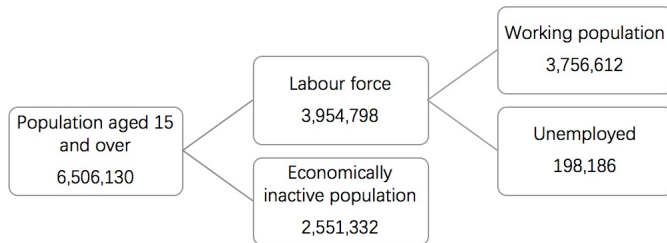


Basic Labor Market Concepts

Labor market status

- Universe is population aged 15 and over (child labor is illegal)
- Three categories:
 - **employed** (working population)
 - perform some work for pay or profit
 - had a job but ill, on leave, on strike, or not working due to mechanical breakdown or bad weather
 - include employers, employees, the self-employed, and unpaid family workers
 - **unemployed**
 - people who are not employed and who are available for work and have looked for work
 - in Hong Kong, the unemployed includes “discouraged workers” who did not seek work because they believe work is not available
 - **economically inactive** (out of labor force)
 - is not employed but is not looking for work
 - students, retired persons, homemakers, etc



Labour force status of the Hong Kong population, 2016

Important Ratios

- 2016

- unemployment rate = $\frac{\text{unemployed}}{\text{labor force}} = \frac{198,186}{3,954,798} = 5.0\%$
- labor force participation rate = $\frac{\text{labor force}}{\text{population universe}} = \frac{3,954,798}{6,506,130} = 60.8\%$
- employment rate = $\frac{\text{employed}}{\text{population universe}} = \frac{3,756,612}{6,506,130} = 57.7\%$

- 2023 Q2

- unemployment rate = $\frac{113,600}{3,802,400} = 2.99\%$
- labor force participation rate = $\frac{3,802,400}{6,612,900} = 57.5\%$
- employment rate = $\frac{3,688,800}{6,612,900} = 55.8\%$
- underemployment rate = $\frac{\text{underemployed}}{\text{labor force}} = \frac{41,500}{3,802,400} = 1.09\%$
- youth unemployment rate:
 - aged 15–19: 11.2%
 - aged 20–29: 5.5%

Caution

- The distinction between economically inactive (out of labor force) and unemployed is often quite fuzzy
- $\text{employment rate} = (1 - \text{unemployment rate}) \times \text{labor force participation rate}$
- it is possible that the labor force participation rate, the unemployment rate, and the employment rate are all going up at the beginning of an economic recovery
 - more people change from economically inactive to becoming active (LFPR rises)
 - some of them are still looking for work (UR rises)
 - some of them find work (ER rises)
- This simple classification does not consider other important aspects of labor supply behavior, such as work hours, effort, and labor market skills

Labor Market Movements

- Net changes in the **stock** of people in these labor market categories are small relative to the gross **flows**

TABLE 1.1 Transition matrix, 2015–2016

		2016			
		Inactive	Unemployed	Employed	Total
2015	Inactive	85.63	5.01	9.36	100.0
	Unemployed	14.28	58.35	27.36	100.0
	Employed	3.81	3.86	92.33	100.0

Source: Eurostat (2019), European Union Labor Force Survey.

Different Concepts of Wages

- for a worker hired on an hourly basis,
 - annual **earnings** = hourly **wage rate** × **hours worked** in a year
 - total compensation = earnings + fringe benefits
 - total income = total compensation + unearned income
- employer's labor cost = total compensation + payroll taxes (e.g., MPF contributions)
- $\text{real wage} = \frac{\text{nominal wage}}{\text{price index}}$

For Your Interest

Table 7.13 : Median monthly employment earnings of employed persons by educational attainment and sex

		Median monthly employment earnings of employed persons				
		HK\$				
		2022			2023	
Year	Quarter	Q2	Q3	Q4	Q1	Q2
Sex	Educational attainment					
Male	Primary and below	15,000 r	15,000 r	15,000 r	15,000	15,000
	Lower secondary (1)	16,000 r	16,500 r	17,000 r	17,500	18,000
	Upper secondary (2)	18,800 r	19,500 r	20,000 r	20,000	20,000
	Post-secondary - diploma/certificate	21,000 r	21,000 r	22,900 r	23,300	23,000
	Post-secondary - sub-degree	21,800 r	21,600 r	22,000 r	24,700	23,500
	Post-secondary - degree	38,000 r	38,200 r	37,400 r	40,000	39,300
	Overall	20,500 r	21,000 r	21,900 r	22,800	22,200
Female	Primary and below	9,200 r	10,000 r	10,000 r	10,000	10,000
	Lower secondary (1)	11,000 r	12,000 r	12,000 r	12,000	12,000
	Upper secondary (2)	12,000 r	12,000 r	13,000 r	13,000	13,000
	Post-secondary - diploma/certificate	16,000 r	17,000 r	17,800 r	18,000	19,000
	Post-secondary - sub-degree	17,900 r	18,000 r	18,300 r	20,000	20,000
	Post-secondary - degree	30,000 r	30,000 r	30,000 r	30,000	30,000
	Overall	15,000 r	15,200 r	15,700 r	16,000	16,000
Both sexes	Primary and below	11,000 r	11,700 r	12,000 r	12,000	12,000
	Lower secondary (1)	14,000 r	14,000 r	14,800 r	15,000	15,000
	Upper secondary (2)	15,000 r	15,500 r	16,000 r	16,000	16,100
	Post-secondary - diploma/certificate	19,400 r	20,000 r	20,000 r	20,000	20,000
	Post-secondary - sub-degree	20,000 r	20,000 r	20,000 r	21,700	21,100
	Post-secondary - degree	33,400 r	33,800 r	33,000 r	35,000	34,900
	Overall	18,000 r	18,600 r	19,100 r	20,000	20,000

1 Persons with educational attainment at lower secondary level refer to those with Secondary 1-3 education or equivalent level.

2 Persons with educational attainment at upper secondary level refer to those with Secondary 4-7 of old academic structure (1985-2011), Secondary 4-6 of new academic structure (2012 onwards) or equivalent, Project Yi Jin/Yi Jin Diploma and craft level.

r Revised figure

Earnings Distribution

Distribution of monthly income from main employment, from 2016 Population By-census

<u>Monthly income from main employment (HK\$)</u>	<u>Percentage</u>	<u>Cumulative percentage</u>
< 2,000	1.2	1.2
2,000 - 3,999	2.1	3.3
4,000 - 5,999	11.0	14.3
6,000 - 7,999	3.7	18.0
8,000 - 9,999	7.6	25.6
10,000 - 14,999	23.8	49.4
15,000 - 19,999	15.3	64.7
20,000 - 24,999	10.0	74.7
25,000 - 29,999	5.1	79.8
30,000 - 39,999	7.4	87.2
40,000 - 59,999	6.6	93.8
≥ 60,000	6.2	100.0

Industry and Occupations Classification

- Industry refers to the main kind of goods or services produced by the establishment in which a person worked
- Occupation refers to the kind of work a person performed