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Panel on Manpower

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 19 April 2016**

Annual Earnings and Hours Survey

Purpose

This paper summarizes the 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 analysis related to the implementation of the statutory minimum wage ("SMW"), which came into effect on 1 May 2011. They are also useful for studies on labour-related topics by the private sector, non-governmental organizations 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. In order to reflect the wage distribution of employees after the implementation of SMW, the Administration has changed the reference period of AEHS from the second quarter of a year (i.e. April to June) to May to June as from the 2011 round of the survey.

Past discussions by Members

Definition of wages and working hours

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) ("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.

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.

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.

AEHS findings

Working hours

6. Noting from the 2014 AEHS Report that the weekly working hours of some 64 300 employees engaged in low-paid industries was 72 or above, members expressed concern about the phenomenon of long working hours. Some members considered that such phenomenon should be addressed by legislating for standard working hours ("SWH").

7. The Administration explained that employees with weekly working hours more than 72 were mostly engaged in the real estate maintenance management, security services and cleaning services. Given that these employees usually worked for six days a week, their average daily working hours were around 12. In response to members' concern about measures to address the long working hours situation, the Administration advised that it had been encouraging employers to adopt family-friendly employment practices, having regard to the company size, resources and culture as well as employees' needs, to help employees achieve a better balance between work and family life. LD would continue to disseminate relevant information through various publicity channels and promotional activities as well as meetings of industry-based tripartite committees. The Administration further advised that SWH legislation was a complex issue with widespread and far-reaching implications for the community and economy. The Standard Working Hours Committee ("SWHC") would continue to work expeditiously with a view to identifying working hours policy options suitable for Hong Kong and submitting its report to the Government.

8. Some members noted with concern that the number of weekly working hours for all employees in the retail trade during the reference period of May to June 2014 was higher than the corresponding figure in 2013, although the median weekly working hours of Hong Kong employees had decreased from 45 to 44.3 during the period. The Administration explained that the decrease in median weekly working hours of Hong Kong employees in 2014 might be attributable to the fact that the number and percentage of full-time employees with comparatively shorter working hours (i.e. below 40 working hours per week) had increased while there was a decrease in the number and percentage of full-time employees who worked for long hours (e.g. those who worked over 60 working hours per week). As for working hours in the retail trade, the increase in the number of weekly working hours might be attributed to the buoyant retail trade in 2014 and the fact that the total number of employees in the trade had increased.

Wage level

9. Some members noted with concern that the hourly wage of the lowest income group registered a year-on-year increase of 3.5% in 2014 when compared with 2013. These members considered that the wage increase of the lowest income group could hardly catch up with the inflation which was around 4% in 2014, and such problem was further worsened as a result of the biennial review of the SMW rate.

10. The Administration advised that according to the figures for the period of November 2014 to January 2015 collected from the General Household Survey ("GHS"), the average monthly employment earnings for full-time employees (excluding government employees and live-in domestic workers) in the lowest decile group registered a rise of 12.7% in real terms after discounting inflation as compared with the corresponding figure before the implementation of SMW. In addition, based on the statistics of AEHS, an average annual increase of 7.5% had been registered for the median monthly wage in low paying sectors during the period of 2011 to 2014, exceeding the corresponding figure for all industries.

11. The Administration further advised that in accordance with MWO, the SMW rate had to be reviewed at least once in every two years, without precluding more frequent rate review if warranted. This provided necessary buffer and flexibility to respond to unanticipated changes in the economy and employment market particularly when there was economic downturn, and was beneficial to both employers and employees. In the light of limited experience in the implementation of SMW in Hong Kong, it was necessary to maintain the existing arrangement of reviewing the SMW rate at least once in every two years.

12. Some members expressed concern that the rate of increase in wage level of employees with education attainment at tertiary level (i.e. 3.5%) was lower than those at primary and below level (i.e. 6.3%) during the reference period of May to June 2014.

13. The Administration advised that there was fluctuation in the year-on-year increase in the wage level of employees with education attainment at tertiary level. During the period of 2010 to 2014, the average rate of increase in wage level of these employees was 4.1%. In the Administration's view, the comparatively lower increase in the wage level of these employees, when comparing with employees with education attainment below the tertiary level, might be attributed to the fact that the effect of the SMW rate was moderate on this group of employees. Members' attention was drawn to the definition of

wage(s) published in the 2014 AEHS Report, which followed the definition of "wages" under EO and thus did not cover bonuses and allowances of gratuitous nature paid to an employee in the wage period. As a large number of employees with education attainment at tertiary level were managers and professionals whose take-home pay usually comprised payment of such discretionary nature, the year-on-year increase in take-home pay of these employees might not necessarily be lower than the inflation rate.

14. Some members also expressed concern about the disparity in wage level between male and female employees as shown from the findings of AEHS. Information was sought on the specific measures taken by the Administration to safeguard the wage level of female employees, in particular those who returned to the workforce after leaving the labour market for a period of time due to various family reasons.

15. The Administration advised that the wage level of 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 in general higher than the corresponding proportion of female employees. The Administration further advised that such phenomenon was not uncommon in other places. For instance, the differences in income of full-time male and female employees in the United Kingdom and Australia were some 20% and 19% respectively. The Administration added that various measures had been introduced to facilitate females in entering or re-joining the labour market.

Data collection and processing

16. Concern was raised 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.

17. 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.

18. 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/analysis 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.

19. The Administration explained that 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. While MWC was aware of the time gap between data collection/analysis and implementation of the revised SMW rate, the Administration 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 GHS.

Latest development

20. The Administration will brief the Panel on the major findings of the 2015 AEHS Report at the meeting on 19 April 2016.

Relevant papers

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

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>
	21.4.2015 (Item IV)	<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>