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Panel on Manpower

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 20 April 2021**

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) Order ¹ 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 wages ² adopted in the Employment Ordinance (Cap. 57) ("EO"), 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. Some members also expressed concern that the overtime pay rate for some employees engaged in the low-paid industries was pitched at the SMW rate, which was in effect lower than their hourly wage rate. These members took the view that the overtime pay rate should be stipulated in EO so as to better safeguard employees' rights and benefits under EO.

5. The Administration pointed out that as stipulated in MWO, the SMW rate should be reviewed at least once in every two years, without precluding more frequent rate review if warranted. This provided necessary buffer and

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

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. For overtime pay, the Administration advised that in the absence of general consensus and broad-based support for the legislative proposal on "mandatory overtime compensation" and on the recommendation of the Standard Working Hours Committee, the Administration decided to focus efforts on formulating the sector-specific working hours guidelines for 11 designated sectors through the industry-based tripartite committees of the Labour Department. The guidelines covered, among others, overtime compensation arrangements for employers' reference and adoption.

6. Noting that a number of non-skilled workers in the cleaning industry received their hourly wage at the SMW rate, some members were of the view that the suppression of wage level of workers in the cleaning services industry was largely attributable to the Government's outsourcing policy of awarding contracts to the lowest bid. The Panel passed a motion at its meeting on 20 March 2018 urging the Administration to, among others, award separate weighting for the wage element in tender assessment. To enhance the employment benefits of government outsourced workers, the Panel passed two motions at its meeting on 21 May 2019 urging the Administration to, among others, further enhance its outsourcing system and require government service contractors ("GSC") providing public toilet cleaning services to provide employees with paid meal breaks.

7. According to the Administration, the disparity in the wage levels among employees in various trades and industries was attributable to the structural difference in various trades and industries concerned. As there was a greater proportion of lower-skilled employees with low educational attainment engaged in cleaning services, the wage levels of these employees were comparatively lower. Members were further advised that improvement measures were implemented from April 2019 to, among others, increase the weighting of wage level in the marking schemes of tender evaluation and offer contractual gratuity to non-skilled employees engaged by GSCs.

8. 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. There was a view that the Administration should put in place measures to enhance women's competitiveness in the labour market and encourage employers to recruit more women.

9. The Administration advised that the disparity in wage level between male and female employees was 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. In addition, the proportion of male employees who were engaged in higher-paid occupations such as managers and professionals was higher than the corresponding proportion of female employees. On the other hand, more female employees in the mature age group were engaged in the lower-skilled trades, such as cleaning and security services, and were paid at the SMW rate. The Administration stressed that it had launched various training programmes and measures to enhance the employability and competitiveness of female workers as well as provided support services, such as child care services, to facilitate female workers to enter or stay in the labour market.

10. Some members were concerned about the earnings of vulnerable workers and requested the Administration to consider providing information on the levels and distribution of wages of employees with disabilities and employees who were ethnic minorities and new arrivals in the future AEHS Reports. The Administration pointed out that the wage data for compilation of AEHS statistics were collected from employers who might have difficulties in providing information on the background and demographic characteristics of their employees. Nonetheless, population census and by-census carried out by C&SD would provide a comprehensive database for compiling statistics on population subgroups and the detailed results would cover employment earnings of ethnic minority groups.

Working hours

11. Some members expressed grave concern that the median weekly working hours of all employees and full-time employees exceeded 44 hours. They expressed disappointment at the Administration's decision of not to pursue for legislating for standard working hours ("SWH"). The Panel passed a motion at its meeting on 20 March 2018 urging the Administration to, among others, enact legislation on SWH.

12. 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. The Administration further advised that LD was engaging its 11 industry-based tripartite committee in formulating sector-specific working hours guidelines, setting out suggested working hours arrangements and good working hours management measures. Given the different operational characteristics, the variety of job types and

complex working hours arrangements among sectors, LD was making effort in seeking to narrow down differences and strive for consensus on the content of the guidelines.

Data collection and processing methodology

13. 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. They pointed out that overtime work not under the direction of employers and unpaid hours worked at the place of work were common. For those employees without physical contact with their employers, their working hours were not specified and wages were calculated at piece-rate in the employment contracts. In addition, those employees who had taken up several part-time jobs with different employers would have lower recorded weekly working hours in AEHS. These members also expressed concern about the long working hours situation under the worsening economic conditions and in the slackening labour market with rising unemployment. They called on the Administration to improve the data collection methodology and collect information from employees so as to have comprehensive statistics on the long working hours situation in various trades and industries.

14. 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. Moreover, employers were required under AEHS to provide data on wages and working hours of their employees according to the employment records kept by their business undertakings, which were more accurate and reliable. Therefore, 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 added that C&SD also collected information on working hours from employees through the regular General Household Surveys.

15. 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

16. 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 future SMW rate as appropriate, including projections on the wage distribution with reference to the latest statistics on labour market conditions and employment earnings from C&SD's other ongoing surveys.

Relevant papers

17. A list of the relevant papers on the Legislative Council website is in the **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
	16.5.2017 (Item IV)	Agenda Minutes
	20.3.2018 (Item IV)	Agenda Minutes
	21.5.2019 (Items III & IV)	Agenda Minutes LC Paper No. CB(2)1917/18-19(01)
	21.4.2020 (Item IV)	Agenda Minutes

Committee	Date of meeting	Paper
Subcommittee on Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2019 and Employment Ordinance (Amendment of Ninth Schedule) Notice 2019	---	Report

Council Business Division 2
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