

**Third Meeting of
the Economic and Employment Council**

***Agenda Item 6: The long-term unemployment situation
in Hong Kong***

Purpose

This paper sets out the latest position on long-term unemployment in Hong Kong and the measures taken by the Administration to address the situation. This is in response to a question raised by the Hon LAU Chin-shek at the second meeting of the Economic and Employment Council held on 31 May 2004.

Overall situation

2. Long-term unemployment, defined as continuous unemployment for six months or more, deteriorated over the course of 2003, as the Hong Kong economy was battered harshly by the severe acute respiratory syndrome (SARS). However, the situation improved notably in the first half of 2004 in tandem with the recovery of the economy as the SARS disease was brought under control.

3. In examining the figures (*Table*), it is important to bear in mind that the seasonally adjusted unemployment rate hit an all-time high of 8.6% for the periods of April-June and May-July 2003. These figures reflected the unemployment situation in the summer of 2003, when the impact of SARS was most severe. Also noteworthy is the fact that the statistics on long-term unemployment are lagging indicators. Against this background, the number of long-term unemployed rose in both Q3 and Q4 of 2003. At the same time, the median duration of unemployment also rose. The number of long-term unemployed hit 91 500 persons in Q4 of 2003 but dropped slightly to 90 400 in Q1 of 2004, and then reduced further to 82 700 in Q2 of 2004. The median duration of unemployment touched 109 days in Q4 of 2003 (with the highest ever recorded being 114 days in November 2003-January 2004), before easing back to 97 days in Q2 of 2004.

Duration of unemployment analysis

4. The recent improvement reflects that some of those long-term unemployed managed to find jobs amidst the recent pick-up in economic activities. Indeed, overall employment has improved even more notably over the past year. Comparing Q2 of 2004 with the same quarter last year, the total number of persons unemployed fell by 57 800 or 19% to 240 200 from 298 100.

5. It is not unusual that at the early stage of an economic recovery, those that are most employable (in terms of better skills, higher educational attainment, rising demand relative to supply in specific industry/trades etc.) would be able to regain employment earlier than the others that are less employable. Reflecting this, 45 100 persons, equivalent to 78% of those who have managed to regain employment over the past year (57 800), were unemployed for less than 3 months. The number of persons unemployed in this category thus dropped by 28% to 116 800 from 162 000. The improvement was faster than that for the entire labour force.

6. As to the next category of persons unemployed for 3 to less than 6 months, 12 300 regained employment over the past year, thereby bringing down the number of persons unemployed in this category by 23% to 40 600 from 52 900. Compared with 56 400 in Q3 of 2003 the improvement was 28%, again much faster than the improvement for the overall labour force.

7. As to the last category of persons unemployed for 6 months or more, the number of such unemployed reached 91 500 in Q4 of 2003 (with worst situation being June-August 2003, at 92 900). Over the past 6 months, 8 700 persons of this cohort managed to find jobs, thereby bringing the number of long-term unemployed down by 10% to 82 700 by Q2 of 2004.

Sectoral and Demographic analysis

8. Whilst occurring across-the-board, long-term unemployment comprised largely middle-aged workers with lower educational attainment and lesser skills, and those previously employed in such sectors as construction, wholesale and retail, import/export trades, restaurants and hotels, manufacturing, and transport.

9. Analysed by socio-economic attributes, long-term unemployment showed a widespread increase over the course of 2003. It then reverted to a broad-based decline in the first half of 2004.

Analysis by economic sector

10. In Q2 of 2004, nearly two-thirds (54 700 persons) of the long-term unemployed were previously engaged in the service sectors, as the tertiary industry is the largest employer taking up 84% of Hong Kong's total employment. This was followed by another 15% (12 700 persons) and 10% (8 100 persons) from the construction and manufacturing sectors respectively. The corresponding shares of these two sectors in total employment were 8% and 7%.

11. On a year-on-year comparison for the service sectors as a whole, the number of long-term unemployed persons went up by 5% over the past year to 54 700, while the median duration of unemployment lengthened from 85 days to 109 days. The increase took place entirely in the latter part of 2003 following the occurrence of the SARS disease earlier in the year. This was then offset considerably by a distinct decline in the first half of 2004. The recent decrease was primarily in such services sectors as restaurants and hotels, the wholesale/retail trade, finance, insurance and business services.

12. As for the construction sector, the number of long-term unemployed persons fell by 5% over a year earlier to 12 700 in Q2 of 2004, while the median duration of unemployment rose only marginally from 69 days to 70 days. The reduction in long-term unemployment was most apparent among workers engaged in decoration and maintenance along with the revival in the property market in recent months. Also noteworthy was that construction workers generally have a shorter duration of unemployment than workers in other sectors. Yet this might be associated with the unique nature of the industry where there is a relatively larger proportion of casual workers. These workers used to have a shorter spell of unemployment but were generally more prone to unemployment upon the winding down or completion of a construction project.

13. With regard to the manufacturing sector, while the median duration of unemployment lengthened to 190 days in Q2 of 2004 from 138 days in the same quarter a year earlier, the number of long-term unemployed persons showed a notable drop by 22% to 8 100. The decline was concentrated in the first half of 2004, outweighing the increase occurring during 2003. Clothing and footwear, paper and printing, and metal products were the major industries where substantial decreases in long-term unemployment were seen.

Analysis by occupation

14. Of the persons unemployed for six months or more in Q2 of 2004, 77% (63 900 persons) comprised lower-skilled workers, of whom over half were workers in elementary occupations and service workers and shop sales workers. The corresponding proportion for higher-skilled workers was 14%, comprising mostly associate professionals.

15. Comparing Q2 of 2004 with a year earlier, the number of long-term unemployed persons with lesser skills went up, albeit only modestly, by 3% to 63 900. Nevertheless, when compared with Q4 of 2003, there was a substantial drop of 12% in the first half of 2004. By contrast, the corresponding number for higher-skilled workers fell by 16% to 12 000 in Q2 of 2004 from the same quarter of 2003, and even more notably by over 20% from Q3 of 2003. Among the major occupation categories, craft and related workers at the lower end, as well as managers and administrators, and associate professionals at the upper end, were the ones experiencing more rapid decreases in long-term unemployment.

16. As to the median duration of unemployment, despite the visible shortening in the first half of 2004, there has been some lengthening over the past year, from 79 days to 99 days for lower-skilled workers and from 110 days to 120 days for higher-skilled workers. Generally, higher-skilled workers have longer duration of unemployment than their lower-skilled counterpart. This is partly due to the fact that fewer casual and/or part-time jobs are available to higher-skilled workers⁽¹⁾. For the higher age bracket of 40-59 in particular, workers with higher skills are usually found to experience longer duration of unemployment than those with lower skills, partly because of higher degree of specialisation, less versatility that comes with age, and probably also more selective attitude in job seeking.

Analysis by gender and age

17. In Q2 of 2004, there were more male (66%) long-term unemployed than female (34%). Analysed by age group, the 40-59 cohort took up 56% (46 400 persons) of the total long-term unemployed population in Q2 of 2004. Younger persons aged 20-29 and 15-19 had smaller proportions, at 15% and 6% respectively.

(1) According to the special topic enquiry conducted by the Census and Statistics Department, only 2.3% of higher-skilled workers were employed on a part-time basis in Q2 of 2002, compared to 5.8% for the lower-skilled workers. Also, the proportion of higher-skilled workers employed on a casual basis was a mere 0.2% in Q2 of 2003, also much less than that of 3.7% for lower-skilled workers.

18. Comparing Q2 of 2004 with a year earlier, the number of long-term unemployed male workers declined by 3% to 54 900. The decline was even more marked by 10% when compared with Q3 of 2003. As for the number of long-term unemployed female workers, it went up by 5% to 27 800. But there was an improvement of 13% in the first half of 2004.

19. The median duration of unemployment for both male and female workers lengthened over a year earlier, from 85 days to 100 days and from 76 days to 92 days respectively. However, when compared with Q4 of 2003, at 108 and 111 days respectively, there was notable improvement in the first half of 2004.

20. Analysed by age group, and comparing Q2 of 2004 with a year earlier, the number of long-term unemployed persons aged 15-39 dipped by 19% to 32 800, while the number of long-term unemployed persons aged 40-59 leaped by 15% to 46 400. As to the median duration of unemployment, a shortening was observed for younger persons aged 15-24 over the past year. Yet for persons aged 25 and above, the median duration of unemployment lengthened especially among those of older ages. More specifically, the median duration of unemployment for persons aged 25-49 lengthened from around 83 days to 90-110 days, and that for persons aged 50-59 even more, from 97 days to 157 days. Nevertheless, there has been an almost across-the-board improvement in terms of both number and duration of unemployment in the first half of 2004.

Analysis by educational attainment

21. Of the long-term unemployed persons in Q2 of 2004, 53% (43 900 persons) were with lower secondary education and below, and only 12% (9 900 persons) were with tertiary education.

22. Comparing Q2 of 2004 with a year earlier, the number of long-term unemployed persons with lower secondary education and below was almost static at 43 900, with the decrease in the first half of this year offset by the increase in the second half of last year. Their median duration of unemployment showed a visible lengthening, from 82 days to 109 days over the past year (though shorter than that of 117 days in Q4 of 2003). By contrast, the number of long-term unemployed persons with tertiary education went down notably by 20% over a year earlier to 9 900 in Q2 of 2004. Concurrently, the median duration of unemployment for these people also decreased, from 85 days to 83 days.

Characteristics of the long-term unemployed

23. It is clear from the above analysis that the long-term unemployed situation has improved in overall terms over the past year, and particularly in the first half of 2004 along with the recovery of the economy. Yet the typical profile of a long-term unemployed person remains largely the same, that is likely to be a middle-aged male with education level of lower secondary or below. And, he is also likely to be previously engaged as a worker in elementary occupation or as service worker and shop sales worker and in sectors such as distributive and catering trades, transport, manufacturing or construction.

Challenge facing the government

24. According to the Government's most recent manpower projection – the “Manpower Projection to 2007” – Hong Kong would have a manpower supply surplus of some 133 000 for those with lower secondary education and below by 2007. On the other hand, there would be a shortage of manpower supply of 102 000 for those with post-secondary education or above. Thus, we are facing a serious mismatch between manpower demand and supply. With Hong Kong continuing its transformation into a knowledge-based economy, the employment prospects for those middle-aged low-skilled long-term unemployed are full of challenge, despite the recent upturn in the economy.

Measures to help the middle-aged unemployed

25. To help the middle-aged unemployed re-enter the labour market, the Government has put in place several measures. These include the creation of temporary jobs, implementation of employment programmes and provision of training and retraining to upgrade their skills.

Creation of temporary jobs in the public sector

26. To ease the unemployment for the middle-aged with lower education attainment and skills level, the Administration has extended some 11 700 temporary jobs in the public sector in 2004, most of which are suitable for workers from this category.

27. In addition to extending the temporary jobs, the Administration has earmarked an average of \$29 billion per year for capital works projects for the next five years. Together, these projects are expected to create 45 000 construction and technical jobs each year, many of which are suitable for the middle-aged unemployed from the construction sector.

Re-employment Training Programme for the Middle-aged (RTP)

28. The RTP, launched by the Labour Department (LD) in early May 2003, aims at assisting unemployed persons aged 40 or above to secure employment. Employers who engage such persons in full-time permanent posts and offer them on-the-job training will receive a monthly training allowance of \$1,500 per trainee for up to three months.

29. As at mid-August 2004, the programme has placed some 4 300 into employment mainly as security guards, cleaners and labourers. The LD will continue to run this programme in 2004 for about 8 000 job-seekers.

Incentive allowance scheme for local domestic helpers (LDHs)

30. To address the current mismatch in supply and demand of LDHs arising from geographic locations and working hours, the Administration launched the incentive allowance scheme in June 2003. LDHs are encouraged to fill vacancies in those districts with a constant surplus of LDH vacancies and those requiring them to work at unsocial hours (i.e. between 5 pm and 9 am). Qualified LDHs⁽²⁾ may apply for a daily allowance of \$50 for a maximum of 24 days per month or 144 days in a year, subject to a ceiling of \$7,200.

31. The Scheme would also help to expand the LDH market, thereby creating job opportunities for the low-skilled, middle-aged labour force. As at end-August 2004, there were some 3 000 approved applications. The scheme can cater for another 5 000 applicants.

Strengthened employment services by LD

32. The LD has strengthened its employment service to canvass more vacancies. In 2003, LD helped place a record-high of 66 100 job-seekers in employment. During the same year, LD received 215 432

(2) Those who (1) have completed the LDH training offered by the Employees Retraining Board (ERB); (2) are in possession of a competency card; and (3) take up a job through the referral of ERB's Integrated Scheme for LDHs.

vacancies from the private sector, also an all-time high. For the first seven months of 2004, LD placed 46 573 job-seekers, up 32% over the same period in 2003. At the same time, the Department received 159 092 vacancies from the private sector, an increase of 47 604 or 42.7% over the same period of last year.

33. To optimize the use of job vacancies, the LD has augmented its employer-focused recruitment service to speed up the rate and time for filling up vacancies, especially from employers with a large number of job openings. To respond more promptly to the recruitment needs of employers, in addition to the usual major ones, mini-job fairs are held from time to time at LD's major Job Centres to enable job-seekers to be interviewed on the spot and assist employers to recruit staff. So far, 23 mini-job fairs have been held. LD plans to hold a total of ten major job fairs in 2004-05. So far, six have been held.

34. Furthermore, to facilitate recipients of Comprehensive Social Security Allowance (CSSA) to find jobs, user-friendly vacancy search terminals have been installed at 38 social security units of the Social Welfare Department (SWD) by Q1 of 2004.

Support for Self-reliance (SFS) Scheme

35. Amongst the CSSA recipients, adults aged 15-59 in normal health are required to actively seek full-time jobs and participate in the SFS Scheme of the SWD if they are unemployed or working part-time or earning less than a reasonable wage as defined by the SWD. Experience indicates that in the early months of receiving CSSA, new cases are more likely to leave CSSA after securing employment.

36. To help the unemployed to be self-reliant, SWD introduced the SFS Scheme in June 1999 to provide employment assistance to this group of CSSA recipients. There was a noticeable and continuous decline in unemployment cases until early 2001. Amidst the rise in the unemployment rate during the period from mid-2001 to mid-2003, the unemployment cases grew sharply in the period.

37. As from June 2003 upon the implementation of the Intensified SFS Scheme incorporating more intensified measures to help unemployed recipients to secure job and the economic situation improving, the unemployment cases has returned to a downward trend. Specifically, the figure of able-bodied unemployed CSSA recipients fell from the peak of 48 285 in September 2003 to 44 562 in July 2004.

Enhanced retraining and continuous learning

38. To help the middle-aged unemployed re-enter the labour market and sustain their employability, the Employees Retraining Board, which primarily provides services for unemployed persons aged 30 or above with no more than lower secondary education, has increased its training places for over seven times from 15 700 in 1993/94 to some 115 000 in 2003/04. Most training places are for trades in the service sectors, such as security guards, local domestic helpers, care workers, etc. The training could facilitate the long-term unemployed to change their occupation from, say, manufacturing to the service industry.

39. The Government has also launched a \$5 billion Continuing Education Fund to subsidize adults wishing to pursue continuing education. The aim is to help people pursue continuous learning, thereby preparing our workforce for the knowledge-based economy. By the end of July 2004, over 105 300 applications have been approved.

Way forward

40. As can be seen above, the Government has introduced various measures to help the middle-aged unemployed re-enter the job markets in the short and medium terms. In the long run, to reduce the number of long-term unemployed, we have to invest substantially in education and to strategically raise the competitiveness of our labour force so that they can meet the challenges of globalization and a knowledge-based economy. To this end, the Government has earmarked HK\$61 billion in 2003/4 for education, accounting for 24% of the overall Government expenditure. A substantial amount of resources has been devoted to providing school places for students who are willing and able to continue with their study. We have also set a target of 60% participation rate for post-secondary education by 2010/11.

41. The Government is establishing a qualifications framework (QF) to provide Hong Kong's workforce with a clear articulation ladder. With the framework in place, learners can draw up their own road maps to acquire qualifications to upgrade themselves and pursue lifelong learning at different stages and through different channels. In sum, the establishments of a QF will help promote lifelong learning, hence enhancing the capability and competitiveness of Hong Kong's human resources in the long run. The availability of diverse progression pathways will enable individual employees find their ways to maximize their capability and work potential, which will benefit not only to employees but also the establishments they serve. This will collectively help reduce mismatch between manpower requirement and

supply, thereby improving the overall productive capacity of our economy.

42. To help the long-term unemployed, it is important to boost job opportunities in the territory. It is, therefore, of utmost importance for the Government to continue to create an environment conducive to the sustained growth of the economy, the increase in investment and consumer spending.

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Table**Median duration of unemployment and
unemployed workforce by duration of unemployment***

	<u>2003</u>				<u>2004</u>		Comparing Q2 04 with peak 03 (%)
	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>	<u>Q2</u>	
Median duration of unemployment (day)	82.6 (-4.5)	82.1 (-8.3)	90.2 (9.7)	109.2 (21.2)	106.1 (28.5)	97.0 (18.1)	-11.2
Number of persons unemployed for :							
Less than 3 months	140 600 (11.8)	162 000 (20.9)	150 300 (2.6)	116 400 (-8.6)	116 200 (-17.3)	116 800 (-27.9)	-27.9
3 months to less than 6 months	43 400 (-10.8)	52 900 (6.4)	56 400 (21.1)	46 300 (-4.9)	42 900 (-0.9)	40 600 (-23.2)	-28.0
6 months or more	74 800 (16.4)	83 100 (4.3)	91 000 (21.5)	91 500 (20.4)	90 400 (20.9)	82 700 (-0.5)	-9.5
Total number unemployed	258 700 (8.4)	298 100 (13.2)	297 800 (11.1)	254 200 (0.8)	249 500 (-3.5)	240 200 (-19.4)	-19.4

Notes : (*) Covering all the unemployed persons, including first-time job seekers and re-entrants into the labour force.

Figures in brackets refer to year-on-year rates of change.

Figures highlighted refer to the respective quarterly peaks in 2003.