

For discussion  
on 29 January 2021

**Legislative Council Panel on Manpower  
Subcommittee to Study the Setting Up of  
an Unemployment Assistance System in Hong Kong**

**The employment situation and wages in the local labour market**

**Purpose**

This paper sets out the current and anticipated unemployment situation and wages in the local labour market, as well as the impact of the Coronavirus Disease 2019 (COVID-19) pandemic on the labour force and employment.

**Impact of COVID-19 pandemic on the Labour Force and Employment**

2. The labour market deteriorated sharply in 2020 as COVID-19 pandemic dealt a heavy blow to the Hong Kong economy (see *Table 1* for major labour market statistics in 2020).

3. According to the latest statistics, partly due to the decline in the labour force participation rate from 60.1% a year earlier to 59.6%, the labour force continued to fall by 1.4% year-on-year to 3 893 400 in the fourth quarter of 2020, though the rate of decline narrowed from that in the third quarter. The fall in labour force participation rate was partly due to population ageing and partly because some workers left the labour force for the time being when losing their jobs. It is likely that when economic conditions return to normal, many of these people may choose to re-enter the labour force.

4. Reflecting a weak labour demand, total employment continued to decrease visibly by 4.6% from a year earlier to 3 647 700 in the fourth quarter of 2020. Analysed by sector, as anti-epidemic measures were forced to tighten by the local epidemic, business in the consumption- and tourism-related sectors (viz. retail, accommodation and food services sectors) was seriously disrupted. Employment in these sectors combined declined sizably from a year earlier (see *Table 2* for employment figures by sector). Most other sectors also registered

year-on-year decline in employment, with declines in import/export trade and wholesale, transportation, and arts, entertainment and recreation particularly visible.

### **Current Unemployment Situation and Wages**

5. The seasonally adjusted unemployment rate surged to 6.6% in the fourth quarter of 2020, the highest in 16 years. The number of unemployed persons was 245 800 in the same period, almost doubled from that a year earlier (or up by 121 600). Analysed by sector, the unemployment rate (not seasonally adjusted) of the retail, accommodation and food services sectors combined surged to 11.7% in the third quarter of 2020, the highest since the SARS episode in 2003, and stayed elevated at 10.6% in the fourth quarter (see *Table 3* for the unemployment rates by sector). The unemployment rate of the construction sector rose to 10.7% in the fourth quarter, still close to the post-global financial crisis high of 11.3% registered in May – July. The unemployment situation in all other major sectors deteriorated compared with a year earlier.

6. Overall wages and labour earnings continued to increase in nominal terms in the third quarter of 2020 (latest figures), but the rates of increase decelerated further amid the difficult labour market conditions. Nominal wages went up by 1.0% in September, the slowest in nearly 11 years. Labour earnings (as measured by the index of payroll per person engaged) rose by 2.0% year-on-year in nominal terms in the third quarter of 2020, the slowest in a decade. Analysed by sector, labour earnings in transportation, storage, postal and courier services, accommodation and food service activities, and manufacturing saw enlarged declines in the third quarter, and that in retail trade switched from increase to modest decline. Those in many other major sectors also saw decelerated growth (see *Table 4* for labour earnings statistics by sector). More recent statistics, compiled from the General Household Survey, suggested that the median monthly household income (excluding foreign domestic helpers) continue to plunge by 8.7% year-on-year in nominal terms in September – November, partly reflecting the decreased number of working members in households amid the sharp fall in total employment.

### **Anticipated Unemployment Situation and Wages**

7. Looking ahead, relatively stringent anti-epidemic measures will need to remain in place until the epidemic can be effectively contained, thereby

inevitably posing pressures on the local consumption sentiment and economic activities. Cross-border movement of people and tourism activities may also take a longer period to resume. Enterprises will continue to face a difficult operating environment, and hiring sentiments among employers will therefore still incline to be cautious. Therefore, the labour market is expected to remain under pressure in the near term, and the unemployment rate will stay at a relatively high level for a period of time. Earnings situation will also continue to face downward pressure. Nevertheless, with various anti-epidemic measures yielding results and mass vaccination can be carried out in phases as expected, the effectiveness of epidemic control is expected to gradually improve. As such, the recovery of Hong Kong's economy can hopefully gain a stronger momentum in the second half of the year. The Government will continue to monitor the situation closely.

### **Advice Sought**

8. Members are invited to note the content of the paper.

**Labour and Welfare Bureau  
Office of the Government Economist  
Census and Statistics Department**

**January 2021**

**Table 1 : Labour force <sup>(1)</sup>, labour force participation rate <sup>(2)</sup>, total employment <sup>(3)</sup> and seasonally adjusted unemployment rate <sup>(4)</sup>, Q1 – Q4 2020**

	Q1 2020	Q2 2020	Q3 2020	Q4 2020 <sup>^</sup>
Labour force (year-on-year change)	3 882 200 (-2.1%)	3 861 100 (-2.8%)	3 884 600 (-2.1%)	3 893 400 (-1.4%)
Labour force participation rate	59.5%	59.4%	59.6%	59.6%
Total employment (year-on-year change)	3 720 000 (-3.6%)	3 620 400 (-6.2%)	3 624 800 (-5.8%)	3 647 700 (-4.6%)
Seasonally adjusted unemployment rate	4.2%	6.2%	6.4%	6.6%

Notes : Labour force and total employment figures are rounded to the nearest hundred.

<sup>^</sup> Provisional figures.

- (1) The labour force refers to the land-based non-institutional population aged 15 and over who satisfy the criteria for inclusion in the employed population or the unemployed population. It does not cover inmates of institutions and persons living on board vessels.
- (2) The labour force participation rate refers to the proportion of labour force in the land-based non-institutional population aged 15 and over.
- (3) Employed persons refer to those persons aged 15 and over who have been at work for pay or profit during the 7 days before enumeration or have had formal job attachment. Unpaid family workers and persons who were on leave/holiday during the seven days before enumeration are included.
- (4) Unemployment rate refers to the proportion of unemployed persons in the labour force.

Source : General Household Survey, Census and Statistics Department.

**Table 2 : Employed persons <sup>(1)</sup> by detailed industry <sup>(2)</sup> of main employment, Q1 – Q4 2020**

	Number				Year-on-year percentage change (%)			
	Q1 2020	Q2 2020	Q3 2020	Q4 2020 <sup>^</sup>	Q1 2020	Q2 2020	Q3 2020	Q4 2020 <sup>^</sup>
Manufacturing	102 200	108 500	106 200	101 300	-3.1	+1.1	+7.2	+0.1
Construction	309 300	302 100	303 700	316 000	-7.8	-10.4	-11.1	-5.0
<i>Foundation and superstructure</i>	241 300	235 000	233 800	242 400	-7.4	-10.5	-12.2	-7.1
<i>Decoration, repair and maintenance for buildings</i>	68 000	67 200	69 800	73 600	-9.5	-9.8	-7.1	+2.6
Import/export trade and wholesale	349 800	321 400	318 900	312 300	-12.6	-17.4	-16.0	-16.2
<i>Import and export trade</i>	326 100	302 900	298 900	295 200	-10.7	-15.4	-15.4	-14.8
<i>Wholesale</i>	23 800	18 400	20 100	17 100	-32.8	-40.2	-24.2	-34.2
Retail, accommodation <sup>(3)</sup> and food services	529 300	507 300	499 600	509 700	-15.9	-18.9	-15.3	-10.1
<i>Retail</i>	278 200	270 300	269 800	270 300	-14.7	-16.5	-12.5	-7.9
<i>Accommodation <sup>(3)</sup> and food services</i>	251 100	237 000	229 800	239 400	-17.2	-21.4	-18.3	-12.5
Transportation, storage, postal and courier services, information and communications	441 500	426 000	428 800	429 900	-1.9	-4.3	-5.5	-5.3
<i>Transportation</i>	212 800	195 800	201 900	197 700	-3.0	-10.2	-7.8	-10.6
<i>Storage</i>	74 500	73 200	73 200	74 900	-4.9	-4.2	-6.6	-3.4
<i>Postal and courier activities</i>	18 400	19 500	19 300	22 700	+1.2	+9.1	-2.8	+18.3
<i>Information and communications</i>	135 800	137 600	134 400	134 600	+1.2	+3.3	-1.5	-1.0
Financing, insurance, real estate, professional and business services	850 400	836 000	847 100	855 700	+3.9	+1.6	+0.4	+0.7
<i>Financing</i>	219 300	214 300	218 800	218 900	+8.3	+4.2	+4.6	+1.3
<i>Insurance</i>	74 000	69 500	70 100	69 400	+5.1	-3.6	-5.1	-5.6
<i>Real estate</i>	155 500	156 700	153 500	157 600	-3.3	-2.3	-5.4	-1.7
<i>Professional and business services</i>	401 600	395 500	404 700	409 700	+4.4	+2.8	+1.5	+2.5
Public administration, social and personal services	1 114 500	1 096 500	1 097 200	1 099 900	+2.1	-0.9	-1.7	-2.1
<i>Public administration</i>	121 700	122 500	124 800	126 200	+3.3	+1.9	+1.6	+4.6
<i>Education</i>	232 100	228 400	223 100	218 800	-0.8	-3.4	-3.6	-7.0
<i>Human health and social work activities</i>	232 900	232 000	235 500	236 500	+6.4	+6.0	+4.4	+3.2
<i>Arts, entertainment and recreation</i>	55 900	50 100	52 000	53 400	-3.7	-15.7	-13.3	-8.5
<i>Other service activities</i>	471 900	463 600	461 800	465 000	+2.0	-1.7	-3.1	-3.1
Other industries	22 900	22 600	23 300	23 000	-12.3	-15.9	-6.9	-7.0
Overall	3 720 000	3 620 400	3 624 800	3 647 700	-3.6	-6.2	-5.8	-4.6

Notes : Employment figures are rounded to the nearest hundred.

<sup>^</sup> Provisional figures.

- (1) Employed persons refer to those persons aged 15 and over who have been at work for pay or profit during the seven days before enumeration or have had formal job attachment. Unpaid family workers and persons who were on leave/holiday during the seven days before enumeration are included.
- (2) Industry refers to the activity of the establishment in which the respondent worked during the 7 days before enumeration. The General Household Survey are compiled following the Hong Kong Standard Industrial Classification V2.0.
- (3) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

Source : General Household Survey, Census and Statistics Department.

**Table 3 : Unemployment rate <sup>(1)</sup> (not seasonally adjusted) by detailed previous industry <sup>(2)</sup>,  
Q1 – Q4 2020**

	Q1 2020	Q2 2020	Q3 2020	Q4 2020 <sup>^</sup>
	(%)			
Manufacturing	5.8	6.3	6.5	6.0
Construction	8.5	11.2	10.9	10.7
<i>Foundation and superstructure</i>	7.7	9.6	9.5	9.4
<i>Decoration, repair and maintenance for buildings</i>	11.5	16.2	15.4	14.6
Import/export trade and wholesale	3.6	5.2	5.2	5.3
<i>Import and export trade</i>	3.5	5.3	5.3	5.4
<i>Wholesale</i>	4.0	3.9	3.6	4.3
Retail, accommodation <sup>(3)</sup> and food services	6.8	10.7	11.7	10.6
<i>Retail</i>	5.6	7.7	9.3	8.3
<i>Accommodation <sup>(3)</sup> and food services</i>	8.1	14.0	14.4	13.1
Transportation, storage, postal and courier services, information and communications	3.3	6.0	5.9	6.3
<i>Transportation</i>	3.1	5.5	5.6	6.7
<i>Storage</i>	4.2	7.9	7.7	7.5
<i>Postal and courier activities</i>	2.4	4.2	5.5	4.9
<i>Information and communications</i>	3.5	5.8	5.5	5.4
Financing, insurance, real estate, professional and business services	2.8	4.1	4.0	4.4
<i>Financing</i>	2.5	3.1	2.8	3.2
<i>Insurance</i>	2.3	2.7	2.6	3.0
<i>Real estate</i>	2.4	3.2	4.0	3.8
<i>Professional and business services</i>	3.3	5.2	4.9	5.5
Public administration, social and personal services	2.0	3.3	3.2	3.0
<i>Public administration</i>	0.7	1.1	0.9	1.4
<i>Education</i>	3.1	5.2	4.4	4.2
<i>Human health and social work activities</i>	1.8	2.6	2.9	2.5
<i>Arts, entertainment and recreation</i>	4.7	10.8	11.4	9.0
<i>Other service activities</i>	1.4	2.3	2.5	2.5
Other industries	3.9	4.4	3.8	3.2
Overall	4.2	6.2	6.7	6.3

Notes : ^ Provisional figures.

(1) Unemployment rate refers to the proportion of unemployed persons in the labour force.

(2) Industry refers to the activity of the establishment in which the respondent worked previously. The General Household Survey are compiled following the Hong Kong Standard Industrial Classification V2.0.

(3) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

Source : General Household Survey, Census and Statistics Department.

**Table 4 : Year-on-year changes in the nominal indices of payroll per person engaged by selected industry sections, Q1 – Q3 2020**

	Q1 2020	Q2 2020	Q3 2020
	(%)		
Manufacturing	+1.8	-0.9	-1.3
Sewerage, waste management and remediation activities	+3.8	+2.4	+2.7
Import/export and wholesale trades	+1.2	+0.6	#
Retail trade	+0.5	+0.2	-0.3
Transportation, storage, postal and courier services	-1.1	-3.9	-5.4
Accommodation <sup>(1)</sup> and food service activities	-1.4	-2.7	-4.1
Information and communications	+3.2	+2.3	+1.7
Financial and insurance activities	+1.8	+1.7	+1.6
Real estate activities	+2.3	+1.6	+1.2
Professional and business services	+2.7	+1.3	+1.3
Social and personal services	+10.2	+4.6	+4.6
All industry sections <sup>@</sup>	+3.2	+2.2	+2.0

Notes : # Changes within  $\pm 0.05$  percentage point.

@ Includes all industries mentioned above, and the mining and quarrying industry and the electricity and gas supply industry.

(1) Accommodation services cover hotels, guesthouses, boarding houses and other establishments providing short term accommodation.

Source : Labour Earnings Survey, Census and Statistics Department.