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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 16 May 2017**

Annual Earnings and Hours Survey

Purpose

This paper provides background information and 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.

Deliberations of the Panel

Level and distribution of employees' wages

3. Members noted that analysis of the distribution of hourly wage in AEHS was based on the definition of wages² adopted in the Employment Ordinance (Cap. 57), and that AEHS covered all employees in Hong Kong under the coverage of the Minimum Wage Ordinance (Cap. 608) ("MWO"), including employees of contractors of government outsourced service contracts but excluding live-in domestic workers and government employees.

4. Some members noted with concern that employees in the low-paid industries had worked for long hours but their wage level remained on the low side. These members held the view that the Administration should draw up specific measures to address the situation. There was a strong view that review of the SMW rate should be conducted on an annual basis in order to ensure that the SMW rate could catch up with inflation.

5. The Administration advised that as shown from the 2015 AEHS findings, the median monthly wages of employees during the reference period of May to June 2015 was \$15,500, which was 4.9% higher than the median of \$14,800 in the corresponding period in 2014. The increase in median monthly wage was generally observed for both male and female employees and for all age groups, educational attainments, occupational groups and industry sections. The Administration also pointed out that as stipulated in 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

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.

² Under Cap. 57, "wages" means all remuneration, earnings, allowances including travelling allowances and attendance allowances, attendance bonus, commission, overtime pay, tips and service charges.

market particularly when there was economic downturn, and was beneficial to both employers and employees.

6. Some members also expressed concern about the disparity in wage level between male and female employees as shown from the AEHS findings. Concern was raised about 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.

7. The Administration advised that the disparity in wage level between male and female employees would be attributable to a number of factors, including educational attainments, choice of occupations and industry sections, age as well as years' of service in the serving business undertakings. 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. Moreover, there was a greater proportion of male employees engaged in the construction sector and the wage level was comparatively higher. On the other hand, a greater proportion of female employees took up part-time jobs and their years' of service in the business undertakings were relatively shorter as some of the female employees might have left the labour market temporarily in earlier years after marriage or giving birth to children. The Administration stressed that various measures had been introduced to facilitate females in entering or re-joining the labour market, including launching a series of measures to enhance child care services as well as strengthening relevant training and employment services.

Working hours

8. Some members noted with concern that the weekly working hours of many employees engaged in low-paid industries were as long as 72 or above. To address the phenomenon of long working hours, some members were of the view that the Administration should conduct study on regulating the maximum working hours. Some other members, however, considered that such phenomenon should be addressed by legislating for standard working hours ("SWH").

9. 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, and their average daily working hours were around 12. Notwithstanding this, the median weekly working hours for all employees in the sub-sectors of real estate maintenance management, security

services and cleaning services during the reference period of May to June 2015 was 54.0, 57.2 and 48.0 respectively.

10. According to the Administration, 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. The Administration added that SWH was a complex issue with widespread and far-reaching implications for the community and economy. The Administration would take full account of the report of the SWH Committee and the views of various sectors of the community, and strive to map out within the term of the current Government the working hours policy direction that would suit the socio-economic situation of Hong Kong.

Data collection and processing methodology

11. Some members expressed concern that working hours statistics in the AEHS Report covered 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, these members called on the Administration to collect information from employees on compensation arrangements for overtime work and uncompensated overtime working hours so as to reflect accurately the phenomenon of long working hours situation.

12. 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, regardless of whether there was compensation for the overtime hours worked in terms of overtime pay or time-off in lieu. Overtime hours not worked under the direction of employers, for which records or data were not available from the employers, were not included. Nonetheless, some business undertakings had responded, during data collection, that their employees had been requested to undertake overtime work without compensation. It was also noted that the overtime pay rate was in general the same as the hourly wage rate while some companies made compensation at 1.5 times of the hourly wage rate or even higher. The Administration further advised that data on employment earnings and working hours were collected from employees under the General Housing Survey ("GHS") which was conducted on a monthly basis. As compared with GHS, employers were required under AEHS to provide wage statistical data according to the employment records kept by their business undertakings, which was more accurate and reliable.

13. 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 under the biennial review cycle of the SMW rate. Concern was raised as to 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 review and implementation of the revised SMW rate.

14. 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 the AEHS findings could provide useful reference in the review of the SMW rate, MWC was aware of the time gap between data collection/analysis and implementation of the revised SMW rate. As such, MWC would look into an Array of Indicators which included a large number of other relevant data being released and updated more frequently. 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

15. The Administration will brief the Panel on the major findings of the 2016 AEHS Report at the meeting on 18 April 2017.

Relevant papers

16. 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)	Agenda Minutes
	17.3.2011 (Item VI)	Agenda Minutes
	12.4.2012 (Item V)	Agenda Minutes
	16.4.2013 (Item IV)	Agenda Minutes
	15.4.2014 (Item V)	Agenda Minutes
	21.4.2015 (Item IV)	Agenda Minutes
	19.4.2016 (Item IV)	Agenda Minutes
Subcommittee on Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2017 and Employment Ordinance (Amendment of Ninth Schedule) Notice 2017	---	Report