

Chapter 3 Unemployment

Youth unemployment remains a concern in Hong Kong and in other countries as well. Statistics from the OECD showed that youth unemployment rate had risen up since 1989 (OECD, 2001)⁹. People who with attachment to the labour market will not only earn their living, but also accumulate working experience and improve their competency. The rising youth unemployment rate will imply a loss in human capital for the individuals and the whole society. On the other hand, employment enables the working youth to maintain social contact and social interaction with other people. Low wage means insufficient income/resources and the poor working conditions, such as long working hours, may undermine workers' health conditions and their relationships with families (Gordon, *et al.*, 2000). The aim of the study on unemployment is to examine the employment status of the youth and identify structural constraints to youth employment status and also their productivity.

3.1 Definitions of employment and unemployment

According to the Census & Statistics Department, the population can be classified into two main groups: economically active population and economically inactive population.¹⁰

The economically active population is composed of the employed (i.e. the working population) and the unemployed. *The employed persons* refer to persons aged 15 and over who should (i) be engaged in performing work for pay or profit during the seven days before the Census; (ii) have formal job attachment during the seven days before the Census. The working population includes employee, employer, self-employed and unpaid family worker (Hong Kong Government, Census & Statistics Department: 473). While *the unemployed persons* refer to persons aged 15 and over who should (i) not have had a job and should not have performed any work for pay or profit during the seven days before the Census; (ii) have been available for work during the seven days before the Census; (iii) have sought work during the thirty days before the Census (Hong Kong Government, Census & Statistics Department: 473).

The economically inactive population refers to persons who have not had a job and have not been at work during the seven days before the Census, excluding persons who

⁹ The statistics data of youth unemployment rate in the OECD countries is available at http://www1.oecd.org/publications/figures/2001/anglais/082_YouthUnemp.pdf

¹⁰ The definitions of employment, unemployment and economically inactive population by the Census and Statistics Department are very closely to those of the International Labour Organization (ILO).

have been on leave/holiday during the seven-day period and persons who are unemployed. Persons such as home-makers, retired persons and all those aged below 15 are thus included¹¹ (Hong Kong Government, Census & Statistics Department: 473). In order to grasp a full picture of the (un)employment situations of the youth, the economically inactive youth (not in school) will be taken into account in this study.

The causes of the structural unemployment can roughly be divided into external and internal causes (Larsen, 2001). The external explanations focus on fundamental changes in the production structure that leads to a mismatch between labour supply and demand. The indicators on external explanations can be grouped as a dimension of structural constraints to youth employment status, such as the types of jobs done by the youth previously, currently and their desired industry of the next employment. The internal explanations focus on the barriers to the labour market (i.e. productivity of the youth). The indicators used for the measurement of the productivity of the workers include sex, age, education, previous unemployment and the judgment of the unemployed. Measuring structural constraints to youth employment and productivity of the youth may also enhance our understanding of whether youth unemployment is related to their self-capacity/productivity or the structural constraints. As a result, examples of indicators include three dimensions of youth unemployment: (i) employment status; (ii) structural constraints to youth employment status; and (iii) productivity of youth (Table 3.1).

¹¹ A person who is studying full-time in school or other educational institution, as well as persons who are self-studying informal courses in miscellaneous training institutes or studying evening courses and were not working during the seven days before the Census are also included in this category. Student workers are classified as economically active persons and are not included in this group (Hong Kong Government, Census & Statistics Department, 2002:473).

Table 3.1: Indicators of youth unemployment

Dimensions	Examples of Indicators
Employment status	<ul style="list-style-type: none"> ■ Employed youth population and rate ■ Underemployed youth population and rate ■ Unemployed youth population and rate ■ Economically inactive youth (not in school) population and rate ■ Availability for work ■ Health conditions of working youth ■ Number of working hours per week
Structural constraints to youth employment status	<ul style="list-style-type: none"> ■ Youth job-seekers by desired industry of next employment ■ Youth unemployment in relation to previous job in industry ■ Youth unemployment in relation to previous occupation ■ Reasons for losing jobs ■ Duration of unemployment ■ Reasons for long-term unemployment based on the judgment of the unemployed youth themselves ■ Present industry of employed youth ■ Present occupation of employed youth
Productivity of youth	<ul style="list-style-type: none"> ■ Ratio of youth to adult unemployment ■ Ratio of youth to adult underemployment ■ Youth employment status by educational attainment and by sex

Sources: Gunderson M., Sharpe A. & Wald S. (2000)
ILO (1982)
Larsen C. A. (2001)
Reich R. B. & Abraham K. G. (2001)

3.2 Data availability

Table 3.2 shows obtained indicators on youth unemployment. For the dimension of employment status, all proposed examples of indicators are available, except items on health conditions of the working youth and number of working hours. The discussions on dimension of youth employment status will focus on unemployment rates and economically inactive youth population.

For the dimension of structural constraints to youth employment status, four indicators are available. Other four proposed indicators cannot be collected within the data collection period, including youth unemployment in relation to previous occupation, reasons for losing jobs, duration of unemployment, and reasons for long-term unemployment based on the judgment of the unemployed youth themselves. The obtained data provides information to identify the structural changes of youth

occupation and industry. However, there is no systematic data provided to recognize the constraints to youth employment status. Structural constraints to youth employment therefore cannot be examined to reflect the reasons of worsening unemployment situation in this study.

For the dimension of productivity of youth, only one indicator will be discussed (i.e. ratio of youth unemployment to adult). Since youth unemployment status by educational attainment has been discussed to measure productivity and competency of the youth, the discussion on productivity of youth will only focus on international comparison on ratio of youth unemployment to adult, with reference to data from data bank of the Department of Economic and Social Affairs of the United Nations.

Table 3.2: Obtained indicators on youth unemployment

Dimensions	Obtained Indicators	Sources
<i>EMPLOYMENT STATUS</i>		
Employed youth population and rate	<ul style="list-style-type: none"> ■ Number of employed persons by age and sex 	Census and Statistics Department
Underemployed youth population and rate	<ul style="list-style-type: none"> ■ Number of underemployed persons and underemployment rates 	Census and Statistics Department
Unemployed youth population and rate	<ul style="list-style-type: none"> ■ Number of unemployed persons and unemployment rate ■ Youth unemployment rates by age groups in different places (for international comparison) 	Census and Statistics Department; Hong Kong Federation of Youth Groups; Department of Labour of the United States of America; Accounting and Statistics Executive Yuan, Republic of China; and Statistics and Census Service, Government of Macao Special Administrative Region
Economically inactive youth (not in school) population and rate	<ul style="list-style-type: none"> ■ Economically inactive population by age group and sex 	Census and Statistics Department
Availability for work	<ul style="list-style-type: none"> ■ Labour force participation rates by sex by age group 	Census and Statistics Department

Table 3.2 (Continued....)

Dimensions	Obtained Indicators	Sources
<i>STRUCTURAL CONSTRAINTS TO YOUTH EMPLOYMENT STATUS</i>		
Youth job-seekers by desired industry of next employment	■ Desired organization of employment	Hong Kong Federation of Youth Groups
Youth unemployment in relation to previous job in industry	■ Unemployed persons and unemployment rate aged 15-29 by previous industry	Census and Statistics Department
Present industry of employed youth	■ Working youth by industry	Census and Statistics Department
Present occupation of employed youth	■ Working youth by occupation	Census and Statistics Department
<i>PRODUCTIVITY OF YOUTH</i>		
Ratio of youth to adult unemployment	■ Ratio of youth unemployment to adult (for international comparison)	United Nations, Department of Economic and Social Affairs
Youth employment status by educational attainment and by sex	■ Unemployment rates by educational attainment (1997-2001) (See Chapter 2 Human Capital)	Census and Statistics Department

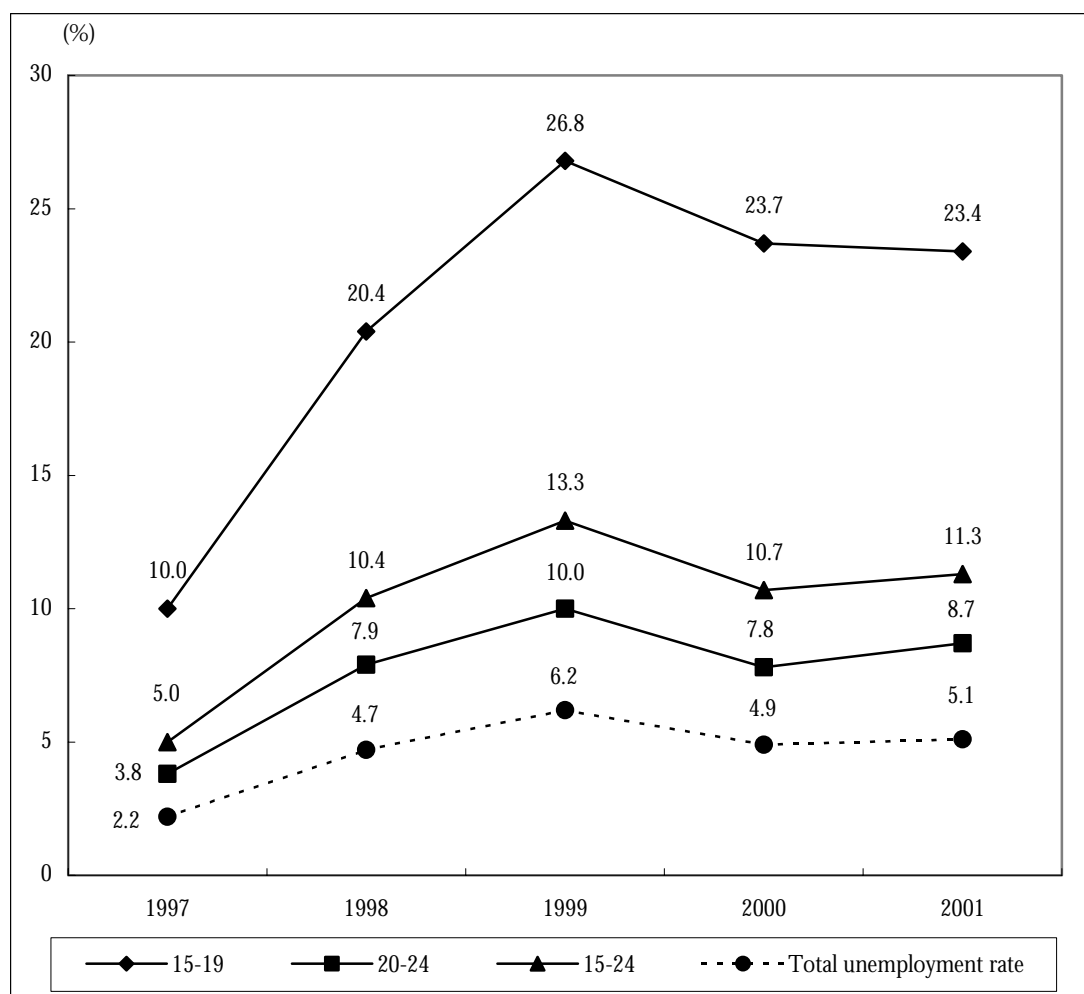
3.3 Discussion

3.3.1 Employment status

The low-skilled working force found difficulty in looking for jobs in the knowledge-based society. Since the Asian financial crisis, unemployment rate has risen to a 20-year high. There was an increasing trend of youth unemployment rate, which is the same as the total unemployment rate. However, unemployment situation is worse among the youth. In the past 5 years, youth unemployment rate aged 15 to 24 was 2 times higher than total unemployment rate.

Youth unemployment situation was the worst for those aged 15 to 19. It could be explained by the fact that those young school leavers who did not have/had limited working experiences had difficulty in searching for jobs. As shown in figure 3.1, unemployment rate for those aged 15 to 19 had increased from 10% in 1997 to 23.4% in 2001 (Figure 3.1). According to the *Quarterly Report on General Household Survey* between April and July in 2002, the youth unemployment rate reached 30.1%. In other words, nearly one-third of those youngsters were unemployed.

Figure 3.1: Unemployment rate by age (1997-2001)



Source: Census and Statistics Department (1997-2001)

Unemployment rate of the youth aged 15 to 19 in Hong Kong was higher than those of the USA and some Asian countries. As shown in table 3.3, the unemployment rate of the youth aged 15 to 19 in Hong Kong was 23.4% in 2000, which was significantly higher than those in the USA (13.1%), Taiwan (7.3%), Macau (10.6%) and Singapore (11.9%).

Table 3.3: Youth unemployment rates by age groups in different places (2000)

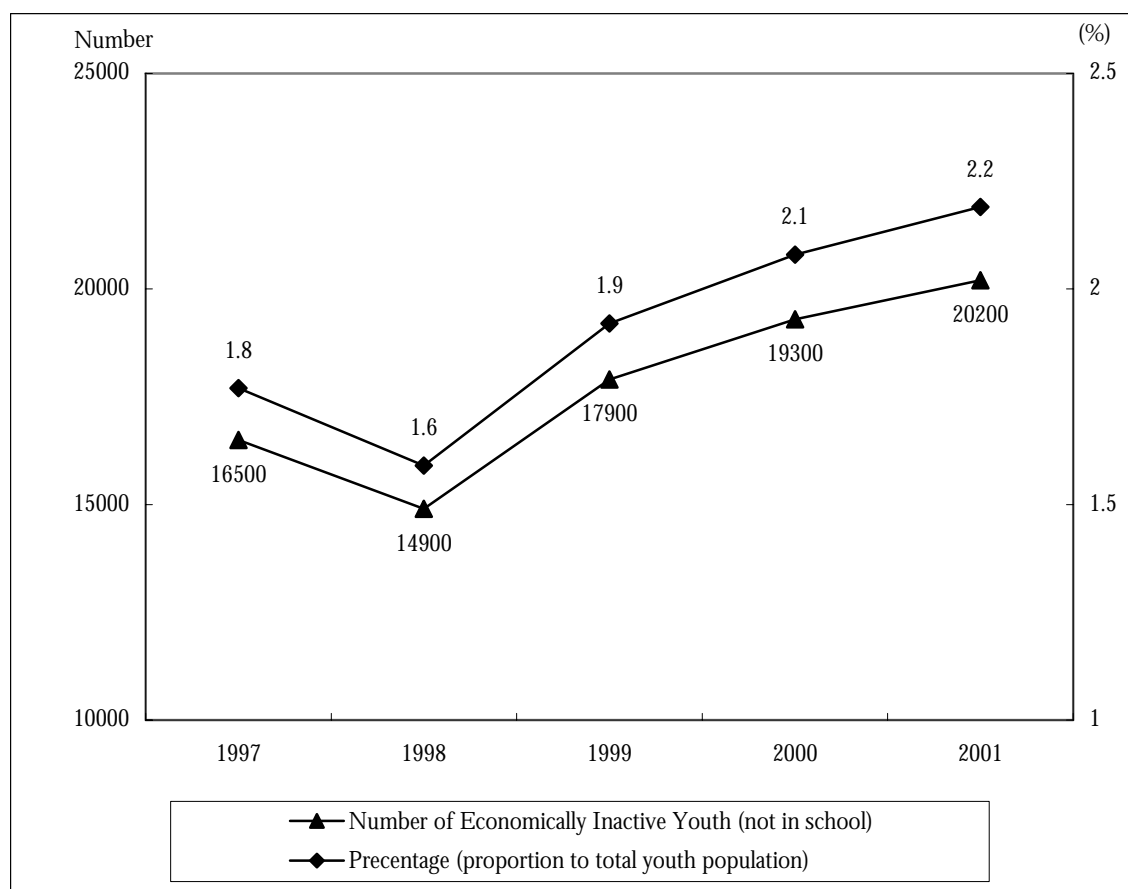
Age Groups	USA 2000	Taiwan 2000	Macau 2000	Singapore 2000	Hong Kong 2000
15-19	13.1 (Aged 16-19)	7.3	10.6 (Aged 14-19)	11.9 (Aged 14-19)	23.7
20-24	7.1	/	/	8.1	7.8
15-24	9.6 (Aged 16-24)	7.4	10.5 (Aged 14-24)	/	10.7

Sources: Hong Kong Federation of Youth Groups (2001)
 USA: Department of Labour of the United States of America
 Taiwan: Accounting and Statistics Executive Yuan, Republic of China
 Macau: Calculated from the findings of Statistics and Census Service, Government of Macao Special Administrative Region

“Status Zero Youth” was used to describe the youngsters, who can neither be classified as employee nor student. “Status Zero Youth” raises attention to two groups of youngsters, including the unemployed youth, and young persons who are not pursuing any studies. According to *the 2001 Population Census*, the numbers of “young people who were unemployed and unable to pursue further studies” were 33,790 for those aged 15-19 and 39,708 for those aged 20-24. They were 73,498 young people and accounted for 8.0% of the youth aged 15 to 24 were not engaged in work nor in school in 2001. One-tenth (10.6%) of the youth aged 15 to 24 did not engaged in work and were not in school between June and August 2002. Attention should be given to the emerging of “Status Zero Youth” phenomenon. In the long run, they would easily have low self-image, lose confidence and motivation towards career, jobs and further studies.

Analysis of the economically inactive youth (not in school) will give a more comprehensive picture of the “Status Zero Youth”. Economically inactive youngsters who cannot be classified as unemployed population are partly because some of school leavers do not intend to find jobs, and partly because some of them with poor academic performance cannot further their studies. The number of economically inactive youth (not in school) had increased from 16,500 in 1997 to 20,200 in 2001 (Figure 3.2). The growth in the proportion of those youngsters to total youth population can be observed. The government and the youth services organizations should pay attention to the emerging issue causing by the economically inactive youth (not in school).

Figure 3.2: Economically inactive youth aged 15-24 who are not pursuing any studies (1997-2001)



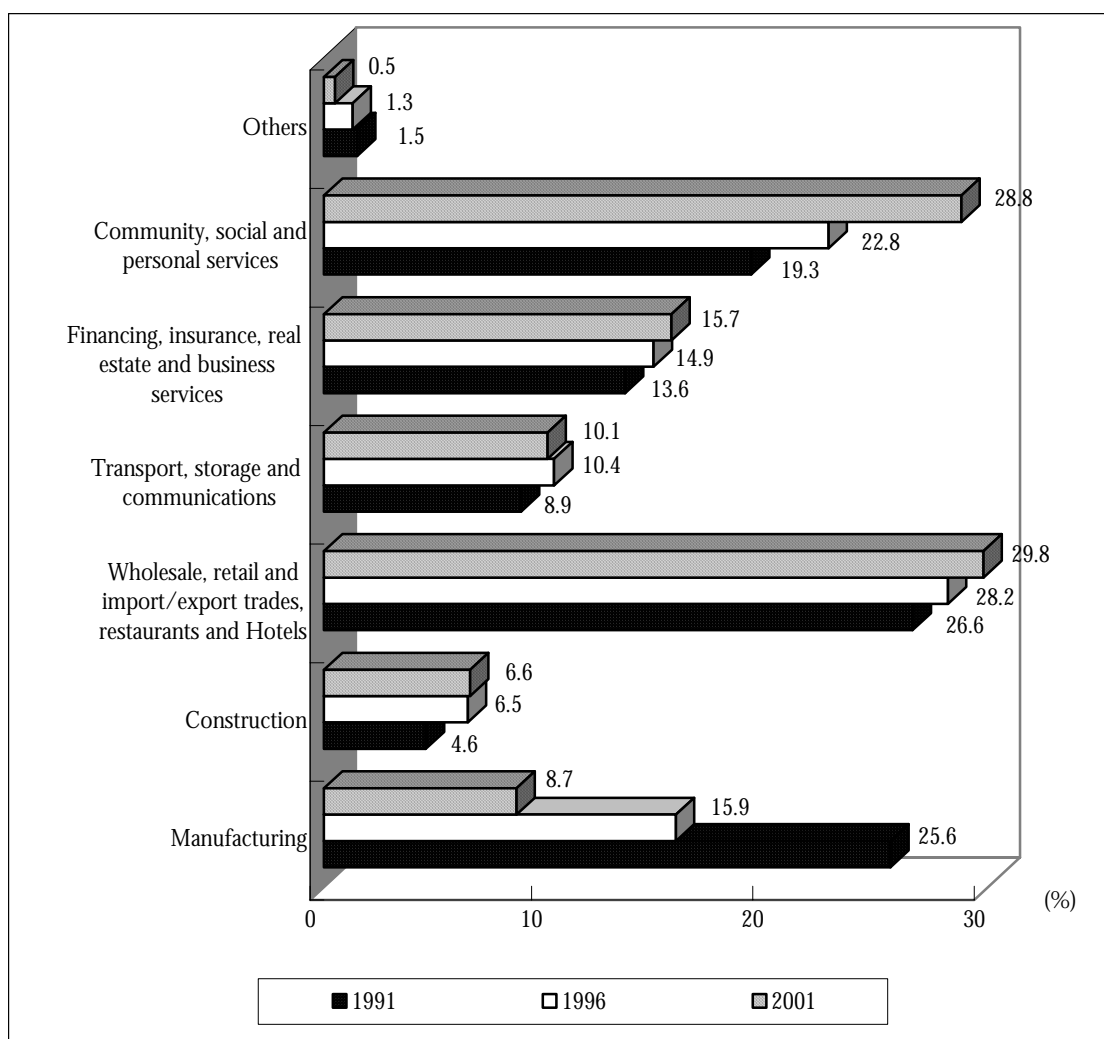
Source: Census and Statistics Department (1997-2001)

3.3.2 Structural constraints to youth employment status

As mentioned above, the available data could not reflect the structural constraints to youth employment status. The obtained data indicated the structural changes of youth employment in industry and occupation.

The findings indicated that youth employment was shifted from secondary labour-intensive industry to tertiary service industry. The percentage of youth working in manufacturing industry had decreased from 25.6% in 1991 to 8.7% in 2001. Manufacturing industry is no longer the main industry employing the youth in Hong Kong. Following the economically structural changes, 29.8% of the working youth were under the sector of wholesale, retail and import/export trades, restaurants and hotels in 2001, compared with 26.6% in 1991 (Figure 3.3). And 28.8% of them worked in the community, social and personal services industry in 2001, compared with 19.3% in 1991. That meant nearly 60% of youth worked in these two industries.

Figure 3.3: Percentage of working youth by industry (1991, 1996 and 2001)

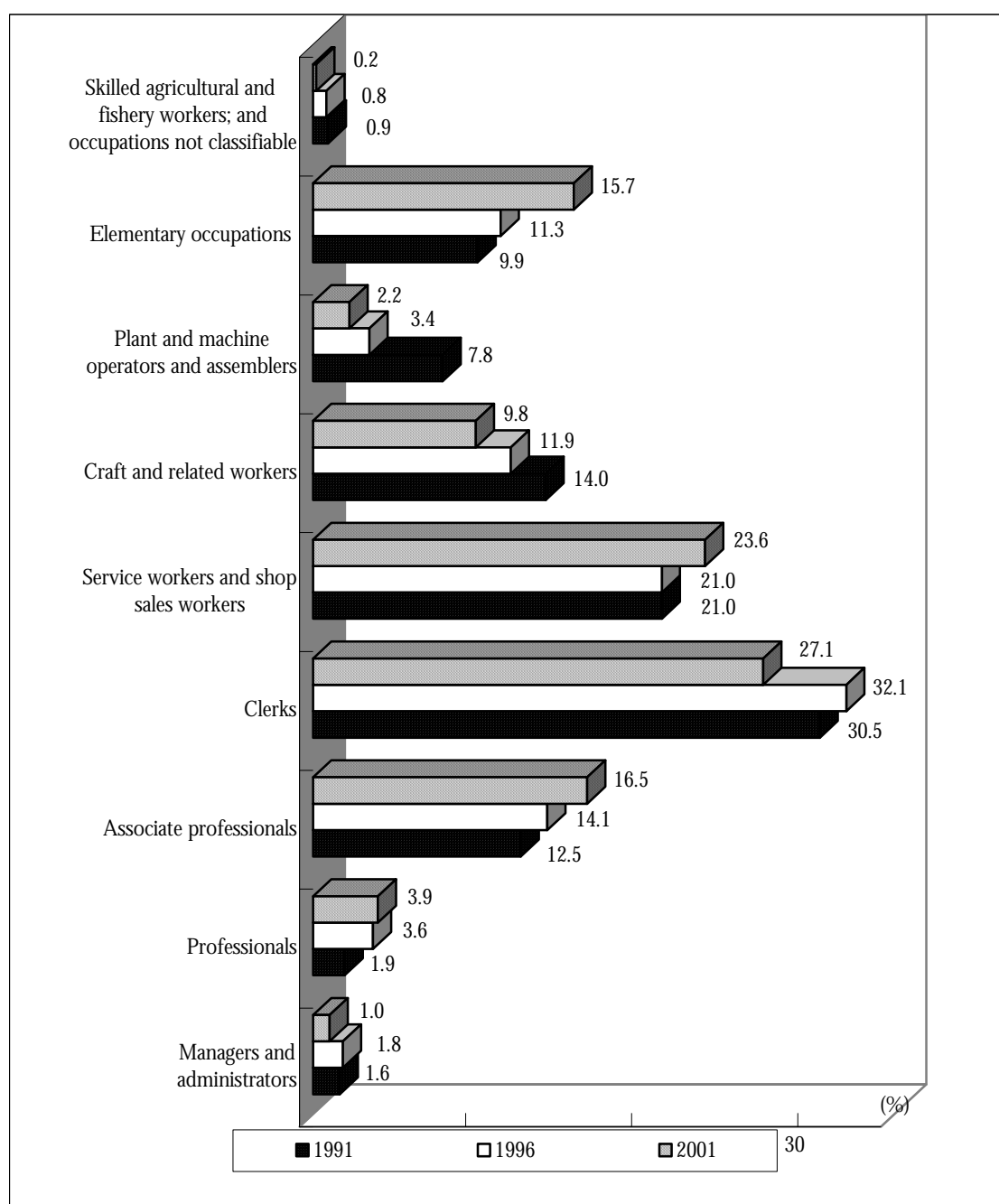


Note: "Others" include such industries as "Agriculture and fishing", "Mining and quarrying", "Electricity, gas and water" and industrial activities inadequately described or unclassifiable.
 Source: Census and Statistics Department (2001)

As shown in figure 3.4, the proportion of working youth as professionals (from 1.9% in 1991 to 3.9% in 2001) and associate professionals (from 12.5% in 1991 to 16.5% in 2001) had increased. They were accounted for 20.4% of the total employed youth population. On the other hand, the proportion of working youth as clerks (from 30.5% in 1991 to 27.1% in 2001), craft and related workers (from 14.0% in 1991 to 9.8% in 2001), plant and machine operators and assemblers (from 7.8% in 1991 to 2.2% in 2001) had decreased.

The structural changes on occupation and industry had benefited those working youth with high educational attainment and professional qualifications. In the past two decades, the government had trained up a group of educated young professionals, who matched well with the knowledge-based economy.

Figure 3.4: Percentage of working youth by occupation (1996 and 2001)



Note: The proportion of working youth in elementary occupation was 8.4% in 1991, 7.0% in 1996 and 8.0% in 2001 when foreign domestic helpers are excluded.

Source: Census and Statistics Department (2001)

On the other hand, this “new economy” also hits the youngsters with low qualification and skills, especially for those aged 15 to 19. As discussed in Chapter 2, unemployment is highly correlated with low educational attainment. Those youngsters with low educational levels are more likely suffered from the structural changes on occupation and industry. The government should pay more attention to reform the

existing Youth Employment Development Schemes and Education System so as to enhance the youth employability.

3.3.3 Productivity level of the youth

Data from the Department of Economic and Social Affairs of the United Nations showed that the unemployment rate of youth aged 15-24 was 2.6 times to the total unemployment rate in Hong Kong in 1998. In fact, many other countries also faced high unemployment problem (Table 3.4). As the Organization for Economic Cooperation and Development stated that “There is no doubt that 15 to 24-years’ old have faced the highest risk of unemployment in many industrialized countries, even though unemployment is far from being strictly a youth problem.” (Employment Outlook 1996: p.10).

Table 3.4: Ratio of Youth Unemployment to Adult (1995-1999)

Country	Year				
	1995	1996	1997	1998	1999
Australia	2.3	2.2	2.4	2.3	2.5
Hong Kong	2.7	2.9	2.8	2.6	/
Macau	/	/	3.0	2.5	/
Singapore	2.2	2.9	/	2.6	/
United Kingdom	2.1	2.1	2.3	2.5	2.5
United States	2.8	2.9	3.0	3.1	3.2

Source: United Nations (2002)

3.4 Summary

Youth unemployment had been worsened in the past 20 years. The obtained data illustrated the seriousness of youth unemployment. Unemployment for the youth aged 15 to 19 in Hong Kong was found to be more serious than that in USA and some Asian cities. Furthermore, it was found that 8.0% of total youth population did not engage in work and were not in school. Key findings were observed as follows:

- The situation of youth unemployment had become worse since the late 1990s. Unemployment rate of the youth was 2 times higher than the total unemployment rate between 1997 and 2001 in Hong Kong. Unemployment was the worst among the youth aged 15 to 19, compared with those aged 20

to 24. The unemployment rate of the youth aged 15 to 19 reached 30.1% between April and July 2002.

- There had been an increasing trend of economically inactive youth population since 1998. One-tenth (10.6%) of the youth aged 15 to 24 were not engaged in work and were not in school between June and August 2002.
- More youth were employed in the tertiary service industries. There was 58.6% of the youth working in wholesale, retail and import/export trades, restaurants and hotels industry and community, social and personal services industry.
- There was an increasing proportion of youth working as managers and administrators, professionals and associate professionals. More than one-fifth (21.4%) of working youth worked as managers and administrators, professionals and associate professionals in 2001, compared with 16.0% in 1991 and 19.5% in 1996.

Some indicators were useful to figure out the seriousness of youth unemployment, such as unemployed youth population, and economically inactive youth (not in school) population. The ratios of youth to adult unemployment and youth unemployment by educational attainment indicated the productivity level of the youth. However, the obtained data was insufficient to identify working conditions and structural constraints on youth employment status. Collecting data on reasons for long-term unemployment, for example, is useful to identify the constraints to the youth. Such data will provide useful information for the government and the service providers to review the youth employment situation. In order to make the future studies on youth employment/unemployment issues more comprehensive and systematic, we propose the examples of indicators, which are listed out in table 3.1.