economic conditions, overall wages and earnings sustained appreciable real increases in the first three quarters of 2017. Earnings growth of grassroots workers remained particularly notable, thanks partly to the additional boost from the SMW uprating since May 2017.

Diagram 6.1 : The labour market tightened in 2017 on the back of a buoyant local economy



	2012				2013				2014				2015				2016				2017			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Seasonally adjusted unemployment rate	3.3	3.3	3.4	3.2	3.5	3.4	3.3	3.2	3.2	3.2	3.3	3.3	3.3	3.3	3.3	3.3	3.4	3.4	3.4	3.3	3.2	3.1	3.1	2.9
Underemployment rate	1.6	1.5	1.6	1.5	1.6	1.6	1.5	1.4	1.3	1.5	1.5	1.6	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.2	1.2	1.1	1.1
Long-term unemployment rate	0.8	0.8	0.8	0.7	0.9	0.7	0.7	0.7	0.6	0.6	0.6	0.6	0.7	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.6	0.6	0.6	0.5
Annual unemployment rate	3.3				3.4				3.3				3.3				3.4				3.1#			
Annual underemployment rate	1.5				1.5				1.5				1.4				1.4				1.1#			

Note : # Provisional figures.

Labour force and total employment

6.2 On the supply side, the *labour force*[(4)] grew by 0.9% in 2017 to 3 955 200, mainly driven by the increase in working-age population (i.e. land-based non-institutional population aged 15 and above). The labour force participation rate likewise edged up to 61.2% in 2017, as abundant job opportunities together with better income prospects helped entice more people to join or re-enter the labour market.

6.3 On the demand side, *total employment*[(5)] expanded by 1.2% in 2017 to reach another annual high of 3 833 100, the fastest growth pace since 2014. Specifically, the employment situation in the retail, accommodation and food services sector witnessed a remarkable turnaround in 2017, thanks to the vibrant local consumption demand and gradual recovery of inbound tourism. In terms of the quarterly profile, the year-on-year growth in total employment accelerated over the course of 2017, from 1.0% in the first quarter to 1.3% and 1.4% in the second and third quarters respectively and further to 1.7% in the fourth quarter.

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

		Labour force		Persons employed		Persons unemployed[(a)]	Persons underemployed
2016	Annual	3 920 100	(0.4)	3 787 100	(0.4)	133 000	54 700
	Q1	3 914 100	(0.2)	3 783 000	(§)	131 100	53 500
	Q2	3 911 200	(0.5)	3 774 300	(0.3)	136 900	54 500
	Q3	3 925 700	(0.4)	3 785 800	(0.4)	140 000	55 800
	Q4	3 909 500	(0.1)	3 787 100	(0.2)	122 400	54 600
2017	Annual[#]	3 955 200	(0.9)	3 833 100	(1.2)	122 000	45 100
	Q1	3 947 400	(0.9)	3 822 400	(1.0)	125 000	49 000
	Q2	3 947 200	(0.9)	3 822 100	(1.3)	125 200	45 500
	Q3	3 965 600	(1.0)	3 837 400	(1.4)	128 200	43 700
	Q4	3 960 400	(1.3) <0.2>	3 850 600	(1.7) <0.3>	109 800	42 100

Notes : (a) These include first-time job-seekers and re-entrants into the labour force.
( ) % change over a year earlier.
< > Seasonally adjusted quarter-to-quarter % change for the fourth quarter of 2017.
Provisional figures.
§ Change less than 0.05%.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.2 : Growth in both the labour force and total employment picked up notably in 2017

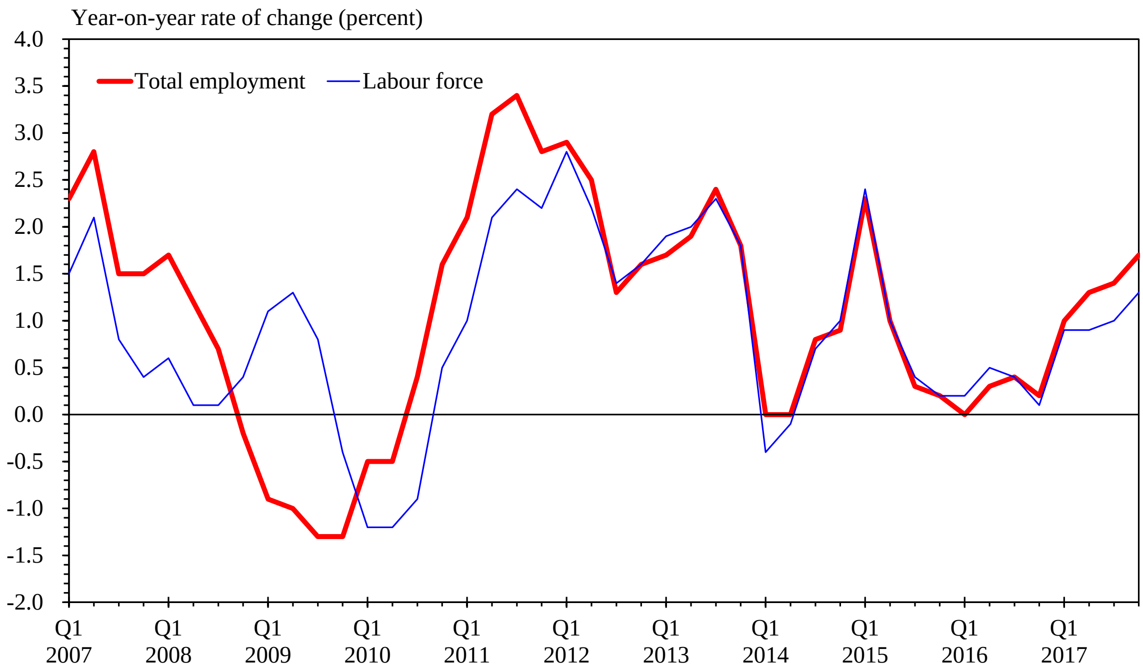


Table 6.2 : Labour force participation rates by gender and by age group (%)

	2012	2013	2014	2015	2016	2017#
Male						
15-24	36.3	37.8	37.8	39.1	39.5	38.6
of which:						
15-19	*10.4*	*11.0*	*11.1*	*11.7*	*12.9*	*10.2*
20-24	*61.1*	*62.5*	*61.4*	*62.0*	*60.7*	*60.3*
25-29	94.4	93.8	93.4	93.7	92.9	92.6
30-39	96.8	96.9	96.5	96.5	96.4	96.6
40-49	95.3	95.5	94.7	95.1	95.0	95.3
50-59	85.2	86.9	86.7	86.6	86.0	86.9
≥ 60	25.5	27.0	28.0	28.5	29.9	30.3
Overall	68.7	69.2	68.8	68.8	68.6	68.5
Female						
15-24	37.6	40.0	39.3	41.4	41.9	41.6
of which:						
15-19	*9.7*	*11.5*	*12.5*	*12.8*	*12.3*	*11.8*
20-24	*62.2*	*64.2*	*61.4*	*63.6*	*63.6*	*62.4*
25-29	87.3	86.5	86.3	85.7	86.2	86.7
30-39	77.6	78.4	78.9	78.4	78.0	79.6
40-49	70.7	72.8	73.0	73.7	73.4	74.1
50-59	53.9	56.2	57.2	58.3	59.7	59.9
≥ 60	8.8	9.7	10.7	11.4	12.3	13.5
Overall	53.5	54.5	54.5	54.7	54.8	55.1
Both genders combined						
15-24	36.9	38.9	38.5	40.2	40.7	40.1
of which:						
15-19	*10.0*	*11.3*	*11.8*	*12.3*	*12.6*	*11.0*
20-24	*61.6*	*63.4*	*61.4*	*62.8*	*62.2*	*61.4*
25-29	90.3	89.6	89.4	89.2	89.2	89.4
30-39	85.5	85.9	86.0	85.7	85.4	86.4
40-49	81.4	82.5	82.3	82.7	82.4	82.8
50-59	69.2	71.1	71.4	71.8	72.2	72.6
≥ 60	16.9	18.0	19.0	19.6	20.7	21.6
Overall	60.5	61.2	61.1	61.1	61.1	61.2

Note : # Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Box 6.1

Compositional changes in Hong Kong's labour force

The composition of labour force is closely related to the demographic profile of the underlying population. An older population normally implies an older labour force, and similarly, a more educated population generally results in a more educated labour force[(1)]. With the composition of Hong Kong's population having undergone substantial changes over the past couple of decades, it is worthwhile to examine the trends in the make-up of the labour force. Observations on these past trends may help shed some lights on the future composition of the labour supply in Hong Kong along with the ongoing change in demographics.

Changes in the make-up of the labour force

Charts 1(a) and ***1(b)*** show the population pyramids of Hong Kong in 1996 and 2016 respectively[(2)]. Population pyramids are often used to illustrate the shift in age and sex composition of population over time in a graphical way. The educational make-up of the labour force is superimposed on the standard population pyramid to provide additional information on the size and composition of the labour force. Darker colours indicate higher educational attainment within the labour force. The larger the proportion of the hatched area within each age-sex category (i.e. the share of persons not in the labour force), the lower the corresponding labour force participation rate (LFPR). A few salient observations on the changes in the composition of the labour force can be made by comparing the two pyramids in ***Chart 1***.

(a) Older labour force

Hong Kong's population aged considerably over the last twenty years. Due to a low fertility rate, the number of younger persons decreased over time, as reflected by the shrinking base of the population pyramid in 2016. At the same time, the middle and top parts of the pyramid became wider. The proportion of persons aged 45-64 increased from 19.6% in 1996 to 32.4% in 2016, while that of those aged 65 and above also went up significantly by 6.2 percentage points to 16.6% over the same period, thanks in part to the rising life expectancy.

Similar trend is also observed in the labour force as the underlying population became older. While the labour force comprised workers mostly in their 20's and 30's in 1996 (58.7% of the total labour force), 54.3% of the labour force was between 40 to 64 years old in 2016. On the other hand, workers aged 60 and above accounted for 9.0% of the labour force in 2016, more than doubled the share in 1996. These trends can be seen graphically with the somewhat triangular-shaped labour force in ***Chart 1(a)*** as against a more rectangular-shaped one in ***Chart 1(b)***.

Another factor contributing to an older labour force is the increase in LFPR of older age groups over the period. Specifically, the LFPR for those aged 60-64 went up notably from 31.4% in 1996 to 44.7% in 2016 and those aged 65-69 also saw an increase in their LFPR by 5.7 percentage points to 20.7% over the same period. These changes can be seen by comparing the shares of the hatched areas within each of the corresponding age groups in ***Charts 1(a)*** and ***1(b)***.

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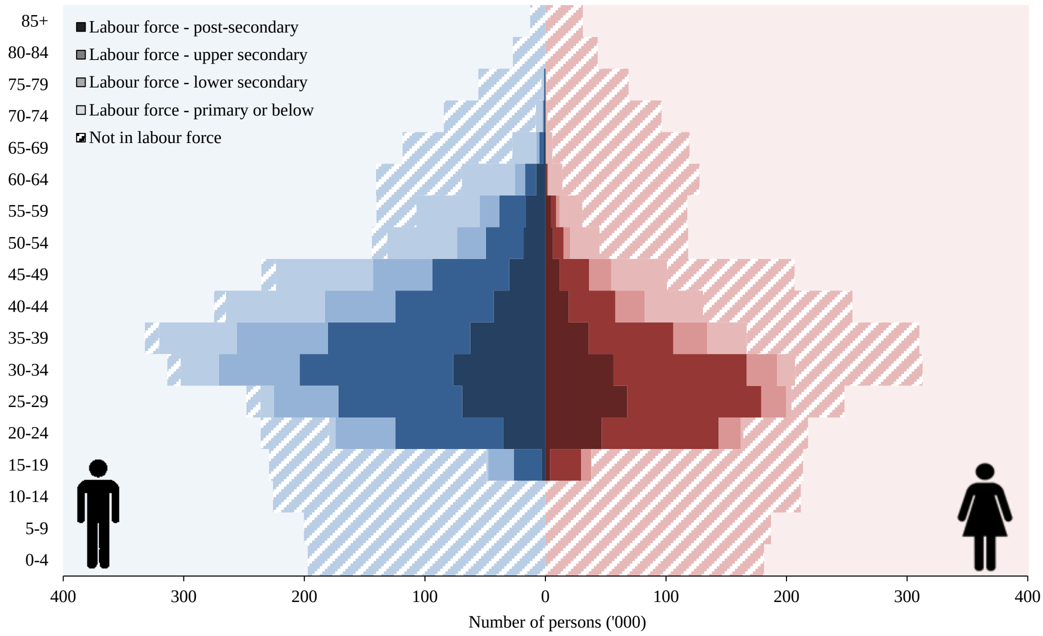
(1) The compositional changes in the population do not necessarily translate proportionally to that in the labour force. At an aggregate level, the tendency to participate in the labour market varies across persons of different age, sex, and educational attainment. This in turn affects the size and make-up of the labour force, on top of the impact stemming from compositional changes in the underlying population.

(2) All charts and statistics in this article exclude foreign domestic helpers (FDHs).

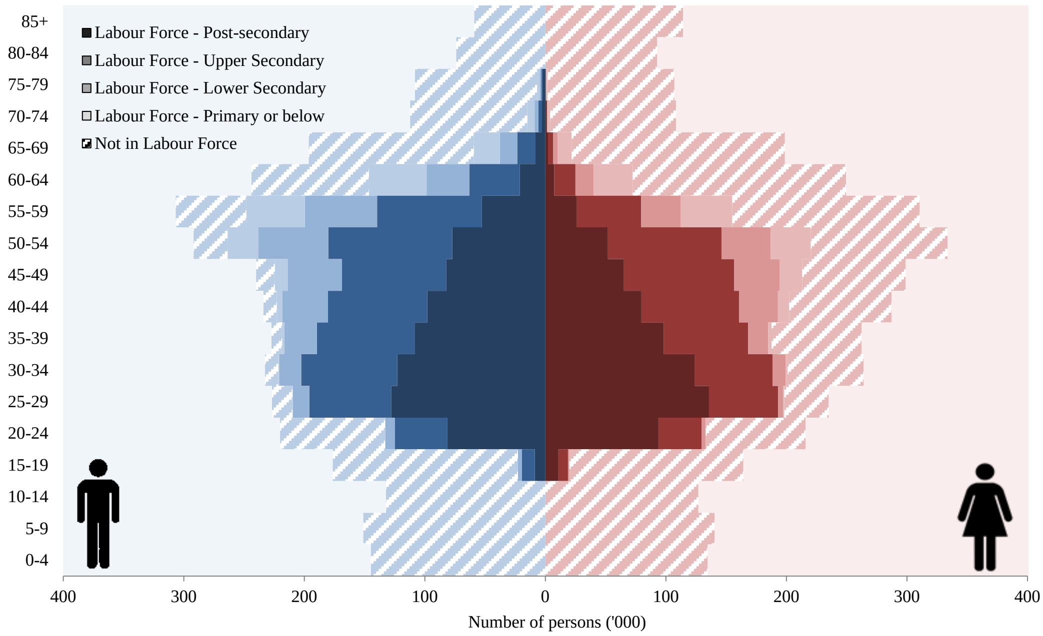
Box 6.1 (Cont'd)

Chart 1: Population pyramids with educational attainment of the labour force

(a) 1996



(b) 2016



Notes: Population figures are mid-year figures. Labour force aged 75 and above is grouped under 75-79, for the purpose of compiling the above charts. Post-secondary education includes both degree and non-degree courses.

Source: Demographic Statistics Section and Social Analysis and Research Section, Census and Statistics Department.

The reasons for such increase in LFPR are manifold. First, older workers can stay in the labour force longer because of their better health in general. In addition, as Hong Kong has developed into a highly service-oriented and knowledge-based economy, many jobs become less physically demanding yet require higher skills instead. This coupled with the education upgrade of the older population over time implies that there are more employment opportunities for older workers than before. At the same time, the more favourable labour market conditions and income prospects in the lower-skilled segment since the implementation of the Statutory Minimum Wage (SMW) in 2011 have also attracted some older persons, especially those with lower education level and female workers, to stay in or re-enter the labour market.

Box 6.1 (Cont'd)

(b) Fewer youth workers

Fewer youths (i.e. persons aged 15-24) were in the labour force in 2016. Not only the number of persons aged 15-24 decreased over the period, but so did their corresponding LFPR. In 1996, 20.1% and 77.3% of those aged 15-19 and 20-24 participated in the labour market, while only 12.6% and 61.3% did so respectively in 2016. This was conceivably due to more youngsters delaying employment in favour of pursuing further study, owing to better and wider education opportunities in recent years.

(c) More educated labour force

Hong Kong's labour force became much better educated compared with two decades ago. The proportion of labour force with post-secondary education (as indicated by the share of the darkest-coloured area in ***Chart 1***) increased substantially from 20.4% in 1996 to 41.1% in 2016. Meanwhile, only 9.0% of the labour force had primary or below education in 2016, down from 22.1% in 1996. Not surprisingly, the younger workforce was more educated than the older, as shown by the higher share of darker-coloured area (indicating higher educational attainment) in the lower portion of the labour force pyramid in 2016.

(d) More women in the workforce

More women were in the labour force in 2016 than in 1996. Comparing ***Charts 1(a)*** and ***1(b)***, it is noted that for 2016, the area representing female labour force (i.e. the solid area on the right-hand side) is substantially larger. Its size was also more comparable to that of the male counterpart in 2016 than in 1996. The driving force behind a larger pool of female workers was not only the faster growth in female population, but also the increase in female LFPR, as manifested in the much larger change in the gender ratio of the labour force than that of the population. ***Chart 2(a)*** shows that the female LFPR went up for all age groups above 25 years old [(3)] between 1996 and 2016, while that of male held relatively stable over the same period.

Chart 2(a): Female LFPR increased

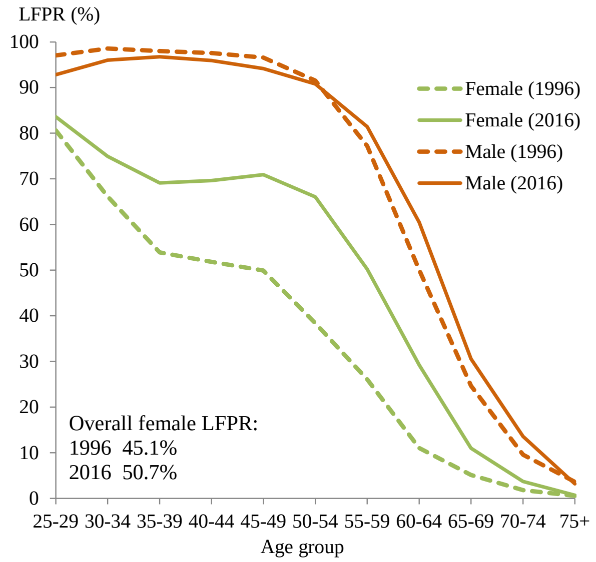
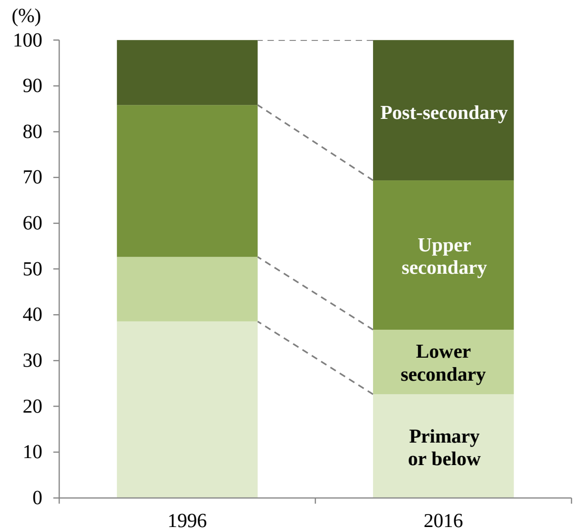


Chart 2(b): Upgrade in the educational attainment of the female population[(*)]



Notes: (*) Includes only female land-based non-institutional population aged 15 and above.
Post-secondary education includes both degree and non-degree courses.

Source: Social Analysis and Research Section, Census and Statistics Department.

(3) Female LFPR for the age groups 15-19 and 20-24 were lower in 2016 than in 1996, likely due to delayed employment for more education as discussed above. Similar trend is also observed for male LFPR in the same age groups.

Box 6.1 (Cont'd)

The higher LFPR of female is partly attributable to their higher education level in general. There was a major education upgrade in the female population over the past twenty years (***Chart 2(b)***). Typically, persons with higher education level are more likely to seek jobs because of their higher opportunity cost of not working [(4)]. By the same token, women with higher education level are less likely to drop out of the labour force after getting married or having children. Besides, the increased availability of foreign domestic helpers has helped lessen some of the household responsibilities of women, particularly those living with children, thus allowing more of them to participate in the labour market than before [(5)].

Implications for the future labour supply

According to the latest projection by the Census and Statistics Department (C&SD), Hong Kong's labour force is projected to decrease after reaching a plateau during 2019 to 2022, amid a slow-growing and ageing population [(6)]. The latest projection has taken into account the increasing trends of LFPR among female and older age groups in the past, especially in the more recent years. Indeed, the rising LFPR of these groups has helped counteract in part the effects of other factors contributing to reducing the labour force (such as the shrinking young cohorts). Given the education upgrade of the population in general and the evolving employment structure towards less physically demanding jobs, the elevated levels of LFPR for female and older age groups are likely to sustain in the future.

Apart from the decline in size, the composition of the labour force will also continue to change. Population ageing is expected to persist with low fertility rate and increasing life expectancy in Hong Kong, with the median age of the population projected to rise from 44.3 in 2016 to 50.9 in 2036. At the same time, the trend of youngsters preferring more education thus delaying employment till a later age is expected to continue. As a result of these trends, a generally older workforce is to be expected in the future.

Traditionally, an ageing workforce is regarded as a less productive one. However, because of the structural changes in the Hong Kong economy, relatively more emphasis is now put on the experience and knowledge of the workers, instead of their physical ability which deteriorates as one gets older. The lost productivity due to fewer younger workers can hence be somewhat compensated by the productivity gain in having more experienced workers [(7)].

At the same time, the labour force will become generally more educated with the older, less educated workers retiring and the younger, more educated cohorts joining the labour market. This will to some extent mitigate the negative effect of an older labour force on productivity, as more educated workers are typically considered to be more productive since they are generally more skilled and able to better adapt to changes in the market.

Facing the challenges of an ageing population and shrinking labour force, the Government will spare no effort in assisting different groups to participate in the labour market. For example, the Labour Department provides comprehensive and free employment services to job-seekers through its job centres, industry-based recruitment centres, and other telephone and online platforms. In addition, the Government will continue to invest vigorously in education and training with a view to further strengthening Hong Kong's human capital base which is crucial to long-term sustainable development.

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(4) For a discussion of the relationship between educational attainment and labour force participation, see Box 5.1 in the Third Quarter Economic Report 2014.

(5) For a related discussion, see Box 5.1 in the Half-yearly Economic Report 2014.

(6) The population is projected to grow at an annual rate of 0.4% till mid-2043 and then decline at a rate of 0.3% per annum from mid-2043 to mid-2066. Besides, the number of persons aged 65 and over is projected to more than double in twenty years' time. By 2043, about one in three persons in Hong Kong will be aged 65 or over.

(7) To what extent these opposite forces affect the overall labour productivity will require closer investigation in further research.

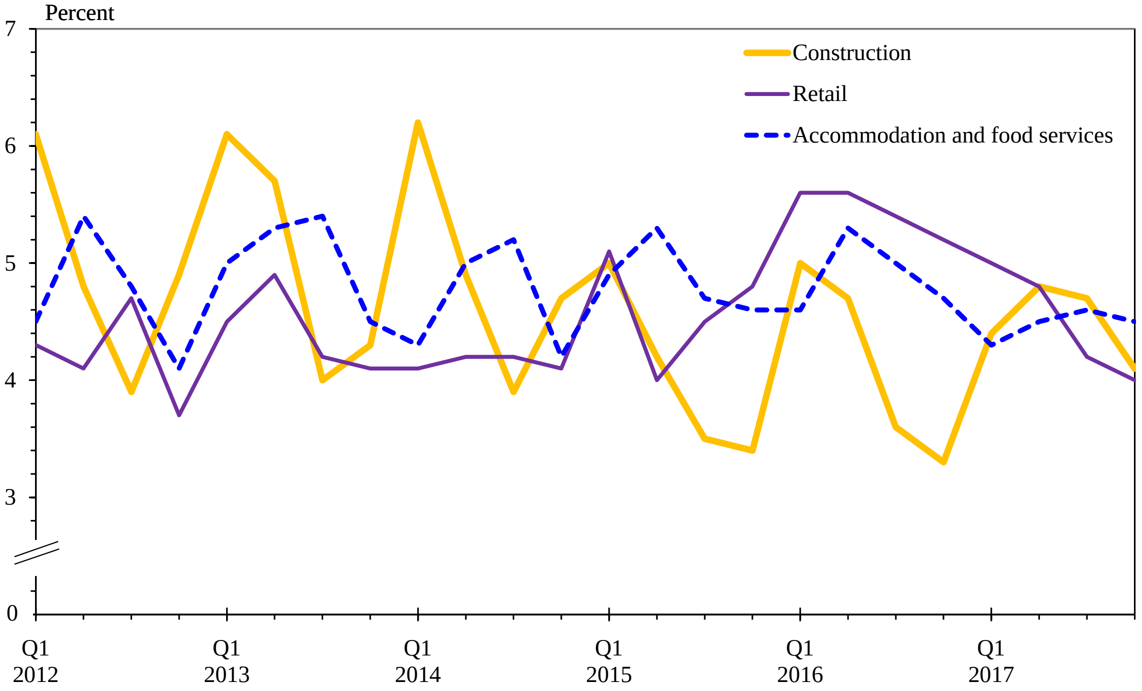
Profile of unemployment

6.4 Reflecting the tightening of labour market conditions, the average number of unemployed persons fell by 10 900 to 122 000 in 2017. In tandem, the unemployment rate declined notably by 0.3 percentage point from 3.4% in 2016 to 3.1% in 2017, the lowest level since 1998.

6.5 Comparing 2017 with 2016, most of the major service sectors recorded declines in their respective unemployment rates, as the notable pick-up in economic growth and generally positive hiring sentiment had transpired into sturdy labour demand in a wide array of business activities. More visible decreases in unemployment rate were seen in the retail, professional and business services (excluding cleaning and similar activities) (both down 1.0 percentage point), financing and insurance, real estate, and accommodation and food services (all down 0.4 percentage point) sectors. Specifically, the retail sector finally came out of the doldrums in 2017 alongside the gradual revival of inbound tourism. On the other hand, the unemployment rate of the construction sector went up by 0.4 percentage point to 4.5% in 2017, yet it was way below the average level of 6.0% over the 10-year period 2007-2016. For the *low-paying sectors*[6] as a whole, the unemployment rate fell by 0.5 percentage point from 3.5% in 2016 to 3.0% in 2017. Analysed by skill segment, the unemployment rate for the higher- and lower-skilled segments decreased by 0.3 and 0.2 percentage point to 1.7% and 3.4% respectively. Analysed by age, declines in unemployment rate were witnessed across most age groups, more discernibly for those aged 15-24.

6.6 In terms of the quarterly profile, the seasonally adjusted unemployment rate edged down progressively from 3.3% in the fourth quarter of 2016 to 3.2% in the first quarter of 2017, 3.1% in both the second and third quarters and further to 2.9% in the fourth quarter as the economy stayed vibrant throughout the year. Comparing the fourth quarter of 2017 with a year earlier, more visible declines in the unemployment rate were noted in the retail, professional and business services (excluding cleaning and similar activities), and financing and insurance sectors. Analysed by occupational category, more discernible dips in jobless rate were observed among plant and machine operators and assemblers, managers and administrators, and service and sales workers. As for other socio-economic attributes, more apparent decreases in the unemployment rate were observed among persons aged 15-24 and those with lower secondary education and below.

Diagram 6.3 : Most of the major service sectors saw visible improvements in unemployment situation in 2017



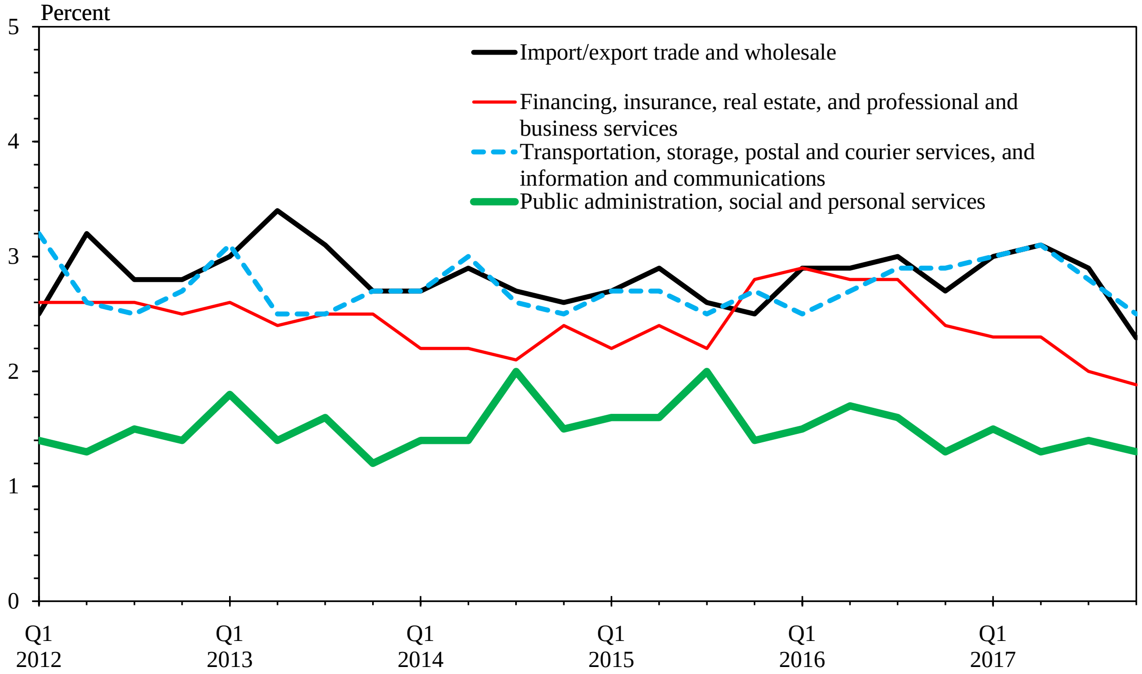


Table 6.3 : Unemployment rates by major economic sector

	2016					2017				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Import/export trade and wholesale	2.9	2.9	2.9	3.0	2.7	2.8	3.0	3.1	2.9	2.3
Retail	5.5	5.6	5.6	5.4	5.2	4.5	5.0	4.8	4.2	4.0
Accommodation and food services	4.9	4.6	5.3	5.0	4.7	4.5	4.3	4.5	4.6	4.5
Transportation, storage, postal and courier services	2.8	2.6	2.9	3.0	2.9	2.8	3.3	3.0	2.5	2.4
Information and communications	2.7	2.4	2.4	2.8	2.8	2.9	2.5	3.2	3.3	2.8
Financing and insurance	2.1	2.0	2.1	2.2	1.9	1.7	2.0	1.8	1.7	1.3
Real estate	2.5	2.4	3.0	2.5	2.3	2.1	1.9	2.3	2.0	2.0
Professional and business services	3.2	3.6	3.3	3.4	2.8	2.5	2.7	2.6	2.2	2.3
Public administration, social and personal services	1.6	1.5	1.7	1.6	1.3	1.4	1.5	1.3	1.4	1.3
Manufacturing	3.5	4.3	3.8	3.0	2.4	2.6	2.6	2.4	2.7	2.6
Construction	4.1	5.0	4.7	3.6	3.3	4.5	4.4	4.8	4.7	4.1
Overall*	3.4	3.3 (3.4)	3.5 (3.4)	3.6 (3.4)	3.1 (3.3)	3.1	3.2 (3.2)	3.2 (3.1)	3.2 (3.1)	2.8 (2.9)

Notes : ( ) Seasonally adjusted unemployment figures.

Provisional figures.

* Including first-time job-seekers and re-entrants into the labour force.

Source : General Household Survey, Census and Statistics Department.

Diagram 6.4 : The unemployment rate of both the higher-skilled and lower-skilled segments went lower in 2017

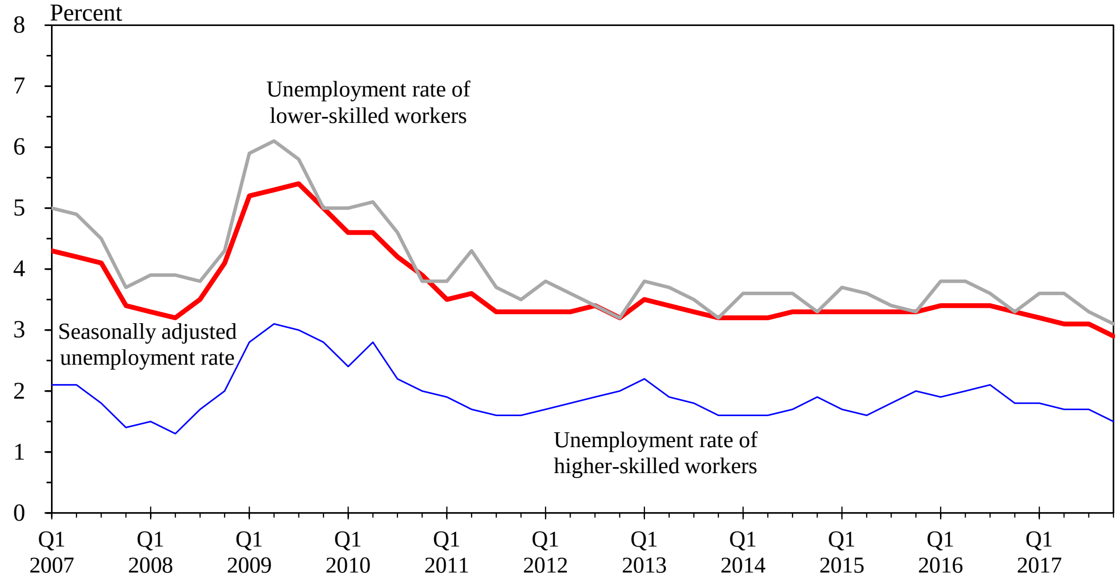


Table 6.4 : Unemployment rates* by skill segment

	2016					2017				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Higher-skilled segment	2.0	1.9	2.0	2.1	1.8	1.7	1.8	1.7	1.7	1.5
Managers and administrators	1.5	1.7	1.8	1.2	1.3	1.0	1.4	1.0	1.0	0.8
Professionals	1.6	1.3	1.6	2.1	1.4	1.5	1.8	1.4	1.6	1.3
Associate professionals	2.3	2.3	2.4	2.6	2.2	2.1	2.0	2.2	2.1	2.1
Lower-skilled segment^	3.6	3.8	3.8	3.6	3.3	3.4	3.6	3.6	3.3	3.1
Clerical support workers	3.6	3.4	3.5	3.9	3.4	3.3	3.2	3.6	3.4	3.1
Service and sales workers	4.6	4.8	5.0	4.3	4.3	4.2	4.3	4.6	4.1	3.8
Craft and related workers	4.1	4.9	4.3	3.8	3.8	4.2	4.5	4.2	4.0	4.1
Plant and machine operators and assemblers	2.3	2.4	2.5	2.8	1.8	1.9	2.8	2.0	1.7	1.2
Elementary occupations	3.0	3.2	3.3	2.9	2.6	2.9	3.1	3.0	2.7	2.6

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

^ Including other occupations.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

Table 6.5 : Unemployment rates* by age and educational attainment

	2016					2017				
	Annual	Q1	Q2	Q3	Q4	Annual#	Q1	Q2	Q3	Q4
Age										
15-24	9.8	8.9	10.2	10.8	9.4	8.7	8.3	8.0	10.5	7.9
of which:										
15-19	*13.8*	*15.0*	*16.9*	*11.9*	*11.6*	*11.4*	*11.7*	*12.5*	*10.6*	*11.1*
20-24	*9.1*	*7.9*	*9.1*	*10.6*	*9.1*	*8.4*	*7.8*	*7.5*	*10.5*	*7.5*
25-29	4.0	3.9	3.9	4.4	3.6	4.2	4.0	4.3	4.7	3.9
30-39	2.3	2.0	2.2	2.5	2.4	2.1	2.1	2.3	2.2	1.9
40-49	2.8	3.0	3.0	2.8	2.4	2.5	2.6	2.8	2.5	2.0
50-59	3.1	3.4	3.1	3.1	2.8	2.7	3.3	2.7	2.3	2.6
≥ 60	2.2	2.2	3.0	1.9	1.9	2.2	2.2	2.4	2.3	1.9
Educational attainment										
Primary education and below	3.2	3.3	3.5	2.9	2.8	2.8	3.2	3.1	2.7	2.4
Lower secondary education	4.2	4.4	4.4	4.0	4.0	4.0	4.5	4.3	3.8	3.3
Upper secondary education^	3.3	3.2	3.7	3.5	3.1	3.0	3.0	3.2	2.9	2.9
Post-secondary education	3.2	3.2	3.0	3.6	2.9	2.9	2.9	2.8	3.4	2.6

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

^ Including craft courses.

Provisional figures.

Source : General Household Survey, Census and Statistics Department.

6.7 Other indicators measuring the intensity of unemployment generally turned more favourable in 2017. The long-term unemployment rate dropped slightly to 0.6% for the year as a whole, falling to 0.5% in the fourth quarter, the quarterly low level last seen in the first quarter of 1998. Meanwhile, the number of long-term unemployed persons (i.e. unemployed for six months or longer) decreased from 25 500 in 2016 to 23 300 in 2017, so did the share of long-term unemployment in total unemployment, though only marginally from 19.2% to 19.1%. The median duration of unemployment shortened from 72 days in 2016 to 66 days in 2017, whereas the proportion of dismissal or lay-offs among the total number of unemployed persons rose by 0.7 percentage point to 47.8%, still below the 10-year average of 53.0% for 2007-2016.

Profile of underemployment

6.8 The underemployment situation improved notably in 2017 as well. The number of underemployed persons decreased substantially by 9 600 to 45 100, thereby pushing the underemployment rate down by 0.3 percentage point to 1.1%, matching the low level seen in 1997. On the quarterly profile, the underemployment rate fell from 1.4% in the fourth quarter of 2016 to 1.2% in the first two quarters of 2017, and edged down to 1.1% in both the third and fourth quarters. For the latest trend in the fourth quarter, more visible year-on-year decreases in the underemployment rate were seen in the construction and transportation sectors. Analysed by occupational category, the decline in underemployment rate was more discernable in the lower-skilled segment and among craft and related workers, plant and machine operators and assemblers, and elementary occupations in particular.

Profile of employment in establishments

6.9 The quarterly statistics collected from private sector establishments on employment, vacancies, wages and payroll are available up to September 2017. To bring the analysis more up-to-date, attempts have been made wherever possible by drawing reference to information from supplementary sources.

6.10 Total employment in private sector establishments grew further by 1.0% in September 2017 over a year earlier to 2 843 800. More visible job gains were observed in construction sites (covering manual workers only) (up 12.7% year-on-year), human health services (up 3.2%), financing and insurance (up 1.9%), professional and business services (excluding cleaning and similar services), education, and residential care and social work services (all up 1.4%). On the other hand, manufacturing employment extended its secular downtrend (down 3.4%). Thanks to solid domestic demand and the gradual recovery of inbound tourism, employment in the tourism- and consumption-related sectors posted a modest rebound in the first three quarters of 2017. Analysed by establishment size, employment in *small and medium-sized enterprises (SMEs)*(7) increased by 1.6% year-on-year in September 2017, the fastest pace in three years and also visibly larger than the 0.6% growth recorded for large enterprises. Taking the first three quarters of 2017 together, total employment in private sector establishments posted a solid year-on-year increase of 1.0%, after the 0.6% growth for 2016 as a whole. As for the civil service, employment increased by 1.9% in September 2017 and by 1.4% in the first nine months of 2017 combined.

Table 6.6 : Employment by major economic sector

	2016					2017		
	Annual average	Mar	Jun	Sep	Dec	Mar	Jun	Sep
Import/export trade	542 400	542 900	543 000	542 000	541 600	540 900	541 000	539 400
and wholesale	(-0.7)	(-1.1)	(-0.5)	(-0.6)	(-0.7)	(-0.4)	(-0.4)	(-0.5)
Retail	266 600	266 200	266 200	266 500	267 500	267 300	267 800	267 100
	(-1.1)	(-1.9)	(-1.4)	(-0.9)	(-0.2)	(0.4)	(0.6)	(0.2)
Accommodation[(a)] and	281 600	280 600	280 800	282 100	282 900	280 900	281 500	283 400
food services	(-0.5)	(-1.1)	(-0.7)	(-0.1)	(-0.1)	(0.1)	(0.3)	(0.5)
Transportation, storage,	178 400	178 600	177 900	178 200	178 800	178 100	177 600	179 000
postal and courier services	(0.5)	(1.2)	(0.8)	(§)	(0.2)	(-0.3)	(-0.1)	(0.5)
Information and	106 000	105 700	105 100	105 700	107 300	107 300	106 600	106 600
communications	(0.7)	(1.6)	(0.2)	(0.2)	(0.8)	(1.5)	(1.4)	(0.9)
Financing, insurance,	719 500	714 100	718 000	720 600	725 200	728 300	728 600	730 900
real estate, professional and business services	(1.0)	(0.4)	(0.8)	(1.1)	(1.8)	(2.0)	(1.5)	(1.4)
Social and personal	505 500	505 500	503 400	505 200	508 000	510 300	510 800	512 500
services	(1.7)	(2.3)	(1.7)	(1.6)	(1.2)	(1.0)	(1.5)	(1.4)
Manufacturing	96 000	97 800	96 100	95 300	94 900	94 500	93 400	92 000
	(-3.6)	(-2.5)	(-3.5)	(-4.4)	(-4.1)	(-3.4)	(-2.8)	(-3.4)
Construction sites	107 800	104 800	106 200	107 800	112 400	117 600	112 800	121 500
(covering manual workers only)	(13.3)	(14.1)	(14.4)	(15.0)	(10.2)	(12.2)	(6.2)	(12.7)
All establishments	*2 814 800*	*2 807 200*	*2 807 600*	*2 814 500*	*2 829 800*	*2 836 500*	*2 831 400*	*2 843 800*
surveyed in the private	*(0.6)*	*(0.5)*	*(0.6)*	*(0.7)*	*(0.8)*	*(1.0)*	*(0.8)*	*(1.0)*
sector[(b)]		*<§>*	*<0.2>*	*<0.3>*	*<0.2>*	*<0.3>*	*<0.1>*	*<0.4>*
Civil service[(c)]	*166 100*	*166 200*	*165 500*	*165 900*	*166 600*	*167 700*	*167 900*	*169 000*
	(1.2)	*(1.5)*	*(1.1)*	*(1.1)*	*(1.0)*	*(0.9)*	*(1.4)*	*(1.9)*

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 the difference in sectoral coverage: while the former survey covers selected major sectors, the latter survey covers all sectors in the economy.

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

(b) The total figures on private sector employment cover also employment in mining and quarrying; and in electricity and gas supply, 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 the 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.

§ 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

6.11 Vacancies continued to increase in September 2017 amid the sturdy labour demand, with the number of private sector vacancies up by 2.6% year-on-year to 71 150. Taking the first three quarters of 2017 together, job vacancies in the private sector rose by 1.6% year-on-year, arresting the downtrend seen during 2014 to 2016.

6.12 Analysed by economic sector, most of the sectors recorded increases in the number of vacancies in September 2017. More specifically, visible rises in vacancies were observed in construction sites (covering manual workers only) (up 40.4% year-on-year), human health services (up 25.3%), accommodation services (up 20.1%), residential care and social work services (up 14.4%) and transportation, storage, postal and courier services (up 12.2%). On the other hand, vacancies in the arts, entertainment, recreation and other services (down 9.0%), and food and beverage services (down 7.8%) recorded more discernible drops on a year-on-year basis. Analysed by occupational category, vacancies for higher-skilled workers saw a year-on-year increase of 14.1%, in stark contrast to the modest decline of 2.2% recorded for lower-skilled occupations which was mainly attributable to the dip in openings for service and sales workers and clerical support workers. Taking the first three quarters of 2017 together, vacancies in higher-skilled occupations rose by a similar extent of 14.4% over a year earlier, while those for lower-skilled occupations fell by 3.6%. Analysed by the size of establishments, year-on-year increases in vacancies were seen in both large enterprises and SMEs in September 2017, at 4.1% and 0.3% respectively. On the other hand, the number of job openings in the civil service fell by 5.9% year-on-year to 8 230 in September 2017.

6.13 The ratio of job vacancies per 100 unemployed persons in September 2017, at 55, was slightly below that of 56 in June 2017, yet notably higher than that of 50 a year earlier. In terms of skill segment, while the ratio for lower-skilled jobs rose from 53 in June 2017 to 60 in September 2017 and that for higher-skilled jobs held stable at 89 over the period, both figures were higher than their respective year-ago levels. Manpower shortage broadened from a sectoral perspective, more notably (where the number of vacancies visibly exceeded unemployed persons in the sectors) in human health services, residential care and social work services, real estate, financing and insurance, and professional and business services.

6.14 The vacancy rate for private sector establishments in September 2017, measured in terms of the percentage of job vacancies to total employment opportunities, remained unchanged at 2.4% as compared to both June 2017 and a year ago. Although the corresponding ratios for most of the major sectors were largely steady on a year-on-year comparison, a relatively notable increase was seen in accommodation services, whereas a discernible decrease was recorded in food and beverage services.

Table 6.7 : Vacancies by major economic sector

	Number of vacancies								
	2016					2017			
	Annual average	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Vacancy rate in Sep 2017 (%)
Import/export trade and wholesale	6 990 (-10.5)	6 920 (-23.1)	6 940 (-15.4)	7 030 (-7.5)	7 070 (9.7)	7 530 (8.8)	7 320 (5.5)	7 610 (8.3)	1.4
Retail	7 600 (-8.7)	7 660 (-10.5)	7 100 (-15.9)	8 280 (-0.9)	7 370 (-7.2)	7 540 (-1.6)	7 080 (-0.2)	8 130 (-1.8)	3.0
Accommodation[(a)] and food services	13 140 (-10.0)	12 930 (-16.4)	13 040 (-13.9)	13 230 (-9.4)	13 360 (1.2)	13 670 (5.7)	13 220 (1.4)	12 630 (-4.5)	4.3
Transportation, storage, postal and courier services	3 240 (-11.0)	3 440 (-13.2)	3 290 (-19.1)	3 210 (-6.8)	3 040 (-2.0)	3 600 (4.9)	3 560 (8.4)	3 600 (12.2)	2.0
Information and communications	2 640 (-5.7)	2 550 (-13.0)	2 470 (-0.3)	2 830 (7.9)	2 710 (-14.4)	2 720 (6.6)	2 710 (9.6)	2 750 (-2.8)	2.5
Financing, insurance, real estate, professional and business services	17 790 (-5.3)	18 400 (0.2)	18 020 (-4.1)	17 670 (-4.9)	17 070 (-12.2)	18 620 (1.2)	18 540 (2.9)	18 240 (3.2)	2.4
Social and personal services	14 040 (-11.1)	14 280 (-8.6)	14 260 (-17.5)	14 210 (-9.9)	13 410 (-7.8)	13 460 (-5.7)	13 130 (-7.9)	14 920 (5.0)	2.8
Manufacturing	2 330 (-14.2)	2 880 (-3.5)	2 280 (-16.2)	2 100 (-22.1)	2 070 (-16.4)	2 570 (-11.0)	2 290 (0.2)	2 240 (6.6)	2.4
Construction sites (covering manual workers only)	740 (-7.4)	960 (8.8)	550 (-41.6)	590 (-16.6)	850 (29.7)	570 (-40.8)	1 510 (176.2)	830 (40.4)	0.7
All establishments surveyed in the private sector[(b)]	*68 750* *(-9.1)*	*70 300* *(-10.0)* *<-7.2>*	*68 200* *(-13.0)* *<-2.9>*	*69 340* *(-7.1)* *<3.4>*	*67 140* *(-5.8)* *<0.7>*	*70 460* *(0.2)* *<-0.6>*	*69 590* *(2.0)* *<-1.3>*	*71 150* *(2.6)* *<3.8>*	*2.4*
Civil service[(c)]	*8 640* *(4.7)*	*8 090* *(3.3)*	*8 900* *(10.8)*	*8 740* *(2.4)*	*8 820* *(2.6)*	*8 660* *(7.1)*	*8 420* *(-5.4)*	*8 230* *(-5.9)*	*4.6*

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

(a) Accommodation services sector covers hotels, guesthouses, boarding houses and other establishments providing short-term accommodation.

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

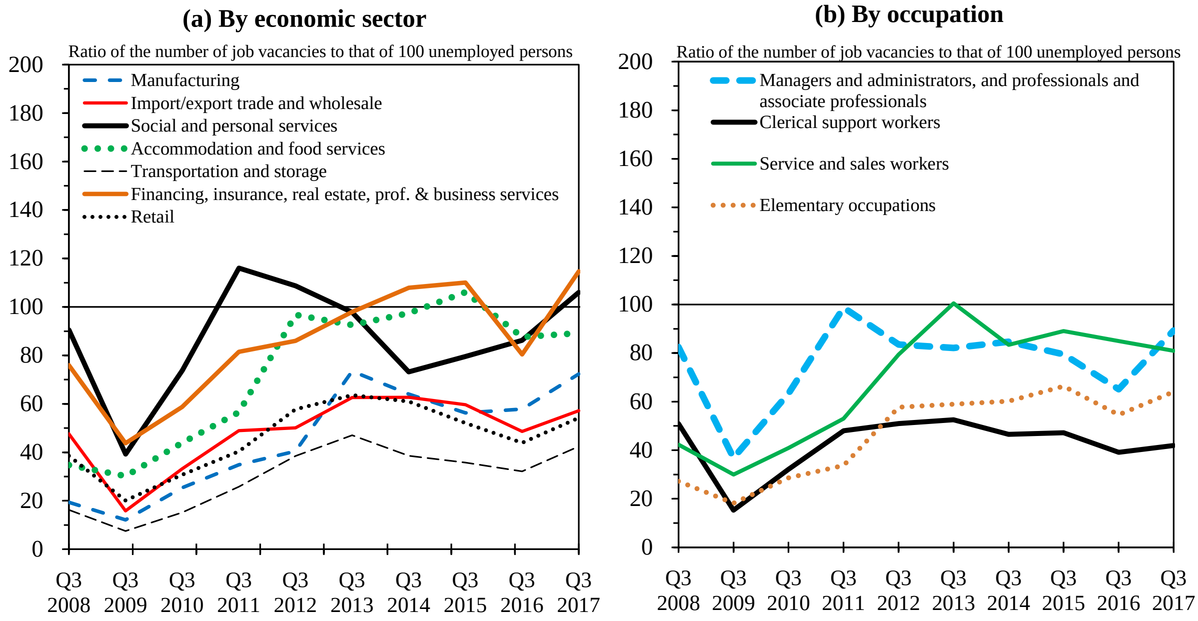
(c) These figures cover only vacancies for those staff to be employed on civil service terms of appointment.

( ) % change over a year earlier.

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

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

Diagram 6.5 : Manpower resource balance tightened almost across-the-board in the third quarter of 2017



6.15 The vacancy registration figures compiled by the Labour Department (LD), notwithstanding its smaller sample size, may provide some hints on the latest developments in the labour market. The number of private sector job vacancies averaged around 120 800 per month in the fourth quarter of 2017, up by 9.3% over a year earlier. For 2017 as a whole, the monthly average number of private sector vacancies, at around 118 300, was 5.3% higher than in 2016, echoing the broad-based tightening of labour market conditions.

Wages and earnings

6.16 On the back of a tight labour market, overall wages and earnings witnessed solid increases in nominal terms, well exceeding inflation in 2017. *Wage index*, which covers regular payment to employees at the supervisory level and below, rose by 3.7% year-on-year in both September 2017 and the first nine months of 2017 as a whole, following a similar rise recorded in 2016. After adjusting for inflation(8), real wages increased notably by 2.4% in the first nine months of 2017 over a year earlier.

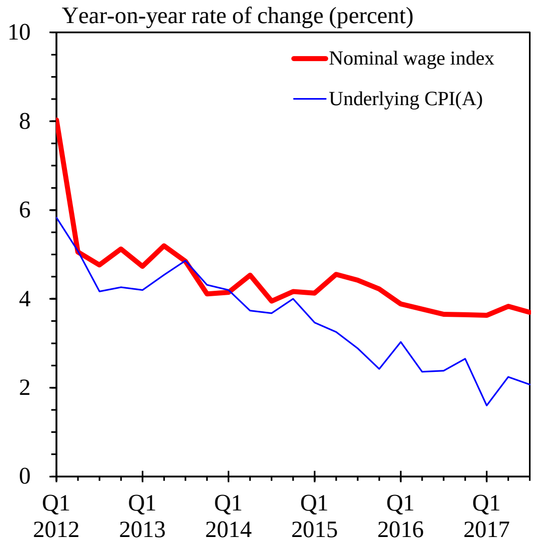
6.17 Gains in nominal wage index were broad-based in September 2017, led by accommodation and food service activities (up 4.8% year-on-year), professional and business services, and real estate leasing and maintenance management (both up 4.4%). Analysed by occupation, more notable wage gains were seen in such lower-skilled positions as miscellaneous non-production workers (up 4.9%), service workers, and clerical and secretarial workers (both up 4.4%).

6.18 *Labour earnings*(9), as measured by the index of payroll per person engaged in the private sector, increased by 3.3% year-on-year in the third quarter of 2017. Taking the first three quarters of 2017 together, nominal labour earnings rose by 3.5% year-on-year, broadly comparable to the 3.7% increase for 2016 as a whole. After discounting inflation, overall payroll saw a real improvement of 2.1% in the first three quarters of 2017 over a year earlier.

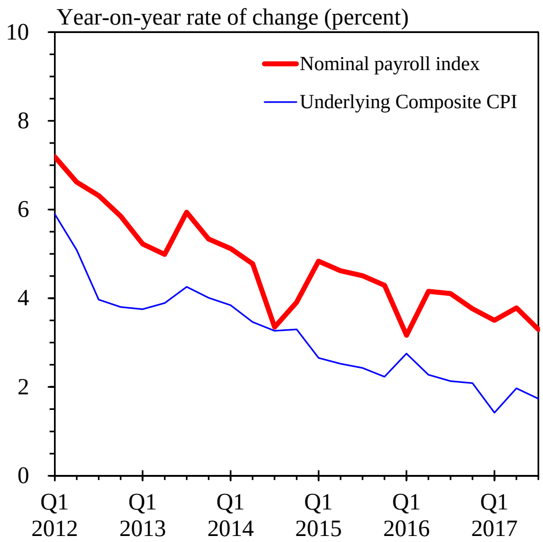
6.19 Analysed by sector, more visible year-on-year increases in nominal payroll were seen in accommodation and food service activities (up 5.6%), professional and business services (up 4.3%) and real estate activities (up 4.2%) in the third quarter of 2017, mirroring the revival of related business activities over the course of 2017.

Diagram 6.6 : Overall wages and earnings sustained notable real improvement in the first three quarters of 2017

(a) Wage index



(b) Payroll index



6.20 More recent statistics compiled from the General Household Survey, though not strictly comparable to those from the business establishment surveys, revealed that *average monthly employment earnings*(10) of full-time employees engaged in elementary occupations (excluding foreign domestic helpers) recorded a year-on-year nominal increase of 6.1% in the fourth quarter of 2017. For the year as a whole, preliminary estimates suggested that their average employment earnings grew appreciably by 5.5% in nominal terms and 3.9% in real terms. Meanwhile, average employment earnings of full-time employees (excluding foreign domestic helpers) in the lowest three decile groups combined grew markedly by 6.1% in 2017, translating into a real increase of 4.5% after discounting inflation. For the overall income situation, the median monthly household income (excluding foreign domestic helpers) saw faster growth in 2017, up by 5.2% in nominal terms or 3.7% in real terms.

Highlights of labour-related measures and policy developments in 2017

6.21 LD regularly organises large-scale job fairs in different locations, canvassing vacancies from various industries for application by job-seekers on the spot. In 2017, LD organised 18 large-scale job fairs in Wan Chai, Yau Tong, Mong Kok, Tsim Sha Tsui, Sham Shui Po, Hung Hom, Tsuen Wan, Tuen Mun and North District. A total of 544 participating organisations offered about 38 400 vacancies from the retail, catering, property management, transport and other industries. There were also 20 training bodies joining the job fairs to introduce job training courses and receive applications on the spot. Apart from large-scale job fairs, district-based job fairs are organised at LD's job centres from time to time to assist job-seekers in finding employment. Recruitment activities are also staged by catering, retail and construction employers at the three industry-based recruitment centres regularly for interviewing job-seekers on the spot.

6.22 Moreover, LD has started the work on formulating the sector-specific working hours guidelines in 2017 through the department's industry-based tripartite committees. These committees, comprising representatives from employers, employees and the Government, should serve as useful platforms for the parties concerned to work together in drawing up the guidelines to provide guidance on suggested working hours arrangements, overtime compensation methods and good working hours management measures.

6.23 With the revised SMW rate of $34.5 per hour (up by 6.2% from the previous rate of $32.5 per hour) taking effect from 1 May 2017, LD has launched extensive publicity activities and targeted enforcement campaigns. The revised SMW rate has been operating smoothly. The labour market has remained in good shape, while employment earnings of low-income workers have sustained appreciable real improvement.

Notes :

(1) Labour force statistics enumerated from the General Household Survey are statistics which involve the use of the population figures in the compilation process. The statistics of the three-month periods of November 2015 – January 2016 to October – December 2016 have been revised to take into account the final end-2016 population estimates.

The classification of occupation adopted by the Census and Statistics Department follows the International Standard Classification of Occupations (ISCO), which is used to classify the occupation of an employed person or the previous occupation of an unemployed person. After the implementation of the new ISCO, 2008 (ISCO-08), the General Household Survey has been enhanced to adopt the ISCO-08 in compiling labour force statistics by occupation, with statistics backcasted to the quarter of January to March 2011. Starting from the reference quarter of January to March 2011, all the labour force statistics by occupation, unless otherwise specified, are compiled based on the ISCO-08.

(2) 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.

The seasonally adjusted series is compiled using the X-12 ARIMA method, which is a standard method applied in compiling seasonally adjusted statistical data series.

(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) 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) 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).

(6) The low paying sectors as identified by the Minimum Wage Commission include:
(i) retail (including supermarkets and convenience stores, and other retail stores);
(ii) restaurants (including Chinese restaurants, non-Chinese restaurants, fast food cafes, and Hong Kong style tea cafes);
(iii) estate management, security and cleaning services (including real estate maintenance management, security services, cleaning services and membership organisations);
(iv) other low paying sectors, including
- elderly homes;
- laundry and dry cleaning services;
- hairdressing and other personal services;
- local courier services; and
- food processing and production.

(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) 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 relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.

(9) In addition to wages, which include all regular and guaranteed 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.

(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.