

*The Measurement of Unemployment
and Underemployment*

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THE MEASUREMENT OF UNEMPLOYMENT AND UNDEREMPLOYMENT

PART 1 - INTRODUCTION

1. Objective and Scope

Objective

1.1 The objective of this research is to discuss the international standards on measuring employment, unemployment, underemployment, and economically inactive population, and to examine the experience of measuring unemployment and underemployment in Hong Kong.

Scope

1.2 The scope of the research covers (i) an overview of the international standards on labour statistics; (ii) a discussion on the approaches to measuring unemployment; (iii) a discussion on the survey methodology and definitions of statistical terms used by the Hong Kong SAR Government; (iv) an analysis of unemployment and underemployment figures produced by the Hong Kong SAR Government; (v) a discussion on the controversy over unemployment and underemployment statistics; and (vi) a discussion on the issues of concern.

2. Methodology

2.1 The study involves a combination of information collection, literature review, and analysis.

PART 2 - INTERNATIONAL STANDARDS ON LABOUR STATISTICS

3. International Standards on the Measurement of Economic Activity, Employment, Unemployment, and Underemployment

Uses of Labour Statistics

3.1 Statistics of the economically active population, employment, unemployment, and underemployment serve a large variety of purposes. They provide measures of labour supply, the structure of employment and the extent to which available labour is actually utilized. This information is essential to macro-economic and human resources development planning and policy formulation, including the policies on vocational training and labour importation.

3.2 In addition, when collected at different points of time, such data provide the basis for monitoring the current trend and changes in the labour market. The unemployment rate, in particular, is widely used as an indicator of the health of an economy.

International Standards on Labour Statistics

3.3 The **International Labour Organisation (ILO)** promulgates international standards on various labour statistics so as to provide guidance to economies in developing their statistical programmes and promote international comparability. These standards are set by the International Conference of Labour Statisticians (ICLS) which convenes once about every five years. The standards currently in force on measuring economically active population, employment, unemployment, and underemployment have been adopted by the Thirteenth ICLS in 1982. At present, **at least 115 countries and territories adopt the ILO's definitions of the above-mentioned statistical terms.**

3.4 The basic concepts and definitions laid down in the 1982 international standards are discussed in this Part. Where relevant, particular issues are discussed that may arise in survey applications concerning measurement problems.

Definition of Economic Activity

3.5 According to the ILO, an economic activity is defined in terms of the production of goods and services as set forth by the **United Nations System of National Accounts (SNA)**. Broadly, the SNA covers the production of goods and services for sale or barter in the market and the production of goods for personal consumption. All domestic or personal services provided by unpaid household members are excluded.

Economically Active Population

3.6 The ILO defines that the **economically active population** (synonymous with the labour force) comprises all persons of either sex who furnish the supply of labour for the production of economic goods and services, as defined by the SNA, during a specified time-reference period. Thus, persons are to be considered as economically active if (and only if) they contribute or are available to contribute to the production of goods and services falling within the SNA production boundary.

3.7 In practice, all persons above a specified minimum age (e.g. 15 years)¹ who, during a specified brief period of one week, fulfill the requirements for inclusion among the employed or the unemployed as discussed from paragraphs 3.11 to 3.18 may be classified as economically active population. Being based on a short reference period, it is used for measuring the current employment and unemployment situation of the economy.

3.8 Hence, an individual is categorized according to his activity during a specified short reference period by using a specific set of priority rules. The result is a classification of the population into three mutually exclusive categories: employed, unemployed, and economically inactive population. The first two categories make up the economically active population, which gives a measure of the number of persons furnishing the supply of labour at a given time period.

¹ There is no fix rule to determine a specified minimum age. The commonly used figures are either aged 15 or aged 16.

Priority Rules

3.9 The following set of **priority rules** is adopted to ensure that each person is classified into one and only one of the following three basic categories:

The “**employed**” category -- according to the priority rules, the first step is to identify, among persons above the specified minimum age, those who, during the specified short reference period, were either at work or having formal job attachment. This group belongs to the “employed” category.

- The “**unemployed**” category -- the second step is to identify among the remaining persons those who were seeking and available for work. They belong to the “unemployed” category.
- **Economically inactive population** -- Those without work but were not seeking nor available for work, plus persons below the minimum age specified belong to the residual category of economically inactive population.

3.10 In this scheme, precedence is given to employment over unemployment and to unemployment over economic inactivity. Employment in fact takes precedence over other activities, regardless of the amount of time being employed during the reference period, which may be only one hour. **The concept of unemployment is limited to the situation of a total lack of work.**

Employment

3.11 According to the ILO, the “employed” comprise all persons above the minimum age specified for measuring the economically active population (e.g. 15 years) who, during a specified short period of one week, were in either paid employment or self-employment.

One Hour Criterion

3.12 The ILO recommends that, for operational purposes, the notion of “some work” should be interpreted as work for at least one hour during the reference period. This means that engagement in an economic activity for as short as one hour is sufficient for a person to be classified as “employed”. The major reason for the use of the **one hour criterion is to make the definition of employment as extensive as possible in order to cover all types of employment that exist in the economy.**

3.13 However, the one hour criterion was reviewed by the ILO in 1987 and while, agreeing to retain it, the ILO emphasized that the resulting employment data should be further classified by hours of work. The ILO also recommended in 1987 the international standards for the **measurement of underemployment**. The additional group is classified as a **subgroup of the “employed”** and provides a better interpretation of labour statistics.

Unemployment

3.14 The ILO’s definition of unemployment is based on three criteria which have to be met simultaneously. The “unemployed” comprise all persons above the minimum age specified (e.g. 15 years) for measuring the economically active population who during the reference period were:

- **“without work”**, i.e. were not in paid employment or self-employment as specified by the ILO’s definition of employment;
- **“currently available for work”**, i.e. were available for paid employment or self-employment; and
- **“seeking work”**, i.e. had taken specific steps in a specified recent period to seek paid employment or self-employment.

3.15 According to the recommendations of the ILO, **“currently available for work”** should be based on the **prevailing local market conditions**, referring to the **willingness to take up work for wage on locally prevailing terms**, or **readiness to undertake self employment given the necessary resources and facilities**.

Relaxation of the Standard Definition of Unemployment

3.16 Seeking work is essentially a process of search for information on the labour market. In this sense, it is particularly meaningful as a definitional criterion in situations where the bulk of the working population is oriented towards paid employment and where channels for exchange of labour market information exist and are widely used. However, there may exist situations in which particular **group of workers do not actively seek work because they believe that no work corresponding to their skill is available in their area or at particular times of the business cycle**. The ILO uses the term of **“discouraged workers”** to represent this group of people.

3.17 Because it was felt that the standard definition of unemployment, with its emphasis on the “seeking work” criterion, might be somewhat restrictive and might not fully capture the prevailing employment situations in many economies, the ILO in 1982 allowed for the **relaxation of the “seeking work” criterion**.

Availability for Work Under the Relaxation Provision

3.18 When the situation as described in paragraph 3.16 above persists for a period of time, the “seeking work” criterion may be relaxed. **Unemployment** would then be defined, for the persons concerned, in terms of the remaining two criteria, i.e. “**without work**” and “**current availability for work**”. The availability criterion becomes a crucial element for measurement and should be fully tested. The context of the term “current availability” should be specified by indicating the particulars of the potential work opportunities in terms of remuneration, working time, location, etc.

Underemployment

3.19 The concept of **underemployment** has been introduced for identifying the situations of **partial lack of work**. According to the ILO, the “underemployed” comprise all persons in paid or self-employment, involuntarily working less than the normal duration of work determined for the economic activity, who were seeking or available for additional work during the reference period. Thus, the definition sets forth **three criteria** for identification of “**underemployed**”: (i) **working less than normal duration**; (ii) **doing so on an involuntary basis**; and (iii) **seeking or being available for additional work during the reference period**. All three criteria must be satisfied simultaneously before a person can be classified as “underemployed”. It should be noted that the “**underemployed**” is a **subgroup** of the “**employed**”.

Determination of Normal Duration of Work

3.20 The ILO suggests that a uniform conventional norm (e.g. 35, 40 hours) be used for the normal duration of work. Such a norm is to be defined in the light of national circumstances, and to be applied to all activities and all categories of workers. By doing so, the difficulties in assessing the normal hours of work for different types of workers can be avoided.

Involuntary Nature

3.21 Once being identified as working shorter than the normal duration, the person has to be assessed whether his situation is involuntary or not. This may be determined in surveys by asking for the reason why a person works shorter than the normal duration. In certain situations, persons are forced to do so because they cannot find more work. However, there are also situations where persons decide voluntarily to work shorter hours. This is the case with many working women with children, or young persons combining studies with employment. The term “involuntary reason” should be interpreted in the sense that people cannot find employment for the normal duration owing to the economic situation, so as to exclude other involuntary reasons such as illness and disablement.

Seeking or Available for Additional Work

3.22 Finally, to be considered as underemployed, a person involuntarily working shorter than normal duration must be seeking or available for additional work during the reference period. The meaning of additional work should be interpreted in a broad sense and is meant to refer to all work arrangements and types of work that could increase a person’s total working hours.

PART 3 - THE APPROACHES TO MEASURING UNEMPLOYMENT

4. Data Sources of Measuring Unemployment

Administrative Records

4.1 Unemployment statistics can be drawn from **administrative records**. This involves the physical counting of the employed population but care is to be taken to avoid double-counting of people registered at a particular time at employment exchanges or in receipt of unemployment insurance benefits.

4.2 There are two **advantages** of using administrative records in measuring unemployment. Registration data derived from administrative records are based on complete counts; hence, they are not affected by sampling errors². In addition, as by-products of administrative operations, they are relatively inexpensive to obtain and can be released on a regular basis.

4.3 However, there are two **limitations**. First, such data are subject to administrative rules and regulations, the underlying concept and definition of which may change and not necessarily be in line with the desired statistical principles. Since regulations differ from one economy to another, the resulting statistics tend to invalidate international comparisons and even, in time, comparisons for the same economy if administrative rules have changed during the comparison period. Second, they cover only that part of the population which uses employment exchanges or is eligible for unemployment insurance benefits. This may leave out a substantial segment of the unemployed.

² The estimates are based on information obtained from a particular sample, which is one of a large number of possible samples of the same size that can be selected using the same sample design. By chance, estimates derived from different samples would differ from each other. The sampling error is a measure of the precision with which an estimate derived from a particular sample would approximate the population parameter to be measured.

Household Surveys

4.4 Unemployment statistics can also be obtained from **household surveys**³ or labour force surveys. Such a survey consists of selecting a representative sample of households and asking individual members of working age about their employment activities during the reference period, their availability for work, and their recent job search experiences using standard questionnaires. The data are then processed and each individual is classified as “employed” (there may be a subgroup “underemployed”), “unemployed”, or “economically inactive”. The sample counts are then used to obtain the estimates of the number of people employed, underemployed, and unemployed in the population.

4.5 There are **limitations** in using standard questionnaires to obtain the required information. First, the subjective nature of the replies to the household surveys can lead to errors of different kinds. Respondents may not understand the questions, forget certain activities or purposely provide incorrect information. Second, as with any sampling method, errors creep into the results, especially in estimates concerning population groups for which the corresponding sample size is small. Third, such surveys require an important statistical infrastructure, with substantial financial resources and a network of experienced interviewers and supervisors.

4.6 Despite these limitations, the unemployment statistics obtained from **household surveys** are generally **in line with international standards**. Based as they are on interviews, the survey questionnaire and instructions can be designed to suit the desired statistical definitions of employed, underemployed, unemployed, and economically inactive. The statistics can then be compiled based on the ILO’s standards.

Different Estimates

4.7 As the target population and the processing procedures are different, the statistics obtained from the administrative records and from household surveys are generally not identical; however, they are **complementary** rather than alternatives. The combined use of statistics from unemployment registers and sample surveys can provide useful information for labour market performance. In fact, it is a common practice for the developed countries, including the United States and the United Kingdom, to provide the various measures of labour statistics.

³ Household survey covers household information such as type of quarters, type of household, tenure, and number of persons usually living in the household, etc.

PART 4 - SURVEY METHODOLOGY AND DEFINITIONS OF TERMS USED BY THE HONG KONG SAR GOVERNMENT

5. Survey Methodology

Provisions of Unemployment Statistics

5.1 In Hong Kong, it was not until the 1961 population census that the Hong Kong Government collected information on unemployment. Besides the population census, the Hong Kong Government between 1975 and 1981 conducted half-year labour force surveys except in the census year.

5.2 The labour force survey was replaced by the **general household survey (GHS)** in August 1981 in response to a growing need to produce labour force data on a more frequent basis for monitoring short term changes. In addition to the core questions on labour force, a variety of socio-economic questions⁴ are also included. The GHS is therefore a multi-purpose rather than a labour force survey.

Survey Coverage and Sample Design

5.3 The GHS has been conducted on a continuous basis to collect information on labour force characteristics. The GHS **covers about 98% of the total population of Hong Kong**. It covers the land-based civilian non-institutional population, but does not cover hotel transients and inmates of institutions; military personnel and their dependents; and persons living on board vessels.

5.4 The **sample size** of the quarterly survey was increased from 13 500 to 20 000 households as from August 1995, and further increased to around 24 000 households as from April 1996. With a more representative sample, detailed analyses of the socio-economic characteristics of the labour force can be made.

5.5 A rotational replicate **sample design** is adopted such that about half of the sample enumerated three months ago is enumerated again. While only face-to-face interview is used in the first round of enumeration, computer-assisted telephone interview is applied for certain households in the second round. On the other hand, according to the C&SD, the response rates in GHS are consistently high-at more than 95%.

⁴ These include personal information of the respondents, and information on quarters, household, and personal income.

5.6 Unemployment and underemployment statistics covering a moving three-month period are published every month via press release. Quarterly reports providing detailed information on the size and composition of the labour force, demographic and socio-economic characteristics of the employed, underemployed, and unemployed population, as well as hours of work and employment earnings of the employed population are published.

6. Concepts and Definitions of Statistical Terms Used by the Hong Kong SAR Government

6.1 The **concepts and definitions** used in measuring labour force, unemployment and underemployment **follow** closely those recommended by the **ILO**.

Employed Population

6.2 This comprises all **employed** persons. For a person aged 15 years or over to be classified as employed, that person should: (a) be engaged in performing work for pay or profit during the seven days before enumeration; or (b) have formal job attachment. Unpaid family workers and persons who work for no pay in a family business are also considered as employed. (See the ILO's concept of employment in paragraph 3.11).

Underemployed Population

6.3 Within the employed population, a group of **underemployed** persons can be differentiated for further analysis. The criteria for an employed person to be classified as underemployed are: involuntarily worked less than 35 hours during the seven days before enumeration; and either (a) have been available for additional work during the seven days before enumeration; or (b) have sought additional work during the 30 days before enumeration. A person is considered to be working short hours involuntarily if his short hours are due to economic reasons such as slack work, material shortage, mechanical breakdown and inability to find a full-time job. (See the ILO's concept of underemployment in paragraph 3.19).

Unemployed Population

6.4 This comprises all **unemployed** persons. For a person aged 15 or over to be classified as unemployed, that person should: (a) not have had a job and should not have performed any work for pay or profit during the seven days before enumeration; and (b) have been available for work during the seven days before enumeration; and (c) have sought work during the 30 days before enumeration. (See the ILO's concept of unemployment in paragraph 3.14).

6.5 Notwithstanding the above, the following types of persons are considered as unemployed: (a) persons without a job, who have sought work but have not been available for work because of temporary sickness; and (b) persons without a job, who have been available for work but have not sought work because they (i) have made arrangements to take up a new job or to start business at a subsequent date; or (ii) were expecting to return to their original jobs; or (iii) believed that work was not available to them.

Economically Active Population and Economically Inactive Population

6.6 The **economically active population** comprises the employed population and the unemployed population.

6.7 The **economically inactive population** is made up of those persons who have not had a job and have not been at work during the seven days before enumeration, excluding persons who have been on leave or holiday during the seven-day period and persons who are unemployed. Examples of economically inactive persons include home-makers, students and retired persons who were neither employed nor unemployed. Persons below the age of 15 are thus included. (See the ILO's concept of economically inactive population in paragraph 3.9).

Unemployment Rate and Underemployment Rate

6.8 **Unemployment rate** refers to the proportion of unemployed persons in the economically active population. It is computed as the number of unemployed persons divided by the size of the economically active population and multiplied by 100%.

6.9 **Underemployment rate** refers to the proportion of underemployed persons in the economically active population. It is computed as the number of underemployed persons divided by the size of the economically active population and multiplied by 100%.

General Remarks

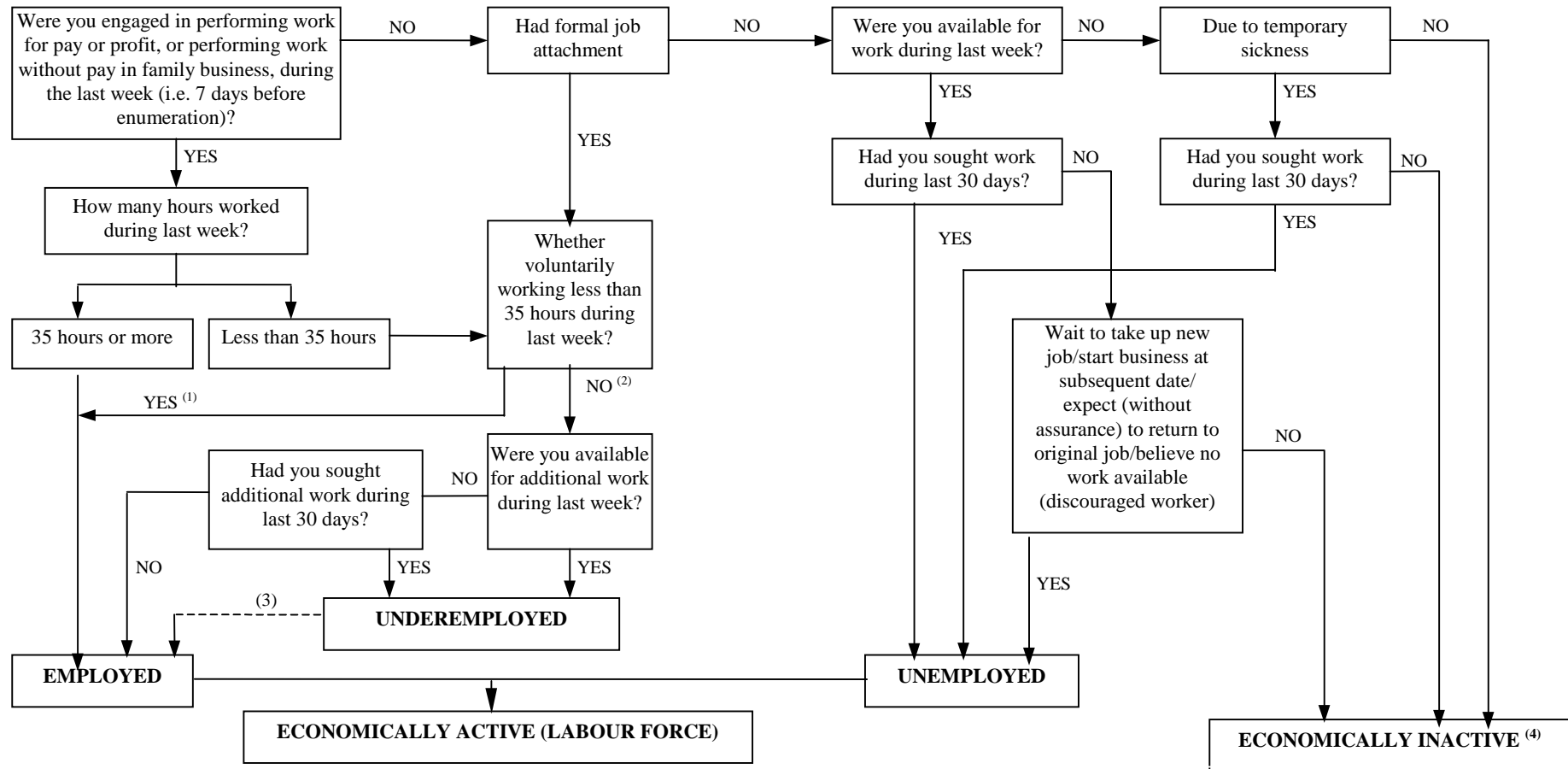
6.10 Some academics (e.g. Dr. Wing SUEN and Dr. William CHAN of the University of Hong Kong, and Mr. Simon LI of City University of Hong Kong) have confirmed that the **GHS methodology** used by the Census and Statistics Department (C&SD) **conform to the international standards**.

6.11 As the **concepts and definitions of the statistical terms** used by the C&SD follow closely those recommended by the ILO, international comparisons can be made.

6.12 The category of “**discouraged workers**” is classified as **unemployed** in Hong Kong. In other words, Hong Kong’s official definition of unemployment has allowed the **relaxation** of the “**seeking work**” criterion. The basic argument for the inclusion of “discouraged workers” among the unemployed is that these workers are without work, are willing to work and currently available for work; as the economy fails to provide them with employment opportunity despite their availability and willingness to work, they should be considered as “unemployed”. Furthermore, discouraged workers might behave in a similar manner as the unemployed and will likely re-enter the labour force while the economy recovers.

6.13 **Chart 1** is prepared to illustrate the flow of the GHS questionnaire used by the C&SD for determining labour force status of population aged 15 years and over in Hong Kong. This chart also serves as a **summary of the discussions in this Part**.

Chart 1 - Flow Chart of the Questionnaire for Determining Labour Force Status of Population Aged 15 Years and Over



Notes:

- (1) Voluntary reasons for working less than 35 hours during last week include, for example, vacation, sick leave, bad weather, industrial dispute, etc.
- (2) Involuntary reasons for working less than 35 hours during last week include, for example, slack work, material shortage, mechanical breakdown and inability to find a full-time job.
- (3) Underemployed persons still form part of the employed population.
- (4) Examples of economically inactive persons include home-makers, students and retired persons who were neither employed nor unemployed.

PART 5 - ANALYSIS OF UNEMPLOYMENT AND UNDEREMPLOYMENT FIGURES PROVIDED BY THE HONG KONG SAR GOVERNMENT

7. Unemployment and Underemployment Figures Provided by the Hong Kong SAR Government

Unemployed Population and Unemployment Rates

7.1 The annual number of **unemployed persons** between 1990 and 1997 averaged 63 400, with the highest number of 95 600 in 1995 and the lowest number of 36 600 in 1990.

7.2 The employment situation deteriorated rapidly since mid-1997. In the 9/98 - 11/98 period, an estimated 191 000 persons were classified as unemployed, an increase of 115 300 persons from the 9/97 - 11/97 period.

7.3 The annual **unemployment rate** increased from 1.3% in 1990 to 3.2% in 1995, but declined to 2.2% in 1997. The unemployment rate has been increasing since the 11/97 - 1/98 period, and peaked at 5.5% in the 9/98 - 11/98 period.

Underemployed Population and Underemployment Rates

7.4 The annual number of **underemployed persons** between 1990 and 1997 averaged 45 750, with the highest number of 62 800 in 1995 and the lowest number of 23 400 in 1990. Since the 7/97 - 9/97 period, the number of underemployed persons increased continuously to 99 000 in the 9/98 - 11/98 period.

7.5 Regarding **underemployment rates**, the pattern of changes was similar to that for unemployment rates. The underemployment rate dropped to a low of 1.0% by the third quarter of 1997, but increased to 2.9% in the 9/98 - 11/98 period.

Unemployment and Underemployment

7.6 In order to capture a **full picture** of the employment situation in Hong Kong, it is important to consider both the **unemployment** and **underemployment** statistics. For instance, **in the 9/98 - 11/98 period, an estimated total of 290 000 persons (representing a 8.4% of the economically active population) were classified by the Hong Kong SAR Government as either unemployed or underemployed.**

Table 1 - Unemployment and Underemployment Figures Provided by the Hong Kong SAR Government

Period	Unemployed (thousands)	Underemployed (thousands)	Unemployed plus Underemployed (thousands)	Unemployment rate (Seasonally adjusted) ¹ (%)	Underemployment rate (%)	Unemployment rate (Seasonally adjusted) plus Underemployment rate (%)
1990	36.6	23.4	60.0	1.3	0.9	2.2
1991	50.4	44.6	95.0	1.8	1.6	3.4
1992	54.7	58.3	113.0	2.0	2.1	4.1
1993	56.3	45.9	102.2	2.0	1.6	3.6
1994	56.2	41.4	97.6	1.9	1.4	3.3
1995	95.6	62.8	158.4	3.2	2.1	5.3
1996	86.1	51.7	137.8	2.8	1.7	4.5
1997	71.3	37.9	109.2	2.2	1.2	3.4
1/97 - 3/97	70.7	34.5	105.2	2.5	1.1	3.6
2/97 - 4/97	73.0	37.3	110.3	2.6	1.2	3.8
3/97 - 5/97	70.1	40.1	110.2	2.5	1.3	3.8
4/97 - 6/97	68.0	39.9	107.9	2.4	1.3	3.7
5/97 - 7/97	69.0	37.8	106.8	2.4	1.2	3.6
6/97 - 8/97	71.2	37.4	108.6	2.4	1.2	3.6
7/97 - 9/97	69.7	33.1	102.8	2.2	1.0	3.2
8/97 - 10/97	74.0	33.3	107.3	2.3	1.0	3.3
9/97 - 11/97	75.7	37.1	112.8	2.4	1.1	3.5
10/97 - 12/97	76.8	44.0	120.8	2.5	1.3	3.8
11/97 - 1/98	73.3	49.2	122.5	2.5	1.5	4.0
12/97 - 2/98	87.9	53.2	141.1	2.9	1.6	4.5
1/98 - 3/98	106.2	63.6	169.8	3.5	1.9	5.4
2/98 - 4/98	121.7	72.4	194.1	3.9	2.2	6.1
3/98 - 5/98	129.7	85.8	215.5	4.1	2.6	6.7
4/98 - 6/98	143.7	86.0	229.7	4.4	2.6	7.0
5/98 - 7/98	160.4	88.9	249.3	4.8	2.6	7.4
6/98 - 8/98	174.9	86.4	261.3	5.0	2.6	7.6
7/98 - 9/98	179.4	90.2	269.6	5.0	2.7	7.7
8/98 - 10/98	188.7	92.5	281.2	5.2	2.7	7.9
9/98 - 11/98 ²	191.0	99.0	290.0	5.5	2.9	8.4

Notes: ¹ 'Seasonally adjusted' refers to adjustment for seasonal variations in the proportion of first-time job-seekers in the labour force. Seasonal adjustment is not required for annual unemployment rates.

² Provisional figures.

Source : C&SD

PART 6 - DISCUSSIONS ON THE CONTROVERSY OVER UNEMPLOYMENT AND UNDEREMPLOYMENT STATISTICS

8. Controversy over Unemployment and Underemployment Statistics

Surveys Conducted by the Hong Kong Federation of Trade Unions

8.1 Doubt about the accuracy of the unemployment and underemployment statistics produced by the Hong Kong Government has been expressed by the **Hong Kong Federation of Trade Unions (FTU)** which has criticized that the Government has under-reported the unemployment and underemployment rates. The FTU started to conduct regular quarterly surveys on its own members and compile statistics on unemployment and underemployment from the fourth quarter of 1994.

8.2 The quarterly survey conducted by the FTU randomly selects a **sample of 2 500 - 3 500 individuals** from among its members of around 270 000 for telephone interviews. The **response rates** of the surveys hover at **45%**.

8.3 The results as shown in Table 2, indicate **far higher unemployment and underemployment rates**, exceeding the official rates by three to five times. In the 7/98 - 9/98 period, the unemployment rate obtained from the FTU survey reached a high of 13.7% while the underemployment rate was 7.5%. In sum, a 21.2% of the FTU members were either classified as unemployed or underemployed.

Table 2 - Results of the Quarterly Surveys on Measuring Unemployment and Underemployment Conducted by the Hong Kong Federation of Trade Unions

Period	Unemployment rate (%)	Underemployment rate (%)	Unemployment rate plus Underemployment rate (%)
1/96 - 3/96	10.5 (3.2)	6.3 (2.0)	16.8 (5.2)
4/96 - 6/96	8.4 (3.1)	5.7 (1.8)	14.1 (4.9)
7/96 - 9/96	9.4 (2.6)	4.0 (1.4)	13.4 (4.0)
10/96 - 12/96	11.3 (2.6)	4.2 (1.6)	15.5 (4.2)
1/97 - 3/97	9.6 (2.5)	5.9 (1.1)	15.5 (3.6)
4/97 - 6/97	11.9 (2.4)	6.4 (1.3)	18.3 (3.7)
7/97 - 9/97	8.1 (2.2)	5.8 (1.0)	13.9 (3.2)
1/98 - 3/98	12.0 (3.5)	8.1 (1.9)	20.1 (5.4)
4/98 - 6/98	10.7 (4.4)	7.3 (2.6)	18.0 (7.0)
7/98 - 9/98	13.7 (5.0)	7.5 (2.6)	21.2 (7.6)

Notes : ¹ The FTU was unable to conduct the quarterly survey in the 10/97 - 12/97 period due to shortage of manpower.

² Figures in the parentheses are official numbers.

Source : FTU

Difference Over Unemployment and Underemployment Statistics

8.4 The difference between C&SD and FTU statistics can be attributed to differences in **sampling, survey methodologies, and definitions** of the statistical terms.

Characteristics of the Sample

8.5 The **C&SD** uses data from the GHS for compiling unemployment and underemployment statistics. As mentioned, the **GHS** is a quarterly survey of a **sample of households that represents about 98% of the total population** in Hong Kong. In the third quarter of 1998, about 24 000 households were sampled.

8.6 In the quarterly surveys conducted by the **FTU**, a **smaller sample** is used owing to resource constraints. In addition, as members of the FTU generally represent a **certain segment of grassroots workers** rather than that of the whole population, it is likely that the FTU surveys tend to produce higher estimates.

Response Rates

8.7 The fact that the **C&SD** deploys more resources to conduct the survey makes a difference. Instead of relying exclusively on telephone contacts, more aggressive follow-ups to reach the selected households including repeated in-persons visits have consistently resulted in a success rate of **more than 95%** in GHS.

8.8 In comparison, the **FTU** has been able to reach around **45%** of those enumerated in each survey. A lower success rate may introduce an upward bias in estimated unemployment, as employed persons are less likely to be home and are therefore under-represented among the telephone interviewees.

Definitions of the Statistical Terms

8.9 The **C&SD** follows the recommendations of the **ILO** in defining unemployed population and underemployed population (please refer to Part 4 for details).

8.10 The **FTU** has not defined unemployment and underemployment in **quantitative terms**. In its survey, an interviewee may respond according to his own subjective interpretation of the terms “unemployed” and “underemployed”. Hence, their survey results could be different from the C&SD’s findings.

Interpretations of the Survey Results

8.11 Following the **recommendations of the ILO**, the **C&SD's survey** seeks to assess a respondent's present desire for work and willingness to take up work for wage on **locally prevailing terms**. Interviewees are asked what they consider to be suitable employment or reasonable pay in determining whether they are realistic in their expectations. This would screen out from the ranks of the unemployed certain workers whose job aspirations are not likely to be met under prevailing market conditions.

8.12 In the **FTU survey**, any respondent not seeking work because he believes there are no suitable jobs in the market or because he believes that the **pay is too low** for the available jobs is considered as **unemployed**.

Surveys Conducted by the Hong Kong Construction Industry Employees General Union

8.13 The Hong Kong Construction Industry Employees General Union started to conduct regular surveys on its own members and compile statistics on unemployment and underemployment since October 1997.

8.14 The survey conducted by the Union randomly selects a **sample** of about **1 500** individuals from among its members of around 17 000. The Union mails the questionnaires to the target sample and follows up with telephone calls. The **response rate** was about **30%**.

8.15 The results as shown in Table 3, indicate **far higher unemployment and underemployment rates**. For instance, in June 98, the unemployment rate and underemployment rate remained high at 28% and 31%, respectively. In other words, a 59% of the Union members were either classified as unemployed or underemployed.

Discussions of the Results

8.16 The survey conducted by the Hong Kong Construction Industry Employees General Union randomly selects a **sample** from its **members**. Hence, the findings only reflect the **employment situation** of the **construction workers**.

8.17 The Union has its **own definitions** of **unemployment** and **underemployment**. For a person to be classified as unemployed, that person should: (a) not have performed any work in a month; or (b) have work for less than 11 days in a month. The underemployed person should have work for 11 days to 20 days in a month. As the definitions used by the Union are different from those used by the C&SD, the results of their respective surveys cannot be compared.

Table 3 - Results of the Surveys on Measuring Unemployment and Underemployment Conducted by the Hong Kong Construction Industry Employees General Union

Employment Status	Number of Working Days	1997				1998			
		Oct	Nov	Dec	Jan	Feb	Apr	May	Jun
Unemployed	Totally lack of work	10.3%	17.9%	19.4%	19.7%	18.2%	11%	10%	14%
	1-5 Days	2.9%	4.5%	6.0%	7.6%	15.2%	7%	7%	4%
	6-10 Days	10.3%	7.5%	9.0%	12.0%	6.1%	12%	11%	10%
	Sub-total	23.5%	29.9%	34.4%	39.3%	39.5%	30%	28%	28%
Underemployed	11-15 Days	5.9%	4.5%	13.4%	15.3%	13.6%	13%	14%	13%
	16-20 Days	17.6%	17.9%	16.4%	12.1%	21.2%	15%	16%	18%
	Sub-total	23.5%	22.4%	29.8%	27.4%	34.8%	28%	30%	31%
Employed	More than 20 Days	53.0%	47.7%	35.8%	33.3%	25.7%	42%	42%	41%
Total		100%	100%	100%	100%	100%	100%	100%	100%

Notes : ¹ The Union was unable to conduct the Mar 98 survey due to shortage of manpower.

Source : The Hong Kong Construction Industry Employees General Union

Special Report on Labour Mobility

8.18 Apart from conducting surveys on the unemployment situation, the C&SD also publishes a series of **special reports on labour mobility**. The latest report in this series was published in **September 1998**⁵ covering the period from October to December 1997. It obtains information on labour mobility and economically inactive population aged 15 and over at the time of enumeration who were willing to take up jobs if being offered “suitable” employment. The characteristics of entrants into and leavers from the labour force, as well as the characteristics of the employed persons who had changed jobs were also covered.

⁵ Similar enquiries had been conducted five times in the past during the first quarter of 1982, third quarter of 1983, fourth quarter of 1987, October 1992 to January 1993, and September to October 1995.

8.19 The enquiry conducted at the end of 1997 enumerated some 11 200 households, with a response rate of 94%. All persons aged 15 and over in each household were interviewed, with their activity status at the time of enumeration first classified as employed, unemployed or economically inactive through a series of specified questions in the core part of the GHS⁶.

8.20 For persons aged 15 and over who were **identified as economically inactive persons**, they were asked **whether they would take up jobs if “suitable” employment was offered** at the time of enumeration. The C&SD collected information on their activity status, availability for work and reasons for unavailability/not seeking work, main consideration in taking up jobs, and date available to take up a job.

8.21 One of the **findings** of the study is that some **155 300⁷ economically inactive persons were willing to take up employment if being offered “suitable” jobs**. The report emphasizes that based on their responses to a series of questions, this group of persons **did not fulfill the criteria of being classified as unemployed**. In particular, the reason for their not seeking work was not that they “believed that work was not available” and thus they were not “discouraged workers”.

8.22 According to the C&SD, these persons were available for work only if certain conditions under which they are prepared to work were fulfilled. However, such condition did not really accord with prevailing local market conditions. Based on the ILO’s recommendations, availability for work should be based on the prevailing local market conditions at the time of enquiry. As such, these persons should not be regarded as being readily available for work, and their classification as being economically inactive was appropriate.

Activity Status

8.23 Some 78.1% of the 155 300 persons referred to in paragraph 8.21 were home-makers, and 13.4% were retired persons. For every 100 home-makers, 16.2 were willing to take up jobs. Among all home-makers in the population, 17.4% were willing to take up jobs if being offered “suitable” employment.

⁶ The questionnaire for the GHS consists of two parts: (i) a core questionnaire designed to collect information on labour force, unemployment and underemployment; and (ii) a set of specially designed supplementary questionnaires for the collection of data on a number of special topics required by the Government. In this case, the research topic was labour mobility.

⁷ The comparable figure in September - October 1995 was 161 000 persons.

Availability for Work and Reasons for Unavailability/Not Seeking Work

8.24 Among these 155 300 persons, 97.7% were not available for work during the seven days before enumeration. The main reasons were the need to take care of housework, the need to take care of children at home, old age or retired.

Main Consideration in Taking Up Jobs

8.25 The main considerations in taking up jobs were, in descending order, flexible/convenient working hours (42.6%), “high/reasonable” wage (21.4%), and work place near home (12.8%).

Date Available to Take up a Job

8.26 Among these 155 300 persons, 68.8% cited that, if offered “suitable” employment and provided that all other specific conditions were fulfilled as they desired, they were “immediately” available for work. Another 22.2% would be available within three months under such conditions.

Debates over the Findings of the Labour Mobility Report

8.27 According to the **C&SD**, most of the subjects (i.e. 155 300 economically inactive persons were willing to take up employment if being offered “suitable” jobs) are full-time house-makers who initially responded that they were not available for employment or whose manifested expectations for wages or flexibility in working hours are unrealistic. As the report emphasizes, the questions asked in the special survey were hypothetical, and the respondents’ professed willingness to work cannot always be taken at face value without consideration of the conditions that go with such willingness.

8.28 The C&SD has stressed its adherence to the **ILO’s criteria of unemployment**. In identifying an unemployed person, account has to be taken of a person’s availability for work and whether the person is actively seeking work. Thus a person claiming to be a home-maker who did not actively seek work during the reference period would be classified as economically inactive, even though the person might express willingness to work if “suitable” employment were offered. The term “suitable” employment relates to employment involving conditions which suit the person well but might not be prevalent under local conditions. However, a person claiming to be a home-maker who was not working but took active steps to look for economic work would be classified as economically active but unemployed.

8.29 Meanwhile, the **FTU** believed that this large group of individuals were conceptually indistinguishable from **discouraged workers** and should be considered unemployed. Hence, the official unemployment rate has been under-reported.

PART 7 - ISSUES OF CONCERN

Provide More Than One Definition of Unemployment

9.1 Some academics (e.g. Dr. Wing SUEN and Dr. William CHAN of the University of Hong Kong) have confirmed that the **C&SD's approach** to measure unemployment falls well within **ILO's recommended guidelines**. The concept of **unemployment** is limited to the situation of a **total lack of work**. By following the ILO's standards, Hong Kong's estimates can be put in the global context for **international comparisons**. In addition, it is important to have a **consistent base** for monitoring changes over time.

9.2 Some **critics** (e.g. Mr. Simon LI of the City University of Hong Kong and the researchers of the FTU) have remarked that the C&SD may also need to **provide more than one definition of unemployment** in order to capture the changing business environment. They argue that the ILO's use of the "**one hour criterion**" to calculate the unemployment rate is inappropriate. Some of the "**partially-unemployed persons**" are **excluded from the unemployed population** and therefore the **unemployment rate is under-estimated**, not reflecting the reality. They are in favour of **relaxing the "one hour criterion"** so as to ensure that all the "**partially-unemployed persons**" are included in the unemployed population.

9.3 An example is used to explain the case. Mr. A lost his full-time job (earning HK\$20,000 a month) because of the economic downturn. Now, Mr. A works as a part-time helper (e.g. ten hours a week) in a Chinese restaurant, earning HK\$2,000 a month. By the ILO's definition, Mr. A would be classified as underemployed (a subgroup of the "employed" category), rather than unemployed. However, the critics argue that Mr. A is partially-unemployed and should therefore be regarded as unemployed but the ILO's definition of unemployment is unable to capture Mr. A's case.

9.4 However, some academics (e.g. Dr. Wing SUEN, Dr. William CHAN, and Dr. LUI Hon Kwong of the Lingnan College) **do not support the consideration of having more than one definition of unemployment** for the following reasons. First, the C&SD would capture Mr. A's case under the category of underemployment. Hence, we should **analyze both the unemployment and underemployment figures in order to understand the employment situation**. Secondly, since **there is no international guideline on the relaxation of "one hour criterion"**, the **C&SD, academics and researchers would have difficulties in reaching a consensus to the extent of relaxing the criterion**. In addition, **the public would be confused if the C&SD releases various unemployment figures using different definitions**.

9.5 Mr. WONG Hung of the City University of Hong Kong has a different viewpoint. He has expressed that it is difficult to use one single indicator “unemployment rate” to represent the different levels of under-utilized manpower in the labour market. He has used three examples to illustrate the cases of under-utilized manpower: (i) some piece-rated workers are lack of work, (ii) some part time workers are unable to increase their working hours because of economic reasons, and (iii) some high qualification persons need to do unskilled work for survival. Further, he has proposed to **construct a set of indicators to measure the different levels of under-utilized manpower** rather than the present two tier indicators of unemployment rate and underemployment rate. Meanwhile, there would be a lot of works for the interested parties in **reaching a consensus** in defining and measuring the terms.

9.6 In addition, he has suggested to establish indicators measuring **the percentage of discouraged workers among housewives** and **“non-voluntary” retired person among the elderly**. With better understanding of these groups of people, the Hong Kong SAR Government can then make appropriate policy to help them.

Review Questionnaire Design Regularly and Provide Clear Interviewer Instructions

9.7 In measuring the economically active population in household surveys, it is essential that careful attention be paid to **questionnaire design** and **interviewer instructions** in order to translate the notion of economic activity into appropriate questions and to avoid personal subject interpretation of this notion by interviewers and respondents. This requirement is fundamental, as it sets the frame for all subsequent information collected in the course of the interview.

Conduct Regular Study on Labour Mobility

9.8 One of the findings of the research on **labour mobility** conducted in October - December 1997 is that some 155 300 economically inactive persons were willing to take up employment if being offered “suitable” jobs. In a similar enquiry conducted in October 1992 - January 1993, the size of this group of population was 39 900. The size of this group of “economically inactive persons” increased significantly in about five years.

9.9 Some **academics and researchers** (e.g. Dr. Wing SUEN, Mr. Simon LI, and the researchers of the FTU) have remarked that the C&SD should consider to **conducting the labour mobility research on an annual basis** and **provide in-depth analysis** on this group of population for two reasons. First, the C&SD can ensure that this group of population would not be included in an inappropriate statistical category. Thus, the unemployment rate would not be under-estimated. Second, a thorough study would help the Government to provide appropriate social services (e.g. day-care services) in order to bring this group of population back into the pool of labour force, thus making Hong Kong more competitive in the international market.

Establish Effective Channels for Communication

9.10 Some **academics and researchers** (e.g. Dr. LUI Hon Kwong, Mr. Simon LI, and the researchers of the FTU) have also remarked that it would be useful for the **C&SD** to **organize regular seminars and meetings** with academics and researchers to discuss the concerned issues. By doing so, the private researchers can **provide the C&SD with inputs**. Also, by having effective channels for communication, all the related parties are able to **build up mutual trust**.

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