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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 18 March 2010**

Annual Earnings and Hours Survey

Purpose

This paper summarizes past discussions held by Members on the Annual Earnings and Hours Survey (AEHS).

Background

2. The 2009 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 is 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.

These statistics are essential inputs for analyses related to the implementation of the statutory minimum wage (SMW), in particular the setting of the initial rate of SMW and the subsequent reviews of its level. They are also useful for studies on labour-related topics by the private sector, non-governmental organizations and the Government.

Deliberations of the Panel on Manpower

3. The Administration briefed the Panel on Manpower (the Panel) on AEHS at its meeting on 20 November 2008 under the subject "Introduction of a new survey and enhancement of a current survey for the purpose of implementing a statutory minimum wage".

4. According to the Administration, with the introduction of AEHS, a full range of wage distribution of employees, by percentiles by key industry sector and of a few distinct low-paying industries, could be captured. AEHS would enumerate around 10 000 establishments across all employment sizes and all industries covered by the Central Register of Establishments. These 10 000 establishments would be randomly selected to reflect a representative sample.

5. Some members expressed concern about placing special focus on sectors with a high concentration of small and medium enterprises (SMEs), as such arrangement might affect the credibility and impartiality of the surveys. The Administration advised that detailed and comprehensive business and operating costs data on SMEs in all key industries and specific low-paying industries for impact analyses related to SMW were required. Enterprises employing less than 10 or 20 persons (depending on the nature of business) were excluded from the Labour Earnings Survey. It was considered crucial to enable a comprehensive and longitudinal impact assessment of SMW on the economy, collection of relevant information from SMEs which normally employed fewer workers. The Administration assured the Panel that even though the composition of the sample may put relatively more/less focus on certain groups, such as the low-paying sectors, suitable weighting would be applied to ensure that the survey results would be unbiased.

Deliberations of the Subcommittee on Census and Statistics (Annual Earnings and Hours Survey) Order

6. In January 2010, C&SD proposed that AEHS should be conducted as a mandatory statistical survey from 2010 onwards, in order to align with the established practice adopted in Hong Kong and other statistically advanced economies that surveys with important policy implications were conducted on a mandatory basis. The Census and Statistics (Annual Earnings and Hours Survey) Order (the Order), which 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 on 27 January 2010. A Subcommittee was formed at the House Committee meeting on 29 January 2010 to study the Order.

7. Members noted that AEHS enumerates around 10 000 business establishments across all employment sizes and industries covered by the

Central Register of Establishments. Small and medium establishments constitute about 98% of the total number of establishments in Hong Kong. Whilst all the establishments engaging not less than 100 persons would be included in the AEHS sample, the smaller establishments engaging less than 100 persons would be randomly selected using stratified sampling. The Administration advised that as data collected from individual sampled establishments would be appropriately weighted to reflect the actual number of small, medium and large establishments in different industries, reliable statistics pertaining to the overall situation of Hong Kong employees could be compiled.

8. Some members considered that the apportionment of the sampled establishments by employment size should be determined in accordance with the corresponding distribution in the population, in order not to create a major bias in the overall survey findings. The Administration explained that even though the composition of the sample in terms of employment size might be different from the composition in the population, the survey results obtained would be unbiased by suitably applying weighting. Systematic deviation or error in the survey results was not envisaged.

9. Some members expressed concern whether statistics would be compiled by job types straddling across different industry sectors such as cleansing and property management, as these would be of much reference value in determining the SMW rate. The Administration advised that as the SMW rate would be applicable to all jobs in Hong Kong regardless of type, AEHS was designed to measure the wage distribution of all employees in Hong Kong, instead of the wage situations in specific occupations. Nevertheless, wage statistics on some common job types could also be compiled from the AEHS data for reference.

10. Some members enquired whether employment information pertaining to the business establishments employing outsourced services was required to be given under the Order. The Administration advised that persons engaged in the provision of outsourced services to a business establishment were not employees of the establishment employing outsourced services. Therefore, information pertaining to such persons would not be collected from the establishment which employed outsourced services. Instead, such persons were employees of the contractor establishment which provided the outsourced services and their information would be collected from the contractor establishment direct. The Administration assured the Subcommittee that information on employees engaged in outsourced services would not be omitted or double counted in AEHS.

11. Some members suggested that the employees rather than the employers of the selected business establishments in AEHS should be interviewed in order to address the concern about false self-employment. The information

collected from the individual selected employees should be checked against the information provided by the sampled business establishments.

12. The Administration advised that self-employed persons were not employees of the sampled establishments and therefore data pertaining to such persons would not be collected in AEHS. In fact, measures were being taken to tackle the problem of false self-employment. The Labour Department had undertaken to keep relevant statistics on cases relating to claims of false self-employment to facilitate better understanding of the problem, and would report the findings to the Panel on Manpower after one year. In line with the international practice where questionnaires were delivered to the employers for completion and return, census officers from C&SD would visit the sampled establishments and help them complete the questionnaires and verify the information provided by the employers. The suggestion of interviewing the individual employees of selected establishments might not be feasible as most employees did not keep their own detailed wage records.

13. The Subcommittee noted that survey reference period in relation to a business undertaking meant either the month of April, May or June of the calendar year in which a survey was carried out. Some members were of the view that as the months of May and June were within the low season of business activities by tradition, the figures collected in these two months might have an unfavourable impact on SMW. These members suggested that AEHS should be conducted on a quarterly basis to even out the seasonal fluctuations in order to align with other surveys such as the General Household Survey.

14. The Administration advised that wage figures of the first quarter and the fourth quarter were relatively more volatile for year-on-year comparison, whereas those of the third quarter were clouded by the summer work factor. Wage figures in the second quarter were relatively stable and more suitable for year-on-year comparison. Whilst seasonal deviations and fluctuations were inevitable, year-on-year comparison on the basis of wage data pertaining to the same reference period in each year would be meaningful and of good reference value. It would be impractical and contrary to the prudent use of resources to extend the survey reference period to the whole year, and this would also cause undue time lag for releasing the survey results.

Relevant papers

15. Members may wish to refer to the following minutes and papers for further details -

- (a) minutes of meeting of the Panel on Manpower on 20 November 2008 [LC Paper No. CB(2)681/08-09];

- (b) Administration's paper entitled "Introduction of a new survey and enhancement of a current survey for the purpose of implementing a statutory minimum wage" for the meeting of the Panel on Manpower on 20 November 2008 [LC Paper No. CB(2)290/08-09(06)]; and
- (c) Report of the Subcommittee on Census and statistics (Annual Earnings and Hours Survey) Order [LC Paper No. CB(1)1282/09-10].

16. The above minutes and papers are also available on the website of the Legislative Council (<http://www.legco.gov.hk>).

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