

CHAPTER 5 : THE LABOUR SECTOR

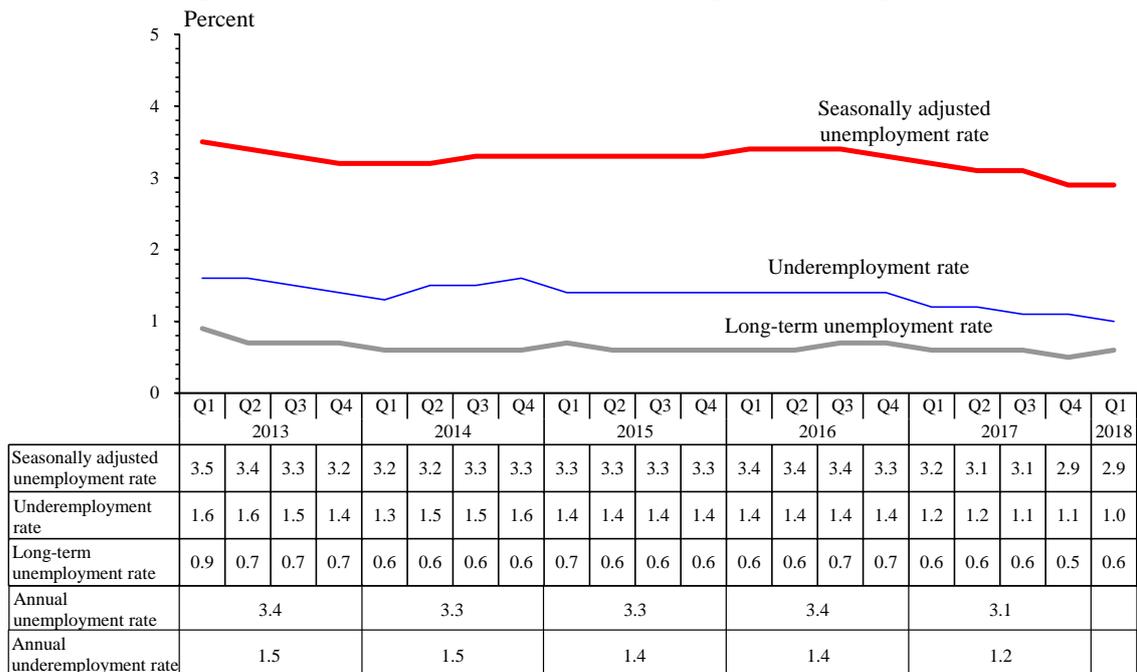
Summary

- *The labour market remained tight in the first quarter of 2018. The seasonally adjusted unemployment rate held unchanged at a low level of 2.9%, while the underemployment rate edged down further to a post-1997 low of 1.0%.*
- *On the back of the vibrant local economy, labour demand stayed robust in recent months. This was reflected by the continued appreciable growth in total employment on entering 2018 as well as the faster increase in the number of private sector job vacancies.*
- *Amid a state of full employment, nominal wages and payroll sustained their growth momentum in 2017. Earnings of lower-paid workers showed particularly visible improvement that well exceeded inflation, thanks partly to the upward adjustment of the Statutory Minimum Wage rate since May 2017.*

Overall labour market situation⁽¹⁾

5.1 The labour market stayed tight in the first quarter of 2018, with both the labour force and total employment posting further solid year-on-year growth against the backdrop of the strong local economic performance. Compared to the preceding quarter, the seasonally adjusted *unemployment rate*⁽²⁾ remained low at 2.9% in the first quarter, while the *underemployment rate*⁽³⁾ edged down by 0.1 percentage point to 1.0%, the lowest level in more than two decades. Data collected from private sector establishments also pointed to sturdy labour demand, characterised by solid job gains and a remarkably broad-based increase in job vacancies. Backed by an essentially full employment situation, overall wages and earnings continued to register increases that well exceeded inflation, pointing to appreciable real improvement. Earnings of the grassroots workers fared relatively better alongside the upward adjustment of the Statutory Minimum Wage rate since May 2017.

Diagram 5.1 : The labour market remained tight on entering 2018



Labour force and total employment

5.2 On the supply side, the *labour force*⁽⁴⁾ expanded by 0.9% in the first quarter of 2018 over a year earlier to 3 984 400. This was the combined result of an increase of 0.2 percentage point in the labour force participation rate to 61.4% and the concurrent 0.7% growth in the working-age population (i.e. land-based non-institutional population aged 15 and above).

5.3 On the demand side, *total employment*⁽⁵⁾ grew by 1.3% year-on-year, reaching 3 872 400 in the first quarter of 2018. More specifically, sectors such as financing and insurance, human health services, construction and social work activities posted more notable employment growth in early 2018. Meanwhile, employment in the consumption- and tourism-related sectors as a whole, viz. retail, accommodation and food services, also registered further gains along with the sustained recovery in inbound tourism.

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

	<u>Labour force</u>	<u>Persons employed</u>	<u>Persons unemployed^(a)</u>	<u>Persons underemployed</u>
2017 Annual	3 946 600 (0.7)	3 823 200 (1.0)	123 400	45 600
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)	3 850 600 (1.7)	109 800	42 100
<i>Three months ending</i>				
2018 Jan	3 968 700 (1.0)	3 862 100 (1.4)	106 600	40 200
Feb	3 979 300 (0.9)	3 872 400 (1.3)	106 900	40 300
Mar	3 984 400 (0.9)	3 872 400 (1.3)	112 100	38 900
	<0.4>	<0.5>		

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 first quarter of 2018.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.2 : Both the labour force and total employment recorded further solid expansion in the first quarter of 2018 over a year earlier

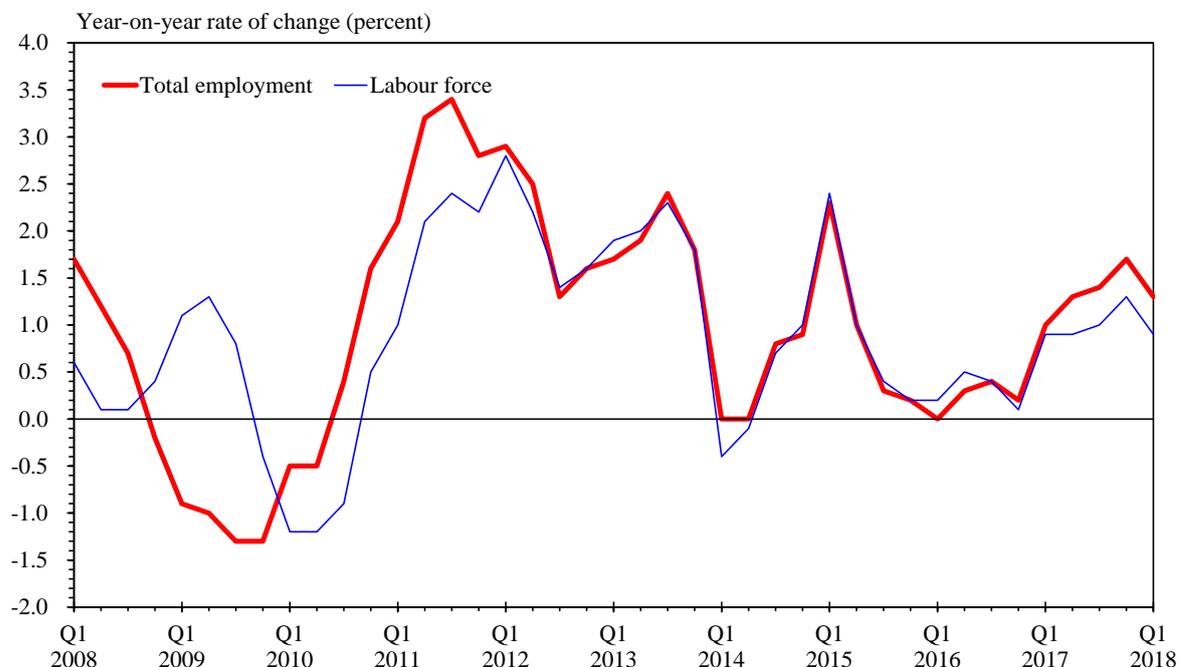


Table 5.2 : Labour force participation rates by gender and by age group (%)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017 Q1</u>	<u>2018 Q1</u>
<u>Male</u>							
15-24	37.8	37.8	39.1	39.5	38.1	37.0	39.0
<i>of which:</i>							
15-19	11.0	11.1	11.7	12.9	9.9	9.6	9.3
20-24	62.5	61.4	62.0	60.7	59.2	58.0	60.7
25-29	93.8	93.4	93.7	92.9	92.6	91.8	92.2
30-39	96.9	96.5	96.5	96.4	96.6	96.8	96.9
40-49	95.5	94.7	95.1	95.0	95.2	95.1	95.5
50-59	86.9	86.7	86.6	86.0	86.7	86.5	87.3
≥ 60	27.0	28.0	28.5	29.9	30.4	30.8	31.2
Overall	69.2	68.8	68.8	68.6	68.3	68.4	68.7
<u>Female</u>							
15-24	40.0	39.3	41.4	41.9	41.5	40.6	40.8
<i>of which:</i>							
15-19	11.5	12.5	12.8	12.3	11.8	10.3	11.1
20-24	64.2	61.4	63.6	63.6	61.8	62.0	60.5
25-29	86.5	86.3	85.7	86.2	86.5	87.3	87.3
30-39	78.4	78.9	78.4	78.0	79.0	80.3	80.2
40-49	72.8	73.0	73.7	73.4	73.8	73.7	74.1
50-59	56.2	57.2	58.3	59.7	60.4	60.0	61.1
≥ 60	9.7	10.7	11.4	12.3	13.7	13.3	14.3
Overall	54.5	54.5	54.7	54.8	55.1	55.3	55.4
<u>Both genders combined</u>							
15-24	38.9	38.5	40.2	40.7	39.8	38.8	39.9
<i>of which:</i>							
15-19	11.3	11.8	12.3	12.6	10.8	10.0	10.1
20-24	63.4	61.4	62.8	62.2	60.5	60.0	60.6
25-29	89.6	89.4	89.2	89.2	89.3	89.3	89.5
30-39	85.9	86.0	85.7	85.4	86.0	86.9	86.8
40-49	82.5	82.3	82.7	82.4	82.6	82.6	82.9
50-59	71.1	71.4	71.8	72.2	72.7	72.5	73.3
≥ 60	18.0	19.0	19.6	20.7	21.7	21.7	22.4
Overall	61.2	61.1	61.1	61.1	61.1	61.2	61.4

Source : General Household Survey, Census and Statistics Department.

Profile of unemployment

5.4 The number of unemployed persons rose by 2 200 over the preceding quarter to 112 100 in the first quarter of 2018. Nevertheless, comparing this figure with that in the same period of 2017 to net out seasonal influence, there was indeed a decrease of 10.3%, or 12 900. The seasonally adjusted unemployment rate in the quarter, at 2.9%, was the same as that in the fourth quarter of 2017.

5.5 In terms of sectoral unemployment rate (not seasonally adjusted) as compared to the preceding quarter, more notable declines were seen in the warehousing and support activities for transportation as well as the accommodation services (both down 0.8 percentage point) sectors. On the other hand, more discernible increases in jobless rates were observed in the decoration, repair and maintenance for buildings (up 1.5 percentage points), and insurance (up 0.9 percentage point) sectors. The former conceivably reflected the influence of usual activity wind-down of the sector concerned around the Lunar New Year. On a year-on-year comparison, improvement in jobless situation was observed across most of the major service sectors in the first quarter of 2018. Specifically, the continued recovery in inbound tourism had pushed the unemployment rate in the consumption- and tourism-related segment as a whole (viz. retail, accommodation, and food services) down by 0.5 percentage point from its year-ago level to 4.2%, the lowest level since the fourth quarter of 2014. For the *low paying sectors*⁽⁶⁾ as a whole, its unemployment rate, at 2.8%, was also 0.4 percentage point below its year-ago level.

5.6 Analysed by skill segment, the unemployment rates of both the higher-skilled and lower-skilled segments edged up by 0.1 percentage point over the preceding quarter, to 1.6% and 3.2% respectively. However, on a year-on-year comparison which nets out the effect of seasonality, the unemployment rates of the two segments declined by 0.2 and 0.4 percentage point respectively.

5.7 As regards other socio-economic attributes, jobless situation improved generally across different groups when compared to a year earlier. More specifically, visible year-on-year decreases in the unemployment rate were observed among persons aged 50-59 (down 0.7 percentage point) and those with lower secondary education (down 1.1 percentage points).

Diagram 5.3 : Most of the major service sectors saw improvement in unemployment situation in the first quarter of 2018 when compared to a year earlier

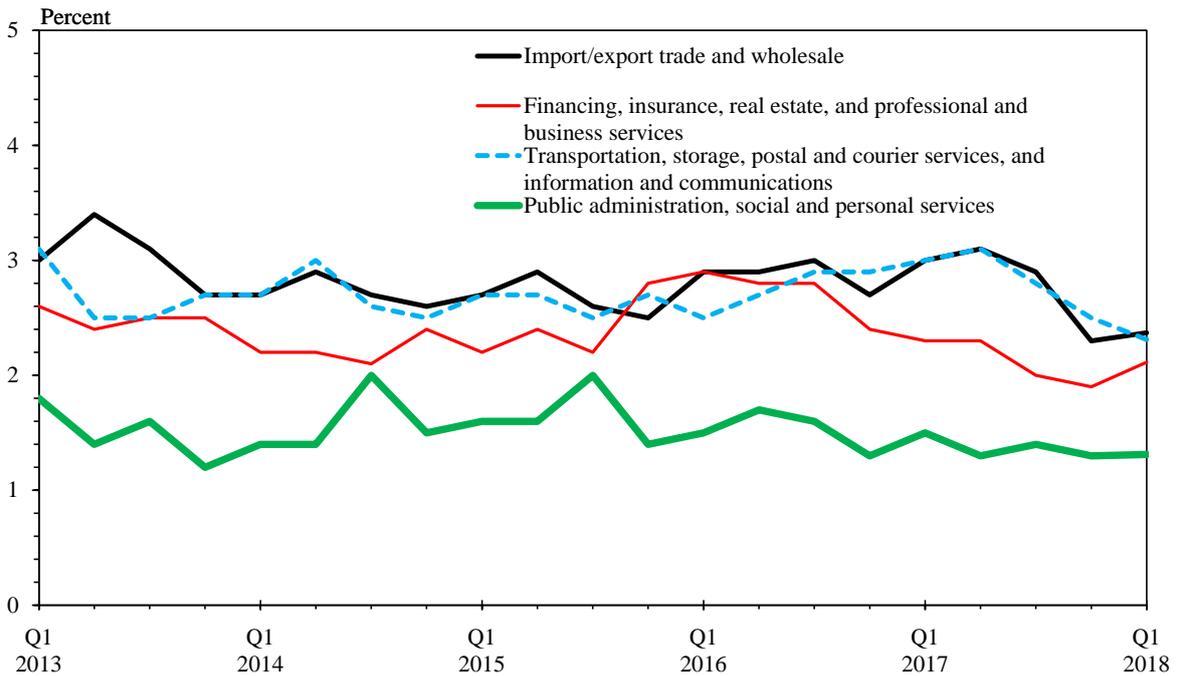
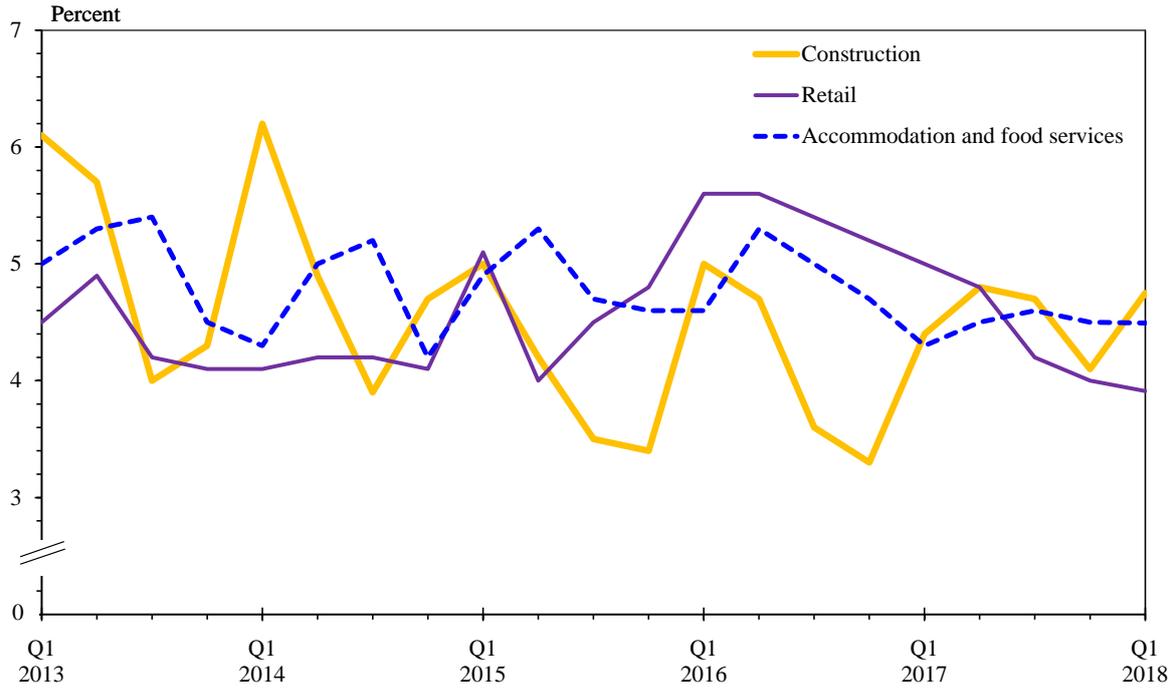


Table 5.3 : Unemployment rates by major economic sector

	<u>2017</u>				<u>2018</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Import/export trade and wholesale	3.0	3.1	2.9	2.3	2.4
Retail	5.0	4.8	4.2	4.0	3.9
Accommodation and food services	4.3	4.5	4.6	4.5	4.5
Transportation, storage, postal and courier services	3.3	3.0	2.5	2.4	2.3
Information and communications	2.5	3.2	3.3	2.8	2.3
Financing and insurance	2.0	1.8	1.7	1.3	1.6
Real estate	1.9	2.3	2.0	2.0	2.3
Professional and business services	2.7	2.6	2.2	2.3	2.4
Public administration, social and personal services	1.5	1.3	1.4	1.3	1.3
Manufacturing	2.6	2.4	2.7	2.6	3.3
Construction	4.4	4.8	4.7	4.1	4.8
Overall*	3.2 (3.2)	3.2 (3.1)	3.2 (3.1)	2.8 (2.9)	2.8 (2.9)

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

() Seasonally adjusted unemployment rates.

Source : General Household Survey, Census and Statistics Department.

Diagram 5.4 : The unemployment rates of both the higher-skilled and lower-skilled segments were lower on a year-on-year basis

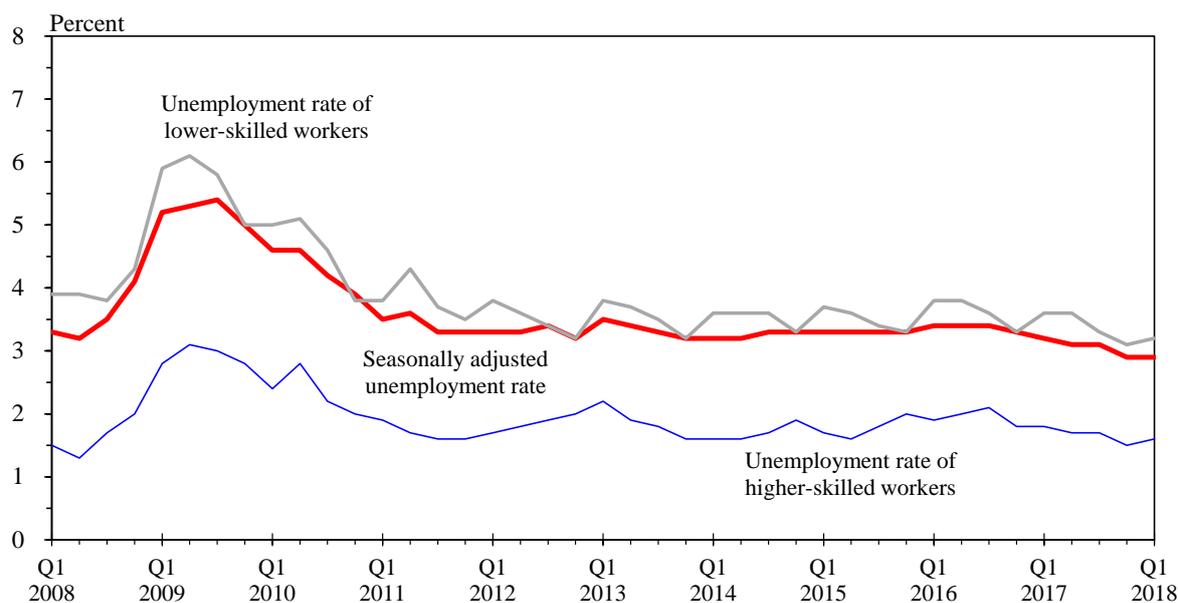


Table 5.4 : Unemployment rates* by skill segment

	<u>2017</u>				<u>2018</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Higher-skilled segment</u>	1.8	1.7	1.7	1.5	1.6
Managers and administrators	1.4	1.0	1.0	0.8	1.2
Professionals	1.8	1.4	1.6	1.3	1.1
Associate professionals	2.0	2.2	2.1	2.1	1.9
<u>Lower-skilled segment^</u>	3.6	3.6	3.3	3.1	3.2
Clerical support workers	3.2	3.6	3.4	3.1	3.3
Service and sales workers	4.3	4.6	4.1	3.8	3.9
Craft and related workers	4.5	4.2	4.0	4.1	4.8
Plant and machine operators and assemblers	2.8	2.0	1.7	1.2	1.5
Elementary occupations	3.1	3.0	2.7	2.6	2.5

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

^ Including other occupations.

Source : General Household Survey, Census and Statistics Department.

Table 5.5 : Unemployment rates* by age and educational attainment

	<u>2017</u>				<u>2018</u>
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
<u>Age</u>					
15-24	8.3	8.0	10.5	7.9	8.0
<i>Of which:</i>					
15-19	11.7	12.5	10.6	11.1	9.6
20-24	7.8	7.5	10.5	7.5	7.8
25-29	4.0	4.3	4.7	3.9	3.9
30-39	2.1	2.3	2.2	1.9	1.9
40-49	2.6	2.8	2.5	2.0	2.2
50-59	3.3	2.7	2.3	2.6	2.6
≥ 60	2.2	2.4	2.3	1.9	2.1
<u>Educational attainment</u>					
Primary education and below	3.2	3.1	2.7	2.4	2.9
Lower secondary education	4.5	4.3	3.8	3.3	3.4
Upper secondary education [^]	3.0	3.2	2.9	2.9	2.8
Post-secondary education	2.9	2.8	3.4	2.6	2.6

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

^ Including craft courses.

Source : General Household Survey, Census and Statistics Department.

5.8 Other indicators measuring the intensity of unemployment remained mostly stable in the first quarter of 2018 when compared to their year-ago levels. The number of long-term unemployed persons (i.e. unemployed for six months or longer) increased slightly to 24 200 from 23 600 a year earlier. Given the notable decline in the total number of unemployed persons, the share of long-term unemployment in total unemployment went up from 18.9% to 21.6% over the same period. Yet the long-term unemployment rate was unchanged at 0.6% from a year earlier, while the median duration of unemployment shortened marginally from 70 days to 69 days. Moreover, the proportion of dismissal or lay-offs among the total number of unemployed persons (not including first-time job-seekers and re-entrants into the labour force) declined by 0.7 percentage point over a year earlier to 48.4% in the first quarter.

Profile of underemployment

5.9 The underemployment rate edged down further by 0.1 percentage point over the preceding quarter to 1.0% in the first quarter of 2018, the lowest level since end-1997. The number of underemployed persons likewise decreased by 3 100 to 38 900. More significant declines in underemployment rate were seen in the foundation and superstructure as well as warehousing and support activities for transportation sectors. Analysed by occupational category, the underemployment rate of the higher-skilled segment stood at 0.3%, while that of the lower-skilled segment was 1.4%, down by 0.2 percentage point from the preceding quarter. More notable falls in underemployment rate were observed among craft and related workers and service and sales workers.

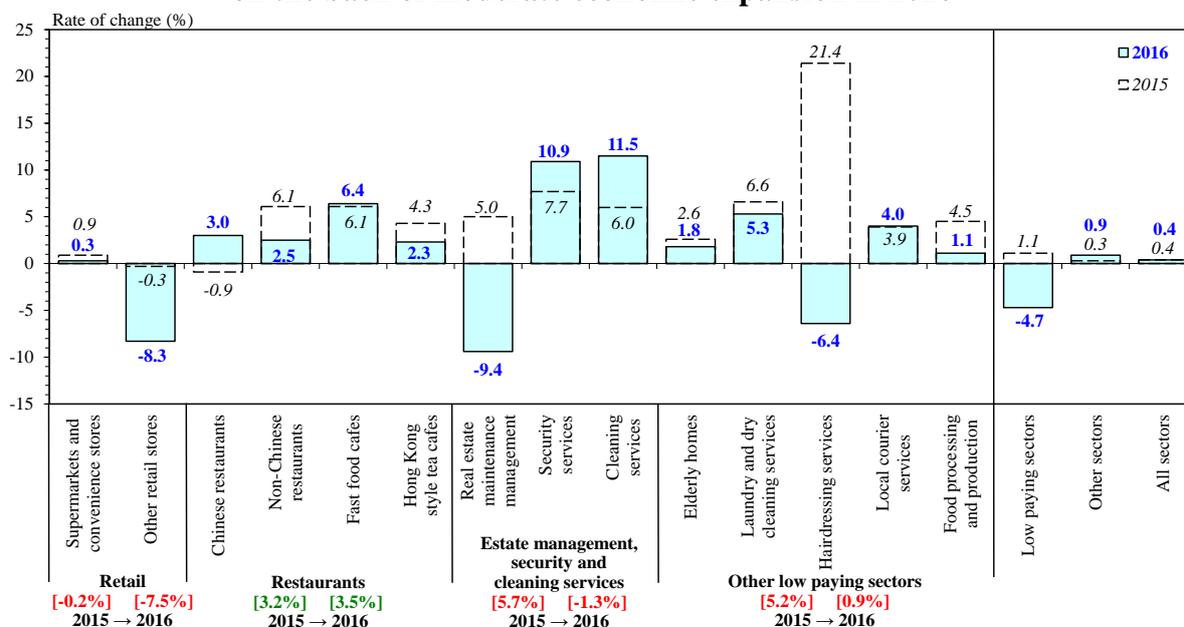
Box 5.1

Business performance and operating situation of low paying sectors in 2016

The main policy objective of the Statutory Minimum Wage (SMW) implemented since May 2011 is to protect grassroots employees from excessively low wages. Setting a wage floor, however, will inevitably push up labour costs borne by enterprises and exert certain pressure on business operation. If enterprises opt to mitigate the additional operating expenses by downsizing, the stability of the labour market may be compromised and the brunt may particularly be borne by employees with lower skills and weaker bargaining power. Fortunately, the sustained expansion of Hong Kong economy over the past few years and the sturdy labour demand eased to a large extent the pressure that SMW might have put on the labour market. Besides, the improved income prospects for grassroots employees have also attracted more people, especially women and older persons, to enter or re-enter the labour market, thereby partly relieving the pressure of a dwindling workforce due to gradually ageing population. Since the business performance of enterprises is closely related to the labour market, this article seeks to analyse, based on the results of the 2016 Annual Survey of Economic Activities⁽¹⁾ released by the Census and Statistics Department, the business performance and operating situation of the low paying sectors (LPS) and the small and medium-sized enterprises⁽²⁾ (SMEs) therein, which hire more low-paid employees.

Despite the subpar global economic growth at the start of 2016, the Hong Kong economy still recorded a moderate growth of 2.1% for the year as a whole, thanks to the largely resilient domestic demand and gradual stabilisation of the external environment during the year. The overall local business environment thus did not show visible deterioration. As for LPS, most sectors managed to record growth in business receipts during the year, with restaurants, local courier services and elderly homes in particular sustaining modest increases in business receipts. Nonetheless, with a noticeable decline in both visitor arrivals and per capita visitor spending in 2016, the business receipts of the retail sector (which accounted for about 70% of those of LPS) plunged by 7.5%, weighing down the business receipts for LPS as a whole by 4.7%, the first decline since the implementation of SMW (*Chart 1*).

Chart 1: Business receipts of many LPS recorded growth on the back of moderate economic expansion in 2016



Note: [] Figures in brackets denote the rate of change in business receipts of all enterprises in that sector in the specified year.
Source: Annual Survey of Economic Activities, Census and Statistics Department.

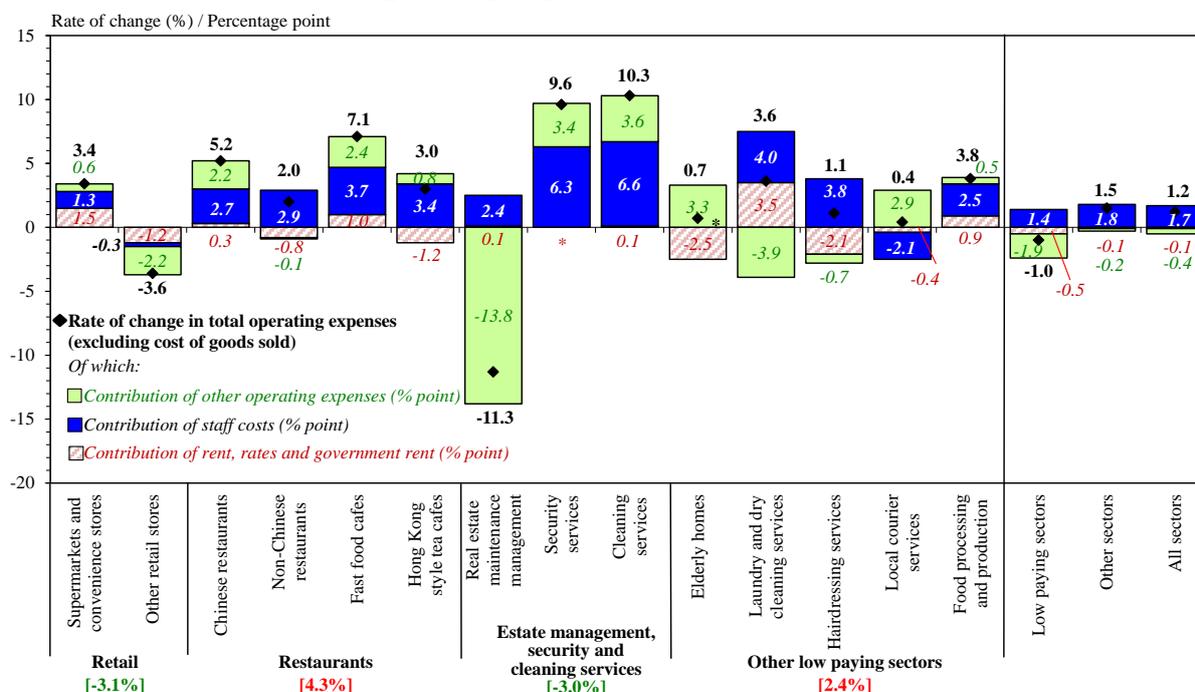
- (1) For the business performance of enterprises in LPS in previous years, please see Box 6.1 in the 2012 Economic Background and 2013 Prospects, as well as Box 5.1 in the First Quarter Economic Report 2014, First Quarter Economic Report 2015, First Quarter Economic Report 2016 and First Quarter Economic Report 2017.
- (2) The statistics discussed in this article pertain to enterprises with employees only. SMEs refer to enterprises with fewer than 50 persons engaged.

Box 5.1 (Cont'd)

Operating costs

Alongside the moderate expansion of the Hong Kong economy in 2016, the overall labour demand held broadly stable and the labour market remained in a state of full employment. Given the steady growth in labour earnings, the labour costs of enterprises generally went up. With most LPS being labour-intensive in nature, the rise in staff costs was a key factor underlying the increase in total operating expenses of enterprises. Among the LPS, the contribution of staff costs to the increase in operating expenses was more apparent for the restaurants, cleaning services, security services, and food processing and production sectors. Taking cleaning and security services as examples, within the respective increases of 10.3% and 9.6% in their total operating expenses, 6.6 and 6.3 percentage points came from the rise in staff costs correspondingly which accounted for over 60% of the total increases in operating expenses for the two sectors. Nevertheless, thanks to softening rentals for retail space and office during the year and enterprises' efforts to compress expenses other than wage bills through strategies such as cost control and operational efficiency enhancement, the total operating expenses of LPS dropped by 1.0% in 2016, in contrast to the increase of 6.2% in 2015 (*Chart 2*).

Chart 2: Staff costs were the key driver for the increase in total operating expenses of most LPS in 2016



Note: The sum of the individual items may not add up to the totals due to rounding.

[] Figures in brackets denote the rate of change in total operating expenses of all enterprises in that sector in 2016.

(*) Within ± 0.05 percentage point.

Source: Annual Survey of Economic Activities, Census and Statistics Department.

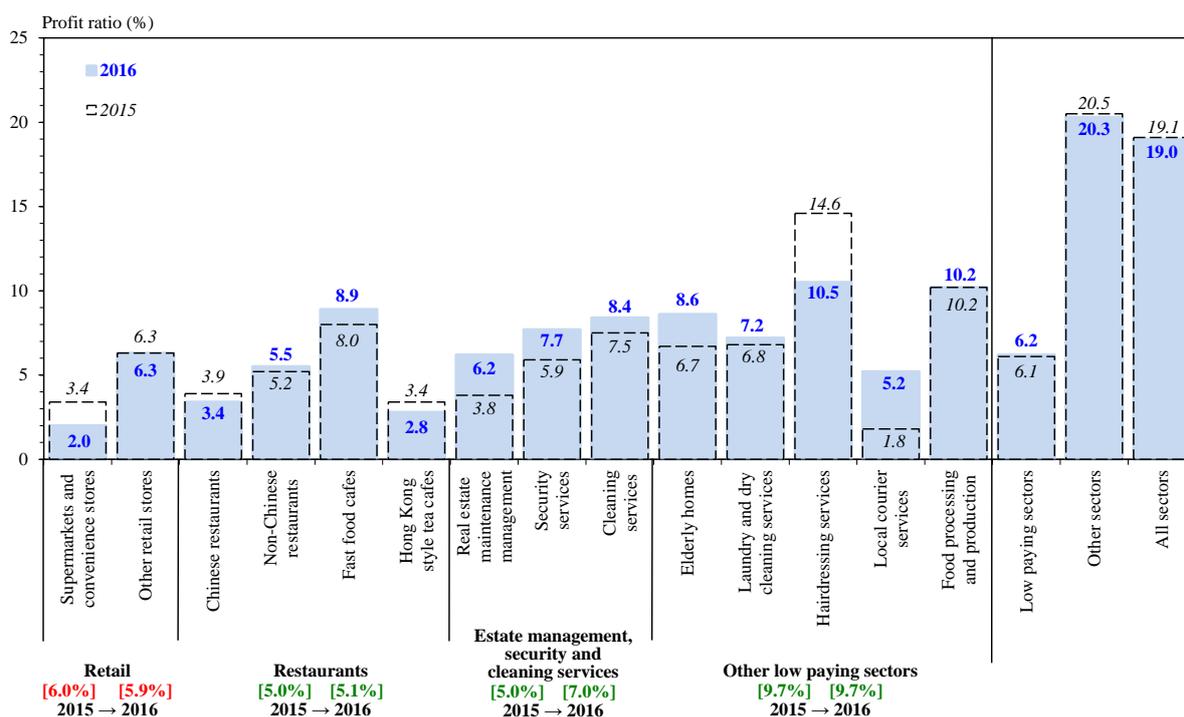
Profitability

Notwithstanding the pressure arising from a fall in business volume in 2016, the profitability of LPS held steady through effective cost control. Statistics showed that the overall profit ratio of LPS edged up by 0.1 percentage point to 6.2%, within which the profit ratios⁽³⁾ of most sub-sectors (including the retail sector) were comparable to those in 2015 (*Chart 3*).

(3) Earnings before tax ratio (abbreviated as profit ratio) refers to the ratio of profits (before deducting tax; gain/loss on disposal of property, machinery and equipment; bad debts/write-off; provisions, etc.) to business receipts.

Box 5.1 (Cont'd)

Chart 3: The profitability of most LPS in 2016 was comparable to that in 2015



Note: [] Figures in brackets denote the profit ratio of all enterprises in that sector in the specified year.

Source: Annual Survey of Economic Activities, Census and Statistics Department.

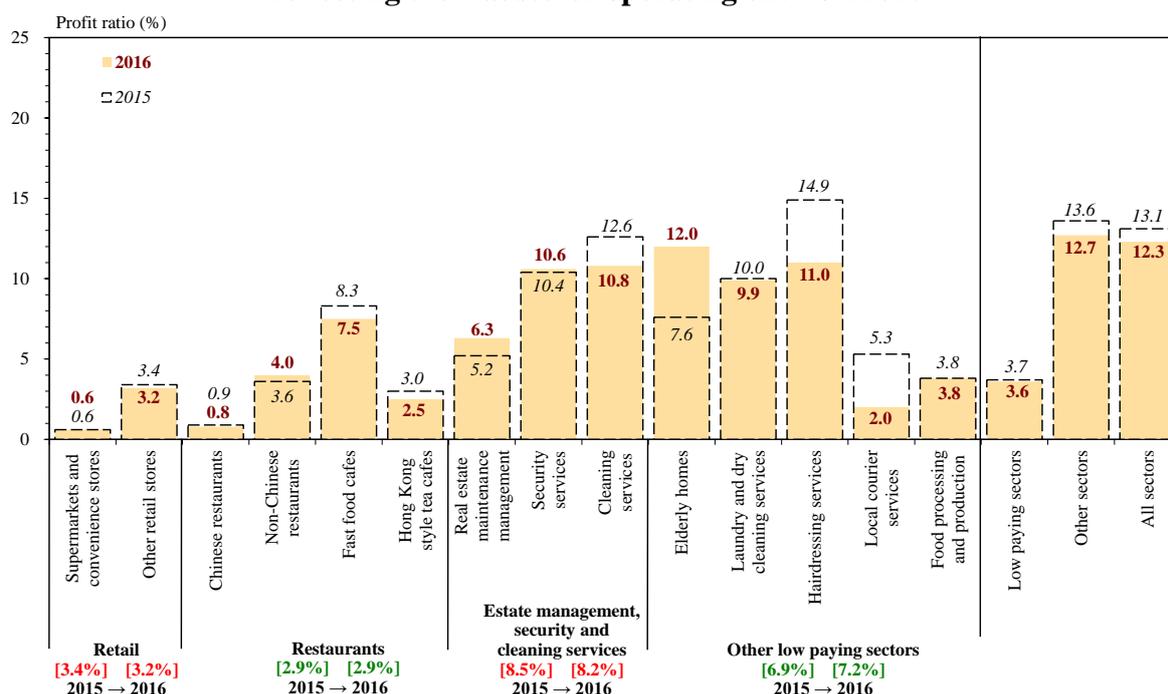
SMEs

The business receipts of SMEs in LPS dipped by only 1.0% in 2016, a decline smaller than that for LPS as a whole, mainly reflecting the lesser impact of subdued inbound tourism on small and medium-sized retail stores. Retail SMEs fared better than their large-sized counterparts, conceivably benefiting from the relatively resilient local consumption demand. In contrast, the decline in tourist spending impacted more visibly on large retail stores selling luxurious products as well as those targeting the tourists segment. On the other hand, the increase in operating expenses of SMEs in most LPS was likewise largely driven by rising staff costs, similar to the overall situation.

Though SMEs in LPS registered broadly the same profit ratios as a year earlier, their profitability was mostly weaker than that for the sector as a whole (*Chart 4*). Compared with large enterprises, SMEs may not be able to benefit from economies of scale and more effective management. Constrained by limited resources, they are also generally less capable of passing costs on to customers and controlling costs, and have less flexibility in deploying their resources. For instance, the profit ratio of SMEs in the restaurants sector remained relatively low at 2.9% in 2016, compared with the overall level of 5.1% in the sector. SMEs in individual sub-sectors such as Chinese restaurants recorded even thinner profits in overall terms. As a result, apart from having less room for manoeuvre than large enterprises when facing headwinds from the external environment, SMEs are less capable of tiding themselves over by squeezing their profits in difficult periods. Hence, layoffs or even windings-up may occur when enterprises cannot withstand external shocks amid mounting operating costs. The impacts of these factors on the labour market should not be taken lightly.

Box 5.1 (Cont'd)

Chart 4: SMEs remained relatively weak in overall profitability, reflecting their austerer operating environment



Note: [] Figures in brackets denote the profit ratio of SMEs in that sector in the specified year.
Source: Annual Survey of Economic Activities, Census and Statistics Department.

Concluding remarks

Since the implementation of SMW in May 2011, the sustained expansion of the Hong Kong economy has helped cushion the impact of SMW on the employment market and the operation of enterprises. The labour market has remained in a state of full employment and tightened further over the past year, with the seasonally adjusted unemployment rate falling to 2.9% in the first quarter of 2018, which was 0.7 percentage point lower than that in the pre-SMW period (February to April 2011).

However, a persistent increase in labour costs will inevitably exert some pressure on the operation of enterprises in the labour-intensive LPS. While the Hong Kong economy has maintained its growth momentum on entering 2018, the external environment is still fraught with various uncertainties and may pose challenges to local operators in various sectors. Hence, we should continue to monitor the related developments closely when reviewing the SMW rate in the future.

Profile of employment in establishments

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

5.11 Private sector employment recorded another solid increase of 1.0% in December 2017 over a year earlier to 2 857 900, backed by the buoyant economic performance and the further recovery in inbound tourism. Analysed by industries, more notable increases were seen in construction sites (covering manual workers only) (up 9.2% year-on-year), human health services (up 3.5%), financing and insurance (up 2.0%), professional and business services (excluding cleaning and similar services) (up 1.8%), education (up 1.6%), and residential care and social work services (up 1.5%). Meanwhile, declines in persons engaged were observed in manufacturing (down 3.6% year-on-year), and import and export trade (down 0.7%) over the same period. Analysed by establishment size, employment in *small and medium-sized enterprises (SMEs)*⁽⁷⁾ in December 2017 fell by 0.9% over a year earlier, whereas that in large enterprises went up visibly by 2.6%. For 2017 as a whole, growth in total private sector employment picked up to 1.0%, compared to the 0.6% gain in 2016. As for the civil service, the year-on-year employment growth was 2.2% in December 2017, and 1.6% for 2017 as a whole.

Table 5.6 : Employment by major economic sector

	<u>2016</u>					<u>2017</u>				
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>
Import/export trade and wholesale	542 400 (-0.7)	542 900 (-1.1)	543 000 (-0.5)	542 000 (-0.6)	541 600 (-0.7)	539 900 (-0.5)	540 900 (-0.4)	541 000 (-0.4)	539 400 (-0.5)	538 200 (-0.6)
Retail	266 600 (-1.1)	266 200 (-1.9)	266 200 (-1.4)	266 500 (-0.9)	267 500 (-0.2)	267 900 (0.5)	267 300 (0.4)	267 800 (0.6)	267 100 (0.2)	269 300 (0.6)
Accommodation ^(a) and food services	281 600 (-0.5)	280 600 (-1.1)	280 800 (-0.7)	282 100 (-0.1)	282 900 (-0.1)	282 300 (0.3)	280 900 (0.1)	281 500 (0.3)	283 400 (0.5)	283 500 (0.2)
Transportation, storage, postal and courier services	178 400 (0.5)	178 600 (1.2)	177 900 (0.8)	178 200 (§)	178 800 (0.2)	178 700 (0.2)	178 100 (-0.3)	177 600 (-0.1)	179 000 (0.5)	180 300 (0.8)
Information and communications	106 000 (0.7)	105 700 (1.6)	105 100 (0.2)	105 700 (0.2)	107 300 (0.8)	106 900 (0.9)	107 300 (1.5)	106 600 (1.4)	106 600 (0.9)	107 100 (-0.2)
Financing, insurance, real estate, professional and business services	719 500 (1.0)	714 100 (0.4)	718 000 (0.8)	720 600 (1.1)	725 200 (1.8)	731 100 (1.6)	728 300 (2.0)	728 600 (1.5)	730 900 (1.4)	736 700 (1.6)
Social and personal services	505 500 (1.7)	505 500 (2.3)	503 400 (1.7)	505 200 (1.6)	508 000 (1.2)	512 800 (1.4)	510 300 (1.0)	510 800 (1.5)	512 500 (1.4)	517 400 (1.9)
Manufacturing	96 000 (-3.6)	97 800 (-2.5)	96 100 (-3.5)	95 300 (-4.4)	94 900 (-4.1)	92 900 (-3.3)	94 500 (-3.4)	93 400 (-2.8)	92 000 (-3.4)	91 400 (-3.6)
Construction sites (covering manual workers only)	107 800 (13.3)	104 800 (14.1)	106 200 (14.4)	107 800 (15.0)	112 400 (10.2)	118 700 (10.1)	117 600 (12.2)	112 800 (6.2)	121 500 (12.7)	122 800 (9.2)
<i>All establishments surveyed in the private sector^(b)</i>	2 814 800 (0.6)	2 807 200 (0.5)	2 807 600 (0.6)	2 814 500 (0.7)	2 829 800 (0.8)	2 842 400 (1.0)	2 836 500 (1.0)	2 831 400 (0.8)	2 843 800 (1.0)	2 857 900 (1.0)
		<0.1>	<0.2>	<0.3>	<0.2>		<0.3>	<§>	<0.4>	<0.2>
<i>Civil service^(c)</i>	166 100 (1.2)	166 200 (1.5)	165 500 (1.1)	165 900 (1.1)	166 600 (1.0)	168 700 (1.6)	167 700 (0.9)	167 900 (1.4)	169 000 (1.9)	170 300 (2.2)

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

5.12 As one of the manifestations of sturdy labour demand, private sector vacancies increased notably by 10.3% in December 2017 over a year earlier to 74 040, the fastest pace in four years. For 2017 as a whole, the number of job openings rebounded by 3.7%, to an average of 71 310, after three consecutive annual declines.

5.13 Analysed by economic sector, further increases in the number of vacancies were observed in most economic sectors in December 2017, more visibly so in sectors such as human health services (up 155.0% year-on-year), construction sites (covering manual workers only) (up 62.0%), manufacturing (up 26.0%), accommodation services (up 15.6%), financing and insurance (up 14.0%), transportation, storage, postal and courier services (up 13.4%), education (up 13.1%), and professional and business services (excluding cleaning and similar services) (up 11.0%). On the other hand, vacancies in the real estate and the arts, entertainment, recreation and other services sectors fell by 4.7% and 3.2% respectively over the same period. In terms of occupational categories, vacancies in higher-skilled occupations increased for the fourth consecutive quarter, by 27.7% in December 2017. Meanwhile, vacancies in the lower-skilled segment recorded its first year-on-year increase since June 2014, by 3.2%. For 2017 as a whole, the number of vacancies in higher-skilled occupations increased by 17.7%, while that for the lower-skilled occupations fell somewhat by 1.9% notwithstanding the notable improvement towards the end of the year. Analysed by the size of establishments, vacancies in SMEs fell by 2.1% year-on-year in December 2017, while those in large enterprises increased markedly by 19.4%. As for the civil service, the number of job openings for civil service decreased by 9.6% year-on-year to 7 980 in December 2017, and by 3.6% to an average of 8 320 for 2017 as a whole.

5.14 In tandem with the significant increase in unfilled positions in the private sector, the ratio of job vacancies per 100 unemployed persons went up notably to 67 in December 2017, from 55 in both the preceding period (i.e. September 2017) and a year earlier. More specifically, the ratios for the higher- and lower-skilled segments rose from 89 and 60 in September 2017 to 105 and 67 in December 2017 respectively. For 2017 as a whole, the overall ratio increased to 58 from 52 in 2016, with the corresponding ratios of the higher- and lower-skilled segments also rising to 88 and 59 respectively from 67 and 56 in 2016. From a sectoral perspective, manpower shortage was particularly noticeable in the human health services, residential care and social work services, financing and insurance, real estate, and professional and business services sectors in December 2017, as their ratios of job vacancies to unemployed persons stayed above 100.

Table 5.7 : Vacancies by major economic sector

	<u>Number of vacancies</u>										Vacancy rate in Dec 2017 (%)
	<u>2016</u>					<u>2017</u>					
	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	<u>Annual average</u>	<u>Mar</u>	<u>Jun</u>	<u>Sep</u>	<u>Dec</u>	
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)	7 400 (5.9)	7 530 (8.8)	7 320 (5.5)	7 610 (8.3)	7 150 (1.0)	1.3
Retail	7 600 (-8.7)	7 660 (-10.5)	7 100 (-15.9)	8 280 (-0.9)	7 370 (-7.2)	7 640 (0.5)	7 540 (-1.6)	7 080 (-0.2)	8 130 (-1.8)	7 800 (5.8)	2.8
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)	13 350 (1.6)	13 670 (5.7)	13 220 (1.4)	12 630 (-4.5)	13 910 (4.1)	4.7
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)	3 550 (9.6)	3 600 (4.9)	3 560 (8.4)	3 600 (12.2)	3 450 (13.4)	1.9
Information and communications	2 640 (-5.7)	2 550 (-13.0)	2 470 (-0.3)	2 830 (7.9)	2 710 (-14.4)	2 740 (3.6)	2 720 (6.6)	2 710 (9.6)	2 750 (-2.8)	2 770 (2.1)	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)	18 420 (3.5)	18 620 (1.2)	18 540 (2.9)	18 240 (3.2)	18 280 (7.1)	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)	14 490 (3.2)	13 460 (-5.7)	13 130 (-7.9)	14 920 (5.0)	16 440 (22.5)	3.1
Manufacturing	2 330 (-14.2)	2 880 (-3.5)	2 280 (-16.2)	2 100 (-22.1)	2 070 (-16.4)	2 420 (3.9)	2 570 (-11.0)	2 290 (0.2)	2 240 (6.6)	2 610 (26.0)	2.8
Construction sites (covering manual workers only)	740 (-7.4)	960 (8.8)	550 (-41.6)	590 (-16.6)	850 (29.7)	1 070 (45.3)	570 (-40.8)	1 510 (176.2)	830 (40.4)	1 370 (62.0)	1.1
<i>All establishments surveyed in the private sector^(b)</i>	68 750 (-9.1)	70 300 (-10.0)	68 200 (-13.0)	69 340 (-7.1)	67 140 (-5.8)	71 310 (3.7)	70 460 (0.2)	69 590 (2.0)	71 150 (2.6)	74 040 (10.3)	2.5
		<-6.6>	<-2.9>	<3.9>	<-0.6>		<0.2>	<-1.3>	<4.3>	<6.6>	
<i>Civil service^(c)</i>	8 640 (4.7)	8 090 (3.3)	8 900 (10.8)	8 740 (2.4)	8 820 (2.6)	8 320 (-3.6)	8 660 (7.1)	8 420 (-5.4)	8 230 (-5.9)	7 980 (-9.6)	4.5

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.

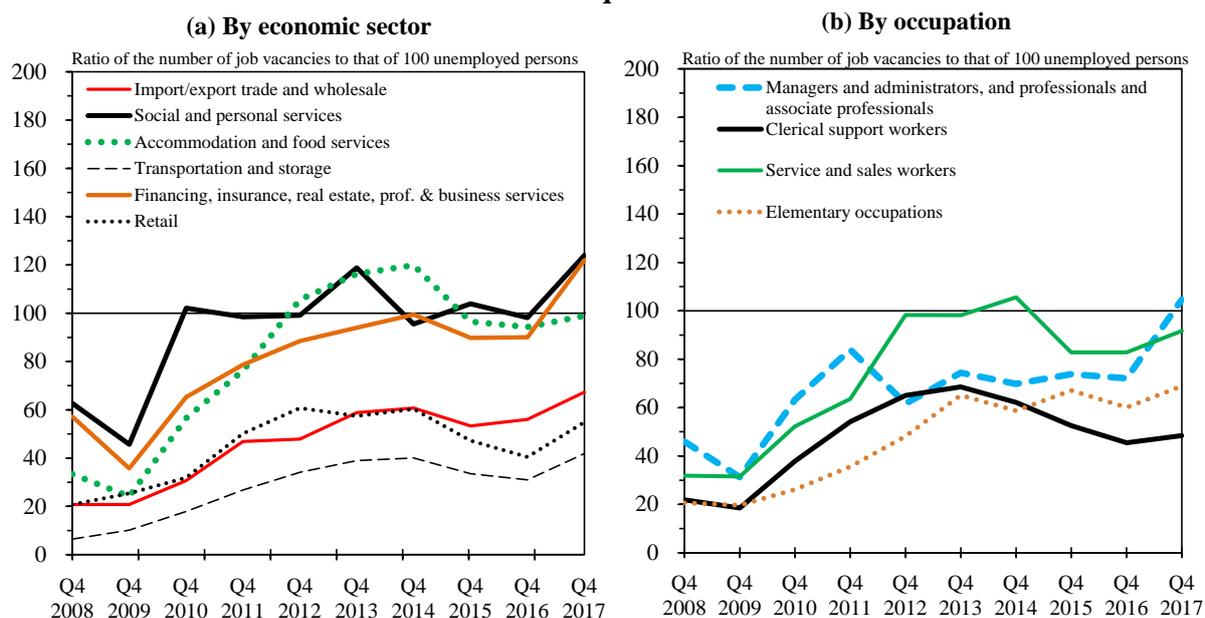
() % change over a year earlier.

<> 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 5.5 : Manpower resource balance tightened across-the-board in the fourth quarter of 2017



5.15 The vacancy rate for private sector establishments, measured in terms of the percentage of job vacancies to total employment opportunities, edged up from 2.4% in September 2017 to 2.5% in December 2017. Compared to a year earlier, the vacancy rate was 0.2 percentage point higher. Increases in vacancy rate were more visible in the human health services and accommodation services sectors as well as construction sites (covering manual workers only). For 2017 as a whole, the vacancy rate for private sector establishments stood at 2.4% for the second consecutive year.

5.16 The vacancy registration figures compiled by the Labour Department (LD), notwithstanding its smaller sample size, may provide additional hints on the latest developments in the labour market. As the overall hiring sentiment remained positive on entering 2018, the number of private sector job vacancies registered at LD averaged around 117 600 per month in the first quarter of 2018, up by 6.1% over a year earlier.

Wages and earnings

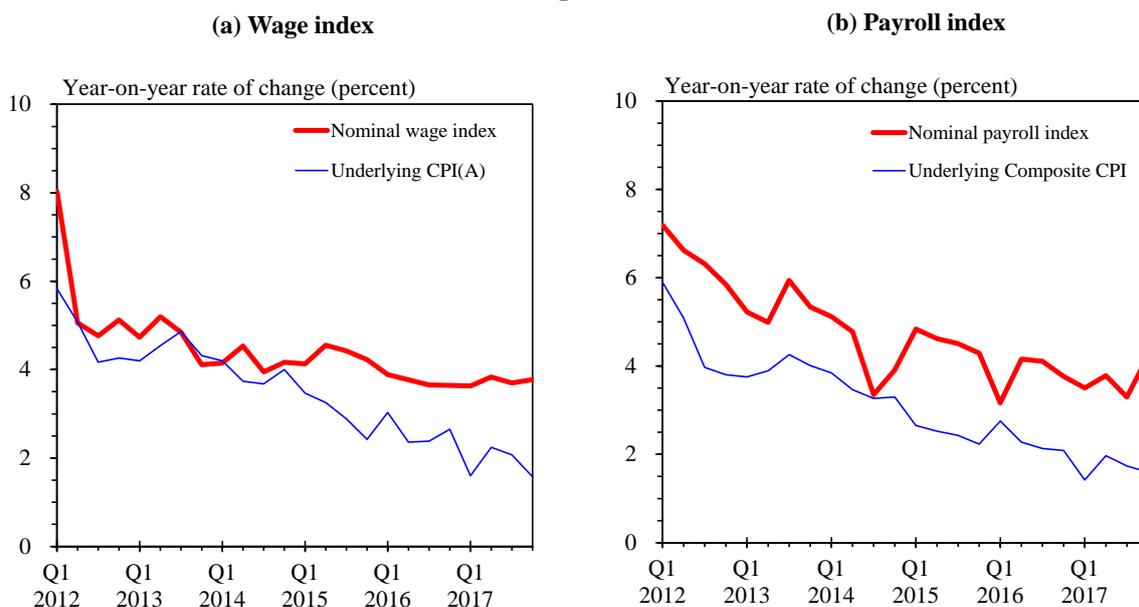
5.17 With the overall labour market tightened progressively over the course of 2017, both nominal wages and payroll stayed on the rise throughout the year. *The wage index*, which covers regular payment to employees at the supervisory level or below, increased in nominal terms by 3.8% year-on-year in December 2017 and also for 2017 as a whole, further to the 3.7% gain in 2016. After adjusting for inflation⁽⁸⁾, the wage index rose notably by 2.3% in real terms for 2017 as a whole.

5.18 Nominal wages continued to increase across all selected economic sectors in December 2017, with more appreciable growth seen in the accommodation and food service activities (up 4.7%), professional and business services (up 4.6%), and real estate leasing and maintenance management (up 4.5%) sectors. Analysed by occupation, service workers (up 4.6%), miscellaneous non-production workers (which includes such lower-income occupations as guards, cleaners, messengers / office assistants, and bell boys) (up 4.4%), and clerical and secretarial workers (up 4.3%) recorded relatively faster growth in wages during the period.

5.19 *Labour earnings*⁽⁹⁾, as measured by the index of payroll per person engaged in the private sector, including overtime pay, discretionary bonuses and other irregular payments, went up by 4.2% in nominal terms in the fourth quarter of 2017 over a year earlier. For 2017 as a whole, nominal earnings rose by 3.7%, translating into a visible real improvement of 2.3%.

5.20 While payroll increases were observed across-the-board in the fourth quarter of 2017, sectors such as social and personal services (up 5.8%), professional and business services (up 4.5%), and real estate activities (up 4.3%) posted particularly robust increases in the period.

Diagram 5.6 : Both wages and earnings showed appreciable real improvement throughout 2017



5.21 More recent statistics compiled from the General Household Survey, though not strictly comparable to those from the business establishment surveys, revealed that the *average monthly employment earnings*⁽¹⁰⁾ of full-time employees (excluding foreign domestic helpers) engaged in elementary occupations grew by 4.4% in the first quarter of 2018 over a year earlier. Meanwhile, the corresponding earnings figures for the lowest three decile groups combined increased by 5.3%. Both figures continued to outpace the underlying Consumer Price Index(A) inflation, of 2.5% over the same period, reflecting that earnings situation of the grassroots was buttressed by the tight demand-supply balance in the local labour market. For the overall income situation, the median monthly household income (excluding foreign domestic helpers) increased by 7.7% in the first quarter of 2018 over a year earlier, well exceeding inflation and indicating a considerable real improvement.

Highlights of labour-related measures and policy developments

5.22 LD regularly organises large-scale job fairs in different locations, canvassing vacancies from various industries for application by job-seekers on the spot. In the first quarter of 2018, LD organised five large-scale job fairs in Kowloon Tong, Mong Kok and North District. A total of 212 participating organisations offered more than 16 700 job opportunities in the retail, catering, property management, transport and other industries. There were also 16 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.

5.23 Moreover, LD has started the work on formulating sector-specific working hours guidelines through the department's industry-based tripartite committees. These committees, comprising representatives from employers, employees and the Government, serve as useful platforms for the parties concerned to draw up guidelines on suggested working hours arrangements, overtime compensation methods and good working hours management measures for employers' reference and adoption so as to improve the working hours arrangements of employees.

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 – March 2011. Starting from the reference quarter of January – 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); (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 (CPIs) 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.