

LegCo Panel on Manpower

Adjustment of minimum allowable wage (MAW) of foreign domestic helpers (FDHs)

A. Information sought by members at the special meeting on 12 March 2003

In setting the MAW, the Administration follows a well-trying mechanism and takes account of the general economic and employment situation of Hong Kong. Reference is drawn to a basket of economic indicators including, among others, the consumer price index, employment earnings of workers in comparable sectors, monthly household income and unemployment rate. On the basis of these economic indicators, the Administration takes a broad judgement on the appropriate level of the MAW.

2. As part of the overall review of the policy on FDHs in end 2002/early 2003 in the context of the formulation of population policy, we have reviewed the basket of economic indicators used as reference for adjusting the MAW. To ensure that the basket provides as comprehensive a picture as possible of the economic and employment situation in Hong Kong, especially pertaining to lower skilled workers like FDHs, we have also taken into account indicators such as the median monthly employment earnings of workers in the elementary occupations. As resident domestic helpers (including foreign domestic helpers) are classified as “workers in elementary occupations” under the job classification recommended by the International Labour Organisation, this indicator should reflect well the wage movement in the comparable sector. This indicator is thus a good complement to the nominal wage index of service workers which we have been using. Also added to the basket of reference indicators is the median employment earnings of service workers and shop sales workers. Relative to the nominal wage index, the median employment earnings are less susceptible to distortion by extreme values, and are generally speaking more reflective of

the general movement of employment income for most of the relevant workers.

3. It must be emphasized that this fine-tuning of the basket of economic indicators is designed to ensure that the more relevant and objective indicators are included for the purpose of reviewing the MAW. This does not detract in any way from the established principle and mechanism to which we have firmly adhered over the years in determining the appropriate level of the MAW.

4. It is worth noting that in reviewing the MAW in 2003, we have consciously not taken into account the depreciation of the currencies of the major FDH-exporting countries vis-à-vis the Hong Kong dollar in the past few years which, in effect, has increased the value of the FDHs' take-home pay. For example, the Philippine Peso has depreciated by 27% against the Hong Kong Dollar between the first quarter in 1999 and early 2003.

5. In essence, the reduction of the MAW by \$400 (or 10.9%) from \$3,670 to \$3,270 with effect from 1 April 2003 is to reflect the downturn in Hong Kong's economic and employment situation since the last review of the MAW in February 1999. The following movement of the various economic indicators reflects clearly that the downward revision is reasonable :-

- the median monthly household income of local households with FDHs has dropped by 17%;
- the median monthly employment earnings of workers in elementary occupations have declined by about 16%;
- the median monthly employment earnings of service workers and shop sales have dropped by around 11%; and
- the Consumer Price Index(A) has fallen by around 10%; and
- the seasonally adjusted unemployment rate has risen from 6.3% to 7.2%

6. As for the 18 revisions that we have made to the MAW in the past, please refer to *Annex A*.

B. Information sought by Members after the special meeting on 12 March 2003

7. The statistical information on monthly household income and median monthly employment earnings of service workers and shop sales workers and of workers in elementary occupations are at *Annex B*.

Economic Development and Labour Bureau (Labour Branch)
March 2003

Minimum Allowable Wage for Foreign Domestic Helpers since 1973

Year	MAW	Percentage change
1973	\$450	N/A
1975	\$600	33%
1978	\$750	25%
1979	\$950	26.7 %
1980	\$1050	10.5 %
1981	\$1200	14.3 %
1982	\$1350	12.5 %
1983	\$1650	22.2 %
1985	\$1800	9.1 %
1986	\$1900	5.6 %
1987	\$2300	21.1 %
1988	\$2500	8.7 %
1989	\$2800	12.0 %
1990	\$3000	7.1 %
1991	\$3200	6.7 %
1993	\$3500	9.4 %
1994	\$3750	7.1 %
1996	\$3860	2.9 %
1999	\$3670	- 4.9 %

(I) Median monthly employment earnings of service workers and shop sales workers, and workers in elementary occupations (1999 – 2002)

<u>Year</u>	Median monthly employment earnings of workers in elementary occupations		Median monthly employment earnings of service workers and shop sales workers	
	<u>Adjusted*</u> (HK\$)	<u>Overall</u> (HK\$)	<u>Adjusted#</u> (HK\$)	<u>Overall</u> (HK\$)
1999	7,000	5,500	9,600	9,000
2000	7,000	5,500	9,500	9,000
2001	7,000	5,000	9,000	9,000
2002	6,500	5,000	8,600	8,000

Notes : * Adjusted to exclude unpaid family workers, foreign domestic helpers, resident domestic helpers and employed persons working less than 35 hours during the seven days before enumeration.

Adjusted to exclude unpaid family workers and employed persons working less than 35 hours during the seven days before enumeration.

Source : General Household Survey, Census and Statistics Department

**(II) Household income of households with foreign domestic helpers*
(1999 – 2002)**

<u>Year</u>	<u>Lower quartile</u> (HK\$)	<u>Median</u> (HK\$)	<u>Upper quartile</u> (HK\$)
1999	26,500	44,000	74,000
2000	27,000	44,000	75,000
2001	26,000	42,000	71,500
2002	25,000	40,000	70,000

Notes : * Excluding employment earnings of both foreign domestic helpers and resident domestic helpers.

Source : General Household Survey, Census and Statistics Department