

An overview of the change in Hong Kong's labour force

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Abstract

After having shown a general uptrend for years, Hong Kong's labour force reached a peak in 2018 and then declined in the following several years, before showing some bounce-back in 2023. This article examines the contributory factors behind these changes. In gist, the working-age population generally increased in the past three decades or so except the pandemic period, but the change in age structure has been a persistent drag on the overall labour force participation rate amid the secular population ageing trend. Looking ahead, population ageing will continue to put downward pressure on the labour supply in the long term. In view of this, the HKSAR Government has implemented various measures to help boost labour supply.

香港勞動人口變動的概述

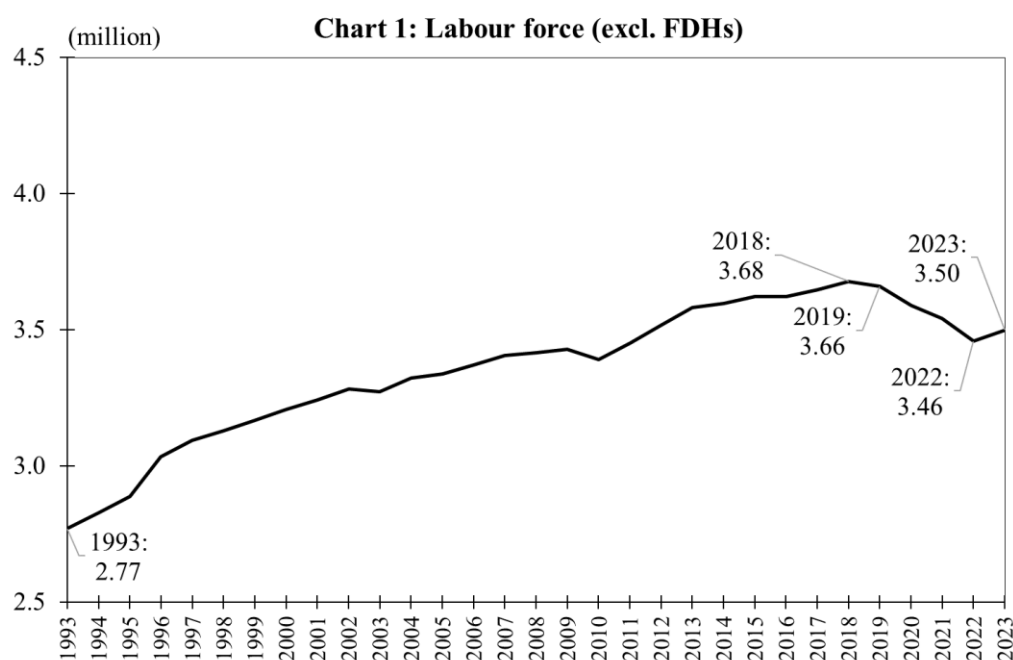
摘要

香港的勞動人口多年來大致呈現上升趨勢，並於 2018 年達到頂峰，在及後數年錄得下跌後，於 2023 年反彈。本文探討這些變動背後的貢獻因素。簡略而言，就業年齡人口在過去三十年左右除疫情期間外普遍上升，但年齡結構的變化在人口老化的長期趨勢下對整體勞動人口參與率持續造成拖累。展望將來，人口老化將繼續令勞動人口的供應長期受壓。有見及此，香港特區政府已推出多項有助增加勞動人口供應的措施。

The views and analysis expressed in this article are those of the author and do not necessarily represent the views of the Office of the Government Economist.

I. INTRODUCTION

Adequate labour supply is essential for economic prosperity. In the past 30 years or so, Hong Kong's labour force (excluding foreign domestic helpers (FDHs)) was on a general uptrend and peaked at 3.68 million in 2018. Then it turned to a decline and reached a low of 3.46 million in 2022, before recovering somewhat to 3.50 million in 2023 (*Chart 1*). Yet, it was still 4.9% lower than the peak in 2018. This article aims to examine the underlying factors behind these changes.



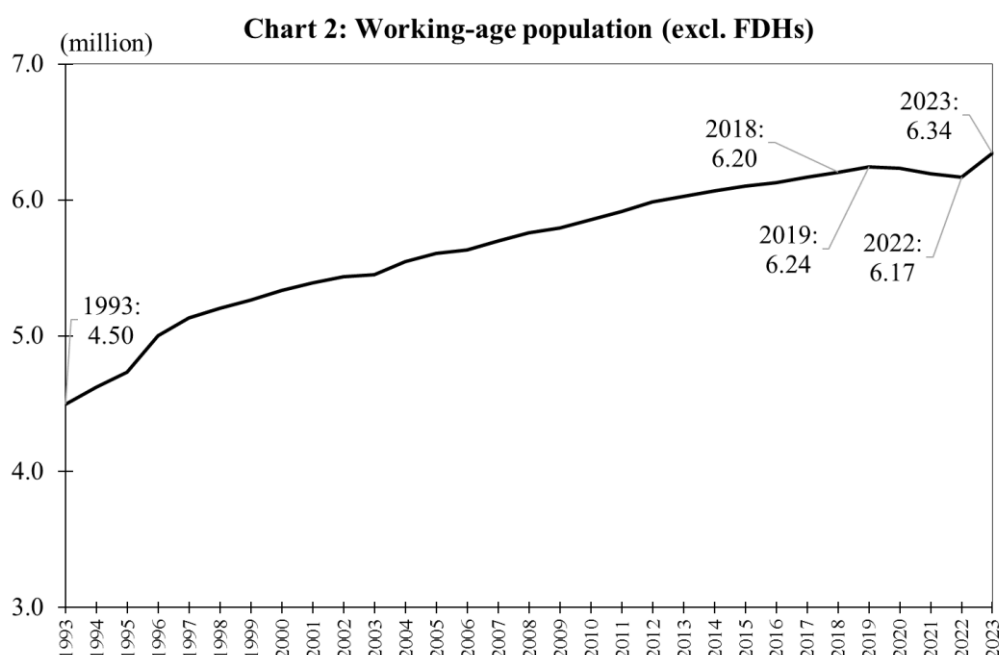
2. This article is organised as follows. The next section describes the size and structure of the working-age population¹ and the labour force participation rates (LFPRs) over the past decades. The third section decomposes the changes in the male and female labour force into components related to the size of the working-age population, the age structure of the working-age population and the LFPRs of specific age groups. The fourth section analyses the changes in the LFPRs of selected groups. The fifth section concludes.

II. OVERVIEW OF WORKING-AGE POPULATION AND LFPRS

3. The size of the labour force is equal to the size of the working-age population multiplied by the LFPR. For the former, it showed an uptrend to reach a peak of 6.24 million in 2019 (*Chart 2*) thanks to the positive natural increase (i.e. more births than deaths) and continued inflows of people coming to settle in Hong Kong from elsewhere

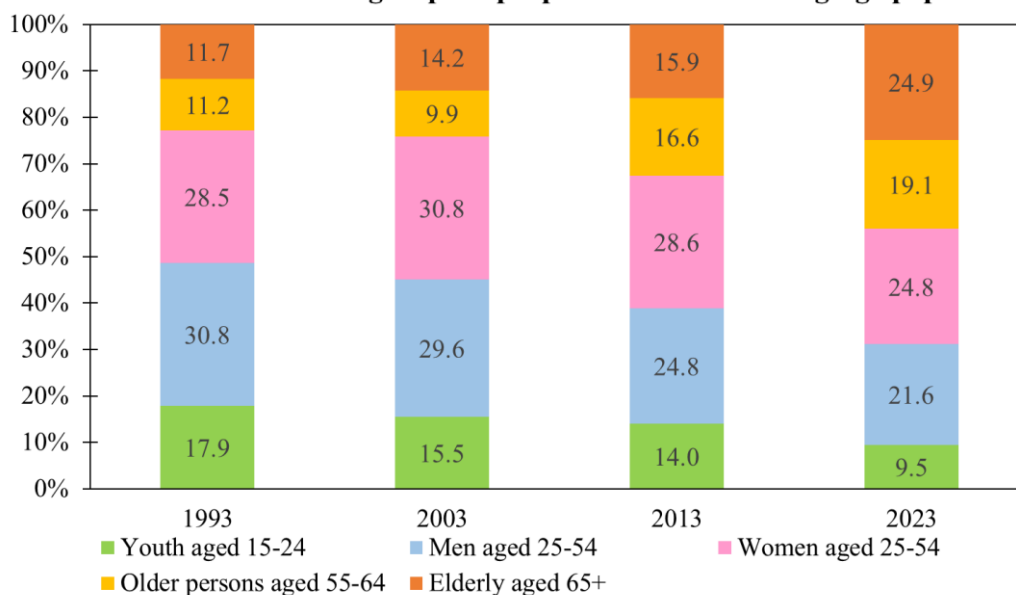
¹ Refers to land-based non-institutional population (LBNP) aged 15 and over.

in the world through various admission schemes. It turned to a decline in 2020-2022 and reached a low of 6.17 million in 2022, as the severe interruption of cross-boundary travel caused some Hong Kong residents to stay abroad. In 2023, it bounced back to 6.34 million as normal travel between Hong Kong and the Mainland and other parts of the world progressively resumed. Many Hong Kong residents who stayed abroad during the epidemic have returned to Hong Kong, while some Mainland and overseas persons have also been admitted to Hong Kong through various schemes such as the Top Talent Pass Scheme (TTPS).



4. As for the structure of the working-age population, the share of elderly and older persons increased visibly in the past three decades or so amid the secular trend of population ageing, particularly in the past decade. Specifically, the share of elderly (i.e. aged 65 and above) increased from 11.7% in 1993 to 15.9% in 2013, and notably to 24.9% in 2023. Meanwhile, that of older persons (i.e. aged 55-64) increased from 11.2% in 1993 to 19.1% in 2023. On the other hand, the shares of youth (i.e. aged 15-24) and prime-aged (i.e. aged 25-54) men and women decreased over time (*Chart 3*).

Chart 3: Share of different groups of people within the working-age population



Note: Figures may not add up to the corresponding totals due to rounding.

5. The overall LFPR saw a general downtrend in the past three decades or so to reach a record low of 55.2% in 2023 (*Chart 4*) amid the secular population ageing trend as elderly and older persons participate less in the labour force. Yet, analysed by gender and age, the LFPR of elderly and older men and women increased in general, while that of young men and women declined. For the prime-aged, the LFPR of women generally increased, while that of men was on a downtrend (*Chart 5*).

Chart 4: Overall LFPR (excl. FDHs)

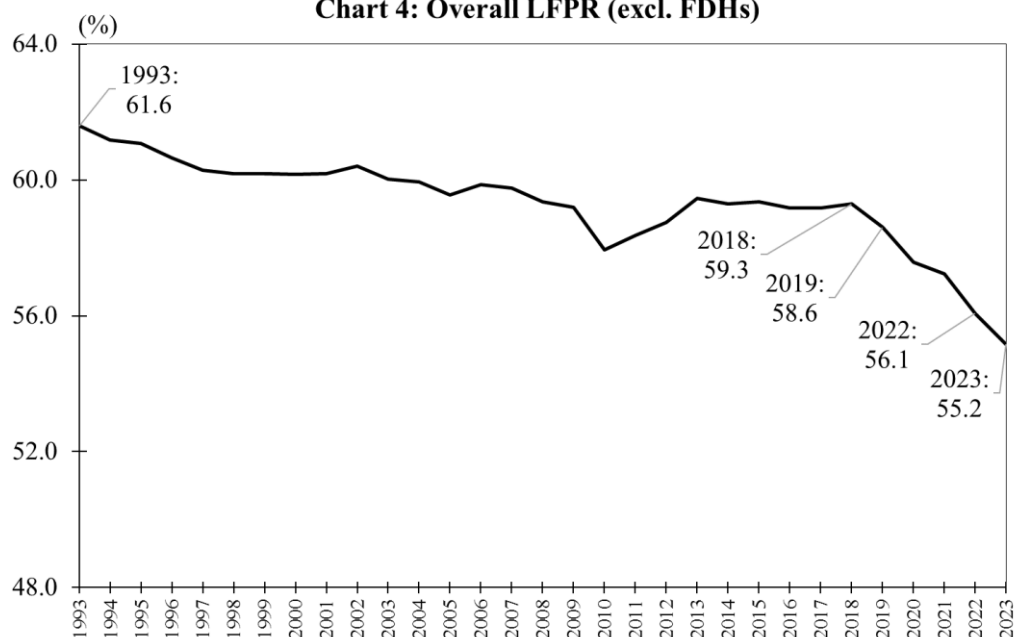
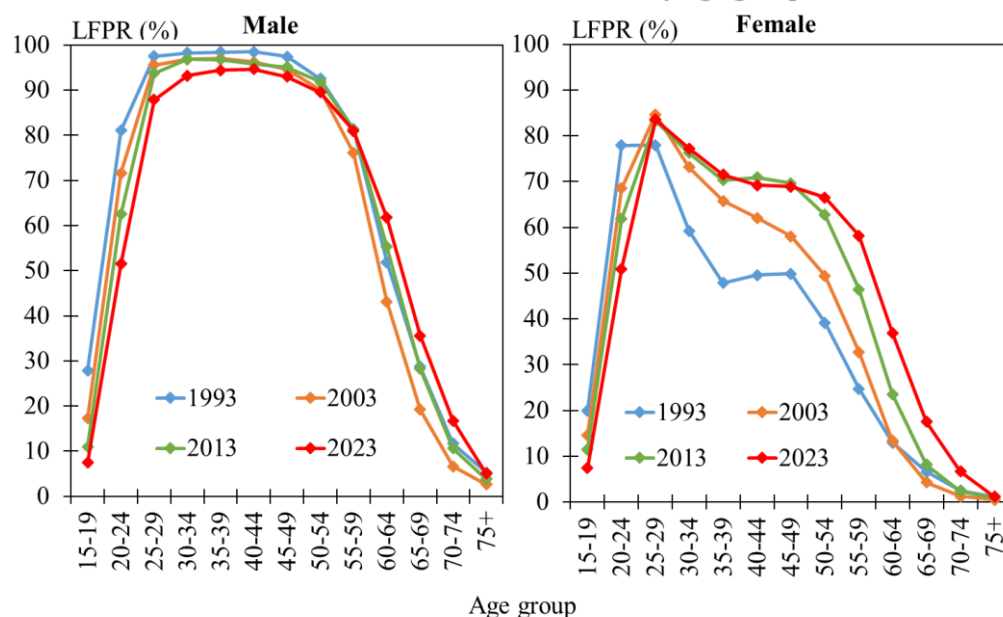
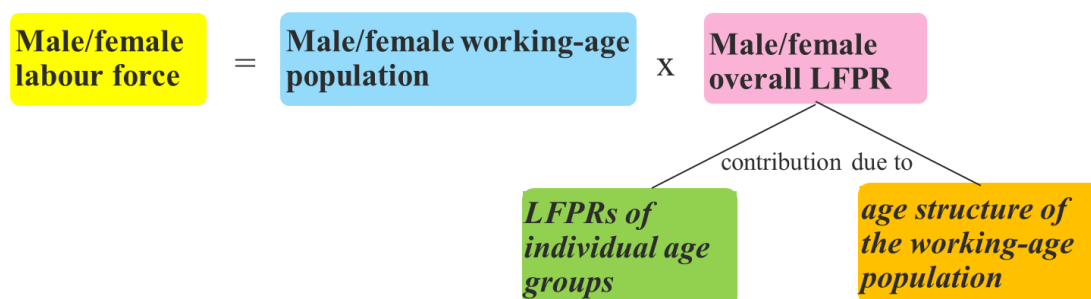


Chart 5: Male and female LFPR by age group



III. DECOMPOSITION OF LABOUR FORCE

6. This section decomposes the changes in the male and female labour force into components related to the size of the working-age population, the age structure of the working-age population and the LFPRs of specific age groups² (see *Appendix I* for a more detailed description of the methodology). A schematic representation of the decomposition of the labour force is shown below.



7. Analysed by contributory factor, for both men and women, the change in the size of the working-age population positively contributed to the change in the labour force in most years, though the positive contribution showed a general diminishing trend³ (blue bars in *Charts 6 and 7*). On the other hand, the change in age structure of

² When conducting the decomposition, the age groups are at 5-year intervals up to 75 and above (i.e. 15-19, 20-24, ..., 70-74, 75+).

³ The crude birth rate (per 1 000 population) was on a general downtrend (12.0 in 1993 vs 4.4 in 2023), though there is a 15-year time lag for newborns to be included in the working-age population.

the working-age population has been a persistent drag on both the male and female labour force (orange bars in *Charts 6 and 7*), particularly in the past decade, indicating that downward pressure imposed by population ageing on the labour force persisted and enlarged during the past decade. As for the contribution due to the changes in the LFPRs of individual age groups, it was negative in many years for the male labour force (green bar in *Chart 6*), but positive for the female labour force (green bar in *Chart 7*). The following section examines the LFPRs of selected groups in more detail and discusses the possible reasons behind these changes.

Chart 6: Decomposition of year-on-year rate of change in the male labour force

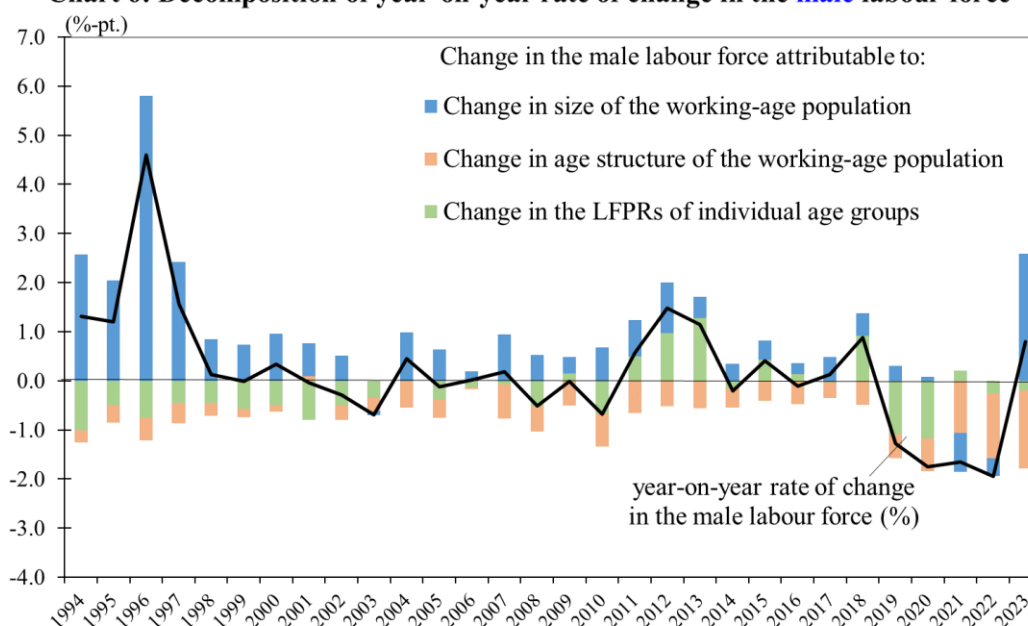
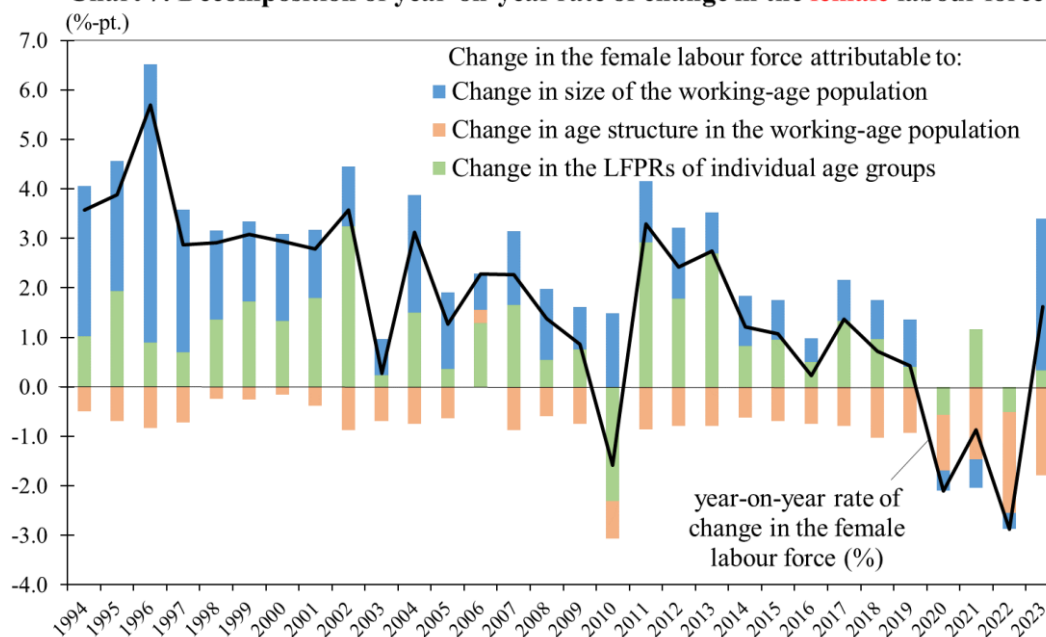


Chart 7: Decomposition of year-on-year rate of change in the female labour force



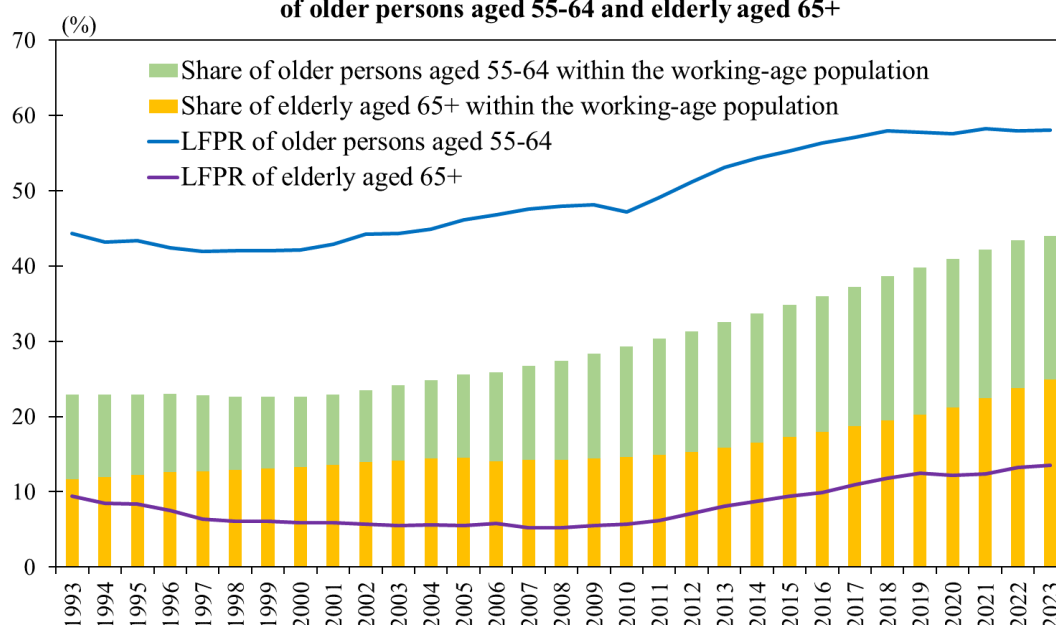
IV. LFPRS OF SELECTED GROUPS

8. Based on their likelihood to work and their LFPR trends in the past, the working-age population is split into following four broad groups: (1) elderly and older persons, (2) prime-aged women, (3) prime-aged men and (4) youth.

Elderly and older persons

9. The LFPRs of both older persons (those aged 55-64) and elderly (those aged 65 and above) were on a general uptrend. The former rose from 44.3% in 1993 to 58.1% in 2023, while the latter increased from 9.4% to 13.5% (*Chart 8*).

Chart 8: LFPR and share within the working-age population of older persons aged 55-64 and elderly aged 65+

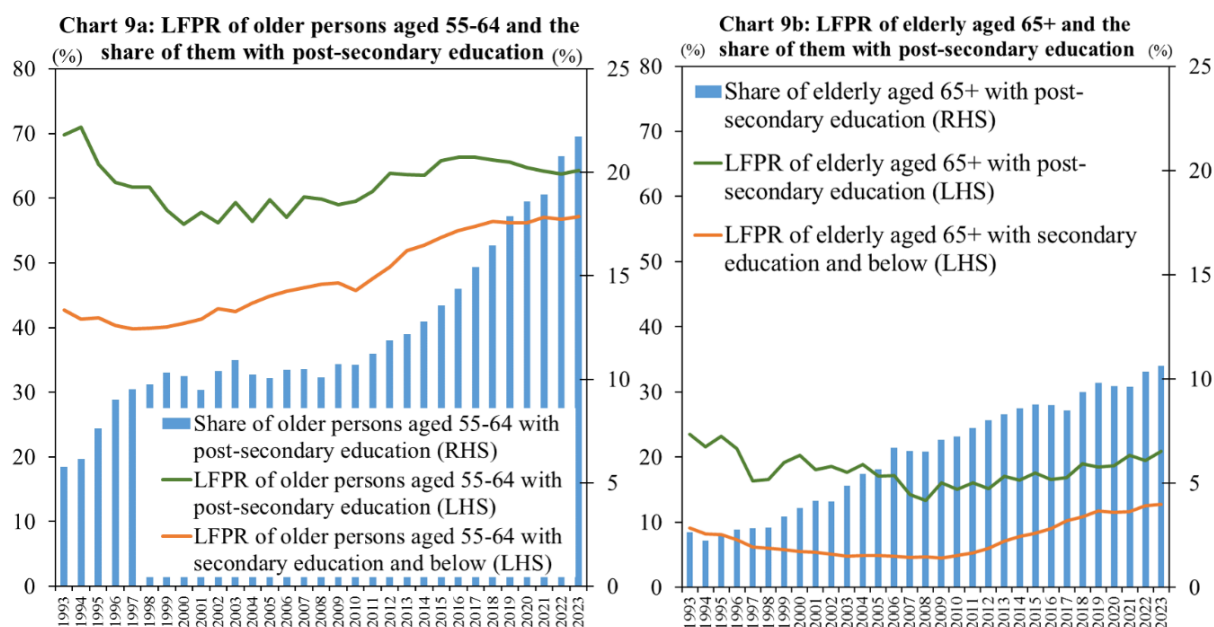


10. Several reasons could be behind the increase in the LFPR of elderly and older persons. First, the increase in life expectancy⁴ would require them to stay in the labour market for a longer time to accumulate sufficient wealth for retirement. Further, higher education attainment amid more opportunities to receive higher education⁵ also contributed to the increase in their LFPR, as those with higher education are more likely to stay in the labour market (*Chart 9a and 9b*). At the same time, the LFPR of those with lower education also increased (though still lower than the LFPR of those with higher education), possibly because the job requirements for lower-skilled jobs have

⁴ The life expectancies of men and women at age 60 were 19.1 and 23.5 years respectively in 1993, and 25.3 and 29.6 years respectively in 2023.

⁵ For example, various institutions (e.g. Lingnan College, HK Baptist College, Shue Yan College) were registered as post-secondary institutions in the 1970s.

become less physically demanding over time. Some other factors may also have contributed to the increase in the LFPR of elderly and older persons, such as more flexible working arrangements⁶, the launch of the Post-Retirement Service Contract Scheme⁷, the introduction of the Statutory Minimum Wage⁸, and the launch of the Employment Programme for the Elderly and Middle-aged (EPEM)⁹.



Prime-aged women

11. For prime-aged women aged 25-54, their LFPR was on a general uptrend as more of them chose to develop their career rather than doing housework full-time, though the increase tapered in the past decade or so. The share of prime-aged women aged 25-54 with engagement in household duties as the reason for being economically inactive declined from 41.9% in 1993 to 22.2% in 2023, while their LFPR increased from 56.5% to 72.0% (*Chart 10*).

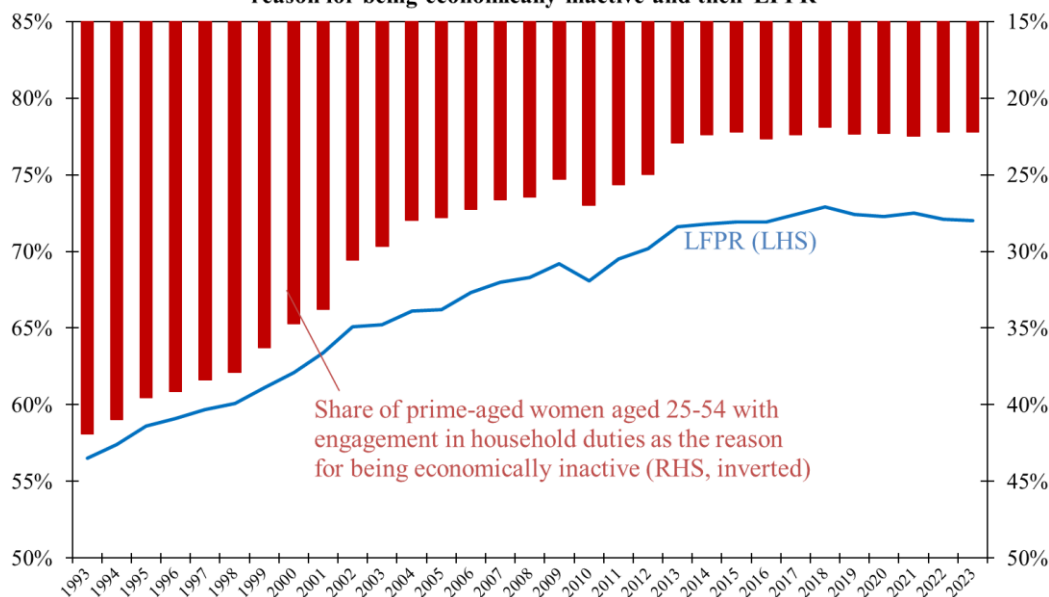
⁶ The share of elderly working on a part-time basis among all elderly employees increased from 8.0% in 1997 to 27.1% in 2023, while the respective share of older persons increased from 5.6% to 12.6%.

⁷ The Government launched the scheme in November 2015 such that bureaux/departments may engage retired/retiring civil servants on contract terms to undertake ad hoc, time-limited, seasonal or part-time tasks that require specific civil service expertise/experience.

⁸ The Statutory Minimum Wage came into force on 1 May 2011 with the initial rate at \$28 per hour.

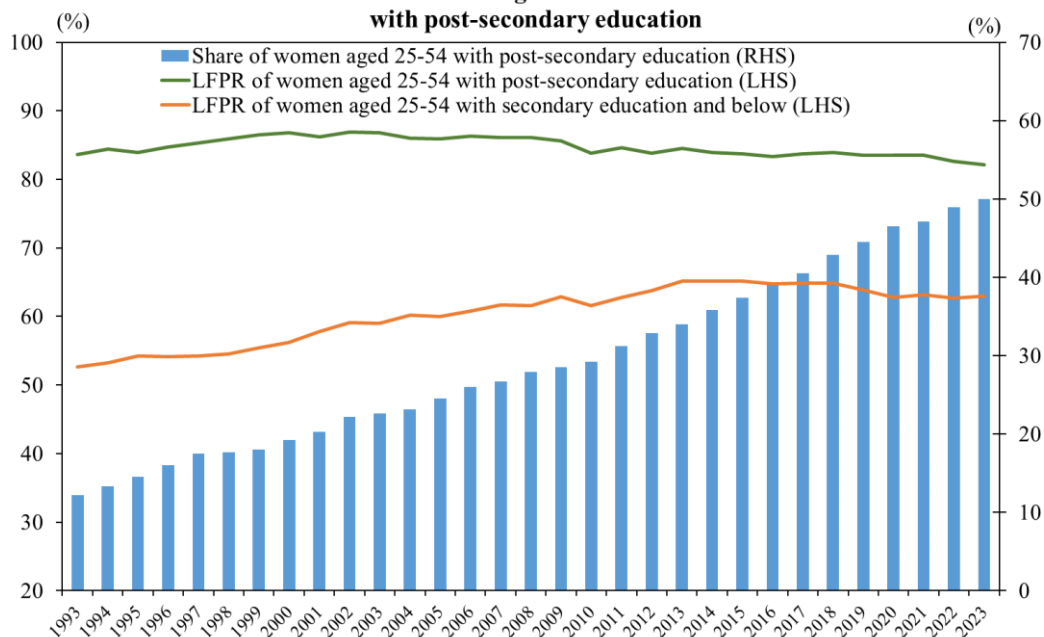
⁹ The Employment Programme for the Middle-aged, which was launched in May 2003, was enhanced and renamed as the EPEM with effect from September 2018. Currently, under the EPEM, employers engaging job seekers aged 60 or above who are unemployed or have left the workforce are offered a monthly training allowance of up to \$5,000 per employee for 6 to 12 months. Those who engage unemployed job-seekers aged 40 to 59 are offered an allowance of up to \$4,000 per month per employee for 3 to 6 months.

Chart 10: Share of prime-aged women aged 25-54 with engagement in household duties as the reason for being economically inactive and their LFPR

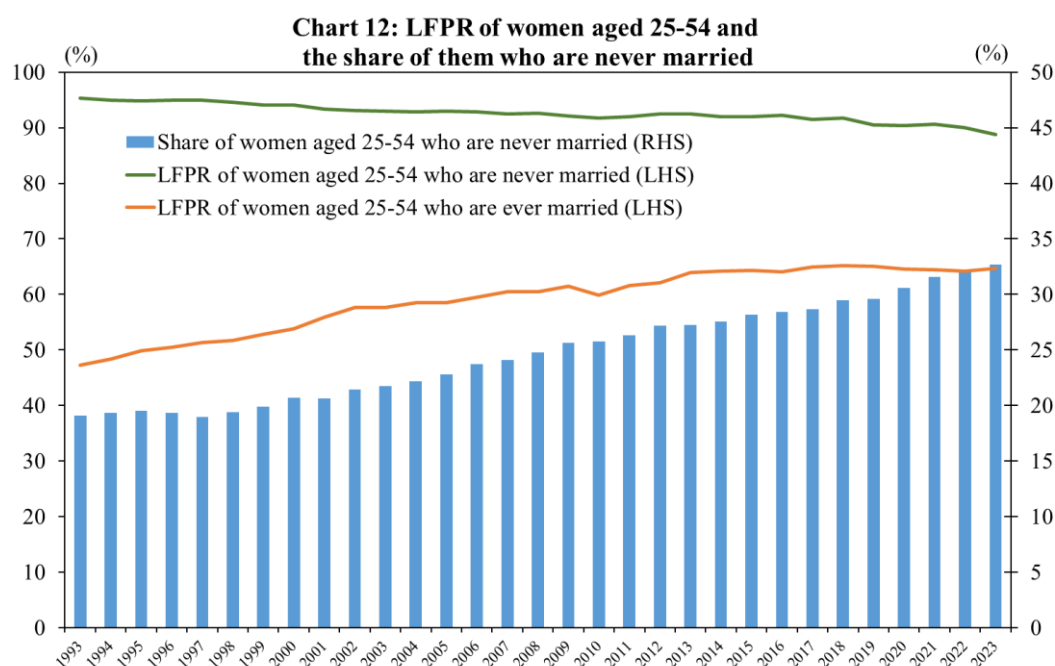


12. The increase in the LFPR of prime-aged women was aided by their higher education level amid increased opportunities to receive higher education. Those with higher education are more likely to participate in the labour market (*Chart 11*), as their salaries are usually higher. Hence, the increase in the share of those with higher education would help boost the LFPR of prime-aged women.

Chart 11: LFPR of women aged 25-54 and the share of them with post-secondary education

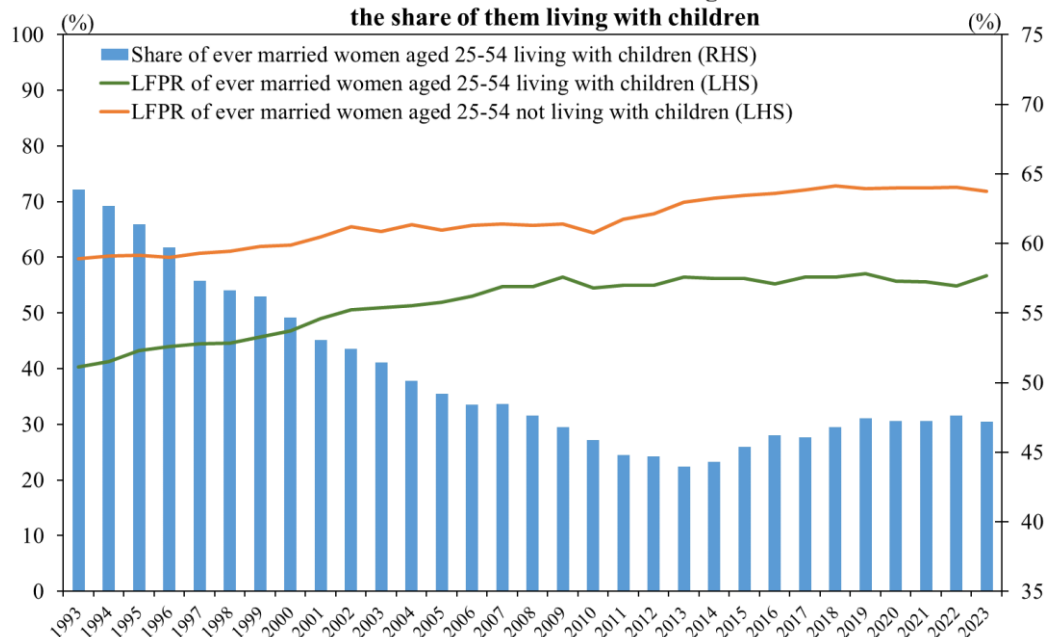
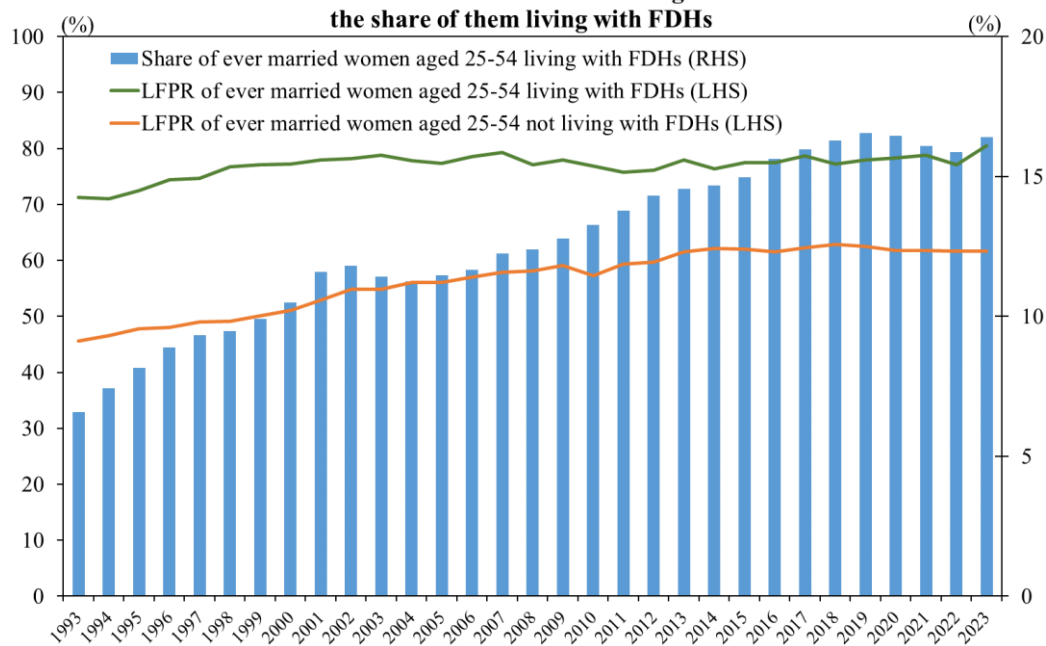


13. The change in marital status over time should have also contributed to the increase in the LFPR of prime-aged women. In particular, the increasing prevalence of marriage postponement and spinsterhood would boost the LFPR of prime-aged women. The median age at first marriage of women increased from 26.5 in 1993 to 30.8 in 2023, and the share of never-married prime-aged women increased over time. The LFPR of those never-married was much higher than those ever-married, though the gap narrowed somewhat in recent years (*Chart 12*). So, a larger share of those never-married helped push up the overall LFPR of prime-aged women.



14. Changes in household characteristics were also relevant to the increase in the LFPR of ever-married prime-aged women. Women in general became less likely to have children¹⁰. Ever-married prime-aged women living with children had a lower LFPR than those living without children due to childcare responsibilities (*Chart 13*). As such, the lower share of the former group helped boost the overall LFPR of ever-married prime-aged women. Moreover, FDHs became more prevalent in Hong Kong. This helped boost the LFPRs of those ever-married prime-aged women in Hong Kong. FDHs can shoulder some of the household duties, and thus help free up some local women to join the labour market. This effect can be reflected by the higher LFPR among those ever-married women living with FDHs compared with those without FDHs (*Chart 14*).

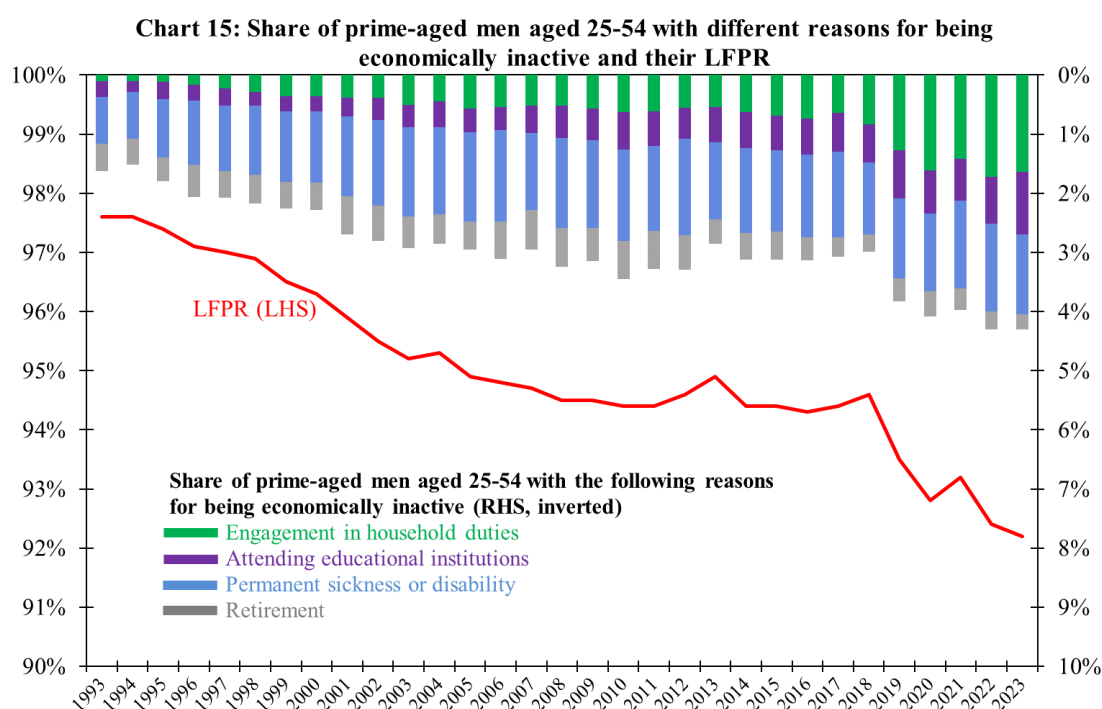
¹⁰ The total fertility rate (per 1 000 female population) declined from 1 342 in 1993 to 751 in 2023.

Chart 13: LFPR of ever married women aged 25-54 and the share of them living with children**Chart 14: LFPR of ever married women aged 25-54 and the share of them living with FDHs**

Prime-aged men

15. For prime-aged men aged 25-54, their LFPR generally declined over time. There are various reasons behind the decline. One is that more and more prime-aged men opted to do housework full-time instead of joining the labour market, as reflected by the increase in the share of prime-aged men with engagement in household duties as the reason for being economically inactive from 0.1% in 1993 to 1.6% in 2023 (green bar in *Chart 15*). Moreover, attending educational institutions, permanent sickness or disability, and retirement were three other notable reasons for prime-aged men to stay

out of the labour market (blue, purple and grey bars in *Chart 15*). It is worthwhile to note that the General Household Survey was not able to exhaust all the possible reasons for someone not joining the labour market. Among those prime-aged men who opted out of the labour market, close to half of them did so in 2023 due to some reasons other than the four fore-mentioned. Conceivably, some other less clear-cut reasons were at play. One of these may be a perceived increase in pressure coming from work¹¹, which could cause some people to quit the labour market to take a rest. Nonetheless, the LFPR of prime-aged men aged 25-54 was still at a high level, at 92.2% in 2023, though lower than the level of 97.6% in 1993.

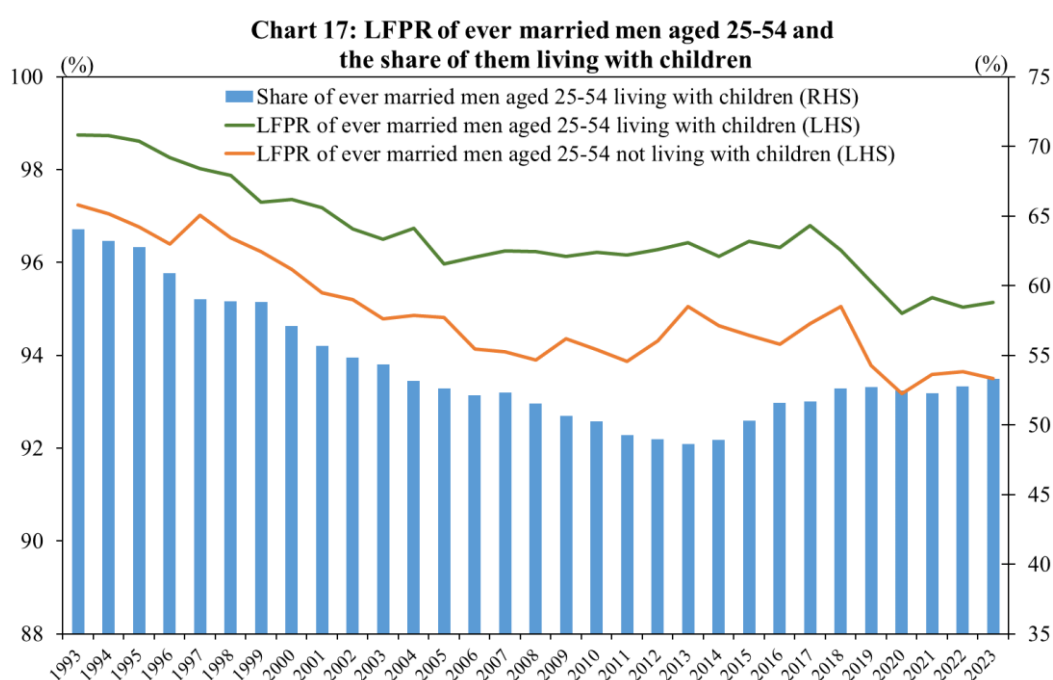
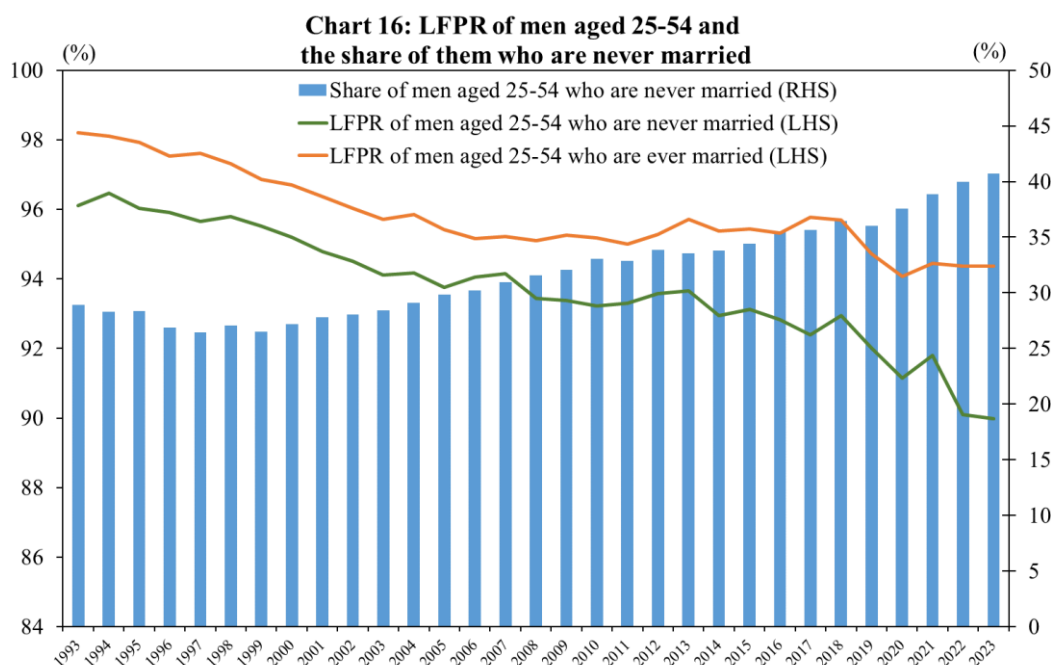


16. An analysis on the LFPR of these prime-aged men by marital status and household characteristics may also shed more light on other possible reasons behind. The increasing postponement of marriage and lower birth rates¹² may have lowered the LFPR of prime-aged men, the opposite of the effect on the LFPR of prime-aged women. This is conceivably due to the difference in the usual family roles. As never-married prime-aged men and those not living with children should have lighter family-related financial obligations, they may have less incentive to participate in the labour

¹¹ According to a survey conducted by Mental Health Month (a public education activity organised by the Labour and Welfare Bureau with the support of a number of government departments, public bodies and non-government organizations), the mental health of people in Hong Kong saw a general downtrend, and more people stated that their mental health was negatively affected by their work.

¹² The median age at first marriage of men increased from 29.6 in 1993 to 32.5 in 2023. The crude birth rate (per 1 000 population) declined from 12.0 in 1993 to 4.4 in 2023.

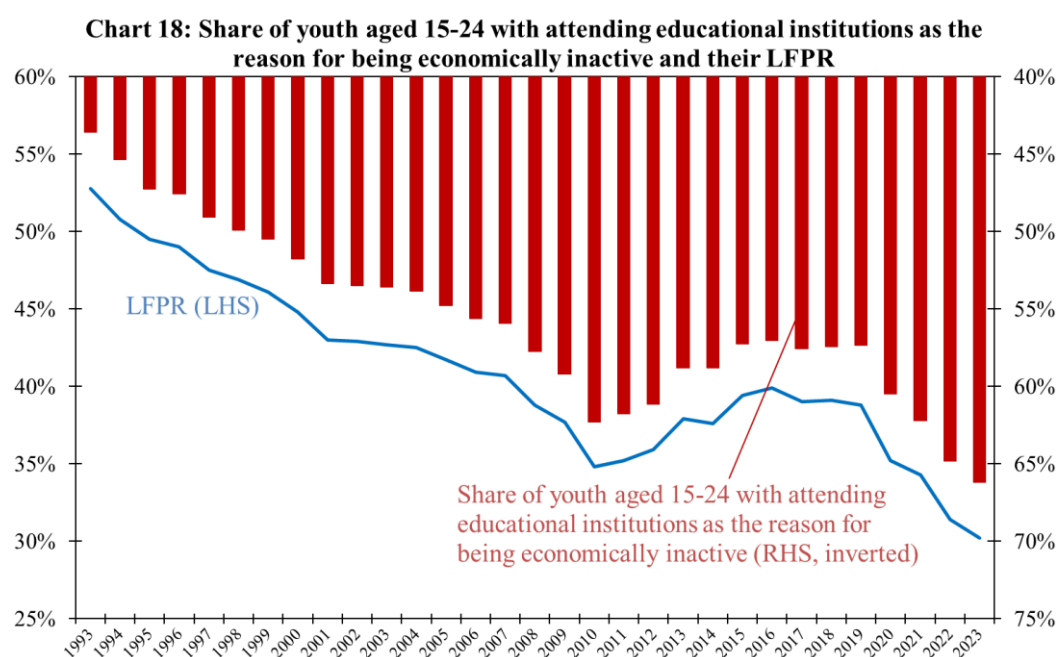
market (*Charts 16 and 17*), and therefore the LFPR of prime-aged men would fall as the share of these groups becomes larger.



Youth

17. For youth aged 15-24, their LFPR was on a general downtrend as more young people were inclined to study full-time instead of joining the labour market, as more opportunities have opened up for young people to receive higher education in order to equip themselves with higher skills and knowledge for their future career development.

The post-secondary participation rate¹³, which measures the proportion of relevant young cohorts enrolling in post-secondary institutes, was 80.8% in the 2022/23 academic year, much higher than that of 37.9% in the 2001/02 academic year. As such, the share of youth aged 15-24 with attending educational institutions as the reason for being economically inactive increased notably from 43.6% in 1993 to 66.2% in 2023, while their LFPR declined from 52.8% to 30.2% (*Chart 18*).



V. CONCLUDING REMARKS

18. This article provides an overview of the changes in Hong Kong's labour force and examines the contributory factors in the past three decades or so. Among the factors, the change in the size of the working-age population had a positive contribution in most years, but the change in age structure of the working-age population has been a persistent drag amid population ageing, though this negative impact was partly offset by the increase in the LFPR of elderly and older persons thanks to various factors such as the increase in life expectancy, higher education attainment and more flexible working arrangements. Meanwhile, the higher education level of prime-aged women and the change in their marital status and household characteristics over time boosted their LFPR, but the shift in family roles in some households and increased prevalence of being single and/or not raising children reduced the LFPR of prime-aged men. It is

¹³ The post-secondary participation rate is calculated by dividing post-secondary intakes (excluding postgraduates) for the relevant cohort by the average population of the cohort.

noted that the secular trend of population ageing¹⁴ will continue to weigh on the labour supply in Hong Kong in the years to come. To ensure adequate labour supply for the development of Hong Kong's economy, the HKSAR Government is implementing measures in various ways, including attracting talents from outside Hong Kong (e.g. the launch of TTPS on 28 December 2022), importing foreign workers to supplement the shortage of domestic labour supply (e.g. the launch of a special scheme to import care workers for residential care homes in June 2023), and motivating locals to join the labour market (e.g. strengthening the support for re-training and promoting re-employment¹⁵, and stepping up the support for working families in childbearing¹⁶). Separately, policies to increase labour productivity, such as those facilitating investment in research and development, will also help in coping with the impact of population ageing on Hong Kong's economic development.

¹⁴ According to the population projection by the Census and Statistics Department in August 2023, the share of elderly aged 65 and above in population (excluding FDHs) would be 36% in 2046. It is notably higher than the share of 23% in 2023.

¹⁵ Among these measures, the maximum monthly retraining allowance was increased from \$5,800 to \$8,000, effective from 23 February 2024. Moreover, the Government launched a three-year Re-employment Allowance Pilot Scheme on 15 July 2024 to encourage the elderly and middle-aged persons aged 40 or above who have not been in paid employment for three consecutive months or more to rejoin the labour market.

¹⁶ Among these measures, starting from April 2024, the rates of the household and child allowances under the Working Family Allowance Scheme were increased by 15%. Over the coming three years starting from 2024, 10 more aided standalone childcare centres will be set up in phases, and the After-School Care Programme for Pre-primary Children will be extended in phases to cover all districts in Hong Kong.

Decomposition of the change in the male/female labour force

$$LF = WP * LFPR$$

$$\frac{LF_t - LF_{t-1}}{LF_{t-1}} \approx \frac{WP_t - WP_{t-1}}{WP_{t-1}} + \frac{LFPR_t - LFPR_{t-1}}{LFPR_{t-1}}$$

where LF_t refers to the male/female labour force in year t

WP_t refers to the male/female working-age population in year t

$LFPR_t$ refers to the male/female overall labour force participation rate in year t

For the numerator of the last term $\frac{LFPR_t - LFPR_{t-1}}{LFPR_{t-1}}$, as the male/female overall LFPR can be viewed as the weighted average of the LFPRs of different age groups in the male/female working-age population, it can be rewritten as follows:

$$\begin{aligned} & LFPR_t - LFPR_{t-1} \\ &= \sum_i (\text{Pop_share}_t^i \times LFPR_t^i) - \sum_i (\text{Pop_share}_{t-1}^i \times LFPR_{t-1}^i) \\ &= \sum_i (\text{Pop_share}_t^i \times LFPR_t^i) - \sum_i (\text{Pop_share}_t^i \times LFPR_{t-1}^i) \\ &\quad + \sum_i (\text{Pop_share}_t^i \times LFPR_{t-1}^i) - \sum_i (\text{Pop_share}_{t-1}^i \times LFPR_{t-1}^i) \end{aligned}$$

By rearranging the terms, we get

$$\begin{aligned} &= \sum_i (\text{Pop_share}_t^i \times (LFPR_t^i - LFPR_{t-1}^i)) \\ &\quad + \sum_i (LFPR_{t-1}^i \times (\text{Pop_share}_t^i - \text{Pop_share}_{t-1}^i)) \end{aligned}$$

where $LFPR_t^i$ refers to the LFPR of age group i in year t

Pop_share_t^i refers to the share of age group i in the working-age population in year t

As such,

$$\frac{LF_t - LF_{t-1}}{LF_{t-1}} \approx \frac{WP_t - WP_{t-1}}{WP_{t-1}} + \frac{\sum_i (\text{Pop_share}_t^i \times (\text{LFPR}_t^i - \text{LFPR}_{t-1}^i)) + \sum_i (\text{LFPR}_{t-1}^i \times (\text{Pop_share}_t^i - \text{Pop_share}_{t-1}^i))}{\text{LFPR}_{t-1}}$$

$$\frac{LF_t - LF_{t-1}}{LF_{t-1}} \approx \left[\frac{WP_t - WP_{t-1}}{WP_{t-1}} \right] + \left[\frac{\sum_i (\text{Pop_share}_t^i \times (\text{LFPR}_t^i - \text{LFPR}_{t-1}^i))}{\text{LFPR}_{t-1}} \right] + \left[\frac{\sum_i (\text{LFPR}_{t-1}^i \times (\text{Pop_share}_t^i - \text{Pop_share}_{t-1}^i))}{\text{LFPR}_{t-1}} \right]$$

