

## Executive Summary

Since the COVID-19 outbreak in Hong Kong in late January 2020, the HKSAR government has introduced a number of measures to reduce social contact and cross-border travel in order to control the spread of the virus. However, these measures have hit the economy and employment hard. As a result, the labour market has been deteriorating since February 2020.

According to the Census and Statistics Department,<sup>1</sup> the overall unemployment rate reached 6.4% for the period July–September 2020, while the overall underemployment rate reached 3.8%.<sup>2</sup> The total numbers of unemployed and underemployed persons in the same period were 259,800 and 149,100, respectively, both new highs since 2003. The number of unemployed persons aged 15–34 increased to 106,900 while the number of underemployed persons aged 15–39 increased to 57,300, which amounts to more than 160,000 young people encountering employment problems.

At the same time, the pandemic has also hit graduates and young people who are seeking jobs. The total number of job vacancies was only 39,121 in June 2020, representing a drop of 46.7%<sup>3</sup> relative to June 2019. Even though some people were not affected by lay-offs, a survey has indicated that more than one quarter of employees have faced a pay cut of over 30%.<sup>4</sup>

The pandemic is not only affecting the local labour market, but also the global economy and labour force. Reports<sup>5</sup> from the International Labour Organization (ILO) show that there was a total working-hour loss of 17.3% in

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<sup>1</sup> Source: Census and Statistics Department web page. Retrieved 16 October 2020, from <https://www.censtatd.gov.hk/>

<sup>2</sup> The employment figures for July–September 2020 are provisional.

<sup>3</sup> Census and Statistics Department. (September 2020). *Quarterly report of employment and vacancies statistics*. Hong Kong: Census and Statistics Department.

<sup>4</sup> JobsDB. (15 July 2020). “More than one quarter employees face a pay cut by over 30% Employees pursue for more flexibility in work arrangements”. Retrieved 23 July 2020 from <https://hk.jobsdb.com/en-hk/pages/news-media/>

<sup>5</sup> International Labour Organization. (23 September 2020). *ILO monitor: COVID-19 and the world of work*. (6th ed.) Retrieved 12 October 2020 from [https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_755910/lang--en/index.htm](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_755910/lang--en/index.htm); International Labour Organization. (30 June 2020). *ILO monitor: COVID-19 and the world of work*. (5th ed.) Retrieved 23 July 2020 from [http://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_749399/lang--en/index.htm](http://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_749399/lang--en/index.htm)

the second quarter of 2020 relative to the fourth quarter of 2019, representing 495 million full-time equivalent jobs. The crisis is expected to continue into 2021. The ILO has also pointed out that the younger and older age cohorts of the working population, as well as those in informal employment, have been hit particularly hard, more so than in past economic crises.

Facing the unclear employment future amid the pandemic, society needs to seek innovative and feasible solutions to address the youth employment problem, and young people need to make more forward-looking preparations in this new environment. Through an online survey and in-depth interviews with individuals who have encountered employment difficulties, this study seeks to understand the specific struggles of young people, their attitudes and specific actions taken to equip themselves to deal with the new employment market. It also aims to understand the changes of the overall economic environment and labour market through expert interviews. By synthesizing these analyses and findings, it is hoped that feasible recommendations can be made to address the youth employment problem amid the pandemic.

This study uses data collected by three methods during the period September–October 2020: an online survey of 600 members of The Hong Kong Federation of Youth Groups aged 18–34 who have left school, case interviews with 20 young people in the same age group who have encountered employment problems during the pandemic, and interviews with four experts.

## Main Discussion

- 1. The pandemic has exposed the structural problems of the labour market while the rapidly changing market environment has brought about a “gig economy”. The job training programmes in Hong Kong implement changes too slowly to address this ever-changing labour market. Job training mechanisms need to be improved in order to respond to the market more quickly.**

The global outbreak of the coronavirus has struck the world economy and employment hard. According to the analysis of the ILO, the working-hour losses include shorter hours, being employed but not

working, unemployment and inactivity. The pandemic has also exposed the structural problems of the labour market. According to the analyses of the scholar interviewed, the global pandemic and problems in international politics have made demand unstable and unpredictable. Therefore, companies need to modify their business models and manpower policies rapidly. In addition, a “gig economy” has emerged as a result of changes in attitudes towards work and its value among the younger generation, more of whom are engaging in informal employment. However, those in such informal jobs are often among those laid off first during economic downturns, which reflects the structural disadvantage of the position of youth in the labour market.

The scholar interviewed said that industries change quickly but job training programmes in Hong Kong implement changes too slowly. The institutions that undertake training programmes also lack business acumen so their programmes may not meet business demands. The current job training mechanisms are lagging behind and need improvements.

- 2. The number of unemployed and underemployed youth has greatly increased. This means that the income of many young people has fallen because of unemployment, reduced working hours or being furloughed. Those with no full-time work experience and marginal workers such as temporary workers, part-time workers and freelancers are the hardest-hit groups.**

The number of unemployed persons aged 15–34 was 106,900 in the third quarter of 2020 while the number of underemployed persons aged 15–39 was 57,300 in the same period. The significant increase in the number of underemployed indicates that many employed people are facing reduced working hours or being furloughed.

- a. Young jobseekers who lack work experience**

The survey shows that 55.0% of 600 young respondents who had left school had encountered employment problems. Most had “failed to find jobs” (22.0%), followed by those who “had reduced working hours” (17.8%), “had been put on furlough” (17.5%), “had income reduced due

to fewer clients” (13.7%) and “took a pay cut” (11.8%). Only 5.8% said they had been “laid off”. The younger group, aged 18–24, was more likely to have “failed to find jobs” and encountered “reduced working hours”. They were also more worried about being “unable to accumulate work experience” and being “unable to accumulate professional experience”.

A graduate interviewed said that he had not yet received a job offer though he had been seeking work since June at the time of the interview in mid-September. He believed the reason was that he had no full-time work experience. Experts said that many companies are reducing their headcount and so only choose candidates with experience if they have a choice. Therefore, young jobseekers who lack work experience are more affected during economic downturns. They need to accumulate work experience in order to compete with other jobseekers when the economy becomes stable, otherwise their employment opportunities will be affected long-term.

**b. Marginal workers**

Another hard-hit group is that of marginal workers, such as temporary workers, part-time workers and freelancers. In-depth interviews show that these marginal young workers are more likely to encounter employment problems. For instance, they are usually the first to be laid off and have their working hours reduced. A part-time event security guard said he had only worked for a few days since the pandemic began because many events had been cancelled. He had almost zero income during this period. In fact, more and more young people are involved in informal roles in the gig economy. Whenever the economy is in recession, they will lose their income immediately. They need to be more adaptable and to possess a variety of skills in order to develop their career.

- 3. In the gig economy, marginal workers who are flexible and able to develop a variety of employment skills should find it easier to make a living during the pandemic. Young people can learn different kinds of skills by continuing their education to adapt to the changing labour market.**

In the gig economy, marginal workers can improve their opportunities in the labour market and balance the risks by developing a variety of employment skills and being flexible. For instance, a freelance debate instructor for secondary schools interviewed said that her jobs had been suspended due to the pandemic. Fortunately, she had also been working as a journalist in a media organization, so she was able to maintain some income. Experts interviewed said that the demand for commercial applications of technology has increased because technology is used to arrange job procedures in response to changes in the business environment. The manpower demand for medical-related industries has also increased due to the pandemic. There have also been labour shortages in certain industries, such as elderly care and construction. The experts encourage young people to get training in these areas in the current context in order to adapt to the changing labour market.

- 4. Respondents to the survey were not optimistic about future employment. They agreed that new types of employment will emerge in the labour market and many stated that they are willing to adapt to new market demands by learning new skills. But they are not sure how they can transform themselves and they may not have the necessary knowledge and skills. The governments of Singapore, South Korea and Taiwan have seized the chance to speed up the digital transformation of society or planned ahead for the post-pandemic revitalization in addition to encouraging employment training. Hong Kong can refer to these policies.**

Young people are not optimistic about their future employment. The survey shows that only 14.8% of the respondents think the employment situation in Hong Kong will be better post-pandemic than pre-pandemic, while 39.7% think it will be worse. Most agree that new types of employment will emerge in the labour market and 66.0% agree that adapting to new demands is “necessary”. However, they encounter difficulties of transformation such as “not knowing what occupations to switch to” (55.6%), “lacking knowledge and skills to switch occupations” (53.3%) and “not knowing where the opportunity is” (36.9%). In-depth interviews also indicate that young people are very willing to improve their skills and academic credentials, but the pandemic has made it harder because they may not be able to afford tuition fees due to unstable

employment.

The employment measures taken by the governments of Singapore, South Korea and Taiwan in response to the pandemic include directions for future economic development in addition to encouraging employment training. The government of Singapore has implemented measures for digital transformation, such as providing incentives for small businesses to use digital solutions and encouraging technology industry-led solutions to reopen Singapore safely. South Korea has also seized the chance to promote digital applications, such as building digital infrastructures, developing talent pools and encouraging remote working and business operations. Taiwan has prepared for the post-pandemic revitalization of some key industries in order to meet the need for economic restructuring in the future. These plans and directions are good references for Hong Kong.

5. **Some young people who encounter employment problems are reluctant to switch occupation because the context of the pandemic is unstable, making it difficult to plan ahead. Some also fail to adjust their mindset. It may help them to overcome this career development difficulty if society can provide opportunities for them to experience other occupations and help them adjust their mindset.**

Some young people who encounter employment problems are reluctant to switch occupation for two main reasons:

- a. **The pandemic is unstable context. Workers are unable to predict if they can return to their jobs within a short time.**

The pandemic situation fluctuates. Many companies are operating intermittently and staff are unable to predict when they can resume their duties. Any planning is therefore difficult. Even if the income from their job is reduced, workers do not dare to switch occupation or to work part-time. A flight attendant said that she could only rely on her basic salary at the time of interview. She said she would lose her basic salary and the stand-by opportunity if she switched occupation. But she could not predict the stability of a new occupation so she dared not make a change.

**b. More experienced workers fail to adjust their mindset to find a secondary job opportunity when facing employment problems.**

A travel agency manager said that he was reluctant to switch occupation and accept a sharp pay cut. The survey also found that relatively few respondents were willing “to take up an entry-level job” (61.5%) or “to take up a trainee job” (57.3%) if encountering employment difficulties. Those who were unwilling to take up these jobs mainly cared about pay and job status. Experts suggested that no matter if it is due to the unstable context of the pandemic or the difficulty of mental adjustment, young people should clarify their goals and adjust their mindset gradually so as to be prepared for the next job. It may help them to overcome this career development difficulty if relevant policy or services can offer opportunities to experience other occupations and help them adjust their mindset.

**6. Respondents think that both government and employers can be more active in supporting youth employment, such as offering more part-time jobs and trainee jobs and helping young people to meet new market needs through training. A representative of the Manufacturer’s Association agreed that offering trainee jobs is a feasible solution while part-time jobs would depend on the nature of the job. The government can respond more proactively to unemployed youth’s demand for job training and help them return to or access the labour market.**

Survey respondents generally thought that both government and employers could play a more active role in supporting youth employment. Employers can “offer part-time jobs” (67.5%) and “offer trainee jobs” (58.7%), while the government should “provide unemployment allowance” (44.8%), “subsidize more trainee jobs” (42.7%), “help young people acquire employment skills” (42.2%) and “subsidize youth continuing learning” (42.2%). Some interviewees suggested that employers and the government could split full-time jobs into part-time ones to suit existing work demand and budgets so that more people can be employed. Others suggested that the government could work with companies and offer more trainee jobs for young people to accumulate work experience. A representative from the

Manufacturer's Association supported the idea of offering trainee jobs, but he said that enterprises should be more open to making use of part-time employees, half-time employees or even outsourcing to complete high-cost tasks. There may not be sufficient incentive for them to split full-time jobs into part-time ones.

As for the suggestion that government could encourage young people to enhance their employability in their free time, one supporting measure of the government is the "Love Upgrading Special Scheme" launched by the Employees Retraining Board (ERB). The unemployed, regardless of the industry or their educational attainment, may enrol and receive a retraining allowance. However, places on these training courses are currently limited. Applicants may not be able to obtain appropriate training and the allowance immediately. If the government can meet the demand, it would be more effective than simply providing an unemployment allowance.

## Recommendations

Based on the above findings and discussion, the following recommendations are offered with the aims of speeding up the response to economic restructuring, encouraging more employment opportunities and facilitating young people's return and access to the labour market. It is hoped that more opportunities can be provided for youth employment amid the pandemic.

- 1. Introduce an employee training scheme in which programmes are proposed by the business sector to meet new demands for manpower quickly.**

**The government should introduce an employee training scheme in which programmes are proposed by the business sector in order to speed up the process of programme design and launch. This new model aims at enhancing the flexibility of programmes and meeting new demands for manpower quickly. The government can invite large and medium-sized enterprises to propose new types of jobs with demand through the ERB. The enterprises would take part in the programme design and offer relevant positions to those who have**



completed the training. The government would be responsible for the training costs and trainee allowance. The whole process should be completed in six months to one year in order to meet new demands of the labour market.

2. Offer trainee programmes for university graduates to help them gain work experience amid economic downturns.

The government should offer trainee programmes for university graduates to help them gain work experience amid economic downturns. The government could provide an allowance for enterprises that employ graduates within a training period of six to twelve months. The training allowance could be set at the level of half the median graduate salary, with the remaining part paid by the employer. Meanwhile, the number of employees covered in this trainee programme should not be counted in the Employment Support Scheme to ensure extra employment opportunities are created.

3. Provide tax breaks for enterprises that offer more part- or half-time jobs to encourage more employment opportunities.

The government should provide tax breaks for enterprises that offer more part- or half-time jobs during economic downturns. In view of the massive lay-offs of marginal positions (e.g., freelancers, part-time workers), the government can encourage more employment opportunities by offering tax reductions to enterprises that are able to expand and offer extra part-time jobs. Such enterprises may include those in the sectors of finance, property management, online marketing, elderly care, etc. The jobs that are eligible for tax reduction should be counted in addition to the existing headcounts to avoid affecting existing employment.

4. Introduce a diversified local working holiday scheme that provides an opportunity to experience other jobs so that young people can be better prepared for the next stage of their career.

Youth service agencies can introduce a diversified local working holiday scheme for young people who have encountered employment

problems due to the pandemic. Participants will take up part- or full-time jobs offered by enterprises to experience the nature of these jobs. Due to the pandemic, certain industries are witnessing lay-offs and unstable employment. The proposed scheme is expected to last one year, which could be considered a “gap year” or a mid-career rest stop. In addition, participants may learn some transferrable skills. Agencies responsible for the scheme should help in designing a series of experiences and provide career counselling and a peer support network so that participants are better prepared for the next stage of their career.

5. The Labour Department should integrate different types of employment support information and provide guidance on possible options with a convenient online search method.

The Labour Department should integrate information that supports employment and helps the unemployed to switch occupation. The information should include a handy guide on possible options with convenient online searching for people seeking help. The information should be clear, easy to use and widely publicized so as to benefit as many as possible of those who encounter employment problems.

6. Young people should develop a variety of employment skills in order to increase their employment opportunities in the ever-changing modern economy.

Young people should adjust their mindset regarding employment and learn a variety of skills, such as professional, transferrable and innovative skills. They also need to keep an eye on the development trends of different industries. When encountering employment problems, young people should try different things and consider the possibility of turning their interests into career development opportunities. This could improve their chances of making a living in the ever-changing modern economy.