

For information on
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Legislative Council Panel on Manpower
Mid-term Review of the Wage Protection Movement
for Cleaning Workers and Security Guards

Purpose

This paper briefs Members on the data relating to the mid-term review of the Wage Protection Movement for Cleaning Workers and Security Guards (“WPM”), as well as the outcome of the special meeting of the Labour Advisory Board (“LAB”) held on 30 October 2007, to gauge the progress of the WPM so far.

Background

2. The WPM¹ was launched in October 2006 with an overall review scheduled for October 2008 to evaluate its effectiveness. If the overall review indicates that the WPM fails to yield satisfactory results, the Administration will introduce a statutory minimum wage for security guards and cleaning workers. Prior to this, a mid-term review will be conducted to gauge its progress. The Chief Executive (“CE”) stated in his 2007-08 Policy Address that if the mid-term review shows that the progress is unsatisfactory, the Administration “will further promote the movement as well as proceed immediately with the preparatory legislative work on a statutory minimum wage”. The CE also made it clear that if the overall review of the WPM to be conducted in October 2008 finds that the movement has failed to yield satisfactory results, the Administration will introduce a bill on a statutory minimum wage for security guards and cleaning workers as early as possible in the 2008-09 legislative year.

¹ Under the WPM, participating corporations/organisations undertake to:

- (a) pay their cleaning workers and security guards wages not lower than the average market rates of the relevant industries and occupations as published in the Census and Statistics Department’s (“C&SD”) Quarterly Report of Wage and Payroll Statistics; and
- (b) enter into written employment contracts with their workers. These workers should be suitably compensated if they have to work beyond contractual hours.

To protect workers from being exploited in the course of subcontracting, the same requirements should apply to contractors and sub-contractors providing cleansing and guarding services to these entities.

3. The LAB has begun discussion on the mid-term review since March this year. During the discussion, it is noted that similar to the mandatory wage arrangement for Government outsourced service contractors, the WPM allows a transitional period for pre-existing contracts. The number of cleaning workers and security guards who benefit from wage protection should therefore progressively increase in tandem with the migratory process. In addition, given the voluntary nature of the WPM and the complexity of the employment situation, diverse perspectives should be taken into account.

4. Against the above background and having regard to the data currently available, the LAB agreed that the quantitative indicators for the mid-term review should comprise the following:

- (a) employment situation of cleaning workers and security guards in the market (such as the number of workers employed, their gender, age and education profiles);
- (b) wage trends of cleaning workers and security guards in the market;
- (c) number of cleaning workers and security guards receiving wages not lower than the relevant market averages in the market and the income distribution of these workers;
- (d) number of entities participating in the WPM;
- (e) number of relevant job vacancies posted by the Labour Department (“LD”) with wage levels having been increased to the relevant market averages; and
- (f) number of substantiated non-compliance cases under the WPM.

5. The Administration has kept the LegCo Manpower Panel in the picture and LD has been working with the C&SD in collecting and analysing the data.

6. Though the WPM wage levels would in effect be the average of those of the relevant industries and occupations for the preceding quarter, using a moving average as the benchmark for assessment would complicate the review. Therefore, the wage levels of Q2 2006, i.e. the prevailing levels at the launch of the WPM, were adopted as the benchmark for the purpose of the review.

Nature of the quantitative indicators

7. As is the case for any empirical data, there is an inevitable lag of a few months between the time the snapshot was taken and the time data was enumerated and made available². It is noteworthy that the latest set of available data only captures the situation as at Q2 2007 when the WPM had been in place for just below nine months. In addition, when interpreting the data, it is pertinent to note concurrent developments in the economy which have a bearing on the data captured, notably the changes in the employment situation and wage levels for the segment of the market most relevant to the cleaning workers and security guards. Last but not least is the nature of the WPM itself. Apart from the migration of pre-existing contracts referred to in paragraph 3 above, the voluntary nature of the WPM implies that participants would constitute a proportion rather than the totality of those who remunerate their cleaning workers and security guards at or above the relevant market average wage rates.

Data collected for the mid-term review

(A) Employment situation of cleaning workers and security guards

Number of workers

	Q2 2006	Q2 2007
Cleaning workers	96 700	99 800 (+3%)
Security guards	84 700	89 700 (+6%)
<i>Total</i>	<i>181 400³</i>	<i>189 500 (+4%)</i>

8. There was an increase of 8 100 workers (or 4%) in the total number of cleaning workers and security guards. For reference, total employment in Hong Kong registered an increase of 3.4% over the same period.

² A lead-time of three to four months (may be even longer for complicated surveys) is normally required for processing and analysing the data after the completion of fieldwork.

³ Whilst the Administration has earlier reported that there were 187 400 cleaning workers and security guards in the market, the figure has subsequently been adjusted upon incorporating the results of the revision of the population estimates subsequent to the conduct of the 2006 Population By-census.

Gender profile

	Observations	Change over Q2 2006
Cleaning workers	↑ female	+7 200 (+9%)
Security guards	↑ female	+4 500 (+27%)

9. There were increases in the number of female cleaning workers and security guards by 9% and 27% respectively. This is more than the increase in the total female labour force of 67 000 (or 4.2%) during the period.

Age profile

	Observations	Change over Q2 2006
Cleaning workers	<u>Male</u>	
	↓ (under 40)	-2 800 (-53%)
	↓ (40-49)	-3 000 (-53%)
	↑ (60+)	+1 500 (+41%)
	<u>Female</u>	
	↑ (50-59)	+5 000 (+15%)
Security guards	<u>Male</u>	
	↓ (under 40)	-2 200 (-22%)
	↓ (40-49)	-3 000 (-18%)
	↑ (60+)	+4 500 (+33%)
	<u>Female</u>	
	↑ (50-59)	+4 500 (+91%)

10. There was a decrease in the number of male workers aged below 50, but an increase for those aged 60 or above. Meanwhile, there was a notable increase (by 15% and 91% respectively) in the number of female workers aged 50 to 59 for both cleaning workers and security guards.

Education profile

	Observations	Change over Q2 2006
Cleaning workers	↑ primary or below	+5 800 (+10%)
Security guards	No significant changes	-

11. There was an increase in the number of cleaning workers with lower education level.

12. From the gender, age and education profiles of workers above:

- (a) there is no evidence of displacement of the more vulnerable workers (i.e. persons who are older and/or of lower educational attainment).
- (b) more women have become security guards. During Q2 2006 to Q2 2007, the proportion of females among all security guards increased from 19.7% to 23.6%.

13. The buoyant economic situation and the improving labour market might have contributed to the turnover in the two occupations covered in the WPM. Positions left vacant by workers who are younger, male and/or more educated are filled by workers who are older, female and/or less educated.

(B) Wage trends of cleaning workers and security guards in the market

	Q1 2006 (\$)	Q2 2006 (\$)	Q3 2006 (\$)	Q4 2006 (\$)	Q1 2007 (\$)	Q2 2007 (\$)
Cleaning workers ⁴	23.5	24.2	24.1	24.4	24.7	25.1
Security guards ⁵						
Overall ⁶	25.3	26.1	26.3	26.7	26.8	27.3
2-shift system	22.5	23.2	23.5	23.7	23.5	23.8
3-shift system	29.3	30.6	30.6	30.5	30.5	30.8

14. During Q2 2006, the average hourly and monthly rates of cleaning workers were \$24.2 and \$5,042. The figures for Q2 2007 were \$25.1 and \$5,213 respectively.

15. For security guards, depending on their shift pattern, the average hourly rates ranged from \$23.2 to \$30.6 (average monthly salaries from \$6,358 to \$6,796) in Q2 2006. The corresponding wage levels were \$23.8 to \$30.8 and \$6,407 to \$7,094 in Q2 2007.

16. Over the past year, the average hourly wage levels of cleaning workers and security guards were on an upward trend. Comparing with Q2 2006, the wage level in Q2 2007 increased by:

- (a) 3.7% for cleaning workers; and
- (b) 4.6% for security guards.

⁴ Refers to “Cleaner (general)” under “Sanitary and similar services”.

⁵ Refers to “Guard” under “Security and detective services”.

⁶ Refers to the wage rate for “overall guards” which is a weighted average for guards worked under various working arrangements, including those working under 2-shift, 3-shift and other working hours (such as 9 hours and 10 hours per day). The first two categories involve more workers employed under residential premises whilst the last one more for non-residential ones.

17. By way of background, CPI(A) in June 2007 rose 0.8% year-on-year and the average hourly wage rate of employees (excluding foreign domestic helpers) in elementary occupations recorded a 3.0% increase during the same period.

(C) Number of cleaning workers and security guards receiving wages not lower than the relevant market averages and profile of wage distribution

Number of workers receiving hourly rates not lower than the relevant market averages

	Q2 2006 (% share)	Q2 2007 (% share)	Change over Q2 2006 (% change)
Number of cleaning workers <u>and</u> security guards receiving wages not less than the relevant market averages in Q2 2006⁷	80 200 (44%)	87 800 (46%)	+7 600 (+9.5%)

18. In Q2 2007, there was an increase in the percentage share (by two percentage points) and total number (by 7 600 workers or 9.5%) of workers who were receiving wages not less than the relevant market averages when comparing to the situation at Q2 2006.

⁷ For cleaning workers, the relevant reference wage is \$24.2. For security guards, the relevant reference wage is \$26.1.

Profile of wage distribution in Q2 2007

	Observations	Change over Q2 2006 (change in % share)
	<\$25	-800 (-2.0% pt)
Cleaning workers	\$25 - < \$30	+2 900 (+2.5 % pt)
	≥\$30	+300 (-0.4% pt)
	<\$25	-2 100 (-5.7% pt)
Security guards	\$25 - < \$30	+5 000 (+4.3 % pt)
	\$30 - < \$35	+3 400 (+3.4% pt)
	≥\$35	-1 400 (-2.0% pt)
	<\$25	-2 100 (-5.7% pt)

19. The data suggests that there is a convergence in the wage distribution towards the respective reference wage rates as reflected by a narrowing spread and higher frequency. In Q2 2007, 21.3% of the cleaning workers and 27.1% of security guards had wage levels between \$25 and less than \$30 (i.e. the range in which the reference wage levels fall), up from the respective proportions of 18.8% and 22.8% in Q2 2006.

(D) Number of entities participating in the WPM

20. As at end-September 2007, there were 1 041 participating entities. Amongst these, there were only 34 owners' corporations ("OCs"), 27 cleansing services operators and 38 security services and property management firms. By way of background, there are some 8 000 OCs, over 1 500 firms in "sanitary and similar services", and about 2 000 firms in "security and detective services" and "real estate maintenance management" in Hong Kong. Directly and indirectly, these entities together employ a considerable number of cleaning workers and security guards.

(E) Number of relevant job vacancies posted by the LD which wage levels have been increased to the relevant market averages

21. From November 2006 to end-September 2007, there were 2 987 cleaning worker and security guard vacancies posted by the LD with wage levels having been increased to the relevant market averages. These workers have benefited immediately from the WPM.

(F) Number of substantiated non-compliance cases under the WPM

22. As at end-September 2007, the LD inspected 605 entities and 137 service contractors. Three participants were found to have breached the WPM terms. Subsequently, one of them rectified the breach and the other two withdrew from the movement altogether. In the meantime, LD also received complaints against nine participants. Of these, one rectified the situation and one withdrew from the WPM owing to inability to meet the WPM terms. Allegations against the remaining seven were found to be unsubstantiated. In other words, altogether three entities have withdrawn owing to non-compliance with the requirements thus far (i.e. less than 0.3% of participating entities).

Analysis of the data

23. It cannot be over-emphasised that an objective analysis of the WPM cannot ignore other pertinent concurrent developments. These include the prevailing economic and employment situation as well as the possible impact of reference wage rates on business decision-making. A postulation based on the data collected and phenomena observed does not necessarily provide a sufficient explanation of the forces at play.

24. Our analysis of the data above is set out below:

- (a) there was an increase in the number of workers who are traditionally considered as belonging to the disadvantaged group, e.g. persons who are older, female and/or of lower educational attainment;
- (b) the average wages of cleaning workers and security guards were on the rise;
- (c) slightly less than half of the total number of workers (46%) were receiving wages not lower than the relevant market averages, though there was an increase of 7 600 such workers (+9.5%) over the past year;

- (d) the number of participating entities is still on the low side. Participation of OCs, cleansing and guarding services operators and property management companies was far from satisfactory;
- (e) there were non-participating companies/organisations which paid their cleaning workers and/or security guards at least the relevant market average rates;
- (f) more than 3 000 cleaning workers and security guards have benefited immediately because of the WPM⁸; and
- (g) the proportion of substantiated non-compliance cases was low.

25. Our analysis suggests that there are both disappointing and positive indicators for the WPM. To begin with, the number of participating companies was far from satisfactory. In respect of the number of cleaning workers and security guards receiving wage levels at or above the prevailing averages at Q2 2006, we would hope for a percentage considerably higher than 46%. In particular, there is much room for improvement in terms of the participation of employers, especially OCs, cleansing and guarding services operators and property management companies. Nevertheless, there are also some encouraging signals suggesting that the WPM may have triggered some slow and subtle change in the employment situation of the two occupations. For instance, with the increase in the number of workers who are older, female and/or of lower educational attainment in the two selected occupations, one would have expected that the wage levels would be somewhat depressed. Yet, paragraphs 14 and 15 show that the wage levels of cleaning workers and security guards have in fact increased. Whilst a vibrant economy may be a contributory factor, it is at the same time relevant to note that there is a more than adequate supply of labour to fill the positions of the occupations whose interest the WPM seeks to promote. Furthermore, notwithstanding the voluntary nature of the WPM, substantiated non-compliance cases were few.

26. Meanwhile, in the course of promoting the WPM, the LD has also received feedback on the design of the WPM. The salient ones are:

- (a) adopting a moving average as the WPM wage levels complicates and increases the cost of accounting and human resource management. Over time, it also inadvertently creates the situation of differential pay for workers with similar job content within the same company; and
- (b) some service providers in the cleansing and guarding services sectors have attributed their non-participation to an obligation to ensure compliance by all their subsidiaries and sub-contractors, even though such entities operate at arms length.

⁸ Future vacancies from the employers who have been convinced to raise the wage level would not be captured as they have already raised the level before they approach the LD.

27. The analysis in this paper draws heavily on the data of the General Household Survey which has been designed to capture a rich set of information for wide-ranging policy purposes. The diversity of the two occupations in terms of nature, skills and wage levels rendered our analysis rather difficult. Looking ahead, there is prima facie a need for finer statistical compilation to enable a more discerning and in-depth analysis of the situation of the segment of the labour force whose interest the WPM is intended to safeguard. The LD will liaise with C&SD on how this may be achieved.

Outcome of discussion by the LAB

28. The LAB met on 30 October 2007 to discuss the progress of the WPM under the mid-term review. Views as to whether progress has been satisfactory were mixed. There were concerns that the progress of the WPM was not satisfactory, and hence preparatory work for introducing a statutory minimum wage for cleaning workers and security guards should commence immediately. There were also views that the WPM had made headway in certain aspects and pressing ahead with the WPM should still be the focus.

29. LAB members noted that a decision on whether to legislate for a minimum wage would be made only in the light of the outcome of the overall review of the WPM scheduled for October 2008. Nevertheless, in a pragmatic spirit, the LAB agreed that, notwithstanding differences amongst members on the interpretation of the results of the mid-term review, further study should be conducted on the practical issues which would be relevant to both the continued implementation of the WPM and the introduction of a statutory minimum wage for cleaning workers and security guards should the final review in October 2008 indicate that the voluntary WPM has not yielded satisfactory results. Such issues may include, amongst other things, the definition of cleaning workers and security guards, treatment of disadvantaged groups, determination and review of the wage level, and how best to deal with buildings which have yet to form OCs.

Way forward

30. The LD would step up the promotion of the WPM to garner more support from different sectors of the community as well as identify possible areas for improvement to enhance the effectiveness of the movement. A new publicity campaign including new TV and radio Announcements in the Public Interest has been launched in end-October this year. Furthermore, we would include a WPM publicity flyer alongside the Demand for Rates and Government

Rent so that all property owners/tenants (totalling over two million) would receive promotional materials directly. We shall also step up our publicity effort targeting OCs.

31. At the same time, the LD would study various issues that need to be tackled in introducing a statutory minimum wage for cleaning workers and security guards so that no time would be lost in case the overall review scheduled for October 2008 indicates that the WPM has not been effective and a bill on this has to be introduced into LegCo in the 2008-09 legislative year.

32. Members are invited to note the content of this paper.

Labour and Welfare Bureau
Labour Department
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