

Lecture 1. Overview of the Labour Market

1. Key labour market indicators

- **Employed person, unemployed person and labourforce**

According to the definition of the Hong Kong government:

“**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.”

“**Unemployed persons** refer to those persons aged 15 and over who fulfil the following conditions : (a) Have not had a job and have not performed any work for pay or profit during the 7 days before enumeration; (b) Have been available for work during the 7 days before enumeration; and (c) Have sought work during the 30 days before enumeration.

However, if a person aged 15 or over fulfils the conditions (a) and (b) above but has not sought work during the 30 days before enumeration because he/she believes that work is not available, he/she is still classified as unemployed, being regarded as a so-called "discouraged worker".”

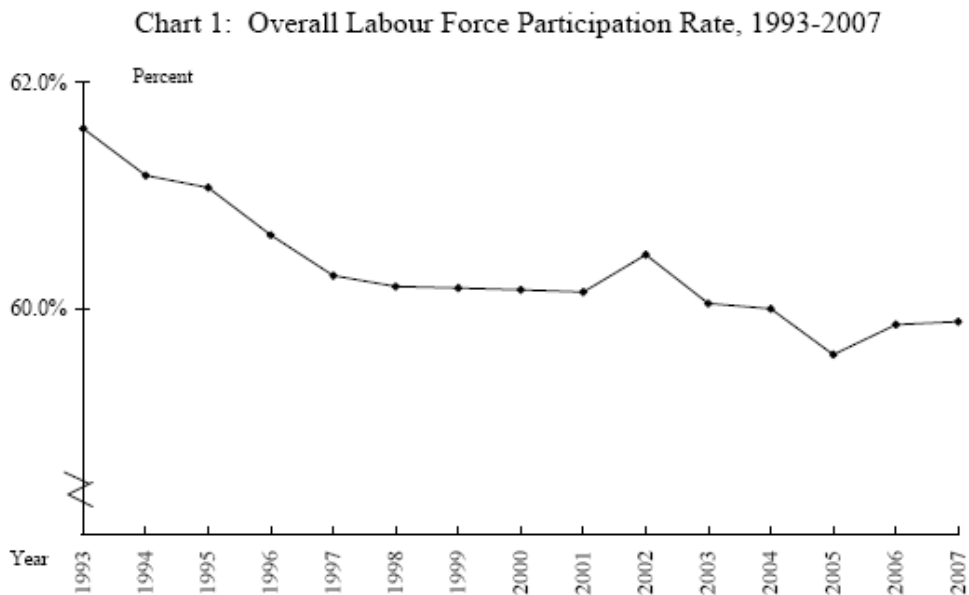
“**Labour force** refers to the land-based non-institutional population aged 15 and over who satisfy the criteria for being classified as employed persons or unemployed persons.”

- **Labourforce participation rate and unemployment rate**

Labourforce participation rate: the proportion of labour force in the total land-based non-institutional population aged 15 or above.

Unemployment rate: the proportion of unemployed persons in the total labour force.

Based on the statistics published in Quarterly General Household Survey:



Overall labour force participation rate declined significantly from 1993 (61.6%) to 2007 (59.9). According to the latest study by the government, the main reasons for that are ageing population and increased education opportunity for young people in Hong Kong. (see <http://www.hkeconomy.gov.hk/en/pdf/box-08q1-5-1.pdf>)

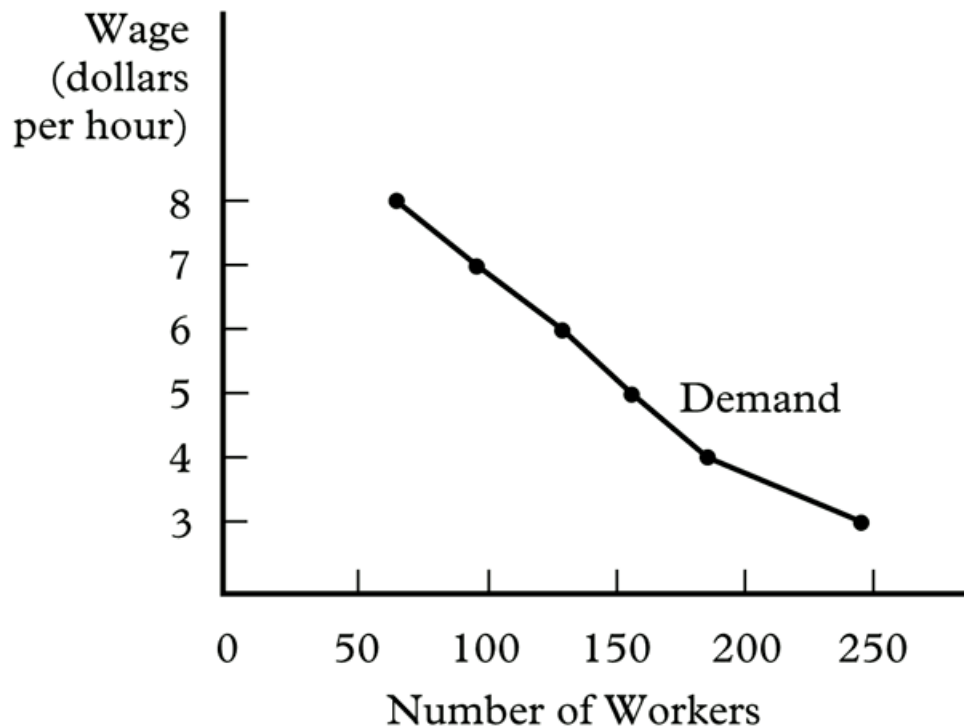
	2008 第二季 Q2	2009 第一季 Q1	2009 第二季 Q2
勞動人口			
The Labour Force			
勞動人口 ('000)	3 638.2	3 694.9	3 709.2
Labour force ('000)			
男 ('000)	1 942.5	1 957.4	1 966.5
Male ('000)			
女 ('000)	1 695.7	1 737.5	1 742.7
Female ('000)			
勞動人口參與率 (%)	60.7	61.3	61.3
Labour force participation rate (%)			
男 (%)	69.5	69.7	69.9
Male (%)			
女 (%)	53.1	54.0	53.8
Female (%)			
失業			
Unemployment			
失業人數 ('000)	121.1	187.2	203.0
Unemployed persons ('000)			
男 ('000)	73.1	116.9	125.2
Male ('000)			
女 ('000)	48.0	70.4	77.9
Female ('000)			
失業率 (%)			
Unemployment rate (%)			
- 經季節性調整	3.3	5.2	5.4
Seasonally adjusted			
- 不經季節性調整	3.3	5.1	5.5
Not seasonally adjusted			
男 (%)	3.8	6.0	6.4
Male (%)			
女 (%)	2.8	4.0	4.5
Female (%)			
就業			
Employment			
就業人數 ('000)	3 517.1	3 507.6	3 506.2
Employed persons ('000)			
男 ('000)	1 869.4	1 840.5	1 841.3
Male ('000)			
女 ('000)	1 647.7	1 667.1	1 664.8
Female ('000)			

2. How the labour market functions

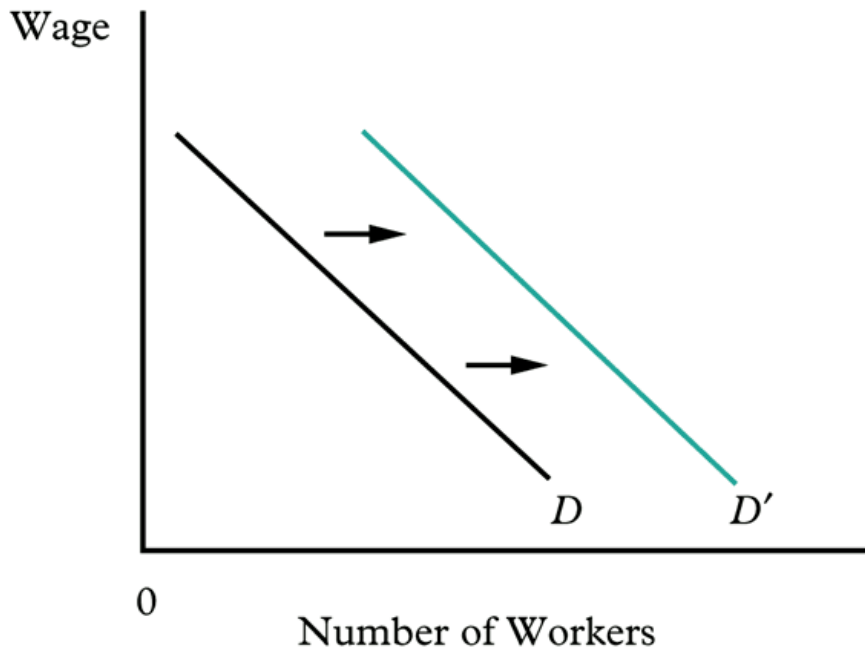
(1) The demand for labour

The demand for labour by a firm is determined by the demand for the firm's final output, the amount of labour and capital available at given prices and the available technology of production.

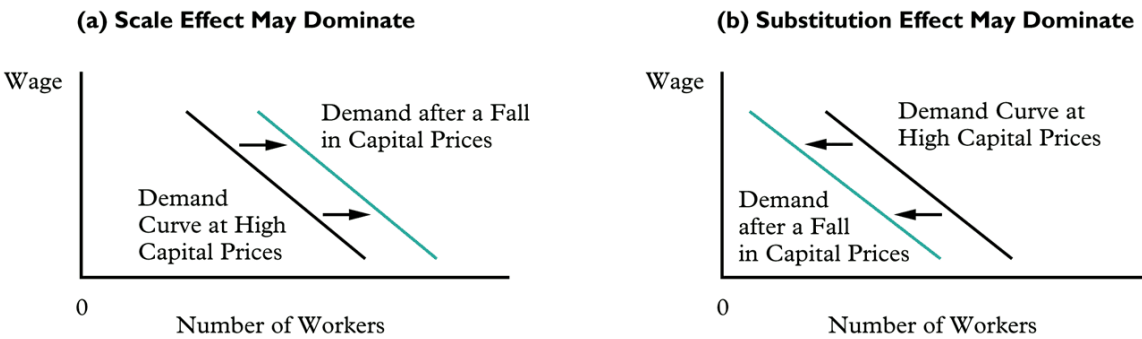
- Other things being equal, the demand for labour will decrease with the increase of wage rate due to the *scale effect* and *substitution effect*.



- The change in product demand will cause a shift in labour demand

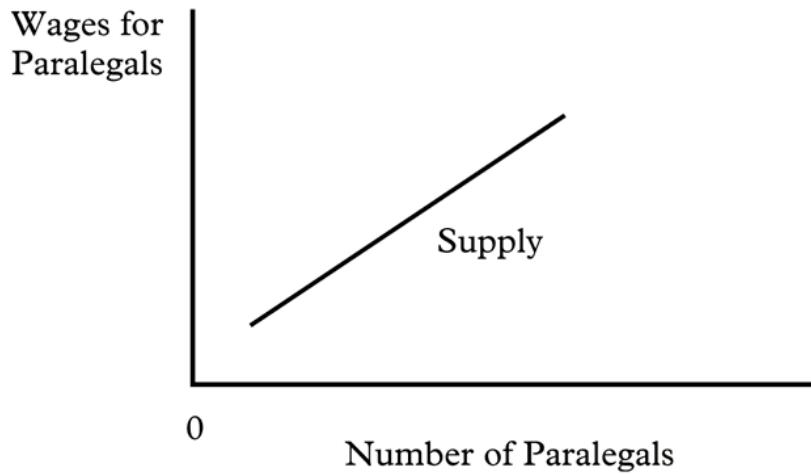


- The fall or rise of capital price will also shift the labour demand curve

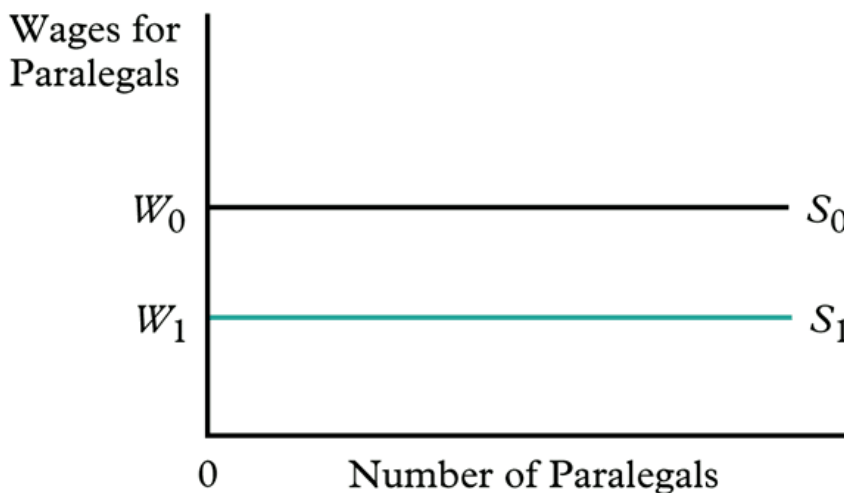


(2) The supply of labour

- The supply of labour to a particular labour market is an upward sloping curve

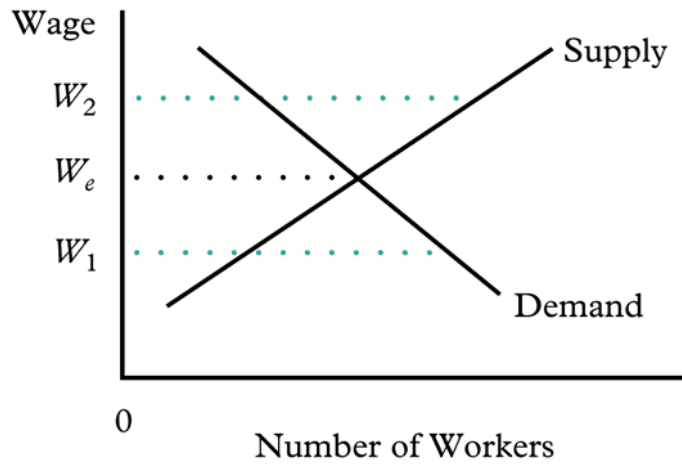


- The supply of labour to a particular firm is a horizontal line at a fixed wage rate because all firms will pay the same wage rate



(3) The market equilibrium and the determination of the wage

- The labour market reaches equilibrium when demand meets supply, and the resulting wage rate is the market clearing wage rate.



- The market equilibrium can be disturbed by shift in either demand or:

