

**For discussion on
16 November 2000**

Legislative Council Panel on Manpower

Manpower Projection to 2005 & Study on the Employment Prospects of People Aged 40-49

Purpose

This paper informs Members of the findings of the two manpower studies, i.e. the Manpower Projection to 2005 and the Employment Prospects of People Aged 40-49 and invites Members' views on measures which can be devised to address the manpower resource imbalance and the deteriorating employment prospects of the middle-aged workers.

Background

2. The impact on employment arising from Hong Kong's further economic restructuring, as is likely to be induced by the development in information technology, globalisation of trade and investment, and in particular China's accession to the World Trade Organisation, is a matter of concern to many people in Hong Kong. While manpower demand for higher skill and better educated workers is expected to increase upon Hong Kong's progressive transformation into a knowledge-based and higher value-added economy, the employment prospects of workers with low skill and low educational attainment are less clear.

3. To gain a clearer picture of Hong Kong's future manpower needs and to identify potential gaps in manpower supply and demand, the Education and Manpower Bureau (EMB), Financial Services Bureau, Commerce and Industry Bureau, Census and Statistics Department (C&SD) and Labour Department (LD) have carried out a detailed assessment of our manpower requirement by economic sector, occupation category and educational attainment as well as manpower supply by educational attainment up to 2005. Apart from quantitative analysis and projection, based on the new series of population and labour force statistics and soft data collected through consultation with 75 organisations, qualitative information was obtained through two comprehensive surveys covering some 3,300 business establishments and some 8,000 households carried out by C&SD as well as a broad-level consultation with around 30 business, labour and training organisations carried out by LD.

4. In parallel, EMB commissioned the HK Institute of Economics and Business Strategy of the University of HK (HKIEBS) to carry out a special study to look into the employment prospects of people aged 40-49.

5. Both studies have now been completed and their findings are outlined in paragraphs 6 to 9 below. For Members' reference, copies of the study reports are attached at Annex I and II respectively.

FINDINGS

(A) Manpower Projection to 2005

6. The major findings of the Study on Manpower Projection to 2005 are as follows:

Manpower demand

- (i) Total manpower requirement¹, unconstrained by overall labour supply², is projected to grow from 2.90 million in 1999 to 3.33 million in 2005, representing an annual growth rate of 2.4% over the period or an increase of 433,600 jobs in absolute terms.

- (ii) Analysed by economic sector, the manpower requirement of the financing, insurance, real estate and business services sector is projected to grow at an annual average of 5.6% between 1999 and 2005, followed by transport, storage and communications at 3.8%, construction at 2.6%, community, social and personal services at 2.0%, and the wholesale, retail and import/export trades, restaurants and hotels at 1.7%. On the other hand, the manpower requirement of the local manufacturing sector is projected to continue to shrink by an average annual rate of 3.8% over the same period.

- (iii) Analysed by occupation category, the demand for managers, administrators, professionals and associate professionals is projected to grow at an average annual rate of 5.6% over the period. For workers of the lower segment (including workers in elementary occupations, service workers and shop sales workers, plant and machinery operators and assemblers, and craft and related workers), growth is expected to be generally slower with an annual average rate ranging between 2.0% and 0.5%. As to clerks, the demand is projected to decline by an annual average rate of 0.9%.

¹ Covering all jobs based in Hong Kong but excluding foreign domestic helpers.

² In the present exercise, separate projections are made of manpower requirement and manpower supply, free of any constraint, so as to be able to reveal the degree of manpower resource imbalance or mismatch for different levels of educational attainment. Thus the projected growth in manpower requirement, at an average annual rate of 2.4% for 1999-2005, is much faster than the actual trend growth in employment recorded over 1990-99, at 0.2%. Through most of the 1990s, the local labour supply was relatively tight thereby much constraining employment with the concurrent result that wages soared by an average of 8% in money terms.

- (iv) Four specific groups are expected to grow in strategic importance in the coming years - IT at 11.8% per annum over the period; tourism-related trades at 2.4%; banks, insurance companies and other financial institutions at 3.7%; and the import and export trade at 2.2%.
- (v) In tandem with Hong Kong's progressive transformation into a knowledge-based economy, the manpower requirement for workers with a degree and with post secondary education are projected to grow by an annual average of 4.8% and 7.2% respectively, distinctly faster than the corresponding growth of 0.7% projected for workers with upper secondary education and below.

Manpower supply

- (vi) Local manpower supply³ is projected to grow steadily from 3.11 million in 1999 to 3.38 million in 2005, representing an average annual growth of 1.4% over the period. Workers with degree and post-secondary education are projected to grow at an annual average of 3.6% over 1999-2005 and those with secondary education and below at a slower rate of 0.4% per annum.

Manpower resource balance

- (vii) Matching the projection of manpower requirement and manpower supply by educational attainment, the projected manpower resource balance in 2005 (as shown in the table below) is expected to show some surplus at the lower secondary and below, upper secondary and craft levels, but

³ The figures for local manpower supply in 1999 and 2005 are exclusive of foreign domestic helpers who numbered 184 200 in 1999 and are projected at 224 300 in 2005 and Hong Kong residents working and employed by business outside Hong Kong who numbered around 50 000 in 1999 and are projected at around 66 000 in 2005.

shortages in the post secondary and first degree and above levels.

<u>Educational attainment</u>	<u>Projected manpower supply</u> (No.)	<u>Projected manpower requirement</u> (No.)	<u>Projected manpower resource balance</u> (No.)	<u>As a % of manpower supply</u> (%)
Lower secondary and below	1,202,200	1,065,500	+ 136,700	+11.4
Upper secondary	1,120,200	1,105,000	+15,200	+1.4
Craft	32,100	24,700	+7,400	+22.8
Post secondary	535,600	621,200	- 85,500	- 16.0
First degree and above	485,400	516,700	-31,400	-6.5

Notes: (+) indicates surplus in manpower supply against requirement.

(-) indicates shortfall in manpower supply against requirement.

Other surveys and consultations

(viii) The views gathered from the establishment survey and consultations carried out by C&SD and LD on the training needs and employment prospects for the various economic sectors, occupation categories and educational attainment levels are broadly consistent with the above statistical projection results. In particular, upon China's accession to WTO, more jobs are envisaged to arise across many sectors. Also, the demand for higher-skill and better educated workers is expected to be greater, amidst the on-going economic restructuring towards more knowledge-based and higher value-added activities. Yet in parallel with the new job opportunities, the local labour force is expected to face greater challenges upon this evolving economic environment.

(B) Employment Prospects of People Aged 40-49

7. The study was commissioned in response to growing public concern about the employment prospects of middle-aged workers. Major findings of the study are as follows:

- (i) Middle-aged people generally fare no worse than people in other age groups in terms of employment indicators (including unemployment rate, labour force participation rate and earnings) because of their human capital in terms of accumulated experience in the labour market.
- (ii) Among middle-aged people, those who are less-educated face deteriorating labour market prospects due to their low educational level rather than their age.
- (iii) There are, however, two potential problems with middle-aged workers with low educational attainment. First, they are more likely to have difficulty in moving away from the production-related and low-skill occupations. Second, these individuals make up an increasing fraction of the long term unemployed. Though these workers are not the first to lose their job as the demand for low skill job falls, once unemployed, it is difficult for them to find new jobs.
- (iv) Less educated middle-aged employees are unlikely to receive formal training from their employers, particularly in small establishments which lack the capacity to offer formal job training.
- (v) Amongst training for the less educated middle-aged employees, computer skills are most preferred by employers, followed by other skills such as occupational safety, sales and customer relations and proper work attitude.

- (vi) Overall orientation of employers is minimal involvement on their side and least disruption and the normal functioning of their business.

8. Judging from these findings, the research team concluded that it would be an exaggeration to suggest that the employment problems of middle-aged workers have reached or will reach crisis proportion. Nonetheless, the team also pointed out that because middle-aged workers in Hong Kong are over-represented by people with low levels of education, they are particularly vulnerable to economic forces induced by technological changes. Their dwindling employment prospects are a generic problem faced by all people with low educational attainment. In 1999, the unemployment rate was 7.2% for the 40-49 age group with low educational attainment and it was 19.4% for 15-24 age group. The team believes that across-the-board drastic remedial action to help the middle-aged workers is not warranted. Instead prudent and focused responses to help unemployed middle-aged persons who have low opportunity costs of time and a high risk of suffering from prolonged unemployment is recommended. This is considered more effective than a diffused effort to help all middle-aged workers.

9. The team has therefore suggested the following measures for consideration by the Administration:

- (i) a vocational learning certificate system which is competence based to provide employers with information about labour quality and to raise the incentive of the people to acquire training;
- (ii) annual training leave of two to three days to encourage the currently employed to attend training which can be provided in a modular mode and tied with the proposed vocational learning certificates system;

- (iii) publicity campaign to raise awareness for self-improvement so as to help overcome the reluctance of middle-aged workers to acquire training for their own betterment; and
- (iv) expanding education opportunities and improving the quality of education as the long term solution to these problems.

OBSERVATION

10. It is clear from the findings of the two reports that with the advent of a knowledge-based economy and China's accession to the World Trade Organisation, labour market conditions in Hong Kong will undergo further structural changes over the next five years. In the process, new trades will emerge while those traditional ones which are less competitive may fade away. This will affect job opportunities in the relevant sectors. Overall there will be a net gain of some 433,600 jobs between 1999 and 2005 (See Table 3 of the Report at Annex I). During the same period, there will be an increase in local labour force by 269,100. The job market conditions therefore should improve as new job opportunities will exceed the increase in labour supply by 164,500 (i.e. 433,600 less 269,100).

11. However, there will be mismatch between job requirements and the qualification of workers. As pointed out in paragraph 6(vii) above, manpower requirement for workers with degree and post secondary education will exceed the projected supply. The reverse is true in respect of workers with upper secondary education and lower secondary education and below. Unless we are able to address this mismatch, we may not be able to take full advantage of the new job opportunities that may arise and this may also affect Hong Kong's progressive transformation into a knowledge-based economy.

12. The study on Manpower Projection to 2005 suggests that there will be a surplus in manpower supply of workers at lower secondary

education and below amounting to 136,700 or 11% of manpower supply in 2005. Low skill and lowly educated workers will face employment difficulties with a slow-down in demand. These workers must acquire new knowledge and upgrade their skills so as to maintain their competitiveness in the labour market. There will be a need to provide focused training and education opportunities for these workers to upgrade themselves. It is equally important to arouse the awareness for self-improvement amongst them.

13. On the other hand, the study shows that manpower requirement at the post secondary and degree levels is projected to grow at a faster pace than the corresponding manpower supply resulting in shortfalls of 85,500 and 31,400 respectively in 2005 or 16% and 6% of the respective manpower supply. There will be a need to upgrade the education level of the labour force if Hong Kong's overall economic development is not to be compromised.

14. The survey on Employment Prospects of People Aged 40-49 revealed that only eight percent of the establishments had provided employees with any formal training. Small establishments are generally not as resourceful and capable as large firms in providing employees with job training. While 49 percent of large establishments had provided employees with formal training, only 25 percent of medium establishments and five percent of small establishments had similar provisions. Employers are also generally concerned that the overall operation of the company should not be affected by the provision of training. There will be a need to change the attitude of employers in general to become more receptive to the need to provide training for employees and to assist small employers in this respect.

15. To address the projected mismatch in manpower requirement and manpower supply, measures should be taken to provide more educational opportunities so as to increase manpower supply at the post secondary and above levels and to upgrade the skill level of low skill and lowly educated workers.

16. It is noteworthy that the most vulnerable group of workers, i.e. those with lower secondary and below education, will exceed 1.2 million in 2005. Around 60% of these persons are expected to fall within the age group of 40-59. Among the 244,000 new arrivals aged 15 and above who are expected to come from the Mainland over the period 1999-2005, about 59% are projected to possess lower secondary and below education, of whom slightly less than half (i.e. 28% of the 244,000 new arrivals) are expected to join the workforce. The scope for improving the education level of these workers will be relatively limited, and they may benefit more from the provision of focused skills training.

17. For the younger workers, an expansion of education and continuing education opportunities should constitute the most effective means to help uplift their educational attainment.

Advice Sought

18. Members are invited to comment on the findings of the two studies and on how to address the problems arising from the projected mismatch between manpower requirement and manpower supply and the deteriorating employment prospects faced by the middle-aged workers.

Education and Manpower Bureau
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