

# HONG KONG, CHINA

## Environment

The impact of the recent financial upheavals in Asia has been much more widespread and protracted than anyone could have expected. It is no longer simply a regional crisis, but one which has global economic implications. With a highly open and externally-oriented economy, Hong Kong, China, could not be immune from the turmoil. It is still undergoing a painful but necessary economic adjustment period. In the present economic climate, employers are under immense pressure to reduce their business overheads, cut operating costs and increase productivity by means of lay-offs, downsizing or wage reductions. An increasing number of companies have had to close down or become insolvent.

Slower growth in new job opportunities as against a continuing increase in the number of retrenched workers, coupled with the steady growth in labour supply, notably due to returnees<sup>1</sup> and new arrivals<sup>2</sup>, have led to rising unemployment in Hong Kong, China, since the latter half of 1998. The seasonally adjusted unemployment rate jumped from a low of 2.2 per cent in the third quarter of 1997 to 6.2 per cent<sup>3</sup> in the first quarter of 1999. In absolute terms, the number of unemployed persons trebled to 214,000<sup>4</sup> during the same period. The size of the workforce now stands at around 3,445,000.

In 1997, less than 60 per cent of the previously-employed unemployed persons were dismissed or laid off by their employers. The remaining unemployed persons left their jobs on their own accord. However, the proportion of unemployed persons who were dismissed/laid-off workers increased rapidly to 79 per cent in the last quarter of 1998. In absolute terms, their number increased from less than 40,000 in 1997 to around 142,000 by the end of 1998. It is apparent that retrenchment has become an increasingly important reason for job losses.

The Government of Hong Kong, China, is very concerned about the spate of retrenchments arising from the Asian financial crisis. The Labour Department actively encourages employers and employees to work in partnership and resolve any problems in a positive and pragmatic manner so as to tide over the present economic adversities. It closely monitors all major retrenchment cases with a view to settling any disagreement between the employers and employees concerned.

To alleviate the hardship brought on by job losses, the Government has been making sustained efforts to help the retrenched workers rejoin the workforce as soon as possible. In June 1998, it set up a high-level Task Force on Employment (TFE) under the chairmanship of the Financial Secretary. With representatives from employers, employees, academics, training bodies and the Government, the TFE aims to tap the collective wisdom from various sectors in its endeavours to formulate feasible and effective initiatives in a pragmatic manner to tackle the unemployment problem and create job opportunities. Since then, a wide range of measures has been implemented, and with good results.

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<sup>1</sup> Returnees are former Hong Kong, China, residents who have emigrated earlier.

<sup>2</sup> New arrivals are persons from Mainland China who settle in Hong Kong, China, for family reunion. There is a daily quota of 150 for these new arrivals.

<sup>3</sup> Provisional figure only.

<sup>4</sup> Provisional figure only.

## **Policies in Place**

### ***Employment of Workers***

#### **Local Employment Service and Job Matching Programme**

The Local Employment Service of the Labour Department provides job-seekers with free public employment-placement services. Job seekers select vacancies on display and seek assistance from counter staff for referrals to job interviews. A Job Matching Programme was launched in 1995 to provide a more customised service for job seekers. Placement officers will identify suitable jobs for those persons joining the Programme according to their academic qualifications, job skills, work experience and job expectations. This service is very popular, and was expanded in March 1998.

#### **Employment Services for New Arrivals**

Two Employment and Guidance Centres for New Arrivals were set up in September 1997 and March 1999, to provide a comprehensive range of employment and guidance services, especially for new arrivals from the Mainland. The services provided include intensive job-matching and job referrals, provision of labour market information, employment counseling, and briefings on job interview skills and working conditions in Hong Kong, China.

#### **Outreaching Placement Service**

Since 1995, the Labour Department has operated an Outreaching Placement Service to help those workers who are affected by major retrenchment exercises obtain employment assistance. Once the Labour Department becomes aware of a retrenchment that affects a significant number of workers, its placement officers will visit the workplace to offer employment assistance to those who are displaced; and to provide them with job-matching opportunities to help them secure new employment.

Since February 1999, the Labour Department has provided a special counter in its Local Employment Services offices to assist those persons seeking to work as domestic helpers. A placement officer will concentrate on this specialised subject, and referrals will be made on a district basis to avoid the need to commute. Where necessary, applicants will be referred to relevant retraining courses for domestic helpers organised through the Employees Retraining Board.

The target groups for the above services are essentially the unemployed, with special services being provided in respect of the two groups stated. Retraining courses are arranged through the Employees Retraining Board (ERB) which is a statutory body, and its associated training bodies. They are funded through the ERB, which obtains part of its income through a levy on imported labour, and the remainder through capital grants from the government. Programmes provided by the Labour Department are funded through the usual government budgetary mechanism.

## **Delivery**

As indicated above, the Labour Department provides services for the unemployed, primarily through its Local Employment Services Offices. Retraining programmes are provided by the statutory Employees Retraining Board, which will contract out its courses to appropriate training bodies, for example, NGOs. The business sector and the community are involved in the Labour Advisory Board, the Employees Retraining Board, as well as the Task Force on Employment.