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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 17 March 2011**

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 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.

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

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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.

10. 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.

11. 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.

Deliberations of the Panel on Manpower

12. At its meeting on 18 March 2010, the Panel was briefed by the Administration on the major findings of the 2009 AEHS, which was conducted to identify the level and distribution of wages of employees in Hong Kong.

13. As AEHS was one of the references to be made by the Provisional Minimum Wage Commission ("PMWC") in deriving the initial SMW rate, members enquired about the definition of wages in AEHS and the employees covered by AEHS.

14. 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. AEHS was conducted on all employees under the coverage of EO, except live-in domestic workers.

15. Some members expressed concern about the quality of wage data. The Administration responded that the 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.

16. Some members expressed concern whether the survey, which was conducted in the second quarter of 2009 when Hong Kong was adversely affected by the financial tsunami and had a high unemployment rate, was an appropriate reference for determining the initial SMW rate. Given that the Minimum Wage Bill, if enacted, would not be implemented immediately, they enquired whether PMWC would take into account the findings of AEHS to be conducted in the second quarter of 2010 when determining the initial SMW rate.

17. The Administration responded that the wage statistics in the second quarter were adopted since they were relatively more stable than those in other quarters. In addition, year-on-year comparison on the basis of wage data pertaining to the same reference period in each year would be meaningful, consistent and of good reference value. The results contained in AEHS provided essential inputs for analyses relating to the initial SMW rate, although its statistics might not be the most updated due to the inevitable time lag between data collection and compilation of the AEHS report. PMWC would take more recent information such as the standard of living, labour market conditions, economic growth and inflation into account, which would offset the inherent limitation of AEHS. In view of the time required to collect data for AEHS and to compile a report, PMWC would unlikely take account of the findings of AEHS in 2010 in determining the initial SMW rate.

Relevant papers

18. 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) minutes of meeting of the Panel on Manpower on 23 March 2010 [LC Paper No. CB(2)1539/09-10];
- (c) 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)]
- (d) 2009 Report on Annual Earnings and Hours Survey; and
- (e) Report of the Subcommittee on Census and statistics (Annual Earnings and Hours Survey) Order [LC Paper No. CB(1)1282/09-10].

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

Council Business Division 2
Legislative Council Secretariat
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