FLEXIBLE EMPLOYMENT IN HONG KONG

Trends and Patterns in Comparative Perspective

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Abstract

Through analyzing primary and secondary data, this paper argues that flexible employment practices in Hong Kong are largely employer-driven. This feature is explicable by the low level of government intervention in industrial relations, the development of the labor movement, and the Asian financial crisis that accentuated employers' prerogatives in employment relations.

Keywords: flexible employment, Hong Kong, institutional approach, employment protection, voluntarism

Since the 1980s, state-led economic development strategies practiced by a number of countries have been challenged by neoliberal globalization projects in the U.S. and Britain. Critics like Wallerstein have argued that neoliberal globalization is "a massive political attempt to roll back remuneration costs, to counter demands for internationalization

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of costs, and of course to reduce levels of taxation.”¹ The neoliberals claim, however, that state-led developmental projects of erecting national barriers in production and trade have led to economic inefficiency, decreasing productivity, and declining corporate profits. They further suggest that these national barriers must be removed and call for deregulation of production through promoting labor-market flexibility. The implementation of liberalization, de-territorialization, and deregulation policies has profoundly impacted production relations, labor markets, and working class politics in advanced economies. By the late 1980s, these impacts had led to the emergence of a new production regime labeled “flexible accumulation.”²

Both critics and empirical studies have noted that under this new flexible accumulation regime, the number of life-long, full-time jobs involving direct employment relations with a single employer—often referred to as standard jobs or standard employment—has been declining in advanced Western economies.³ More-flexible ways of organizing work and employing labor have emerged in its place. These include part-time employment, contract work, home work, and temporary employment, collectively referred to as non-standard jobs, contingent work, or atypical employment.⁴ These employment practices differ from the conventional standard employment form in which work is organized on a full-time basis, continues indefinitely, and is performed at the employer’s place of business. Various aspects of flexible employment forms in Western advanced economies have been studied, for example, the demand and supply factors involved and the consequences of flexible employment.⁵ Few studies have attempted to extend the discussion to non-Western advanced economies whose institutional settings differ from those found in the advanced Western economies.

1. Immanuel Wallerstein, “After Developmentalism and Globalization, What?” *Social Forces* 83:3 (March 2005), pp. 1263–78.

2. David Harvey, *The Condition of Postmodernity: An Inquiry into the Origins of Cultural Change* (Oxford: Blackwell, 1989); and Bob Jessop, *The Future of the Capitalist State* (Cambridge: Polity Press, 2002).

3. Susan Houseman and Machiko Osawa, “Introduction,” in *Nonstandard Work in Developed Economies: Causes and Consequences*, ed. Susan Houseman and Machiko Osawa (Michigan: W. E. Upjohn Institute, 2003), pp. 1–14; Edmund Heery and John Salmon, “The Insecurity Thesis,” in *The Insecure Workforce*, ed. Edmund Heery and John Salmon (New York: Routledge, 2002), pp. 1–24; and Randy Hodson, “Introduction,” in *Marginal Employment*, ed. Randy Hodson (Stamford, Conn.: JAI Press, 2000), pp. xiii–xiv.

4. Arne L. Kalleberg, “Nonstandard Employment Relations: Part-time, Temporary, and Contract Work,” *Annual Review of Sociology* 26 (2000), pp. 341–65.

5. Susan N. Houseman, “Why Employers Use Flexible Staffing Arrangements: Evidence from an Establishment Survey,” *Industrial and Labor Relations Review* 55:1 (October 2001), pp. 149–70; and Arne L. Kalleberg, Barbara F. Reskin, and Ken Hudson, “Bad Jobs in America: Standard and Nonstandard Employment Relations and Job Quality in the United States,” *American Sociological Review* 65:2 (April 2000), pp. 256–78.

This paper aims to redress this gap by comparing the nature of flexible employment practices in Hong Kong with those found in selected advanced economies. With few trade barriers and restrictions on the inflow and outflow of capital, Hong Kong's economy is extremely open and is thus highly exposed to the neoliberal globalization forces discussed above. However, the prevalence and implications of flexible employment in Hong Kong so far have not been gauged systematically. We seek to address this lacuna by drawing on territory-wide primary and official data.

For much of the postwar period when manufacturing industries formed the backbone of the Hong Kong economy, the predominant form of employment practices could be described as "flexible" relative to those found in developed economies. Employers could readily adjust the size of their work force by hiring and firing workers as needed. Employees typically sought to improve their job returns by changing employers or through other individualistic means, instead of through collective strategies with union support. Staying with one employer for a relatively long period of time was uncommon except in the public sector and big corporations, where internal labor markets were more developed and labor was better organized. Flexible employment thus took the form of employers' ease of hiring and firing workers and workers' frequent turnover.

As financial and service industries became dominant following Hong Kong's deindustrialization in the 1980s and 1990s, flexible employment spread beyond the manufacturing sector to the whole of the labor market. However, the nature of flexible employment in Hong Kong differs from that found in advanced Western economies. We will argue that the difference can be explained by using an institutional approach that focuses on the relationships between organized labor and the state, and the way these relationships affect the functioning of the labor market and employers' employment practices. An institutional approach, as applied to labor market studies, emphasizes the way that rules and regulations shape employees' and employers' behaviors in an otherwise free labor market. It also highlights the ways behaviors of organizations (trade unions, employers' organizations) and markets emerge historically under different institutional contexts.⁶

6. For an introduction to the institutional approach as applied to employment studies, see Marc Schneiberg and Elisabeth S. Clemens, "The Typical Tools for the Job: Research Strategies in Institutional Analysis," *Sociological Theory* 24:3 (September 2006), pp. 195–227. For an application of the institutional approach to understanding Hong Kong's labor relations, see Stephen W. K. Chiu and David A. Levin, "The Organization of Industrial Relations in Hong Kong: Economic, Political, and Sociological Perspectives," *Organization Studies* 20:2 (March 1999), pp. 293–321.

The ensuing discussion is organized as follows. First, the recent social, economic, and political situation of Hong Kong will be briefly reviewed. This is followed by a discussion of the decline of job security in the globalization era and then analyses of the trends and incidence rates of various forms of flexible employment. We will compare the Hong Kong situation with that of the U.S., Britain, members of the Organization for Economic Cooperation and Development (OECD), and three Asian economies, Singapore, Taiwan, and Japan—where comparable data are available. In the last section, we will argue that the distinctive features of flexible employment in Hong Kong are explicable from an institutional approach.

The Hong Kong Labor Market before the Asian Financial Crisis

Hong Kong's rapid economic development through industrialization during the 1960s and 1970s gave rise to a tight labor market. By the 1980s, however, Hong Kong's manufacturing industries faced a variety of challenges to maintaining their competitiveness, including rising land rents, protectionism in the importing Western countries, and keen competition from neighboring Asian countries. Industrialists responded quickly to these challenges by relocating their plants across the border into the densely populated Pearl River Delta of the People's Republic of China, where a large pool of docile, cheap labor was readily available and where production costs (especially land) were lower.⁷

Despite the massive industrial relocation and the resulting loss of manufacturing jobs, Hong Kong did not experience mass unemployment, mainly because a tight labor market persisted throughout this transition period from the 1980s to the early 1990s, due to two factors. First, the service sector expanded rapidly, growing at a yearly average of 2.9% from 1980 to 1992,⁸ as the manufacturing sector declined: the number of service workers jumped from 1,106,100 in 1980 to 1,863,800 in 1992. Manufacturing workers who lost their jobs were able to find alternative employment in the expanding service sector.⁹ Second, there was a massive out-migration of Hong Kong residents, with an average annual outflow of 60,000 residents from the late 1980s to the mid-1990s stemming from political uncertainty

7. Stephen W. K. Chiu, K. C. Ho, and Tai-lok Lui, *City-states in the Global Economy: Industrial Restructuring in Hong Kong and Singapore* (Boulder, Colo.: Westview Press, 1997).

8. Hong Kong Census and Statistics Department, *Quarterly Report on General Household Survey (GHS): October to December* (Hong Kong: Government Logistics Department, various years).

9. Yue-man Yeung, "Planning for Pearl City: Hong Kong's Future, 1997 and Beyond," *Cities* 14:5 (October 1997), pp. 249–56.

about retrocession to China in 1997. Some 500,000 persons are estimated to have emigrated during this period. The rapid expansion of the service sector and the massive out-migration led to a growing shortage of professional and managerial employees, thereby pushing up their pay to a level higher than that in the 1970s.¹⁰ Thus, Hong Kong continued to have a very tight labor market up to 1997, with the unemployment rate lower than 2%. Pre-1997 labor-market flexibility therefore meant industrial workers could readily switch from the declining manufacturing sector to the booming service sector without becoming unemployed. For employers, flexible employment meant the ability to hire and fire workers easily as required by business conditions and manpower needs.

Employment during Economic Decline

In 1997, Hong Kong saw not only the end of the colonial era but also the trauma of the Asian financial crisis and a subsequent prolonged and drastic economic decline. Real estate prices dropped 60%, the stock market slumped, and the government faced a serious budget deficit. The unemployment rate hit a record high of 7.9% in 2003.¹¹ Furthermore, in place of out-migration, Hong Kong experienced an influx of workers from the mid-1990s, both legal and illegal, who anticipated that they would be eligible to become Hong Kong citizens after the handover. Moreover, many overseas Hong Kong emigrants returned to the territory to find work.¹²

By the late 1990s and early 2000s, Hong Kong had begun losing a large number of service jobs to the Pearl River Delta as banks, credit card companies, and airlines followed in the manufacturing sector's footsteps by outsourcing their service and office jobs across the border to Guangdong Province.¹³ The trends in general economic conditions and employment in the two major industrial sectors are shown in Figure 1.

10. Hang-yue Ngo and Chung-ming Lau, "Labor and Employment," in *The Other Hong Kong Report 1996*, ed. Mee-kau Nyaw and Si-ming Li (Hong Kong: The Chinese University Press, 1996), pp. 259–76.

11. Hong Kong Census and Statistics Department, "Table 006: Statistics on Labor Force, Unemployment, and Underemployment," <http://www.censtatd.gov.hk/hong_kong_statistics/statistical_tables/index.jsp?tableID=006>, accessed January 3, 2007.

12. The Hong Kong government's most conservative estimate was that 10% to 12% of the emigrants returned to Hong Kong after they had secured citizenship in Canada, Australia, and the U.S. See Ronald Skeldon, "Hong Kong: Colonial City to Global City to Provincial City," *Cities* 14:5 (October 1997), pp. 265–71. Other estimates of returning migrants ranged from 100,000 to 250,000 during the mid-1990s. See the news clippings collected by The Alliance of Hong Kong Chinese in the United States (AHKCUS), in <hknews@ahkcus.org>, July 29, 1999.

13. See the following newspaper reports about this outsourcing: "AEON Gongxu Qian Shen Bu Caiyuan" [AEON credit services (Asia) plans to move its call center to Shenzhen],

FIGURE 1 *Year-on-year Percentage Change of Gross Domestic Product (GDP), Unemployment Rate, and the Share of Working Population Engaged in Different Industrial Sectors, Hong Kong, 1986–2005*

SOURCES: Hong Kong Census and Statistics Department, "Table 006: Statistics on Labor Force, Unemployment and Underemployment"; *ibid.*, "Table 033: GDP and Its Main Expenditure Components-Volume Indices (2000 = 100)," <http://www.censtatd.gov.hk/hong_kong_statistics/statistical_tables/index.jsp?charsetID=1&tableID=033>, accessed January 3, 2007; and *ibid.*, *Quarterly Report on GHS (October to December)*, 1986–2005.

NOTE: All figures refer to the fourth quarter of the year. "Business" refers to "financing, insurance, real estate, and business services" and "services" refer to "community, social, and personal services."

Sing Tao Daily (Hong Kong), April 20, 2001; "Hengsheng Jihua 300 Houqin Zhiwei Beiyi" [Hang Seng Bank plans to move 300 back office positions into Mainland China], *Apple Daily* (Hong Kong), August 16, 2001; "Yingke Kuoda Guangzhou Fuwu Zhongxin" [PCCW plans to expand its customer service center in Guangzhou], *Sing Tao Daily*, September 6, 2001; "Wan-tong Gongxu Beiyi Yuangong Xu Tiaopei" [Citibank will move its credit card and IT operations to Guangzhou], *ibid.*, December 10, 2001; "Chengdian Bufen Houqin Ni Beiyi" [City Telecom (Hong Kong) plans to move its back-office work into Mainland China], *The Sun* (Hong Kong), February 8, 2002; "Dongya Guangzhou Houqin Zhongxin Yuedi Qiyong" [Bank of East Asia back office in Guangzhou starts operating], *Oriental Daily News* (Hong Kong), September 10, 2002; "Zhada Yan Dianhua Licai Zhongxin Qian Sui" [Standard Chartered Bank (Hong Kong) plans to move its phone center to Guangzhou], *Hong Kong Economic Times* (Hong Kong), November 9, 2002; "Zhongyin Neidi Chengli Fuwu Zhiyuan Zhongxin" [Bank

Because of these significant transformations, the labor market in the late 1990s differed fundamentally from that in the 1980s to the early 1990s. Instead of an expanding economy and labor shortage, there was now an oversupply of labor. Faced with economic recession and uncertain business revival, employers and corporations became increasingly concerned with finding ways to minimize labor costs while keeping a work force that could cope swiftly with sudden changes in market demands. We discuss in the next section the extent to which employers adopted various forms of flexible employment practices in the face of market changes and economic uncertainties.

Flexible Employment: Trends and Prevalence

Reilly suggests that flexible employment practices have four distinct dimensions: the number of employees, the working hours, the workplace, and income.¹⁴ These are commonly referred to as numerical, temporal, spatial, and financial flexibility, respectively. A range of practices is subsumed under each of these four dimensions of flexibility. These include the employment contract of employees, the way they are remunerated, the scheduling of working hours and location, the range of job tasks assigned to employees, and the de jure employment relationships between firm and employees.

In the following analysis, we focus on the practices related to the employment contract and working hours. We use Reilly's scheme as a heuristic device to analyze the prevalence of numerical and temporal flexibility, since these are the dimensions to which most of our data pertain.¹⁵ We

of China (Hong Kong) sets up data-processing back office in Mainland China], *Sing Tao Daily*, July 7, 2003; "Meiyin Gang Cai 60 ren Sui Kai Xin Yingyun Zhongxin" [Bank of America (Hong Kong) lays off 60 Hong Kong employees and opens up a new operation center in Guangzhou], *Hong Kong Economic Times* (Hong Kong), August 20, 2003; "Diqu Zongbu AT&T Qian Hu" [AT&T will move its headquarter from Hong Kong to Shanghai], *The Sun*, August 16, 2005; "7 Jinrong Jigou Qian Yixiang Shen She Houqin" [Seven financial institutes plan to set up back office in Shenzhen], *Oriental Daily News* (Hong Kong), April 13, 2006; "Yonglong Jiasu Tuozhan Neidi Shichang" [Wing Lung Bank seeks to move its IT operations into Shenzhen], *ibid.*, September 4, 2006; and "Mashiji Beiyi Caiyuan" [Maersk Logistics will move its customer service center to Shenzhen], *Wen Wei Po* [Wen Wei News] (Hong Kong), November 18, 2006.

14. Peter Reilly, *Flexibility at Work: Balancing the Interests of Employer and Employee* (Aldershot, Hampshire, England: Gower, 2000).

15. Financial flexibility involves using remuneration methods that are different from the standard monthly salary payment. Wage payment methods such as weekly rated, daily rated, hourly rated, piece-rated, and commission are some of the commonly used flexible payment methods. The use of flexible payment methods allows management to optimize the use of their manpower. Extant GHS do not cover financial flexibility nor are comparable data available for other advanced economies (Western and Asian alike). For this reason, trend and comparative analysis cannot be pursued for this form of employment flexibility.

draw on two types of data to examine the trends and patterns of flexible employment in Hong Kong: data collected through our 2004 questionnaire survey, and the GHS, a quarterly general household survey conducted by the Census and Statistics Department of the Hong Kong government. Although our 2004 Flexible Employment Survey data are more detailed, they are cross-sectional and cover only one time point, whereas the GHS spans several time points. The two sets of data therefore complement each other. We draw on official statistics of other advanced economies in order to place the Hong Kong case in comparative perspective.¹⁶

Our 2004 survey was conducted from June to December 2004; over 1,415 respondents were successfully interviewed. Only employees, self-employed persons, and the unemployed were covered; economically inactive persons were not included in the target population.¹⁷ The survey canvassed various kinds of flexible employment; a wide range of work attitudes such as job satisfaction, work values, and social relations at the workplace; as well as household conditions of the respondents. Multi-stage cluster random sampling was used to select eligible respondents from households. Interviews were face-to-face through household visits. To assess the representativeness of our survey sample, we compared the distribution of the three employment statuses in our 2004 survey sample with that from the GHS for the fourth quarter of 2004.¹⁸ For comparability purposes, we excluded employers, unpaid family workers, and foreign domestic helpers from the GHS sample. Table 1 indicates that the unemployed are overrepresented in our 2004 sample. This may derive from the availability of unemployed persons at home in the evening, when the fieldwork was conducted, because local employees generally work long hours and did not return home early enough to be interviewed. The ensuing analysis will start with temporal flexibility, followed by numerical flexibility.

16. Two caveats need to be highlighted in the comparison. Firstly, while other countries are nation states, Hong Kong is a city. Secondly, other economies have a sizable agricultural working population, but their counterpart in Hong Kong is negligible. Hence, in the comparison, we have excluded the agricultural population from the official data of other economies.

17. In our study, a person aged 15 or over would be classified as an employee or self-employed if he/she has performed work for pay or profit during the seven days before enumeration. Unemployed persons were those aged 15 or over and were either waiting to start a job or seeking a job during the seven days before enumeration.

18. The Hong Kong Census and Statistics Department classifies employed persons as those aged 15 or over and engaged in performing work for pay or profit during the seven days before enumeration or have a formal job attachment. Self-employed is an employed person who works for profit or fees in his/her own business/profession, neither employed by someone nor employing others. Employee is an employed person who works for an employer (private companies or government) for wage, salary, commission, tips, or payment in kind. This also includes outworkers, domestic helpers, and paid family workers. See Hong Kong Census and Statistics Department, *Quarterly Report on GHS: October to December 2004* (2005).

TABLE 1 *Economic Activity Status Distribution, 2004 Flexible Employment Survey, and 2005 GHS, Hong Kong*

<i>Economic Activity Status</i>	<i>2004 Survey</i>		<i>GHS</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Employee	1,131	80.0	2,733,200	85.7
Self-employed	115	8.1	230,300	7.2
Unemployed	169	11.9	226,900	7.1
<i>Total</i>	1,415	100.0	3,190,400	100.0

SOURCE: 2004 survey; Hong Kong Census and Statistics Department, *Quarterly Report on GHS: October to December 2004* (2005).

NOTE: The GHS figures are year-end figures in 2004.

Temporal Flexibility

Part-time Employment

The GHS classifies as part-timers those who report that they usually work 30 hours or less. Based on this criterion, GHS surveys show that the share of part-time employees in the employed work force has risen steadily from 2.7% in 1995 to 5.2% in 2003, where it remained in 2005 (see Table 2).¹⁹ Some 8.4% of the employees in our 2004 survey sample defined themselves as part-timers, but only 5.5% of them reported that they normally worked 30 hours or less per week.

The rate of part-time employment in Hong Kong is lower than that for a number of Western advanced industrial economies. About one-fifth (18%) of the non-agricultural employees in the U.S. were part-time workers. In Britain, 25.4% of non-agricultural employees were part-timers in 2004; in most OECD member countries, on average, 14.8% of employees were part-timers in 2003. In Japan, 14.2% of employees in 2004 were part-timers whose "scheduled working hours a day or a week are less than those of general workers in establishments."²⁰ These comparative data indicate that Hong Kong employers use part-timers less commonly than their counterparts from the major Western advanced economies to attain temporal flexibility.

19. Ibid., *Special Topics Report No. 43: Social Data Collected by the GHS* (Hong Kong: Government Logistics Department, 2006).

20. Japan Ministry of Health, Labor, and Welfare, "Explanation of Basic Survey on Wage Structure," <<http://www.mhlw.go.jp/english/database/db-l/b-explanation.html>>, accessed June 14, 2005.

TABLE 2 *Rate of Part-time Employment, Hong Kong, 1994–2005*

<i>Period</i>	<i>Part-timers as a % of All Employees</i>
1994 November–1995 March	2.7
1997 October–December	2.8
1999 January–February	4.1
2000 July–September	4.3
2002 April–June	4.7
2003 July–September	5.2
2005 April–June	5.2

SOURCE: Hong Kong Census and Statistics Department, *Special Topics Report No. 43*, 2006.

NOTE: Hong Kong Census and Statistics Department defines part-time employees as follows: (a) the number of usual days of work per week was less than five (for a person with a fixed number of working days per week), or (b) the number of usual hours of work per working day was less than six (for a person with a fixed number of working days per week), (c) the number of usual hours of work per week was less than 30 (for a person without a fixed number of working days per week). See *ibid.*, p. 32.

On the other hand, Hong Kong had a higher proportion of employees who worked part-time when compared to Singapore and Taiwan. In Singapore, 4.5% of employees worked part-time in 2004. In Taiwan, part-timers (defined as employees who usually work less than 40 hours per week)²¹ accounted for 4.4% of employees in 2004, a much lower percentage than the 13.3% in Hong Kong in our 2004 Flexible Employment Survey who reported working less than 40 hours a week. Table 3 shows the comparison between Hong Kong and the above-mentioned advanced economies, using different numbers of working hours as the cutoff point to distinguish full-time and part-time employment.

Irregular Working Hours

The second important temporal flexibility measure is working hours. Around 9.1% of employees in our 2004 survey claimed that their working hours per day or working days per week (hereafter referred to as working hour schedule) were irregular. This is higher than the rate recorded by the GHS, which has gauged the working hour patterns of non-government-sector employees who have a written or verbal employment agreement. Table 4 shows that compared to our 2004 survey, a lower percentage of

21. See Taiwan Directorate-General of Budget, Accounting, and Statistics, "Summary Report on Manpower Utilization Survey, 2004," <<http://www.dgbas.gov.tw/public/Attachment/4121511413971.doc>>, accessed June 23, 2005, p. 7.

TABLE 3 *Part-timers as a Percentage of All Employees in Selected Countries and Hong Kong*

% of Part-time of All Employees	Hong Kong 2004 Flexible Employment Survey*	Hong Kong GHS (July- September 2003) (1)	Japan Labor Force Survey (2004 Yearly Average) (2)	Singapore Labor Force Survey (June 2004) (3)	Taiwan Manpower Utilization Survey (May 2004) (4)	U.S. Current Population Survey (January 2005-Seasonally Adjusted) (5)	UK Labor Force Survey (Winter 2004-Seasonally Adjusted) (6)	OECD (2003) (7)
Less than 30 hours per week	5.5	5.2	—	4.5	—	—	25.4	14.8
Less than 35 hours per week	8.1	—	—	—	—	18.0	—	—
Less than 40 hours per week	13.3	—	—	—	4.4	—	—	—
Self-declared	8.4	—	14.2	—	—	—	—	—

SOURCES: (1) Hong Kong Census and Statistics Department, *Special Topics Report No. 37: Social Data Collected by the GHS* (Hong Kong: Government Logistics Department, 2004); (2) Japan Statistics Bureau, "Labor Force Survey: January-March 2005," <<http://www.stat.go.jp/english/data/roudou/zuhyou/edit01.xls>>, accessed June 9, 2005; (3) Singapore Manpower Research and Statistics Department, *Conditions of Employment 2004*, <http://www.mom.gov.sg/publish/etc/medialib/mom_library/mrsd/ec.Par:97232.File.tmp/3286_coe2004.pdf>, accessed June 22, 2005; *ibid.*, *Report on Labor Force in Singapore, 2004*, <http://www.mom.gov.sg/MOM/CDA/0.1858.992-----4115_2059--6847---.00.html>, accessed June 22, 2005; (4) Taiwan Directorate-General of Budget, Accounting, and Statistics, "Statistics Tables of Manpower Utilization Survey 2004," <<http://www.dgbas.gov.tw/public/data/dgbas04/bc4/mtable24.xls>>, accessed June 23, 2005; (5) U.S. Bureau of Labor Statistics, "Employment Situation in 2005," <<http://www.bls.gov/news.release/empst.it05.htm>>, accessed June 8, 2005; (6) UK Office for National Statistics, "Concepts and Definitions," <http://www.statistics.gov.uk/downloads/theme_labour/LMS_FR_HS_Concepts_Definitions.pdf>, accessed June 14, 2005; (7) OECD, *OECD Employment Outlook 2004* (Paris: OECD, 2004).

* In our survey, part-timer was classified in the study by only asking the respondents: "Now, I would like to ask you some background information of your main job. Is it a full-time or a part-time job?"

TABLE 4 *Percentage of Employees with Irregular Working Hour Schedule, Hong Kong*

	2004 Flexible Employment Survey (%)	GHS (July-September 2003) (%)
Irregular number of working days per week	6.0	4.8
Irregular number of working hours per day	8.8	2.5
Irregular number of working hours or days	9.1	—

SOURCE: 2004 survey; Hong Kong Census and Statistics Department, *Special Topics Report No. 37*, 2004.

employees in the GHS sample reported an irregular working hour schedule. The discrepancy in findings between the two surveys can be explained by the different ways they gauge whether the working hour schedule is irregular. The GHS asked about both “contractual working hours” and “usual working hours.”²² Our 2004 survey asked respondents about their actual working hours regardless of what was stated in their employment contract. The notion of “usual working hours” is likely to underestimate the number of workers with an irregular working hour schedule because most respondents would take their usual working schedule to be equivalent to what is stated in their employment agreements or contracts, even though they actually have to work overtime or finish work at irregular hours, neither of which is mentioned in the employment agreement.²³ We believe therefore that the findings from our 2004 survey reflect more accurately actual working hour patterns of employees. Further analysis shows that an irregular working hour schedule is more prevalent among part-timers than among full-timers: 26.3% of the former had an irregular working hour schedule, compared with only 7.3% of full-timers.

The proportion of employees with an irregular working hour schedule is lower in Hong Kong than in the U.S. and Britain but higher than in Singapore. In the U.S., 11.1% of full-time employees were provided with a

22. “Contractual hours/days of work” refer to the number of days/hours of work that an employee is committed to work for his/her employer according to the verbal or written employment contract. Meal breaks were excluded from the contractual hours of work. “Usual hours/days of work” referred to the number of hours/days of work that an employee usually worked for his/her employer, including usual overtime work. Meal breaks were excluded from the usual hours of work. In the GHS Inquiry, usual hours of work per day pertained to the situation on a normal working day. See Hong Kong Census and Statistics Department, *Special Topics Report No. 37*, p. 2.

23. Ibid.

flexible work schedule that allowed them to vary the time they began or ended work.²⁴ In Britain, 11.3% of full-timers and 7.6% of part-timers worked irregular hours.²⁵ In Singapore, only 0.3% of employees (full-time and part-time taken together) in private sector establishments with 25 or more employees had a “flexitime” working schedule.²⁶ In contrast to Singapore, our 2004 survey found that a much higher percentage of employees (11.4%) in Hong Kong private sector establishments with 20 or more employees had an irregular working hour schedule.

Overtime Work

Another way for employers to augment the temporal flexibility of their employees is to ask them to work longer hours. Following the onset of the Asian financial crisis, the absence of statutory restrictions on the maximum number of working hours, combined with the slackened labor market and the uncertain recovery of the local economy, allowed employers to extend employees’ working hours without meeting much resistance. Our 2004 survey found that 36% of employees worked over 50 hours per week. The GHS indicates a clear trend of increased weekly working hours since the mid-1990s, as shown in Figure 2. In 1995, 48.1% of the Hong Kong working population worked under 45 hours a week, while 26.2% worked 50 hours or more. By 2005, the proportion of employees who worked under 45 hours per week had fallen to 37.8%, while the proportion who worked for 50 hours or more had jumped to 40.7%. The proportion working more than 60 hours per week rose from 14.8% in 1995 to 22.5% in 2005.

The GHS findings also show that a fair amount of overtime work was without pay (see Table 5). Among private sector employees, the average number of overtime working hours increased from 1.3 hours in 1996 to 2.3 hours in 2003, an increase of 76%. The average proportion of overtime

24. Current Population Survey used several questions to categorize flexiwork: 1. “At what time of day do you begin work on your (main) job most days?” 2. “At what time of day do you end work on your main job most days?” 3. “Do you have flexible work hours that allow you to vary or make changes in the time you begin and end work?” 4. “Is your flexible work schedule part of a flexitime or other program offered by your employer?” See U.S. Bureau of Labor Statistics, “Workers on Flexible and Shift Schedules in 2001,” <<http://www.bls.gov/news.release/flex.toc.htm>>, accessed June 8, 2005.

25. UK Office for National Statistics, *Social Trends No. 35* (2005 ed.), <http://www.statistics.gov.uk/downloads/theme_social/Social_Trends35/Social_Trends_35.pdf>, accessed June 15, 2005, p. 55.

26. “Flexitime” is an arrangement that enables employees to vary their daily start and finish times to suit their work and personal commitments so long as they work the total hours agreed for an accounting period usually a week or month, in the office. See Singapore Manpower Research and Statistics Department, *Conditions of Employment 2004*, p. 30.

FIGURE 2 *Weekly Working Hours, Hong Kong*

SOURCE: Hong Kong Census and Statistics Department, *Quarterly Report on GHS: October to December, 1995–2005*.

NOTE: All figures refer to the fourth quarter of the year. “Hours of work” refer to the number of hours that an employed person actually worked in all employment during the seven days before enumeration. All paid and unpaid hours worked at the place of work are included, but meal breaks are excluded. The “employed population” consists of those persons aged 15 and over who have been at work for pay or profit during the seven days before enumeration or who have had a formal job attachment.

work that was not remunerated rose from 60.5% to 82.9%. These findings indicate that Hong Kong employees have been experiencing significant intensification of work that was not rewarded. It is worth noting, however, that both the average amount of overtime work and the amount of unpaid overtime work varies substantially across major occupational groupings. Overtime work and the percentage of such work that is unpaid have been most prevalent among managers, professionals, and associate professionals.²⁷ Average weekly working hours are substantially higher in Hong Kong than in most European countries. The local working population

27. “Associate professionals” is a concept used in Hong Kong’s official occupational classification system to refer to those working population who normally need a recognized qualification and considerable training in their occupations but are below the “professionals” in the occupational hierarchy. For example, doctors are professionals but nurses are associate professionals. High school teachers belong to the professionals but primary and kindergarten teachers are classified as associate professionals.

TABLE 5 *Overtime Work by Occupation, Hong Kong, 1996 to 2003*

	<i>Average Hours of Overtime Work (Unpaid and Paid)</i>			<i>% of Overtime Work, Unpaid</i>		
	<i>1996 Oct.-Nov.</i>	<i>2001 Jul.-Sept.</i>	<i>2003 Jul.-Sept.</i>	<i>1996 Oct.-Nov.</i>	<i>2001 Jul.-Sept.</i>	<i>2003 Jul.-Sept.</i>
Managers, administrators, professionals, and associate professionals	2.8	4.0	4.5	85.3	89.2	95.2
Clerks	0.8	1.7	2.4	47.3	71.4	85.0
Service workers and shop sales workers	0.5	0.6	0.8	36.0	58.5	76.6
Craft and related workers	0.8	1.2	1.1	14.5	36.6	44.4
Plant & machine operators, and assemblers	1.6	1.8	2.3	12.1	26.9	21.1
Unskilled manual occupations	0.4	0.4	0.5	17.5	38.1	47.4
<i>All occupations</i>	1.3	1.9	2.3	60.5	75.7	82.9

SOURCES: Hong Kong Census and Statistics Department, *Special Topics Reports No. 20, 32, and 37: Social Data Collected by the GHS* (Hong Kong: Printing Department, 1998, 2002, and 2004).

NOTE: Data are for private sector employees only.

worked an average of 47.5 hours per week in 2003 whereas the figure for the European Union (EU) in 2001 was only 40.1 hours per week.²⁸

Shiftwork

Shiftwork is another lever for achieving temporal flexibility. In our 2004 survey sample, 15.6% of all employees were engaged in shiftwork. Further analysis shows that 16% of full-time employees and 11.6% of part-time workers did shiftwork, rates that are more or less comparable to those found

28. European Industrial Relations Observatory Online, "EU Countries: Working Time Developments—2002" (March 2003), <<http://www.eiro.eurofound.ie/2003/03/update/tn0303103u.html>>, accessed May 18, 2006. Even in Britain, which has the longest working week among the EU countries, the average number of working hours per week was only 43.5 hours.

in most developed Western countries. In the U.S., for example, 14.5% of full-timers usually worked an alternate shift in 2001.²⁹ Close to an average of one-fifth (18.2%) of all employees across 22 European OECD countries reported working in shifts in 2002.³⁰

Numerical Flexibility

Numerical flexibility refers to work arrangements that last for a definite period of time. In Hong Kong, numerical flexibility is also manifested in the switch from employee status to self-employed status. These forms of employment allow employers to vary the number of employees. The ensuing sections will examine self-employment first, followed by temporary employment.

Self-employment

Our survey found that 9.2% of the employed work force were self-employed in 2004, a higher rate than that of Japan and the United States but lower than that of Taiwan and Singapore, as shown in Table 6. The GHS data show that the rate increased from 5.2% in 1999 to 7.3% in 2004 (Figure 3). The substantial increase in the proportion of self-employed among the working population from 5.1% in 2000 to 6.5 % in 2001 and then to above 7% in 2002 coincided with the implementation of the Mandatory Provident Fund (MPF, Hong Kong's official contributory pension scheme) system in December 2000.

This increase may be the result of a strategy used by some employers to reduce their obligations to contribute to employees' MPF and avoid other overhead costs. Newspapers carried numerous reports about the ways employers nudged massage providers, container truck drivers, mini-bus drivers, construction site workers, restaurant workers, and employees in specific sectors in personal services to shift to self-employed status.³¹ By so doing,

29. See U.S. Bureau of Labor Statistics, "Workers on Flexible and Shift Schedules in 2001."

30. OECD, *OECD Employment Outlook 2004*, p. 43.

31. See the following newspaper reports about pseudo self-employed: "Guzhu Taobi Qiangjijin Xiaoba Siji Beipo 'Jiazigu'" [Employers evade mandatory provident fund, mini-bus drivers were forced to be "pseudo self-employed"], *Ming Pao Daily News* (Hong Kong), August 20, 2001; "Anmoye Taobi Gong Qiangjijin Gonghui Zhi 180 Jishi Beibi Shougu Bian Zigu" [Massage parlor operators evade Mandatory Provident Fund contribution, unionists claim 180 employees were forced to be "self-employed"], *Sing Tao Daily*, July 15, 2000; "Guanzhu Wuliang Guzhu Bi Yuangong Zhuan Zigu Jijinju Zhifadui Jiang Genjin Tousu" [Concerned with employers forcing employees to be "self-employed," mandatory provident schemes authority will follow up complaints], *ibid.*, December 2, 2000; "Bigong Qiangjijin

TABLE 6 *Percentage Distribution of Self-employed and Employees in the Employed Population in Selected Countries and Hong Kong*

	Hong Kong 2004 Flexible Employment Survey	Hong Kong GHS (October- December 2004) (1)	Singapore Labor Force Survey (June 2004) (2)	Taiwan Manpower Utilization Survey (May 2004) (3)	Japan Labor Force Survey (April 2005) (4)	U.S. Current Population Survey (January 2005-Seasonally Adjusted) (5)
Employees	90.8	92.7	90.1	87.0	93.6	93.1
Self-employed	9.2	7.3	8.9	13.0	6.4	6.9

SOURCES: (1) Hong Kong Census and Statistics Department, *Quarterly Report on GHS: October to December 2004* (2005); (2) Singapore Manpower Research and Statistics Department, *Report on Labor Force in Singapore, 2004*; (3) Taiwan Directorate-General of Budget, Accounting, and Statistics, "Statistics Tables of Manpower Utilization Survey 2004"; (4) Japan Statistics Bureau, "Labor Force Survey: April 2005," <<http://www.stat.go.jp/english/data/roundou/zuhyou/15400100.xls>>, accessed June 9, 2005; (5) U.S. Bureau of Labor Statistics, "Employment Situation in 2005."

FIGURE 3 *Self-employed as a Percentage of the Working Population, Hong Kong*

SOURCE: Ibid. to Figure 2.

NOTE: All figures refer to the fourth quarter of the year. GHS defines a self-employed person as a person who, in his/her main employment, works for profit or fees in his/her own business/profession and is neither employed by someone nor employing others.

employers could save on various administrative costs of the MPF as well as avoid having to provide other kinds of welfare and benefits.

Temporary Employment

Temporary employment is a complicated phenomenon that defies straightforward definition. We define temporary employment in terms of three criteria: working hours (full-time/part-time job), working with or without a verbal or written employment agreement, and duration of employment specified in the employment agreement. Full-time employees whose employment agreements specify an ending date are classified as temporary employees. Full-timers without an employment agreement are also classified as temporary workers unless they declare themselves to be permanent employees. Part-timers are classified as temporary workers, whether they have employment agreements with their employers or not, unless they

Zigu Zeng 40%" [Employers evade mandatory provident fund, the number of "self-employed" increased by 40%], *ibid.*, December 19, 2002; "Jijinju Yuezhong Yanda Wuliang Guzhu" [Mandatory provident schemes authority comes down on employers who evade their MPF contribution], *Oriental Daily News*, December 2, 2000.

TABLE 7 *Share of Temporary Employment in Total Employment in OECD Countries and Hong Kong*

	<i>Temporary Employees as a % of Total Employment in 2001</i>		<i>Temporary Employees as a % of Total Employment in 2001</i>
United States	4.0	Switzerland	11.6
Luxembourg	4.4	Poland	12.0
Ireland	4.7	Germany	12.7
Slovak Republic	5.0	Canada	12.8
Australia	5.7	Japan	12.8
United Kingdom	6.7	Greece	12.9
Hungary	7.5	Netherlands	14.3
Austria	8.0	Sweden	14.8
Belgium	8.8	France	14.9
Czech Republic	9.0	Turkey	15.2
Norway	9.3	Finland	16.4
Hong Kong*	11.9	Korea	17.0
Denmark	9.4	Mexico	19.7
Italy	9.5	Portugal	20.3
Iceland	9.9	Spain	31.5

SOURCES: 2004 survey; OECD, *OECD Employment Outlook 2003* (2003), p. 49.

NOTE: Total employment refers to persons aged 15 to 64 years who are in employment.

*2004 Flexible Employment Survey.

declare themselves to be permanent employees. According to these criteria, 16.4% of the employees in our 2004 survey sample were temporary employees.

The OECD defines temporary workers as those who have fixed-term contracts (that is, their employment agreements specify a definite end date) and those who secured their jobs through temporary-work agencies.³² In 2001, the share of temporary workers in total employment among OECD member countries ranged from 4% to 31.5%, as shown in Table 7.³³ By the first criterion of the OECD's definition (i.e., those who have fixed-term contracts), 11.9% of the employees in our 2004 Hong Kong survey were temporary employees, a rate lower than that for a number of OECD member countries.

The GHS focuses on a particular form of temporary employment it refers to as casual work. A casual employee is someone who is employed by

32. OECD, *OECD Employment Outlook 1993* (Paris: OECD, 1993), p. 20.

33. Ibid., 2003, p. 49.

an employer on a day-to-day basis or for a fixed period of fewer than 60 days at the time of survey. GHS data show that the share of casual employees among all employees actually dropped from 4.3% in 2000 to 2.4% in 2005. Some two-thirds to 73% of all casual workers in these surveys were in the construction sector. The predominance of construction workers in casual employment reflects the declining business condition of the construction industries. The latest official statistics show that despite the drop in the overall unemployment rate to 5.1% as the economy revived, the rate in the construction sector stood at 13.6%, the highest among all industrial sectors.³⁴ With the bursting of the property market bubble in the late 1990s and the slowing down of major government infrastructural projects, the demand for construction workers dropped. Many of these workers have experienced both a loss of job security and persistent unemployment, and find it difficult to secure even casual jobs that last for up to two months.

The Change in Employment Tenure

Employment tenure, defined as the period of time an employee has worked in an organization, is closely related to temporal flexibility. Studies in the United States have used employment tenure as an indicator of job instability, with declining average tenure often associated with flexible employment.³⁵ To the extent that flexible employees are regarded as disposable supplements to a core of permanent workers, their jobs are likely to be less stable, and those who fill these jobs would, therefore, have shorter tenure.

Employees' labor market behavior can also shape employment tenure. In the pre-1997 boom period, when there were labor shortages employers would be keen to retain workers so as to minimize the administrative costs associated with staff turnover. Workers, on the other hand, were more prepared to leave their companies for better paid jobs in the external labor market when a general labor shortage resulted in a general rise in wage levels. The year 2004 marked the beginning of economic recovery from the post-Asian financial crisis recession. Employees were likely to be wary about the sustainability of the recovery and their job prospects in the external labor market. Therefore, they tended to stay with their current employing organization instead of job hopping in the search for better paying jobs. For these reasons, employment tenure in 2004 was expected, on average, to be longer than it was in the mid-1990s.

34. Hong Kong Census and Statistics Department, *Special Topics Report No. 43*.

35. David Neumark, "Changes in Job Stability and Job Security: A Collective Effort to Untangle, Reconcile, and Interpret the Evidence," in *On the Job: Is Long-term Employment a Thing of the Past?* ed. David Neumark (New York: Sage, 2000), pp. 1–27.

To gauge the trend in employment tenure before and after the 1997 Asian financial crisis, we compare our survey findings to those from a comparable survey conducted in 1995.³⁶ The comparison shows that, contrary to the above expectation, employment tenure dropped from an average of 8.49 years to 7.45 years (see Table 8). The trends for males and females diverged, however. Although the average tenure for men was higher than for women in both 1995 and 2004, the gap narrowed as men's average employment tenure declined by 12.17% while that of women increased by 5.71%. In terms of age, the average employment tenure of older workers (45 years old and above) plummeted the most (by 20.18%) among all age groups.

The patterns for different educational levels and occupational groups show a polarizing trend between employees in the upper and lower strata of the labor market (see Table 9). The average tenure of employees with only a primary level of education or less dropped by about 30%, whereas the average tenure of those with an upper secondary education level and above, increased. Manual unskilled workers experienced the largest decrease in employment tenure, while the average tenure for managers, professionals, and associate professionals rose. These divergent trends suggest that employers are still keen to keep their more valuable and more highly skilled employees but are less inclined to keep less skilled and less educated workers—a typical manpower utilization strategy adopted under a flexible firm model, as Atkinson suggested.³⁷ The average tenure of employees in the lower status occupations fell as they faced greater job instability and insecurity in the aftermath of the Asian financial crisis.

Hong Kong employees appear on average to have stayed with their employers for a shorter period of time than employees in other developed economies, as shown in Figure 4. Hong Kong ranked second after the United States among the countries shown in having the shortest average employment tenure.³⁸ Recent surveys indicate that loyalty to the

36. The 1995 Social Change and Economic Life Survey was a large-scale face-to-face questionnaire survey conducted between November 1994 and February 1996. Out of 4,105 randomly drawn addresses provided by the Census and Statistics Department, 1,743 respondents were successfully interviewed. The 1995 survey sample covered those aged between 25 and 55 who had been living in Hong Kong for ten years. It is more restrictive than the 2004 survey. A comparable subsample was selected from the 2004 survey for the comparison. This subsample has an average employment tenure higher than that of the full sample because of the exclusion of younger employees and recent migrants.

37. John Atkinson, "Manpower Strategies for Flexible Organizations," *Personnel Management* 16:8 (August 1984), pp. 28–31.

38. Peter Auer and Sandrine Cazes, "The Resilience of the Long-term Employment Relationship," in *Employment Stability in an Age of Flexibility: Evidence from the Industrialized Countries*, ed. Peter Auer and Sandrine Cazes (Geneva: International Labor Office, 2003), pp. 22–58.

TABLE 8 *Average Employment Tenure by Gender and Age, Hong Kong*

	<i>Average Tenure (Years)</i>		<i>% Change</i>
	<i>1995</i>	<i>2004</i>	
Gender			
Male	9.44	8.29	-12.17
Female	7.08	7.49	5.71
Age			
25-34	4.94	4.71	-4.51
34-44	9.75	8.53	-12.51
≥ 45	12.80	10.22	-20.18
Overall	8.48	7.95	-6.37

SOURCES: 1995 survey; and 2004 survey.

NOTE: All employees aged 25 or above and who lived in Hong Kong for 10 years.

TABLE 9 *Average Employment Tenure by Education and Occupation, Hong Kong*

	<i>Average Tenure (Years)</i>		<i>% Change</i>
	<i>1995</i>	<i>2004</i>	
Education			
Primary or below	10.83	7.59	-29.91
Lower secondary	8.72	7.28	-16.49
Upper secondary	7.94	8.95	12.69
Matriculation	7.87	9.02	14.63
Tertiary/postgraduate	6.69	7.21	7.77
Occupation			
Managers and administrators	7.80	12.20	56.34
Professionals	6.92	8.05	16.43
Associate professionals	6.86	8.82	28.61
Clerks	8.30	8.05	-2.97
Service workers and shop sales workers	8.26	6.94	-16.02
Craft and related workers	10.05	8.69	-13.53
Plant & machine operators and assemblers	9.56	7.64	-20.09
Unskilled and manual occupations	8.91	5.75	-35.43

SOURCES: Ibid. to Table 8.

FIGURE 4 *Average Employment Tenure of OECD Countries and Hong Kong (Years)*

SOURCE: Peter Auer and Sandrine Cazes, "The Resilience of the Long-term Employment Relationship," 2003, p. 25.

NOTE: OECD data refer to 2000 except for those of the U.S., which refer to 1998. EU data include self-employed while U.S. data count only employees.

employing company is an exception rather than a norm in the work culture of Hong Kong.³⁹

Institutional Sources of Flexibility in Hong Kong

The above analysis of temporal and numerical flexibility shows that Hong Kong employers have sought to achieve greater temporal flexibility by lengthening working hours (often without extra pay) and by assigning more employees to work irregular hours. Flexible employment is also manifested as shorter employment tenure. Moreover, it is employer-driven and aimed

39. "Gang Guyuan Zhongchengduo Di Rencai Yi Wailiu" [Hong Kong employees are less loyal to their companies compared to their overseas counterparts], *Ming Pao Daily News*, March 26, 2004; "Jin 75% Guyuan Yu Gongsi Guanxi Shuli" [Nearly 75% employees feel uncommitted to their companies], *Metropolis Daily* (Hong Kong), June 17, 2005; and "Qunian 400,000 Ren Zhuangong" [400,000 employees changed job last year], *ibid.*, September 27, 2005.

at enhancing productivity and reducing costs, rather than offering employees more flexibility to balance wage work with other life pursuits. New flexible employment practices found in other developed economies—such as staggering starting and ending work time, and setting working hours on an annual rather than weekly or monthly basis that allow employees to readily combine family and other life commitments with wage work—are generally absent in Hong Kong. Part-time employment, for example, that allows mothers, students, and retirees to combine child care, full-time study, and leisure activities with wage work is less salient. Even in times of business downturn, when employers were under great pressure to contain labor costs, part-time, temporary, and fixed term contract employment were less prevalent in Hong Kong than in other advanced Western economies. This shows that Hong Kong employers generally do not have a great need for these flexible employment forms. The record high unemployment rate after the Asian financial crisis indicated that Hong Kong employers pursue flexibility in their use of manpower through the simple “hire and fire” strategy to cope with business downturns and uncertain recovery. Several incidents of mass layoffs and downsizing in 2001 and 2002 epitomized these “hire and fire” flexible employment practices.⁴⁰

What factors, then, can account for this predominant form of flexible employment practices in Hong Kong? In the following discussion, we argue that the distinctive features of flexible employment there, in comparison to other advanced economies, can be explained by using an institutional approach. In particular, the colonial voluntarist industrial relations legacy, the history of organized labor, the democratization process, as well as the role of the pre-existing colonial state in both the economy and industrial relations, helped shape the characteristics of flexible employment in Hong Kong.

The Colonial Voluntarist Industrial Relations Legacy

During most of the colonial era, the primary source of employment flexibility was the ease with which employers could hire and fire workers. The

40. These incidences include the following: QPL International Holdings/ASAT, Ltd. (600 technicians, craft workers, and clerks in March); Triumph International (Hong Kong) (400 craft workers in July); a bus company (500 drivers in July); KK supermarket (525 staff in June); The Bank of China, Hong Kong (450 clerks and elementary workers in September); ASAT, Ltd. (about 600 employees in July); and PCCW (506 from senior to elementary occupations in December). Major redundancies announced in the first three months of 2002 included Phoenix TV (over 400 in January), Motorola Semiconductor Hong Kong, Ltd. (700 to 800 engineers and employees from production and business development in January), and PCCW (858 employees in March).

practice of laying off employees was facilitated by the minimal administrative and legal costs involved in doing so, because the labor market was unregulated and statutory employment legislation was also minimal. Unlike the situation in most advanced Western economies, Hong Kong even now has no legal restrictions on summary dismissal. Firing an employee requires no explanation, although there are a few statutory requirements if the dismissal in question involves redundancy or if the employee has served over five years: employers are obligated to provide a small redundancy payment or a long-service payment.

Before 1997, flexible employment was practiced mainly in small firms in the manufacturing sector through hiring long-term (*cheung saan-kung*) or short-term (*saan-kung*) temporary employees, or workers paid daily rates.⁴¹ In quasi-monopolistic public utilities and large enterprises, there were more elaborate internal labor markets. Valuable skilled employees were given informal guarantees of lifetime employment and could expect steady promotion up the organizational hierarchy as they gained seniority.

The neo-liberal globalization trend, the Asian financial crisis, the subsequent economic recession, and uncertain economic revival all helped to change this situation. After 1997, flexible employment practices penetrated large private firms and the Hong Kong civil service. These practices have affected not just manual workers and technicians but also white-collar clerks and professionals. Corporate restructuring, streamlining, consolidation, utilization of high-tech machines and equipment, and downsizing spread among Hong Kong's large private firms as they sought to regain their competitiveness in the global market. This led to mass layoffs. The destruction of the internal labor markets of large enterprises thus has become the trigger for much organizational restructuring since the late 1990s.⁴² Job security and lifelong employment became a thing of the past. Workers could no longer take for granted getting or keeping a job; they now worried that they might lose their jobs, their positions might soon be abolished, expired contracts might not be renewed and, most importantly, that they might not find a new job with comparable pay and benefits.⁴³

41. H. A. Turner and Patricia Fosh, *The Last Colony: But Whose? A Study of the Labor Movement, Labor Market, and Labor Relations in Hong Kong* (Cambridge: Cambridge University Press, 1980), pp. 71–72; Joe England, *Industrial Relations and Law in Hong Kong*, 2nd ed. (Hong Kong: Oxford University Press, 1989).

42. Stephen W. K. Chiu and David A. Levin, "HRM in Hong Kong since 1997," *Asia Pacific Business Review* 9:4 (Summer 2003), pp. 32–54.

43. Various studies conducted during the period when the unemployment rate reached a record high level found that the local workforce was plagued by worries over job insecurity and job loss. See May Yeuk-mui Tam and Ka-man Lee, "Employment Insecurity and Job Choice," *Policy Watch* 15 (April 2002), pp. 16–24; "86% Shoufangzhe Guoqu Sanyue Ganyoulu Gongzuo Jushou" [86% of respondents worried most about their job in the last three

Even the public sector, which used to offer life-long secure employment, undertook extensive reform in human resource management practices after 1997. The government's growing budget deficit in the early 2000s provided it with a strong rationale to privatize government activities and to introduce other measures to reduce labor costs and increase civil servants' productivity. One example was the outsourcing from the Housing Authority of estate maintenance and management (security and cleaning services). Other measures to enhance flexibility and reduce costs included a new entry system for fresh recruits and a voluntary early retirement scheme.⁴⁴ With both the government and large corporations pursuing these flexible employment practices, small- and middle-size employers were likely to follow suit. These practices were driven by the business concerns of employers rather than the needs and interests of employees.

The Organized Labor Movement and Trade Unions

Unlike the situation in Western economies, where organized labor has a long history and the labor movement is tightly coupled to the political arena and employment relations systems, union organizations in Hong Kong have generally been weak at the shop floor level, except in the public sector and very large corporations. During the past two decades, trade unions have functioned more effectively as pressure groups that seek to influence government policies than as bargaining agents vis-à-vis employers. It is thus not surprising that workers' collective organizations failed to provide Hong Kong employees with any protection from the assaults on job security in both the private and public sectors. The few occasions of

months], *Metropolis Daily*, March 15, 2004; "Xianggang Sancheng Guyuan You Weilai Yinian Shiye Quanqiu Xinxin Zuidi" [World's most worried workers in Hong Kong], *ibid.*, May 6, 2004; Democratic Alliance for the Betterment and Progress of Hong Kong, "Shimin Gongzuo Shijian Diaocha Jieguo" [A survey on working hours], October 28, 2001, <<http://www.dab.org.hk/tr/main.jsp?content=article-content.jsp&articleId=820&categoryId=1199>>, accessed June 15, 2005.

44. In June 2000, the government introduced new terms of appointment for fresh recruits as a measure to enhance flexibility. Under the new system, most recruits are appointed initially on probationary terms and/or agreement terms for a specified period before being considered for appointment on prevailing permanent terms. Departmental and grade management is responsible for monitoring and managing probationers and agreement officers. In July 2000, the government introduced a Voluntary Retirement (VR) Scheme to enable existing staff of 59 grades with surplus staff (or anticipated surplus) to retire voluntarily with pension benefits and compensation. On the close of the three-month option period in October 2000, about 11,000 applications were received to join the Scheme and about 9,400 were approved. A Management-initiated Retirement Scheme was introduced in September 2000 for directorate civil servants on pensionable and permanent terms.

effective employee opposition against employers' layoffs and other measures that jeopardized job security in the late 1990s failed to gain momentum and failed to evolve into a broad-based, systematic worker movement to resist and bargain over employer attempts to cut jobs, pay, and benefits. The resistance that did occur was generally piecemeal, ad-hoc, and restricted to sectors where labor was relatively well-organized.⁴⁵ The power imbalance between management and employees still prevails today, as indicated by findings from two surveys of corporate human resources managers. More than half the responding corporations in these two surveys reported that the pay of different grades of employees was unilaterally set by management; only 2%–3% of respondents said pay was determined through negotiation with trade unions or staff associations.⁴⁶

The Character of the Democratization Process

Despite the introduction of elected seats to the local legislature in the 1990s, organized labor has not been able to take advantage of this political opportunity to bring about major changes to the voluntarist tradition of employment relations in order to give employees greater statutory employment protection. One reason for labor's failure lies in the characteristics of Hong Kong's democratization. First, it is a process of reform from above rather than a response to mass discontent and demands from below. As a result, the intense popular political mobilization of labor that elsewhere has been associated with political democratization has been absent in Hong Kong's case. Second, the process of moving toward a popularly elected legislature has been gradual and partial. The continuation of the system in the legislature of functional constituencies, with seats filled through election by business groups and professionals, more or less assured the government of majority support for its policy proposals. Third, the process has been colored by Sino-British rivalry, which tended to exacerbate divisions within the labor movement. The pro-China Federation of Trade Unions and pro-democracy Confederation of Trade Unions have been the protagonists of the conflicting parties. Although their disagreements over democratization have not entirely prevented them from working together on more-substantive labor issues, their cooperation has been

45. Three incidences of relatively large-scale labor opposition took place between 1999 and 2001 in Cathay Pacific, the then Hong Kong Telecom, and the Housing Department of the government. In each of these three incidences, staff unions played an active role in organizing labor and in negotiating with management.

46. See Hong Kong Institute of Human Resource Management, *Human Resource Management Strategies and Practices in Hong Kong: Research Report* (Hong Kong: Hong Kong Institute of Human Resource Management, 2001 and 2004).

sporadic. Competition between the two federations for public support and recognition on labor issues has been the norm, rather than the exception. As long as democratization reinforced rivalries within the labor movement, the latter's capacity to restructure industrial relations in ways that favor workers' interests is limited.⁴⁷

The Colonial State's Role in the Economy and Industrial Relations

The pre-handover role of the colonial state in the economy and industrial relations also imposes constraints on the effectiveness of the labor movement. The colonial state's non-interventionist policies in the social and economic spheres and tacit alliance with the business community did not prevent it from taking up a substantial role in the sphere of collective consumption (housing, education, and medical services). However, its intervention into the sphere of production has been minimal. Entrepreneurs have been left free to decide their own business strategies and ways to deploy their labor. The sectoral flow of resources has been largely a matter of private decisions in which the state's influence has been quite limited. As a corollary, the state's extraction of the national wealth has also been quite limited.

Given this preexisting role of the state in the economy and industrial relations, it is difficult, if not impossible, for the labor movement in the post-colonial period to lobby the state to drastically expand its scope of intervention in the labor market to further working class interests. The democratization process has somewhat mitigated the imbalance of political power between employers and working class. To a certain extent, democratization has helped reduce the overwhelming influence of the business class over government policies. Government officials could no longer ignore the voices of organized labor expressed through electoral channels as well as through their protest actions. Since the late 1960s, the state has also supported a gradual expansion of legislative interventions in the labor market. In the face of record high unemployment after the Asian financial crisis, the government implemented measures, services, and programs to help youth, the less educated, and the unemployed to find jobs.⁴⁸ Nevertheless,

47. Stephen W. K. Chiu, "Unravelling Hong Kong's Exceptionalism: The Politics of Laissez-faire in the Industrial Takeoff," in *Political Power and Social Theory* 10 (1996), pp. 229–56.

48. For example, pre-employment job training programs for youth, job search assistance services and retraining programs provided to the unemployed by the Labor Department, and, lately, transport fee subsidies to enable non-working people to take up jobs in districts located far away from where they live.

it would be tough even for a completely "reformed" state in Hong Kong to transform itself into an interventionist welfare state in order to protect working class interests.

Hong Kong's long-standing laissez-faire tradition means that the starting point for expanding the scope of state action is relatively low. A lot of ground will need to be covered to redress the power imbalance between employers and employees in the labor market through public policies. A lot of political battles will have to be fought and won before the non-interventionist state emerges as the guarantor of the economic and social citizenship of the working class. Its bureaucratic apparatus also has to be massively expanded before it can acquire the requisite institutional capacity to influence market behaviors. Because the state now controls only a relatively small portion of the economy, it would have to increase significantly its appropriation of previously private resources through taxation to be able to provide all the welfare provisions demanded by the labor movement.

The voluntarist tradition in labor relations is another stumbling block for a labor movement seeking to achieve its aims through political means. Most of labor's proposals (for example, for statutory collective bargaining)⁴⁹ are seen as infringements of the freedom of contract and arouse intense employer opposition. Employer prerogatives matter not only in the work place but also in the political arena, as shown by the recent debate about setting a statutory minimum wage level and maximum number of work hours. Labor groups and union representatives have pressed the government to enact this legislation, but their proposal was opposed by employers' groups and their representatives in the consultative system of government. As a response to the demands of the labor representatives, the government launched the Wage Protection Movement on October 11, 2006, with the aim of protecting the wage levels of cleaning workers and security guards through voluntary and non-legislative means. Its effectiveness has yet to be evaluated.

49. During the sovereignty transition period, some labor unionists wanted to push for a bill in the legislature to establish the right to collective bargaining. The Employee's Rights to Representation, Consultation, and Collective Bargaining Ordinance was passed by the Legislative Council (LegCo) on June 30, 1997, the very last day of colonial rule. However, the pre-handover LegCo was immediately replaced by a Provisional LegCo, which excluded those who pushed for the ordinance. Within a few months, the Provisional LegCo quickly had this collective bargaining ordinance repealed. See "Board Scraps 'Frozen' Labor Laws Passed by Former Legislative Council," *South China Morning Post* (Hong Kong), August 16, 1997; and "EXCO Decides to Scrap Two out of Five Pre-handover Labor Laws," *ibid.*, October 1, 1997.

Conclusion

Hong Kong's labor market and employment relations have exhibited a relatively high level of flexibility, both before and after the handover. After the Asian financial crisis, employers instituted mass layoffs and wage cuts. There were occasional instances of labor's collective resistance in response, but only in large private firms where labor was relatively well organized. Labor's resistance has been generally muted and limited in scope, while the drive among employers for "hyperflexibility" has continued more or less unabated. In contrast to other advanced economies, the predominant flexible strategies adopted by Hong Kong employers include lengthening (often unpaid) working hours, irregular working hours, and shorter employment tenure rather than using flexible employment forms such as expanded part-time employment.

For the near future, it is likely that job insecurity will continue to be widespread in Hong Kong and workers will continue to work for long hours as employers seek to maximize their flexibility to respond to changing market demands and cost structures. Working hour schedules are likely to become even more irregular—the government just implemented the five-day work week for government employees in July 2006, and the banking sector and other large corporations and quasi-public organizations plan to follow suit. It can be expected that employers will make greater use of irregular working hour schedules to provide service over weekends. While self-employment and part-time work may be voluntarily pursued by skilled and professional employees, whether they will become the dominant form of flexible employment in future is an open question. Rather than flexible employment emerging as a means toward the pursuit of the balance of work and other life domains as observed in Western societies, the Hong Kong case appears to be an employer-driven process that largely confirms what critics of globalization would suggest, that it is basically a strategy to cut and control costs in a time of relentless competition.