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Panel on Manpower

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 21 April 2015**

Annual Earnings and Hours Survey

Purpose

This paper summarises past discussions by Members 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 organisations and the Government. Since the coming into operation of the Census and Statistics (Annual Earnings and Hours Survey)

Order¹ in March 2010, AEHS has been conducted as a mandatory statistical survey from 2010 onwards.

Past discussions by Members

Definition of wages and working hours in AEHS

3. 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) 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.

4. Members expressed concern that working hours statistics in the AEHS Report covered contractual/agreed working hours and overtime hours worked at the direction of employers only. Pointing out that overtime work not under the direction of employers was not uncommon, members were of the view that such overtime working hours could be obtained from employees so as to reflect accurately the phenomenon of long working hours situation in a number of trades and industries, in particular the banking and information technology industries as well as accounting, designing and advertising industries.

5. The Administration advised that the working hours statistics published in the AEHS Report followed the definition of hours worked under MWO and thus 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 not included.

Level of hourly wages of employees and working hours

6. Members expressed concern that as shown from the findings of AEHS,

¹ The Census and Statistics (Annual Earnings and Hours Survey) Order sought to conduct AEHS on a mandatory basis. It was published in the Gazette on 22 January 2010 and tabled in the Legislative Council on 27 January 2010.

the median hourly wage of female employees was significantly lower than that of male employees.

7. 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.

8. Noting from the 2013 AEHS Report that the median weekly working hours for male had increased from 47.0 in 2012 to 48.0 in 2013, some members sought explanation for the phenomenon. According to the Administration, It might also be attributable to the increase in the number of male construction workers in 2013 whose weekly working hours were longer than the median weekly working hours for all employees.

9. Some members were of the view that improvement to the long working hours situation could only be made by way of legislative means. In the light of the slow work progress of the Standard Working Hours Committee ("SWHC"), which had not yet come to a view on the policy direction on SWH and whether legislative means was the way forward, some members were concerned how the Administration would safeguard the rights and benefits of employees who worked for long hours, especially those without due compensation for overtime work. The Administration advised that SWHC was pressing ahead with its work at full steam since its formation in April 2013 and formed two working groups on "Working Hours Consultation Group" and "Working Hours Study Group" in July 2013 to specifically take charge of public consultation and working hours surveys respectively. Upon receipt of the reports from its two working groups by end of 2014, SWHC would further deliberate and formulate proposals on the direction of a working hours policy suitable for the circumstances and future development of Hong Kong, and submit an endorsed report to the Government by the first quarter of 2016.

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. Given that the Minimum Wage Commission ("MWC") would make reference to the findings of AEHS in the preceding year in recommending the revised SMW rate to be effective in the following year, some members expressed grave concern about the time lag between data collection for AEHS and implementation of the revised SMW rate in the biennial review of the SMW rate. These members were concerned 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.

13. 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. Since there would inevitably be a time lag between the date of recommending the SMW rate and the date of its implementation, the Government would provide technical support for MWC in its review of the next SMW rate as appropriate, including projections on the wage distribution with reference to the latest statistics on labour market conditions as well as employment earnings from C&SD's other ongoing surveys, including the General Household Survey ("GHS").

14. As regards the reference period of AEHS, the Administration advised that the second quarter was adopted as the survey reference period for the 2009 and 2010 rounds of AEHS. This was because wage levels in the first and fourth quarters of a year were generally more susceptible to effects of guaranteed bonuses and tended to show larger fluctuations in their year-on-year changes; while wage levels in the third quarter were usually subject to influence of summer workers' wage rates. Wage levels of employees in the second quarter were comparatively more stable and thus more suitable for year-on-year comparisons. The Administration further advised that in consideration of SMW implementation on 1 May 2011, the survey reference period was subsequently changed to May to June as from the 2011 round such that the

survey results could be directly used for analyses related to SMW. Reference had also been made to the practices of other places in conducting similar surveys when determining the survey reference period of AEHS.

15. 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 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 GHS (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.

Latest development

16. The Administration will brief the Panel on the findings of the 2014 AEHS on 21 April 2015.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
15 April 2015

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>
	15.4.2014 (Item V)	<u>Agenda</u> <u>Minutes</u>
Subcommittee on Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2015 and Employment Ordinance (Amendment of Ninth Schedule) Notice 2015	---	<u>Report</u>

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