

# Wage and payroll statistics for December 2019

## Overall wage and payroll statistics

According to the figures released today (March 26) by the Census and Statistics Department (C&SD), the average wage rate for all the selected industry sections surveyed, as measured by the wage index, increased by 2.8% in nominal terms in December 2019 over a year earlier.

About 60% of the companies reported increase in average wage rates in December 2019 compared with a year ago. 35% of the companies recorded decrease in average wage rates over the same period. The remaining 5% reported virtually no change in average wage rates.

After discounting the changes in consumer prices as measured by the Consumer Price Index (A), the overall average wage rate for all the selected industry sections surveyed decreased by 0.5% in real terms in December 2019 over a year earlier.

As for payroll, the index of payroll per person engaged for all the industry sections surveyed increased by 2.4% in nominal terms in the fourth quarter of 2019 over a year earlier.

After discounting the changes in consumer prices as measured by the Composite Consumer Price Index, the average payroll per person engaged decreased by 0.6% in real terms in the fourth quarter of 2019 compared with a year earlier.

The wage rate includes basic wages and other regular and guaranteed allowances and bonuses. Payroll includes elements covered by wage rate as well as other irregular payments to workers such as discretionary bonuses and overtime allowances. The payroll statistics therefore tend to show relatively larger quarter-to-quarter changes, affected by the number of hours actually worked and the timing of payment of bonuses and back-pay.

## Sectoral changes

For the nominal wage indices, year-on-year increases were recorded in all selected industry sections in December 2019, ranging from 1.6% to 3.5%.

For the real wage indices, year-on-year decreases ranging from 0.1% to 1.7% were recorded in all selected industry sections in December 2019, except the transportation section and real estate leasing and maintenance management section where mild year-on-year increases of 0.1% and 0.2% were recorded respectively.

The year-on-year changes in the nominal and real wage indices for the

selected industry sections from December 2018 to December 2019 are shown in Table 1.

As for the nominal indices of payroll per person engaged, year-on-year increases were recorded in all selected industry sections in the fourth quarter of 2019, ranging from 1.6% to 3.8%.

For the real payroll indices, year-on-year decreases ranging from 0.1% to 1.4% were recorded in the import/export and wholesale trades section; retail trade section; transportation, storage, postal and courier services section; financial and insurance activities section; professional and business services section and social and personal services section in the fourth quarter of 2019. Yet, the manufacturing section remained virtually unchanged when compared with that in the fourth quarter of 2018 while the other industry sections surveyed recorded year-on-year increases of 0.3% to 0.8%.

The year-on-year changes in the nominal and real indices of payroll per person engaged for selected industry sections from the fourth quarter of 2018 to the fourth quarter of 2019 are shown in Table 2. The quarterly changes in the seasonally adjusted nominal and real indices of payroll per person engaged between the fourth quarter of 2018 and the fourth quarter of 2019 are shown in Table 3.

#### Commentary

A Government spokesman noted that overall wages continued to increase in nominal terms in December 2019 over a year earlier, but the rate of increase decelerated further to the slowest in more than nine years as economic conditions stayed weak. After discounting for inflation which was affected by elevated fresh pork prices, overall wages declined in real terms from a year earlier.

The nominal growth in payroll per person engaged, which also covers discretionary bonuses and other irregular payments, likewise saw further deceleration in the fourth quarter of 2019 to the slowest in more than nine years. Almost all major sectors recorded decelerated growth in payroll per person engaged.

The spokesman added that taking 2019 as a whole, both wages and payroll per person engaged showed somewhat slower growth in nominal terms compared to the previous year. But there were still modest increases in real terms after discounting for inflation. Looking ahead, the earnings situation will be subject to even greater pressure in the near term as the COVID-19 pandemic has caused severe disruptions to a wide range of economic activities and dampened economic sentiment lately. The Government will continue to monitor the developments closely.

#### Other information

Both wage indices and payroll indices are compiled quarterly based on

the results of the Labour Earnings Survey (LES) conducted by the C&SD.

Wage statistics are conceptually different from the payroll statistics. Firstly, wage rate for an employee refers to the sum earned for his normal hours of work. It covers basic wages and other regular and guaranteed allowances and bonuses, but excludes earnings from overtime work and discretionary bonuses, which are however included in payroll per person engaged. Secondly, the payroll index of an industry is an indicator of the simple average payroll received per person engaged in the industry. Its movement is therefore affected by changes in wage rates, number of hours of work and occupational composition in the industry. In contrast, the wage index of an industry is devised to reflect the pure changes in wage rate, with the occupational composition between two successive statistical periods being kept unchanged. In other words, the wage index reflects the change in the price of labour. Thirdly, wage index only covers employees up to the supervisory level (i.e. not including managerial and professional employees), whereas payroll index covers employees at all levels and proprietors actively engaged in the work of the establishment. Because of these conceptual and enumeration differences between payroll and wage statistics, the movements in payroll indices and in wage indices do not necessarily match closely with each other.

It should also be noted that different consumer price indices are used for compiling the real indices of wage and payroll to take into account the differences in their respective occupation coverage. Specifically, the Composite Consumer Price Index, being an indicator of overall consumer prices, is taken as the price deflator for payroll of workers at all levels of the occupational hierarchy. The Consumer Price Index (A), being an indicator of consumer prices for the relatively low expenditure group, is taken as the price deflator for wages in respect of employees engaged in occupations up to the supervisory level.

Detailed breakdowns of the payroll and wage statistics are published in the "Quarterly Report of Wage and Payroll Statistics, December 2019". Users can download this publication free of charge from the website of the C&SD ([www.censtatd.gov.hk/hkstat/sub/sp210.jsp?productCode=B1050009](http://www.censtatd.gov.hk/hkstat/sub/sp210.jsp?productCode=B1050009)).

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