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## **Current Labour Market Conditions in Hong Kong**

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Posted to GPN on March 20, 2001.

## Current Labour Market Conditions in Hong Kong

The growth of Hong Kong's economy since the early 1990s has been dominated by the finance and real estate sectors, with the profits of oligopolistic real estate developers rising exponentially. The linked exchange rate system and the government's tax policy greatly favoured capital gains. The resulting low interest rates encouraged speculation in the real estate and stock markets. This, in turn, accelerated the relentless formation of a bubble economy, which eventually burst during the Asian crisis.

After nearly two years of widespread recession with profound effects on the labour market, there were signs of economic recovery in the latter part of 1999. This was followed by double-digit growth (10.5%) in 2000—although the 1999 base of comparison was low. At first, growth was led by a rebound in merchandise re-exports to major markets, including mainland China and the United States. Then rising employment, price discounts at retail outlets, and buoyancy in the local stock market in the early part of the year improved private expenditure in the domestic market for consumer goods and services. This revived domestic demand also depended on growth in investment spending as corporate profits improved because of an upsurge in machinery acquisition and inventories.,

Nevertheless, the structural problem of Hong Kong's economy is the rapid deterioration of its real productive base—a result of high rental prices and lack of investment in research and development. The prospects for continued growth are not very positive (see **Table 1**).

**Table 1: GDP (in real terms) and population growth rate for Hong Kong, 1996-2000**

Year	1996	1997	1998	1999	2000	2000 Q1	2000 Q2	2000 Q3	2000 Q4
<b>GDP % change</b>	4.5	5.0	-5.3	3.1	10.5 <sup>1</sup>	14.1 (5.1) <sup>2</sup>	10.8 (-0.7) <sup>2</sup>	10.8 (2.1) <sup>2</sup>	6.8 (-0.1) <sup>2</sup>
<b>Population growth rate</b>	- <sup>3</sup>	1.2	1.2	1.1	1.1	-	1.1 <sup>4</sup>	-	1.5 <sup>5</sup>
<b>Per capita GDP</b>	-0.8	3.7	-6.5	1.9	9.2 <sup>6</sup>	- <sup>7</sup>	-	-	-

1. Preliminary figures.

2. Year-to-year rate of change. (Figures in parentheses are % changes over the preceding quarter; they are seasonally adjusted and subject to revision.)

3. Since August 2000, a new method for compiling population estimates has been adopted. Revised population figures are available only back to 1996.

4. Compared with mid-1999.

5. Compared with the end of 1999.

6. Preliminary figures.

7. Quarterly figures are not available for per capita GDP.

Source: HKSAR Census and Statistics Department, 2000, Gross Domestic Product; Hong Kong Annual Digest of Statistics (various issues); and Hong Kong Monthly Digest of Statistics, April 2001.

### ***Unemployment drops and yet remains relatively high***

After the economic recovery of late 1999, the unemployment rate for both males and females declined, but the levels were still high when compared to the low rates of the early 1990s. Underemployment and long-term unemployment also decreased. Despite this, unemployment is still a significant social issue in Hong Kong, especially because there is no social insurance system to protect the households of the unemployed from declining living standards.

While there was no significant gender difference in unemployment rates from 1990 to 1993, the unemployment rate for males has been significantly higher in recent years. This was due to the continued slump in the traditionally male-dominated construction and transport industries. In the last two years, employment opportunities in the transport industry have improved because of the expanded re-export trade. But unemployment and underemployment in the construction sector still remain severe because of the depressed state of the real estate market and the completion of major government projects. In addition, the subcontractors used by construction companies customarily hire manual workers on a contingent basis. Meanwhile the lower unemployment rate for women is not completely positive. Women workers, especially those in low-level occupations, such as janitors and migrant domestic helpers, account for a majority of the working poor.

Both the ongoing relocation of manufacturing to mainland China and increasing income disparity suppress effective demand and the expansion of domestic services. Displaced workers who have less education will find it increasingly difficult to be absorbed by the service sector. Therefore the prospect for a significant reduction in unemployment rates for both sexes is severely restricted (see **Table 2 and 3**).

**Table 2: Unemployment rates in Hong Kong, 1990-2000**

Year	1990	1993	1996	1997	1998	1999	2000	2000 Q1	2000 Q2	2000 Q3	2000 Q4
<b>Male<sup>1</sup></b>	1.3	2.0	3.1	2.3	5.2	7.2	-	6.2	5.7	5.5	5.3
<b>Female<sup>1</sup></b>	1.3	1.9	2.3	2.0	4.0	4.9	-	4.6	4.2	4.2	3.2
<b>Overall<sup>2</sup></b>	1.3	2.0	2.8	2.2	4.7	6.3	5.0	5.6	5.0	4.8	4.4

1. Seasonally adjusted quarterly figures for males and females are not yet officially published. The average unemployment rates for both groups in 2000 are not yet available.

2. The quarterly figures for overall unemployment rates are seasonally adjusted.

Sources: HKSAR Census and Statistics Department, Hong Kong Annual Digest of Statistics, 2000 edition; Hong Kong Monthly Digest of Statistics, various issues.

**Table 3: Underemployment and long-term unemployment in Hong Kong**

Year	Underemployment rate <sup>1</sup>	Long-term unemployment rate <sup>2</sup>
1996	1.7	-
1997	1.2	-
1998	2.5	-
1999	3.0	-
1999 Q2	2.9	30.0
1999 Q3	3.1	26.7
1999 Q4	2.8	32.3
2000	2.8	-
2000 Q1	2.8	28.4
2000 Q2	3.2	23.6
2000 Q3	2.6	20.5
2000 Q4	2.7	23.5

1. The underemployed population includes employed people who have involuntarily worked less than 35 hours during the seven days before the count and have also sought additional work during the previous 30 days; the underemployed also include people who have been available for additional work during the seven previous days. The underemployment rate refers to the proportion of underemployed people in the labour force.

2. This is defined as the proportion of persons unemployed for six months or more. Annual figures are not officially published.

Sources: HKSAR Census and Statistics Department, Hong Kong Annual Digest of Statistics, 2000 edition; Hong Kong Monthly Digest of Statistics, various issues.

### ***Real wages increased while consumer prices fell***

Despite strong economic growth in the first half of the 1990s, the living standard of production workers in most industries deteriorated. **Table 4** shows the decline in real wages. The larger decrease in real wages for workers in the manufacturing sector reflects its transformation into sunset industries. As a result, the number of people employed in local manufacturing shrank significantly. Because of continued deflation during the past two years, the figures show year-to-year increases in real wages despite the fact that changes in the corresponding nominal wages were only marginal or even negative.

**Table 4: Real wage index for craftsmen and operatives by industry (Sept. 1992=100)**

Year	1990	1993	1995	1996	1997	1998	1999	2000	2000 Dec.
<b>Manufacturing</b>	100.9	101.1	95.3	97.5	96.9	94.6	98.4	103.3	103.6
<b>Transport services</b>		104.8	98.4	99.2	105.1	107.1	111.0	107	106.4
<b>Finance, insurance, real estate, and business services</b>	-	101.6	97.6	99.1	100.7	99.5	100.9	108.3	110.5
<b>Personal services</b>	91.2	103.3	100.5	102.6	101.2	99.4	107.0	111.3	107.4
<b>All selected Industries</b>	100.4	101.7	96.2	98.1	99.5	98.7	102.5	104.1	104.0
<b>Consumer price indices (A) (Oct.1994-Sept. 1995=100)</b>	65.4	86.7	101.8	107.9	114.1	117.0	113.2	110.1	109.7

Figures refer to September of each year. Data are not released in order to safeguard confidentiality of information provided by individual firms.

The CPI(A) is compiled based on the expenditure patterns of households in the relatively low expenditure range.

Sources: HKSAR Census and Statistics Department, Hong Kong Annual Digest of Statistics, 2000 edition; Hong Kong Monthly Digest of Statistics, various issues.

### ***Working hours continue to rise***

Although changes in the unemployment rate might seem to indicate improvement in the labor situation, work intensity has actually increased, and the quality of employment has possibly deteriorated. The proportion of employed people who work for 50 hours or more per week continued to rise in 2000, reaching 34% in the last quarter of the year. The median number of hours was 48 per week. Hong Kong's population now has one of the longest workweeks in the world (see **Table 5**). Despite this, the government is still reluctant to pass legislation setting a maximum number of hours per week even though this would safeguard workers' health and perhaps redistribute jobs to the unemployed.

**Table 5: Median weekly hours of work and share of employees working 50 hours or more per week**

	Median hours of work per week for all employed persons (hours)	Proportion of employed persons working for:		
		50-59 hours per week (%)	60 hours or more per week (%)	50 hours or more per week (%)
1999 Q1	45	12%	16%	28%
1999 Q2	45	13	17	30
1999 Q3	48	13	17	30
1999 Q4	48	14	18	33
2000 Q1	46	13	18	31
2000 Q2	48	14	18	32
2000 Q3	48	16	18	34
2000 Q4	48	15	19	34

Source: General Household Survey, Census and Statistics Department, various issues.

### ***Growing income inequality***

Income equality in Hong Kong has deteriorated drastically over the past decade. The income gap between rich and poor has almost doubled: the ratio of average per capita household income between the richest and poorest deciles rose from 10.8 to 1 in 1990 to 19.2 to 1 in 1999. The richest 10% in 1999 possessed 35.9% of national income while the poorest 10% claimed only 1.9% (see **Table 6** and **Table 7**). Before the recession, income inequality could arguably have been attributed to the occupational structure of the service sector and to the high capital value of assets. Income distribution after the Asian financial turmoil was made even worse by corporate restructuring strategies. These included transforming labour contracts to expand contingent work. That, in turn, worsened the power and status imbalance between upper management and workers in general.

**Table 6: Ratio of average per-capita household income between the highest and the lowest deciles**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Highest decile to lowest decile (lowest = 1)	10.8	11.2	11.2	12.8	12.8	15.0	14.4	14.8	17.7	19.2

**Table 7: Percentage of total household income of the lowest and highest deciles**

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Lowest	2.9	2.8	2.7	2.5	2.6	2.3	2.4	2.3	2.0	1.9
Highest	30.9	30.8	30.5	32.7	33.1	34.6	34.5	34.2	35.0	35.9

Source: HKSAR Census and Statistics Department; Hong Kong Confederation of Trade Unions.

### ***High rate of poverty***

In addition to income inequality, the incidence of poverty was remarkable in an affluent society like Hong Kong. In 1999, nearly a fifth of the population had a living standard below the poverty line (see **Table 8**). It was estimated that three of every 10 children below the age of 15 were materially deprived. The same was true for 25% of all people aged 65 or over. Major factors that contributed to this include: 1) the absence of a mandatory pension system; 2) no minimum wage law to combat low pay; 3) increased unemployment; 4) inadequate affordable childcare to assist low-income families (especially mothers and single mothers) to enter the labour market. Despite the alarming level of poverty, the government decided in 1999 to cut standard rates, special grants, and supplements to social security benefits in order to reduce social spending and reinforce work discipline, no matter how low-paid the work.

**Table 8:**

<b>Year</b>	<b>Poverty rate (%)*</b>
<b>1996</b>	17.9
<b>1997</b>	18.2
<b>1998</b>	18.2
<b>1999</b>	18.4

\* The poverty rate is defined as the proportion of the population having an income below half the median per capita household income.

Source: HKSAR Census and Statistics Department; Hong Kong Confederation of Trade Unions.

### ***Trade union participation rate***

Hong Kong's trade union participation rate increased slightly in recent years due to several factors: more union organizing; increased union membership (public sector reform facilitated unionization in the community, social, and personal services); and a smaller number of employed people. Yet the government has actively discouraged and refused to protect organizing rights and collective bargaining. This was brutally demonstrated in 1997 when the government repealed three labour laws that banned anti-union discrimination and protected the right to collective bargaining. As a result, Hong Kong's unions have marginal status, and very few workers are covered by collective agreements (see **Table 9**).

**Table 9: Labor force participation in unions**

<b>Year</b>	<b>Participation rate (%)*</b>
<b>1995</b>	22.8
<b>1996</b>	22.6
<b>1997</b>	22.6
<b>1998</b>	23.3
<b>1999</b>	24.1

\* The participation rate is defined as the declared membership of labor unions as a percentage of all salaried employees and wage earners. Source: Computed from data of the Report of the Commissioner for Labour, 1999, and HKSAR Census and Statistics Department, Hong Kong Annual Digest of Statistics, 2000 edition.