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Panel on Manpower

**Updated background brief prepared by the Legislative Council
Secretariat for the meeting on 15 April 2014**

Annual Earnings and Hours Survey

Purpose

This paper summarises past discussions by the Panel on Manpower ("the Panel") on the Annual Earnings and Hours Survey ("AEHS").

Background

2. AEHS was launched in May 2009 as a voluntary survey by the Census and Statistics Department ("C&SD") to collect wage, employment and demographic information of employees from about 10 000 business undertakings in Hong Kong. The information was required to compile statistics on -

- (a) the level and distribution of wages of employees in Hong Kong, including mean, median, quartiles and deciles spread of wage rates; and
- (b) the employment characteristics (e.g. whether full-time or part-time workers, and permanent or contract staff) and demographics (e.g. sex, age, educational attainment) of employees.

According to the Administration, these statistics are essential inputs for analyses related to the implementation of the statutory minimum wage ("SMW"). They are also useful for studies on labour-related topics by the private sector, non-governmental organizations and the Government. Since the Census and Statistics (Annual Earnings and Hours Survey) Order¹ came into operation in March 2010, AEHS has been conducted as a mandatory statistical survey from 2010 onwards.

¹ The Census and Statistics (Annual Earnings and Hours Survey) Order sought to implement C&SD's proposal to conduct AEHS on a mandatory basis was published in the Gazette on 22 January 2010 and tabled in the Legislative Council of 27 January 2010.

3. The reference period of the 2010 AEHS was April-June 2010. To reflect the wage distribution of employees after the implementation of SMW, which came into effect on 1 May 2011, the Administration subsequently changed the reference period of AEHS to May-June in the same year.

Deliberations of the Panel

4. The Panel's deliberations on the major findings of AEHS since its conduction in 2009 are summarised below.

Definition of wages and working hours in AEHS

5. In response to members' concern about the definition of wages in AEHS and the employees covered by AEHS, the Administration explained that analysis of the distribution of hourly wage in AEHS was based on wages which followed the definition adopted in the Employment Ordinance (Cap. 57) ("EO") and comprised basic wage/salary, commission, tips, allowances, bonuses of non-gratuitous nature and overtime payment. All the paid overtime hours and overtime payment were counted for the purpose of computing the hourly wage for the survey. Following the enactment of the Minimum Wage Ordinance (Cap. 608) ("MWO"), AEHS covered all employees in Hong Kong under the coverage of MWO, including employees of contractors of government outsourced service contracts but excluding live-in domestic workers and government employees.

6. Members noted that overtime hours not recognised by employers were not covered under AEHS. Some members expressed concern whether overtime hours had been underestimated as a vast majority of employees in the banking and information technology industries were required to work long hours without compensation arrangement.

7. The Administration advised that the working hours statistics published in the AEHS Report followed the definition of hours worked under MWO and covered contractual/agreed working hours and overtime hours worked at the direction of employers. Overtime hours not worked under the direction of employers, for which records or data were not available from the employers, were therefore not covered.

Level of hourly wages of employees

8. Members expressed concern that as shown from the findings of AEHS, the median hourly wage of female employees was significantly lower than that of male employees.

9. According to the Administration, the median hourly wage for male employees was higher than that of female employees mainly because the proportion of male employees who had completed tertiary education and were engaged in higher-paid occupations was higher than the corresponding proportion of female employees.

Data collection and processing

10. There was concern about the quality of wage data collected in AEHS. The Administration advised that C&SD had consulted chambers of commerce, employers' associations, trade unions, academia and other relevant stakeholders on the methodology of the survey, the design of the sample, and the method for data collection and processing. In addition, lecturers in the statistical faculty of tertiary institutions were consulted on the computation formulae to ensure that the method adopted was compatible with the sampling method.

11. Doubts were also raised over the accuracy of the reported data relating to employee's monthly wages given that there were very often fluctuations in the overtime allowance of an employee during different wage periods and overtime payment might sometimes be made in the following wage period. The Administration explained that starting from 2011, the method for computing hourly wage had taken into account the definitions of hours worked and wages payable under MWO. Data on overtime allowances were collected in accordance with the definitions under MWO as far as possible.

12. Some members called on the Administration to improve the methodology in data collection such that raw data on working hours would also be obtained from employees. This would facilitate the study on the subject of standard working hours ("SWH"). The Administration advised that in light of the limitations of working hours statistics compiled from AEHS for the study of SWH, working hours data from both AEHS and the General Household Survey (with the latter collecting information from households) were therefore used in the SWH Report to achieve a more comprehensive analysis of employees' total working hours. According to the Administration, as shown from the SWH Report, the average total weekly working hours and the average weekly compensated working hours for all employees in 2011 were 47 hours and 46 hours respectively, indicating that the weekly uncompensated overtime hours was about one hour for all employees on average.

13. There was a grave concern about whether the time required for the compilation of statistics from AEHS could be compressed, so that the findings of AEHS could be released earlier, thereby advancing the implementation of future SMW rate.

14. According to the Administration, given the large scale of AEHS, with a sample size of about 10 000 business undertakings and 60 000 employees, considerable time was required to collect the statistical data. C&SD normally required eight months for completion of data collection, compilation and analysis, which was comparable with that of overseas countries such as the United Kingdom and Australia. Noting members' concern about the time lag issue, the Administration would strive to further speed up the process. Apart from the wage statistics from the AEHS, the Minimum Wage Commission would take into account a basket of indicators, supplementary statistical data and other relevant considerations when studying the SMW rate.

Latest development

15. The Administration will brief the Panel on the findings of the 2013 AEHS on 15 April 2014.

Relevant papers

16. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
10 April 2014

Appendix

Relevant papers on the Annual Earnings and Hours Survey

Committee	Date of meeting	Paper
Panel on Manpower	23.3.2010 (Item III)	<u>Agenda</u> <u>Minutes</u>
	17.3.2011 (Item VI)	<u>Agenda</u> <u>Minutes</u>
	12.4.2012 (Item V)	<u>Agenda</u> <u>Minutes</u>
	16.4.2013 (Item IV)	<u>Agenda</u> <u>Minutes</u>

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