

## **Impact of Statutory Minimum Wage on Private Residential Care Homes**

### **The Administration's Response**

This note sets out the Administration's response to the letter from the Panel on Welfare Services dated 26 April 2011 about the impact of statutory minimum wage on private residential care homes.

#### Residential Care Homes for the Elderly

2. As at end February 2011, there were 584 private residential care homes for the elderly (RCHEs) in Hong Kong. Of these, 140 joined the Enhanced Bought Place Scheme (EBPS).

3. Under EBPS, the Government sets the prices for the various types of bought places. The price is made up of two components, i.e. government subsidy and the fee payable by the resident. In determining the purchase prices, the Social Welfare Department (SWD) has already taken into account the operating expenditure of the RCHEs (including items such as emoluments and rentals), and will review and adjust the amount of government subsidies annually according to the established mechanism.

4. For other private RCHEs, since they operate entirely on a commercial basis, it is for the operators to develop business plans that can meet statutory requirements including those governing wage payments.

5. According to the Residential Care Homes (Elderly Persons) Regulation (Cap. 459A) and the Code of Practice for Residential Care Homes (Elderly Persons), if an RCHE operator intends to close down the RCHE, he/she should inform SWD and the residents as well as their family members in advance and provide an evacuation plan for the residents. Residents of the RCHE concerned can choose to move to another RCHE run by the same operator (if applicable), to other RCHEs arranged or suggested by the operator, or other RCHEs of their own choice, etc. Past experience indicates that most of the residents can move to other RCHEs smoothly.

6. As of 31 March 2011, there were 52 917 RCHE places in Hong Kong, with about 38 989 residents. There were still about 14 000 vacant places, including those provided by 19 new private RCHEs which started

operation in 2010-11. This suggests that the private market is active and has the capacity to absorb additional service demand in case of contingencies.

### Residential Care Homes for Persons with Disabilities

7. As of 31 March 2011, there were 70 private residential care homes for persons with disabilities (RCHDs) known to SWD, including one joining the pilot Bought Place Scheme for private RCHDs which has been rolled out since March 2011. In setting the contract price of the bought places, we have already taken into account the cost factor of statutory minimum wage.

8. The existing 70 private RCHDs are providing 3 728 places, with an average enrolment rate of about 62%. By comparing the respective figures in 2009 and 2011, we note that there is a trend of steady increase both in the number and capacity of private RCHDs (increased by 24 and 1 250 places respectively). We anticipate that the private market has the capacity to absorb decanted residents, if any, resulting from closure of private RCHDs owing to different reasons.

9. SWD will continue to monitor the market situation closely and stay in touch with the operators of RCHEs and RCHDs with a view to safeguarding the interests of the residents.

**Labour and Welfare Bureau**  
**Social Welfare Department**  
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