

# Wage and payroll statistics for September 2018

## Overall wage and payroll statistics

According to the figures released today (December 28) 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 4.1% in nominal terms in September 2018 over a year earlier.

About 64% of the companies reported increase in average wage rates in September 2018 compared with a year ago. 33% of the companies recorded decrease in average wage rates over the same period. The remaining 3% 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 increased by 0.8% in real terms in September 2018 over a year earlier.

As for payroll, the index of payroll per person engaged for all the industry sections surveyed increased by 4.6% in nominal terms in the third quarter of 2018 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 increased by 2.1% in real terms in the third quarter of 2018 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 September 2018, ranging from 3.2% to 5.8%.

For the real wage indices, year-on-year increases were recorded in all selected industry sections in September 2018, ranging from 0.4% to 2.4%, except the import/export, wholesale and retail trades where a year-on-year decrease of 0.1% was recorded.

The year-on-year changes in the nominal and real wage indices for the selected industry sections from September 2017 to September 2018 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 third quarter of 2018, ranging from 3.1% to 7.8%.

For the real payroll indices, year-on-year increases were also recorded in all selected industry sections in the third quarter of 2018, ranging from 0.6% to 5.2%.

The year-on-year changes in the nominal and real indices of payroll per person engaged for selected industry sections from the third quarter of 2017 to the third quarter of 2018 are shown in Table 2. The quarterly changes in the seasonally adjusted nominal and real indices of payroll per person engaged between the third quarter of 2017 and the third quarter of 2018 are shown in Table 3.

### Commentary

A Government spokesman noted that overall nominal wages continued to record above-inflation year-on-year growth in September 2018 on the back of tight labour market conditions. Solid wage increases were generally observed across selected industries, particularly so in the transportation sector due to improved pay package for bus drivers offered by the major franchised bus companies this year.

Payroll per person engaged, which covers discretionary bonuses and other irregular payments, likewise posted an across-the-board increase in the third quarter of 2018, translating into real improvements in all selected industries. Among the major industries, notable increases in payroll were recorded in the sectors of social and personal services, and accommodation and food service activities.

The spokesman added that the low unemployment environment should bode well for the overall earnings situation in the near term. Nonetheless, the Government will stay vigilant and monitor the impacts of various external headwinds on the local economy 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, September 2018". 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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