EEC Paper 14/05

An analysis of the labour market, employment income and low-income employees in Hong Kong

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Employees by monthly employment earnings



- The number of employees earning between \$6,000 to \$12,000 per month declined during 1995-2003, and the share fell from 54% to 40%. The number rebounded after 2003.
- ***** The number of employees earning more than \$12,000 increased persistently.

Unemployment rate*



Unemployment rate for the lower-skilled workers went down visibly in the current economic upturn.

Managers and administrators, professionals and associate professionals



Service workers and shop sales workers



Clerks



Skilled workers*



Unskilled workers*



Labour force by age and educational attaintment, 1994



Labour force by age and educational attaintment, 2004



Average monthly wage rate for selected occupations, 2003 - 2005



The average wage rate of some occupations increased distinctly between 2003 and 2005, though most of the others rose only moderately or even fell marginally.

Overall wage rate



- ***** Nominal wage rate fell during 2002-04, but rose back since the beginning of 2005.
- In real terms, wages are significantly higher now than the late-1990s as a result of deflation during 1999-2004.

Growth in labour earnings and wages in money terms



- ***** Recovery in labour earnings is faster than wages. This could be due to :
 - a) growing emphasis on variable or performance-linked reward and/or more income from overtime work
 - b) higher income workers having faster pay increases
 - c) an increase in the ratio of higher-paid to lower-paid jobs

Average monthly employment earnings of employees at the lowest three decile groups



 Average employment earnings of the lower income groups have been improving since early-2005

Employees by selected monthly employment earnings

	<u>< \$5,000</u>		<u>\$5,000 -</u>	<u> \$5,000 - 5,999</u>		<u> \$6,000 - 6,999</u>		<u> \$7,000 - 7,999</u>	
	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	Part-time	Full-time	
Q3 2003	124 300	150 400	20 800	139 900	17 100	188 700	13 500	178 200	
-	(4.8)	(5.8)	(0.8)	(5.4)	(0.7)	(7.3)	(0.5)	(6.9)	
0000	100 000	1.50 000	1 < 700	1 50 500	15 000	100 100	11 100	100 600	
Q3 2004	132 200	152 800	16 500	158 500	15 800	199 100	11 100	198 600	
	(4.9)	(5.6)	(0.6)	(5.9)	(0.6)	(7.4)	(0.4)	(7.3)	
03 2005	127 200	140 100	18 700	160 600	14 500	208 200	12 100	208 700	
20 -000			(07)		(0, 7)				
	(4.6)	(5.0)	(0.7)	(5.8)	(0.5)	(7.5)	(0.4)	(7.5)	

Notes : Part-time workers refer to those working less than 35 hours per week.

() % Share in all employees excluding FDHs.

- In Q3 2005, 267 300 employees earned less than \$5,000 per month, but 48% of them were part-timers. More than half of these part-timers worked less than 20 hours per week. 39% (49 800 persons) of the part-timers were under-employed.
- ✤ Full-time, low-income employees fell to 140 000 in Q3 2005, representing 5% of the total employees. Even taking into account the underemployed workers, the number and share of low-income workers also shrank between Q3 2003 and Q3 2005.
- Employees earning \$5,000 7,999 increased by more than 60 000 between Q3 2003 and Q3 2005, suggesting that some of the low-income workers might have moved up the income ladder during the period.

Employees earning less than \$5,000 per month (at constant (2005 Q2) prices)

-	Part-	time*	Full-time	Overall	underemployed
	<u>Voluntary</u>	Involuntary [#]			
Q2 1995	47 700	28 300	161 400	237 500	189 700
-	(1.9)	(1.1)	(6.5)	(9.6)	(7.7)
Q2 2005	82 100	50 300	137 200	269 600	187 500
	(3.0)	(1.8)	(5.0)	(9.8)	(6.8)

Notes : (*) Part-time workers refer to those working less than 35 hours per week.

(#) Workers working part-time involuntarily are the same as underermployed.

() % Share in all employees excluding FDHs.

- Over the past decade, the total number of low-income employees increased, but the number of full-time low-income employees decreased in both absolute and % share terms.
- ✤ Of the increase in the part-time low-income employees, 61% of them were voluntary in nature (i.e. outside the scope of underemployed).
- Characteristics of the low-income employees (full-time & underemployed) also changed over the past decade (as shown in the next two slides).

Full-time &



Full-time and underemployed employees earning less than \$5,000 per month (at constant (Q2 2005) prices) by age and gender, 1995 and 2005

- ***** Increase in the share of females among the low-income employees in Q2 2005.
- Increase in the share of persons aged 15-29 and 40-59 among the low-income employees in Q2 2005, but decrease for those aged 60 and above.

Full-time and underemployed employees earning less than \$5,000 per month (at constant (Q2 2005) prices) by educational attaintment, 1995 and 2005



 Increase in the share of low-income employees with upper secondary education or above in Q2 2005.

Conclusions

- Economic restructuring produces more high-income jobs and reduces the demand for low-income jobs over the long term.
- □ Lower-income workers suffer more during an economic downturn, largely due to job losses.
- Lower-income workers benefit from the economic upturn initially through more jobs. Wage increases come with a time lag.
- □ The number of employees earning less than \$5,000 per month decreased in 2005, and is now lower than ten years ago.
- **Economic growth is important for improving the well-being of the low-income workers.**

Notes to the statistics used (1)

- Most figures used in this presentation come from the General Household Survey (GHS) conducted by the Census & Statistics Department.
- The GHS covers a sample of about 25 000 households or 77 000 persons per quarter, selected in accordance with a scientifically designed sampling scheme to represent the population of Hong Kong. The response rate is about 90%.
- Employment earnings refer to total earnings from all jobs.
- Wage rate shows the average level of wages across different jobs and industries. It refers to the money earned for employees' normal hours of work. It covers all regular payments, but excludes earnings from overtime work and discretionary bonuses. Besides it takes into account only employees up to the supervisory level. CPI(A) is used as the price deflator for wages.

Notes to the statistics used (2)

- Payroll refers to average payroll received per person engaged which includes basic wages, all other regular payments, earnings from overtime work and discretionary bonuses. It covers employees at all levels and proprietors actively engaged in the work of the establishments.
- Figures for the years 1995, 2003 and 2005 were used in many charts because prices of these years are broadly comparable. This avoids the need for inflation adjustments to the income figures. 1995 Q3 could be seen as close to the peak and 2003 Q3 the bottom of the previous economic cycle. 2005 Q3 is the latest data set available.
- Foreign domestic helpers are excluded in all the numbers used in this presentation, unless otherwise stated.
- The employment earnings used in this presentation refer to those of employees. Employees account for close to 90% of total employment (see <u>Table</u> in next slide).

Notes to the statistics used (3)

			of which :			
	Labour force	Employment	Employees*	Part-time workers [#]		
				Total	Voluntary [#]	Involuntary [#]
1995 Q3	2 908 200	2 797 100	2 479 000 (88.6%)	202 500	133 700 (66.0%)	68 800 (34.0%)
2003 Q3	3 298 500	3 000 700	2 577 800 (85.9%)	312 000	209 100 (67.0%)	103 000 (33.0%)
2005 Q3	3 397 200	3 191 400	2 776 400 (87.0%)	303 700	223 700 (73.7%)	80 000 (26.3%)

- (*) Employed persons could be classified into employees, self-employed persons and employers. Employees account for close to 90% of total employment, as indicated by the numbers in brackets.
- (#) Part-time workers are those working less than 35 hours per week. They could be distinguished into those underemployed (involuntary) and not underemployed (voluntary).