

立法會
Legislative Council

LC Paper No. CB(2)948/12-13(03)

Ref : CB2/PL/MP

Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 16 April 2013**

Annual Earnings and Hours Survey

Purpose

This paper summarizes 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.

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.

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 changed the reference period of the 2011 AEHS to May-June 2011.

Deliberations of the Panel

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

Definition of wages in AEHS

5. In response to an enquiry 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. AEHS was conducted on all employees under the coverage of EO, except live-in domestic workers.

6. There was concern about the quality of wage data. The Administration responded 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.

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.

7. 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 the Minimum Wage Ordinance (Cap. 608) ("MWO"). Data on overtime allowances were collected in accordance with the definitions under MWO as far as possible.

Level of hourly wages of employees

8. Members expressed concern that according to the 2010 Report on AEHS, the hourly wages of female employees for different age groups, except for the group of female employees aged 15 to 24, were significantly lower than those of male employees of the corresponding age groups.

9. According to the Administration, in the second quarter of 2010, the median hourly wage for male employees was \$65.1 while that for female employees was \$54.4. The median hourly wage of male employees was higher than that of female employees mainly because the proportion of male employees who had completed education at Secondary 6 level and above was higher than the corresponding proportion of female employees. The wage earned by an employee would depend primarily on the nature and skill set requirement of the job.

10. Noting a 14.5% increase in the 90th percentile monthly wage in May-June 2011 when compared with the corresponding figure in the second quarter of 2010, members enquired about the reason for such a sharp increase in the wage levels of employees of the high-income groups. The Administration explained that the definition of wages published in the 2011 Report on AEHS was in line with the definition in EO, covering basic wage, commission and guaranteed allowances paid to an employee in the wage period. It was noteworthy that the increase in wages for persons engaged in the financing and insurance sector, accounting for a large proportion of the high-income earners, was largely attributed to the buoyant financial market activities in 2011 that led to an increase in their commission.

Statistics on the working hours of employees

11. Members were advised that the 2010 AEHS covered 2 793 000 employees in Hong Kong, including employees of contractors of government outsourced service contracts but excluding live-in domestic workers and government employees. Noting that in the second quarter of 2010, the 75th percentile weekly working hours of Hong Kong employees was 49.6, representing an increase of 0.6 hour as compared to 2009, members sought information on the occupations of those employees who needed to work longer hours in 2010.

12. According to the Administration, results of the 2010 AEHS were subject to sampling and non-sampling errors. The estimates contained in the Report were based on information obtained from a particular sample, which was one of many samples that could be selected using the same sampling design. The slight increase of 0.6 hour in 2010 might be due to sampling error and might not be statistically significant.

13. Members expressed reservations about the accuracy of the reported data concerning the weekly working hours of employees. They enquired whether overtime hours had been underestimated as a vast majority of employees at the managerial level were required to bring work home. The Administration advised that "hours worked" was the sum of the working hours in accordance with the contract of employment, or with the agreement or at the direction of the employer plus overtime hours worked at the direction of employers.

Concerns relating to SMW and standard working hours

14. There was a grave concern about whether the time required for the compilation of statistics from the AEHS could be compressed, so that the findings of AEHS could be released earlier, thereby advancing the implementation of future SMW rate. According to the Administration, due to the change in the survey reference period from April-June to May-June, data collection of the 2011 AEHS started one month later when compared to the 2010 AEHS and there was a need to compile an additional set of statistics for 2011 based on a method close to the one used in 2010 to facilitate comparison with the 2010 figures. Notwithstanding this, the release date of findings of the 2011 AEHS fell behind that of the 2010 AEHS by only one to two weeks. 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.

15. Members noted from the 2011 AEHS that lower-paid employees such as those working in the estate management, security and cleaning services industry had to work long hours, with a median of 54 working hours per week. There was a call for the introduction of standard working hours. Members also expressed deep concerns over the progress of the Administration's policy study on standard working hours. The Panel was advised that the Administration had analyzed the operating characteristics of enterprises by sector in carrying out the policy study on standard working hours. Generally speaking, the total number of hours worked by an employee in a wage period could be broken down into (a) the number of contractual working hours; (b) the number of overtime hours worked at the direction of employers, with payment of overtime allowance in monetary terms; (c) the number of overtime hours worked at the direction of employers, with compensation in the form of time off in lieu; and (d) the number of overtime hours worked without any compensation. At its meeting on 18 December 2012, the Panel was briefed on the findings of the policy study on standard working hours and reports on the way forward. According to the Administration, there was no single regular survey in Hong Kong collecting comprehensive statistics on all categories of working hours stated above. In view of data limitations, statistics of working hours were sourced from AEHS and the General Household Survey, which were both conducted regularly by C&SD.

Latest development

16. The Administration released the survey findings of the 2012 AEHS on 20 March 2013, and is scheduled to brief the Panel on 16 April 2013.

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
10 April 2013

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>

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