Section III

Conclusions

(1) Economic Outlook

3.1 The global financial tsunami triggered by the bankruptcy of Lehman Brothers in September 2008 led to a significant slowdown of the rising local economy in 2009. Negative gross domestic product (GDP) growth was recorded in the first three quarters of 2009 and only slight improvement was seen in the fourth quarter.

3.2 The subprime mortgage crisis and financial turmoil weakened the performance of US and European markets, and thereby adversely affected the export and re-export income of Hong Kong. However, the overall local economy remained substantially stable as the subprime crisis did not bring about direct impacts; and also owing to an estimate of over $100 billion “hot money” staying in Hong Kong. The GDP of the first quarter of 2010 even registered a 9.2% increase, representing a growth of 8.2% year-on-year. In the aspect of domestic demand, a respective growth of 7.1% and 2.6% was recorded in private consumption expenditure and government consumption expenditure, and domestic fixed capital increased as much as 22.7%. Benefited from domestic growth, the labour market was stable with a low unemployment rate (4.4% in the first quarter of 2010).

3.3 However, inflation in Hong Kong was heated up by the depreciation of US dollar and the continuous appreciation of Renminbi (RMB). The Composite Consumer Price Index recorded a year-on-year increase of 2.1% in the first quarter of 2010. The property market even hit record highs with the persistently low loan rates and hot money inflows. Rentals for shop and office space did not fall despite the repercussions of the financial tsunami, while property prices drew near the summit of 1997. Various business sectors, in particular personal and related services, were under mounted pressure as rents escalated.

3.4 To cope with rental hikes, small- and medium-sized enterprises (SME) with narrow profit margins had to cut back on other expenses to survive at times of shrinking revenue. Their growth in particular is significantly limited amidst the unfavourable business conditions, whose overall operating costs were fuelled by the relatively high wages of local workers than
their counterparts elsewhere. Also, the intense competition among business operators would further weaken the business advantages of Hong Kong. As the introduction of statutory minimum wage was being legislated, the highly labour-intensive Beauty Care and Hairdressing sectors would have to brace for another challenge.

(2) Business Outlook and Manpower Implications

3.5 Although it took less time than anticipated to absorb the impact of financial tsunami, the industry saw changes and adjustments in operating cost, business development and manpower demand owing to the absence of signs of rent reduction coupled with weaker consumption.

3.6 A rapid expansion of medical cosmetic services was witnessed in the Beauty Centre sector. Those beauty equipments and treatments using optical, acoustic, physio, micro-current and injection technologies became dominant. An increasing number of professionals from other fields (e.g. medical doctors, health care personnel and therapists) have been joining this sector. Numerous beauty care providers have sprung up in recent years, predominantly medium-sized and self-acclaimed as medical beauty centres or groups, etc. and managed by medical professionals. With their emergence, the manpower structure of the Beauty Centre sector has become more complex.

3.7 The Cosmetic Product Company – Retail sector benefitted from the growing number of Mainland visitors encouraged by the ongoing policy of the Individual Visit Scheme (IVS) by the Central Government. As beauty care and cosmetic products were among the major items on the shopping lists of these visitors, retail sales saw sustained business growth and a marked increase in employee population. In response to these developments, employers were of the view that staff should receive more training on customer services and language skills.

3.8 Moreover, as retail shops have diversified their product sales in recent years, some local shoppers have begun to buy skin care products from the retail shops instead of beauty centres. In the long run, such changes will bear on the business of Beauty Centre as well as
the Cosmetic Product Company – WIE, which in turn would feel the pressure of little manpower growth caused by narrowing room for business development.

3.9 Besides product sales, some major brands have substantially expanded the share of beauty care services in their business portfolios in recent years. These brands are generally perceived as being more professional and assured in quality. Their business expansion will bring rising pressure on SME beauty centres. To stay competitive, these beauty centres must provide staff with more professional and quality training as well as pathways for accreditation so as to enhance consumer confidence.

3.10 Nail Salon was still an emerging sector yet to reach full potential for sustainable growth. This sector has seen a rise of both service providers and consumers, while nail, hand and foot care has been being considered essential to personal grooming and hygiene. The sector was characterised by modest requirements of shop size in general, which made it relatively easy for business start-ups. Also, in-service personnel and new entrants were predominantly female and generally fairly young. Hence, the sector had quite a lot of room for development. This was also evident in the findings of this survey. With a relatively small base for comparison, the sector registered only a growth of some 400 employees and yet had a nearly 100% increase in the total workforce.

3.11 Hairdressing Salon sector had a slightly different concern from that of the Beauty Centre and Cosmetic Product Company sectors. In recent years, whether big chain-store enterprises or SME shops, local hairdressing salons have suffered manpower shortages. The main reason was that young people were mostly unwilling to join or take hairdressing as a long-term career. When compared with other careers, hairdressing required them to undergo a prolonged apprenticeship, and was more demanding while wages were not particularly attractive. With the natural wastage of experienced personnel and few new entrants, manpower shortages in the salons will worsen. This sector has seen a shrinking manpower even though it did not bear the brunt of the financial turmoil.
3.12 In order to accumulate data for a more accurate analysis of the long term manpower statistics of the industry, C&SD basically adopted the sampling framework of the 2007 survey and improved it with reference to the updated list of companies registered in November 2009. After reviewing the survey findings, the Training Board was of the view that the data on the whole reflected the overall manpower situation of the industry during the survey period.

Manpower Structure and Growth

3.13 As at January 2010, a total of 47,591 technical employees (including Direct Employees, Freelancers and Part-time Employees) were engaged in the industry. Among the six sectors, Beauty Centre had the greatest number of employees, followed by Hairdressing Salon.

3.14 It is noteworthy that, compared with the 2007 survey, Nail Salon had a remarkable increase in technical employees (+92%), whereas Hairdressing Salon saw a significant decrease (-7%).

3.15 As for the School sector, technical manpower recorded a 46% growth over 2007 since more samples, not only private training institutes/schools but also non-profit-making training institutes, were taken for this sector in the 2010 survey. However, the gradual decline of private training organisations/schools in recent years could not be reflected in the survey findings. On the contrary a general rising trend in this category of employees was shown since Tutors/Instructors were also hired in the other five sectors.

3.16 The number of Freelancers and Part-time Employees was comparable to that in 2007, with a drop of 152 (-10.6%) and 27 (+2%) respectively.
3.17 For assessing the manpower structure of the industry, Figure 11 shows the distribution of Direct Employees by company and employment size.

**Figure 11: Distribution of Direct Employees by Company and Employment Size**

3.18 The survey revealed that the majority of operators in the industry were small companies with less than 10 employees. In fact, 90.1% of the operators employed 1-9 workers. 37.5% of the employees worked in these companies. It should be noted that companies with 100 or more staff took up 31.6% of the employees within the trade. Such employee proportion for the large companies represented a significant growth from 20.5% in 2007, particularly in the two sectors of Beauty Centre, and Cosmetic Product Company - Retail.

3.19 A vacancy rate of about 4% was recorded for the technical manpower of the industry, down from 6.5% in 2007. Manpower shortage was most acute in Hairdressing Salon with 399 vacancies of Hairdressing Assistants, followed by 332 vacancies of Beauticians in Beauty Centres. The manpower shortage was due to similar reasons as those given in the previous survey. With the implementation of a series of education policies and a variety of training courses on offer in the market, young people and other prospective entrants have become less keen to join the industry.
3.20 The above two sectors also had much fewer vacancies than in 2007 (with 931 and 757 posts unfilled respectively) but for different reasons. According to this survey, competition among Hairdressing Salon operators intensified. Salons with less than 50 employees saw a significant cut in technical manpower, while those with over 50 staff had a soaring number of technical personnel. The trend has become apparent for the fittest to survive in the market and the number of vacancies fell amidst manpower reduction.

3.21 In contrast, in the Beauty Centre sector, especially the giant brand companies, expanded rapidly in the past two years. As employees could expect better career prospects in the industry and a lot of professionals from other fields were drawn to the Beauty Centre sector, vacancies dropped sharply.

Employers’ Forecast of Manpower Demand by January 2011

3.22 Employers forecast that the industry would have a total of 46,763 posts (excluding Freelancers and Part-time Employees) in January 2011, representing a very slight decrease by less than 0.1% from 2010, indicating that the industry should maintain employment at the present level. Moreover, with persistently high operating costs and manpower shortages, the industry as a whole has been cautious about hiring more employees. Jobs with more new vacancies are as follows:

<table>
<thead>
<tr>
<th>Job Titles</th>
<th>Change in Number of Posts</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Hair Stylist</td>
<td>+68</td>
</tr>
<tr>
<td>(ii) Sales/Marketing Officer</td>
<td>+65</td>
</tr>
<tr>
<td>(iii) Beautician</td>
<td>+30</td>
</tr>
</tbody>
</table>

Manpower Projections for 2010-2015 by Adaptive Filtering Method

3.23 Considering various factors, the Training Board adopted the “Adaptive Filtering Method” to extrapolate the average annual growth in manpower between 2010 and 2015. By this method, past survey data were weighted through computer analysis and heavier weighting was given to the more recent data. By adjusting the weighting factor (A = 0 to 1),
appropriate values were selected to generate the projections. The Training Board also considered factors that might affect the manpower demand of the industry, e.g. market trends, technological developments and the economic situation, in order to give appropriate projections. The projections by sector for the next five years based on this method are illustrated in Table 4.

3.24 Besides manpower projections, the Training Board had to take into account the staff wastage rate. As noted in the preceding section, the wastage rate for each sector was calculated based on the difference in number of leavers and experienced new recruits. According to the above data, the Beauty Care, Hairdressing and Cosmetics industry would need to train annually an average of the following number of additional workers:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Wastage Rate in 2010</th>
<th>Average Annual Growth</th>
<th>Annual Additional Training Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. School (Beauty &amp; Hairdressing / Make-up &amp; Nail)</td>
<td>0%</td>
<td>5.2%</td>
<td>41</td>
</tr>
<tr>
<td>2. Beauty Centre / Health Centre &amp; Spa</td>
<td>4.4%</td>
<td>1.0%</td>
<td>988</td>
</tr>
<tr>
<td>3. Hairdressing Salon</td>
<td>17.3%</td>
<td>-2.2%</td>
<td>2 246</td>
</tr>
<tr>
<td>4. Cosmetic Product Company – Retail</td>
<td>5.2%</td>
<td>0.7%</td>
<td>286</td>
</tr>
<tr>
<td>5. Cosmetic Product Company – Wholesale, Import &amp; Export</td>
<td>4.5%</td>
<td>4.8%</td>
<td>979</td>
</tr>
<tr>
<td>6. Nail Salon</td>
<td>0.2%</td>
<td>13.5%</td>
<td>190</td>
</tr>
</tbody>
</table>

Total: 4 730

3.25 As shown in Table 4, the additional workers to be trained in the next five years would be mostly from Hairdressing Salon (47.5% of the total). As young people today generally perceive hairdressing as a trade that requires a lengthy apprenticeship and is more demanding than other jobs, this sector has had relatively high staff wastage and persistent shortages in new recruits, and the headcount has even begun to fall. The manpower shortages may not be fully resolved even with an increase in training resources. To address the overall problem of manpower shortages and wastage, a well-defined training system and
career pathway should be in place so that well-equipped new entrants would be willing to
join and stay on to develop their long-term career.

3.26 Additional training would also be required in Beauty Centre (20.9%) and Cosmetic
Product Company – WIE (20.7%), etc. Such projections also match the current
developments of the industry.

3.27 However, the allocation of training resources would need to take into account the
changes in education policies. The implementation of the “3+3+4 academic system”, for
example, would not only push back the age at which young people join the industry but also
possibly bear on their career choices, thus impacting the industry on its attraction for young
recruits.

Preferred and Actual Education of Employees

3.28 As the industry as a whole saw a sharp increase in manpower demand, employers
tended to relax their requirements as regards the education level of Direct Employees. By
education level, it was found that for the stratum of secondary 5 or below, employers
preferred 45.3% of Direct Employees to have attained secondary 4 to 5, down from 68.5% in
2007, while the proportion of those preferably with secondary 3 or below rose from 11.3% to
20.6%. At the secondary 6 or above stratum, employees preferred to have an Associate
Degree, Higher Diploma or even University Degree also dropped from 7.9% to 5.4%, but the
proportion of employees preferably with only secondary 6 to 7, Diploma, Advanced
Certificate or Certificate went up from 10.3% to 19.1%

3.29 Regarding their actual education, the percentages of Direct Employees with
University Degree, Associate Degree / Higher Diploma or equivalent qualifications and those
with Secondary 3 level or below were comparable to the figures in 2007. However, the
proportion of those with Secondary 4 to 5 level declined from 65.5% to 48.5%, whereas those
with Secondary 6 to 7 level, Certificate or equivalent qualifications, or Diploma or equivalent
qualifications rose drastically from 6.4% to 17.5%.

3.30 The above situation was attributable to the rapid development of the Beauty Centre
sector in the past two years, which attracted numerous candidates with Secondary 5 or above
level to join the industry as Beauticians, Sales Representatives or Beauty Advisers (Counter), thus leading to changes in employee distribution by actual education. However, due to concerns over uncertainties in industry outlook and manpower demands, employers were becoming less demanding on the education level of employees.

Preferred and Actual Working Experience of Employees

Preferred and Actual Vocational Qualifications of Employees

Training Needs
attend relevant external courses during non-business hours. However, instead of training in
Customer Service and Language Skills, employees studying at their own cost were more
inclined to take technical subjects in order to enhance their competitiveness in the labour
market. The training they received might not meet the specific training needs of the
companies.

Recruitment Difficulties

3.35 As noted in the previous section, 2 897 companies were conducting recruitment
exercise during the survey period. Among them, 1 483 (51.2%) came across difficulties in
filling the posts. As in 2007, it was most difficult to recruit for vacancies at
Tradesman/Semi-skilled levels, i.e. frontline or entry-level posts.

3.36 Recruitment was most difficult for Hairdressing Salon, of which 23.4% of the
operators found it hard to hire employees. There were several reasons for the difficulties: a
general perception that the working hours were excessively long; unduly high expectations of
working conditions/remuneration packages from recruits; and even a lack of candidates with
relevant experiences. A similar situation was reported in the 2007 survey. It was evident
that local young people generally saw hairdressing as a demanding job with unattractive
remuneration and therefore would not have a high commitment to career choices in the
industry, resulting in the persistent shortage of new recruits in this sector.

3.37 Beauty Centre was faced with a similar situation. 11.8% of the companies in this
sector had recruitment difficulties. According to the employers, they lacked candidates with
relevant experience and there was insufficient trained/qualified manpower in related
disciplines.

Staff Wastage Rate

3.38 According to the findings in the preceding section, a total of 8 616 workers left the
industry during the survey period, and there were 4 435 new recruits with relevant experience.
By sectors, Hairdressing Salon recorded the greatest loss (17.3%), followed by Cosmetic
Product Company – WIE (5.2%). Cosmetic Product Company – Retail and Beauty Centre
had similar rates of wastage, 4.5% and 4.4% respectively. In fact, the Hairdressing industry
has had great difficulties in recruitment in recent years. It was equally difficult to attract new/young recruits (working as Hairdressing Assistants, etc.), especially so for Hairdressing Salon to have new recruits with relevant experience.