

Minimum Wage Systems

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EXECUTIVE SUMMARY

1. **Arguments for minimum wages:** ensure low wage workers having a minimum living standard; prevent employers from exploiting low-skilled workers; increase purchasing power of low wage workers; compel employers to raise efficiency and productivity. **Arguments against minimum wages:** cause job losses; reduce wage rates in sectors not covered by minimum wage system; affect competitiveness of the economy; cannot solve in-work poverty problem; and reduce on-the-job training.
2. **Minimum wage systems** are implemented in Australia, the United States (US), France, Taiwan, Japan, South Korea, China, the United Kingdom (UK). Singapore does not have such a system. **Exemptions of minimum wage systems:** professional employees, apprentices and trainees, disabled workers, and workers in certain industries. **Foreign workers** are covered by the minimum wage systems.
3. **Minimum wage determining authorities:** the government -- France, Taiwan, South Korea and China; the legislature -- the US and the UK; independent Australian Industrial Relations Commission -- Australia; prefectural minimum wages councils (PMWC) for prefectural minimum wages and industrial committees for industrial minimum wages -- Japan. **Official advisory bodies** are adopted in France, Taiwan and South Korea; members are from the government, employers associations and labour unions. In Japan, some members of the determining authorities are from labour unions. In sum, labour unions play an important role in fixing the minimum wages.
4. **Criteria adopted for fixing level of minimum wage:** Authorities use similar criteria such as workers' basic needs, average wage, labour productivity, inflation, employment level, and employers' profits. In the US, the legislature considers poverty line. In China, the minimum wages are set higher than the amounts of social relief fund and unemployment benefits but lower than the average wage. **Frequency of adjustment:** annual basis in Australia, France, Taiwan, Japan, South Korea and China; infrequent in the US.
5. **Hourly minimum wage rates:** (in HK\$): France (\$53.1), Australia (\$47.8), the UK (\$46.2), the US (\$39.9), Japan (\$38.4), Taiwan (\$15.2), South Korea (\$8.54) and China (\$1.5 - \$2.3). **Reduced minimum wage rates** (70% - 90% of adult rates) are set for young workers in Australia, the US, France, Taiwan, South Korea and the UK. **Minimum wage relative to the average wage:** France -- about 59%; the US, Taiwan, Japan and the UK -- ratios about 45%; South Korea and Shenzhen City -- ratios below 40%. **Real value of minimum wages:** appreciated in France, Taiwan, Japan, and South Korea; depreciated in the US and Australia.

6. **Number of minimum wage workers:** in the US, France and the UK -- about 10% of the labour force; Japan and South Korea -- the number is small. **Characteristics of minimum wage workers:** mainly women, and employed in sectors such as textiles and clothing, restaurants, retail trade, and personal care services. In China, minimum wage workers are mainly from inland provinces.
7. **Enforcement:** mainly executed by local labour authority. **Financial penalties:** for failing to pay a minimum wage and making a false report to the enforcement agency, the penalties vary. In the US and South Korea, a conviction of failing to pay a minimum wage may result in imprisonment.
8. **Unemployment insurance system:** operating in the US, Taiwan, Japan, South Korea and China; benefit rates are not linked to the minimum wages. **Unemployment assistance system:** operating in Australia; benefit rates below the earnings of minimum wage workers. France operates both systems.
9. **Difficulties in evaluating the impact of minimum wage changes:** lack of data and statistics, problems in quantifying the precise impact of minimum wage changes, difficulties in tracing the delayed effects, problems in quantifying the chain effects, and limitations in generalizing the research results. The **results of empirical studies** on the level of employment, poverty and income distribution are **inconclusive**; different researches have contradicting results.
10. **Advocate for a minimum wage system in Hong Kong:** some labour unions and the Hong Kong Social Security Society; **advocate against a minimum wage system in Hong Kong:** the Hong Kong Special Administrative Region Government and employers associations.
11. In considering **whether or not to establish a minimum wage system in Hong Kong**, one would need to **evaluate the impact** of the minimum wage system. If a **minimum wage system were to be established**, the following would be the **necessary considerations**: the coverage, the choice of determining authority, the procedures for adjusting the minimum wage, the criteria used for determining the minimum wage level, the appropriate minimum wage level, the number and characteristics of minimum wage workers, the choice of enforcement authority, and the penal provisions for violating the minimum wage law.

MINIMUM WAGE SYSTEMS

PART 1 - INTRODUCTION

Background

1.1 In October 1998, the Legislative Council Panel on Manpower requested the Research and Library Services Division (RLS) to conduct a research on the experience of some places outside Hong Kong in introducing a minimum wage system so as to facilitate their deliberation on the issue.

Objective and Scope

1.2 The objective of this research is to examine the experience of some places outside Hong Kong in implementing minimum wage systems.

1.3 The scope of the research, as agreed by the Panel, covers (i) historical development of the minimum wage systems; (ii) coverage of the minimum wage systems; (iii) the process of fixing the minimum wages (including information on the responsible authorities, the criteria being considered and procedures); (iv) the minimum wage levels and characteristics of minimum wage workers; (v) enforcement and penal provisions; (vi) a survey of studies on the impact of minimum wage changes on the level of employment, poverty, income distribution, inflation and competitiveness of the economy; and (vii) a brief description of unemployment benefit systems.

1.4 In this research, the RLS studies the experience of Australia, the United States, the United Kingdom, France, Japan, South Korea, Taiwan, and Singapore. These countries/territory have been selected because, same as Hong Kong, they are all classified as high income economies by the World Bank. At the same time, the experience of Mainland China is also examined owing to its close economic ties with Hong Kong. In addition, there is a part discussing the views of the Hong Kong Special Administrative Region (HKSAR) Government, employers associations, labour unions, and the Hong Kong Social Security Society on imposing a minimum wage in Hong Kong.

Methodology

1.5 The research involves a combination of information collection, analysis, and interviews.

1.6 In addition to materials available in the Legislative Council Library, reference materials were borrowed from local academic libraries and acquired from international research organizations. Requests for the necessary information were sent to the ministries, and government departments and agencies in the countries/territory under study. In Hong Kong, requests were channelled to consulates, labour union and relevant academics.

1.7 This research report is based on the information obtained from these sources.

1.8 In this report, we use the 1998 average exchange rates to convert other currencies into Hong Kong dollar (see Table 1).

Table 1 - 1998 Average Exchange Rates

Countries/Territory	1998 Average Exchange Rates
Australia	The exchange rate was A\$1 = HK\$4.88. The Australian dollar against the Hong Kong dollar depreciated 5% in 1997 and 16% in 1998.
United States	The exchange rate was US\$1 = HK\$7.745. The Hong Kong dollar is linked to the US dollar; hence, the exchange rate between these two currencies has been stable.
France	The exchange rate was FRF1 = HK\$1.32. The French Franc against the Hong Kong dollar depreciated 12% in 1997 and 1% in 1998.
Taiwan	The exchange rate was NT\$1,000 = HK\$230. The New Taiwan Dollar against the Hong Kong dollar depreciated 4% in 1997 and 14% in 1998.
Japan	The exchange rate was 1,000 Japanese yen = HK\$59.5. The Japanese yen against the Hong Kong dollar depreciated 10% in 1997 and 7% in 1998.
South Korea	The exchange rate was 1,000 Korean won = HK\$5.6. The Korean won against the Hong Kong dollar depreciated 15% in 1997 and 33% in 1998.
China	The exchange rate was 106.9 yuan = HK\$100. The exchange rate of Chinese Renminbi against the Hong Kong dollar was stable in 1997 and 1998.
United Kingdom	The exchange rate was £1 = HK\$12.83. The British pound against the Hong Kong dollar appreciated 5% in 1997 and 1% in 1998.
Singapore	The exchange rate was S\$1 = HK\$4.64. The Singapore dollar against the Hong Kong dollar depreciated 5% in 1997 and 12% in 1998.

Source: *Hong Kong Monthly Digest of Statistics*, February 1999.

PART 2 - ARGUMENTS FOR AND AGAINST A MINIMUM WAGE

2.1 The question of the need or desirability for establishing minimum wages has long been debated. Various arguments on both sides of the issue have been advanced. Supporters of a minimum wage mainly argue that the establishment of a minimum wage system can ensure the low wage workers having a minimum living standard. However, people who argue against a minimum wage contend that a minimum wage would have negative effects on the level of employment. In this part, we assess the major arguments for and against having a minimum wage.

Arguments For a Minimum Wage

2.2 People who argue that a minimum wage is needed so as to ensure that workers receive a living wage -- one that will provide full-time workers with an income sufficient to purchase the bare necessities of life. A minimum wage can then guarantee the workers having an acceptable minimum standard of living. Second, they contend that this wage floor prevents monopsonistic employers¹ from exploiting low-skilled workers. Third, a minimum wage can increase consumer purchasing power, through raising the incomes of low wage workers. Finally, minimum wage advocates point to the possibility that the minimum wage compel employers into greater technical efficiency and raising labour productivity.

Arguments Against a Minimum Wage

2.3 One argument against a minimum wage is that, if set above the prevailing market rate, it will result in job losses and so the very workers that it is intended to benefit may lose out. Second, there is the possibility of the legal wage floor causing a spillover effect that may reduce wage rates in those sectors of the economy that are not covered by the minimum wage law. Third, higher labour costs may affect the competitiveness of the economy. Finally, the minimum wage is inappropriately targeted to reduce poverty; that is, a majority of minimum wage workers are not in poverty households.

¹ A labour market in which a single firm is the sole employer of a particular type of labour, or when two or more firms, through collusion, act as the sole employer of a particular type of labour. In a monopsonistic labour market, workers are assumed to have little negotiating power since they cannot easily obtain employment with other employers. In this case, the employer is able to under-pay the workers to increase the profit.

Minimum Wage and the Level of Employment

Employment Effect

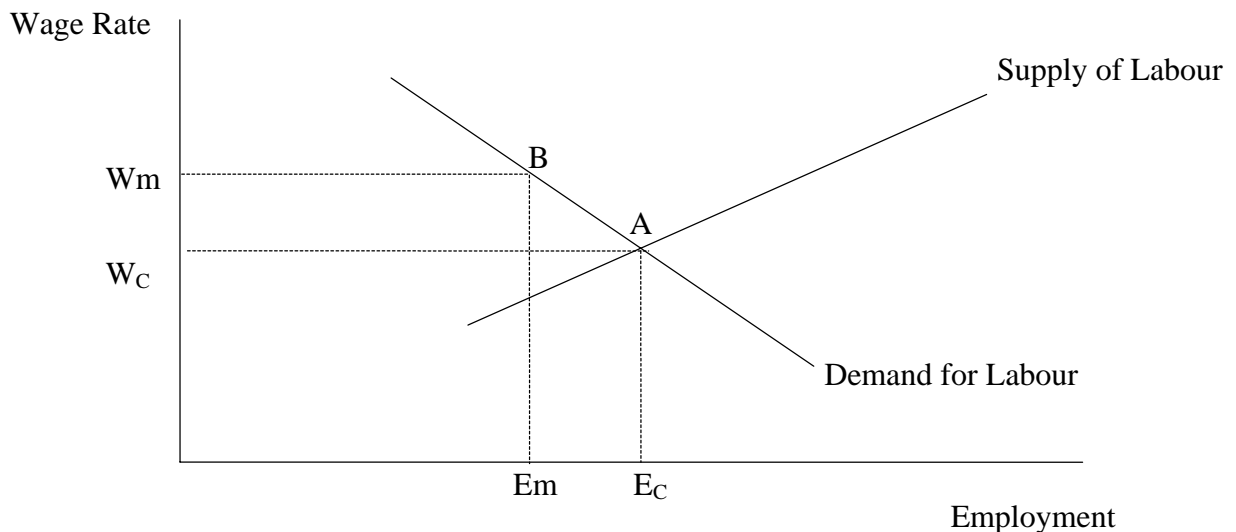
2.4 The effects of minimum wage on the level of employment command substantial attention. In economics literature, a competitive labour demand and supply model² is commonly used to analyze the possible effects of minimum wage on the level of employment. A competitive labour market is characterized by a large pool of similarly qualified workers independently offering their labour services to a large number of firms, none of which has the power to influence the wage rate. Workers and firms have perfect information, and mobility is costless.

2.5 In this model, the wage rate and the level of employment are determined by labour demand and supply. As shown in Figure 1, the competitive equilibrium is at point A, where the wage rate is W_c and the employment level is E_c .

2.6 If the minimum wage rate, W_m , is set higher than W_c , it will reduce the employment level. The labour market moves to a new equilibrium at point B where employment is at a lower level of E_m and a higher wage rate at W_m . In other words, it will reduce the employment level. This is known as employment effect of minimum wage.

2.7 The amount of the employment reduction, i.e. $E_c - E_m$, will depend on how much the wage rate is increased and on the elasticity of demand for labour. If the demand for labour is very wage-sensitive, a minimum wage will reduce the level of employment significantly.

Figure 1 - Employment Effect of Minimum Wage



² Organisation for Economic Co-operation and Development, *Employment Outlook*, June 1998, pp 42 - 44.

2.8 Two factors may affect the size of the employment effect. One such factor is failure on the part of some firms to comply with the minimum wage law. The other factor is that some firms may offset the minimum wage by reducing fringe benefits (e.g. retirement benefits and job training). In either case, labour cost would not rise by the full amount $WcWm$ as shown in Figure 1, and therefore, the indicated employment effect would be lessened.

Wage Effect

2.9 People who advocate for a minimum wage remark that a minimum wage can increase consumer purchasing power, through raising the incomes of low wage workers. They contend that low wage workers spend their wages quickly in purchase of goods (e.g. food and clothing) which are produced by traditional low wage industries. Thus, a minimum wage will induce both higher demand of goods and labour for the production of these goods. Hence, a minimum wage will have positive effects on the employment level. This case is commonly referred to as the wage effect of minimum wage.

Employment Effect Versus Wage Effect

2.10 Theoretical speaking, if the employment effect is larger, the employment opportunities and earnings of low wage workers will be reduced. On the other hand, if the wage effect is larger than the employment effect, the result of the minimum wage will be to increase the earnings of low wage workers and generate higher employment level.

Minimum Wage and Poverty

2.11 To reduce poverty among the working poor many people favour imposing a minimum wage rate that employers must pay their workers. There has been much discussion of the obligation of employers to pay a living wage since the beginning of this century. (For details, please refer to the part on historical development of minimum wage systems in Section A.)

2.12 However, opponents have been critical of the effectiveness of a minimum wage to reduce poverty. The primary argument against a minimum wage is its effects on employment opportunities. According to the competitive labour demand and supply model, if the wage is increased, the demand for labour will fall. There will be fewer job opportunities. Those who remain employed do gain a higher wage rate but at the expense of those who are no longer employed.

2.13 It is also important to note that minimum wage can only improve the standard of living of those poor families where at least one individual is working. Thus, in places where there are large numbers of working-poor, there is greater potential to alleviate poverty through the imposition of minimum wage.

Minimum Wage and Inflation

2.14 Although most workers are not directly affected by the minimum wage, changes in the minimum wage can have an effect on the whole economy. Employers may seek to maintain customary wage differentials across jobs. Consequently, when an increase in the minimum wage forces on employer to raise the wages of his lowest paid workers, usually he will also raise the wages of other workers, especially those earning only a little more than the minimum wage. As a result, increases in the minimum wage might have some inflationary effects. In general, the academics consider that there are other more important factors of inflation such as fiscal and monetary policies.

Minimum Wage and Investment in On-the-Job Training

2.15 The effect of minimum wage on on-the-job training is likely to be negative. With the imposition of the minimum wage, there is a floor to the wage they can be offered. This forces employers to bear more of the cost of training. Hence, the employers may reduce the investment in on-the-job training if there is a minimum wage.

SECTION A - EXPERIENCE OF PLACES WITH MINIMUM WAGE SYSTEM³**PART 3 - HISTORICAL DEVELOPMENT OF THE MINIMUM WAGE SYSTEMS**

3.1 In this report, the order of presentation is based on the historical sequence of introducing a minimum wage system. Among the countries/territory under study, Australia is a pioneer in establishing the minimum wage system (as early as 1907). Hence, we first present the case of Australia, to be followed by the United States, France, Taiwan, Japan, South Korea and China.

AustraliaBasic Wage and Margins

3.2 The Conciliation and Arbitration Act (the C&A Act) passed in 1904 established the Commonwealth Court of Conciliation and Arbitration (CCCA). The CCCA exercised arbitral and judicial powers, and was empowered to make awards specifying wages and conditions of employment, interpret and enforce the awards.⁴

3.3 The first effort at establishing a wage based upon needs below which no worker should be expected to live, was made in 1907 when Justice Higgins, the President of the CCCA at the time, noted that a “fair and reasonable” wage for an unskilled worker would be based on the normal needs of an average employee in a civilized community. The minimum rate was determined for the family of an unskilled worker,⁵ after taking into account the costs of meeting the basic needs. The wage required by a worker and his family to live in a civilized community was known as the basic wage. The basic wage became a foundation point of each minimum industrial award.

³ We cover Australia, the United States, France, Taiwan, Japan, South Korea and China in Section A because these countries/territory did not experience any break in implementing their minimum wage systems. However, in the United Kingdom (UK), a minimum wage system existed in the 1891 - 1994 period. There was a break of about five years in 1994 - March 1999 due to change of Governments. The Labour Government re-established the minimum wage system in April 1999. Thus we devote a full part (i.e. Part 10) to the case of the UK.

⁴ Awards prescribe minimum rates of pay and conditions for employees and may relate to industries, trades or individual companies. There are different award rates for different occupations (e.g. teacher, plumber, bus driver and nurse). About 3 200 awards are in force.

⁵ The consideration was the family nature of the basic wage. The CCCA determined that the basic wage should be one capable of sustaining a family unit. Men were considered the primary bread winners, women were not. Thus there was a differential in male and female rate. This situation continued until 1975 in the federal jurisdiction.

3.4 Margins were directly related to the basic wage, and formed the second component of the total wage. The intention was to provide a payment above the basic wage to take account of any special skills or job requirements. Examples were varied and included margins for skill, responsibility, supervision, and working conditions. Because of this variety, margins were seldom uniform even in the same industry.

3.5 Under a two-tiered wage (i.e. basic wage plus margins) system, each component (by different awards) was adjusted with regard to the national economic situation. In the 1960s, the employers argued for the abolition of this wage system as their adjustments should also be based on a number of factors, including price changes, national economic performance, and business situation of particular trade and industry. In 1966, the employers convinced the Commonwealth Conciliation and Arbitration Commission (CCAC)⁶ to abolish the two-tiered wage system and in that year a minimum wage was introduced.

Minimum Wage

3.6 The minimum wage was “the floor below which the wage paid to an employee should not fall.” It aimed to protect the living standards of employees in the lowest industrial classification (e.g. metal industry) who were paid no more than the minimum award rate. The minimum wage rate applied to all workers whether or not they had a family to support.

3.7 The CCAC emphasized that the amount of the minimum wage would always be the subjective value judgement of the determining authority. The CCAC rejected a mathematical formula tied to any wage series, and did not give reason for any changes in award rates. Hence, an element of ambiguity on the determination of the appropriate minimum wage rate persisted. As a result, the adjustment was criticized as an ad hoc exercise and lack of consistent criteria.

Total Wage

3.8 The CCAC replaced the two-tiered wage system with one money amount entitled “the total wage” in 1967. The minimum wage introduced in 1966 was absorbed into the total wage. Wage reviews by the CCAC were based on the total wage, which was regarded as the total remuneration for any particular job. Therefore, margins as previously defined were inherent in the total wage, rather than being separately specified. Many awards, however, specified types of allowances (e.g. first aid allowance) which fulfilled a similar function to the old margins.

⁶ The conciliation and arbitration machinery changed in 1956. The Commonwealth Conciliation and Arbitration Commission (renamed the Australian Conciliation and Arbitration Commission in 1973) and the Commonwealth Industrial Court (which in 1977 became the Industrial Division of the Federal Court) were established.

Safety Net of Fair Minimum Wages

3.9 A term “a safety net of fair minimum wages” was introduced in the Workplace Relations (WR) Act 1996. Under the WR Act, the Australian Industrial Relations Commission⁷ (AIRC) must ensure that the safety net of fair minimum wages is established and maintained. However, the WR Act does not provide any definition of “safety net” and “fair minimum wages”. Hence, this has caused heated debates among various parties such as governments (commonwealth and states), employers associations, labour unions and social services organizations about the appropriate definitions of the terms. As of to date, there remains no consensus in reaching any agreement to define the terms.

Federal Minimum Wage

3.10 In 1997, the AIRC introduced a uniform minimum wage across all trades and industries (called “the federal minimum wage”). No employee would be paid less than the federal minimum wage. The main reason for establishing the federal minimum wage is to give effect to the statutory requirement (in the WR Act) to have regard, when adjusting the safety net, to the needs of the low paid. However, the AIRC did not link the level of the federal minimum wage with any defined benchmark of needs. The AIRC remarked that the most appropriate course to follow was to equate the federal minimum wage with the lowest award rate (i.e. the metal industry award).

Summary of the Australian Experience on the Development of Minimum Award System

3.11 Table 2 summarizes the Australian experience on the development of the minimum award system.

⁷

In 1988, the government established the Australian Industrial Relations Commission to replace the Australian Conciliation and Arbitration Commission established in 1973.

Table 2 - Summary Table of the Australian Experience on the Development of the Minimum Award System

Year	Concept	Determination	
		Basic unit	Calculation
1907	“Fair and reasonable” wage based on the normal needs of an unskilled worker’s family	Family and industry-specific	Award rate = basic wage + margins
1966	Minimum wage = the floor below which the wage actually paid to any worker should not fall	Individual worker and industry-specific	No mathematical formula; award rate = value judgment of the determining authority
1967	Total wage = total remuneration for a particular job	Individual worker and industry-specific	Award rate = total wage (including allowances)
1996	Safety Net of Fair Minimum Wages	Individual worker and industry-specific	No definition and mathematical formula
1997	The Federal Minimum Wage	Individual worker; uniform rate across all trades and industries	Federal Minimum Wage = lowest award rate

The United States

3.12 Massachusetts passed the first state minimum wage law in 1912 after a committee⁸ had shown the nation that women and children were working long hours at wages barely sufficient to maintain a meagre existence. By 1923, 17 States had adopted minimum wage legislation mainly for women and minors in a variety of industries and occupations. But in that year the United States (US) Supreme Court decision declared the District of Columbia minimum wage law unconstitutional on the ground that it violated the principle of liberty of contract in personal employment, and for a decade or more after this the movement for such legislation was at an almost complete halt.

3.13 The economic depression of the 1930s brought with it concern for job security and improved working conditions for all workers in the country. Two events occurred in the late 1930’s that were especially significant to the development of a minimum wage system. The US Supreme Court in 1937 upheld the constitutionality of state minimum wage laws, reversing its former decision. In addition, in 1938, the Fair Labour Standards Act (FLSA) was enacted, which established the national minimum wage at US\$0.25.

3.14 The FLSA was designed to prevent the exploitation of workers and provide unskilled and part-time workers with a wage floor. The original minimum wage had many exclusions, the major ones being farm and household domestic workers, so that the primary effect was on urban and manufacturing workers.

⁸ The committee represented the Women’s Trade Union League, the National Consumers’ League, the American Association for Labour Legislation, and some local trade unions.

3.15 Since then, the minimum wage has been updated and its coverage extended to new employees. Under the FLSA, the national minimum wage can be adjusted only upwards or extended to new categories of workers.

France

3.16 France had a tradition of seeking to regulate wages in general through widespread collective agreements bargaining. After 1945, most branches of industry had collective agreements that extended to all employers in the sector, and set minimum rates that were legally binding.

3.17 France passed the Minimum Wage Law to fix a national minimum wage in 1950. The government established the minimum wage system to allow the least paid to maintain a certain level of purchasing power and improve the quality of the labour by guaranteeing them a certain minimum level of wage, and thereby to have them contribute to the economic development of the nation. However, the system was complicated with a large number of minimum rates which varied by region and town. In addition, the minimum wage rates were criticized by labour unions for not indexed to the inflation rate.

3.18 The government reformed the national minimum wage system in the 1950s and 1960s. In 1952, in the wake of escalating pressures from the labour unions, the government began to adjust the minimum rates with reference to changes in price levels. In 1968, the government simplified the system by abolishing different minimum rates. However, by the end of the 1960s, there was increasing dissatisfaction with the way in which the minimum wage had declined relative to overall earnings (it did not decline in real value).

3.19 In 1970, a new national minimum wage (*salaires minimum interprofessionnel de croissance*) (SMIC) was introduced with the stated aim of ensuring that low-paid workers enjoyed the benefits of economic growth. The present minimum wage system is based on the reform taken in 1970.

Taiwan

3.20 Taiwan enacted the Minimum Wage Act which established a minimum wage system in 1956. In 1984, the Labour Standards Law was passed to supersede the Minimum Wage Act. There are provisions on wages (including basic wage⁹) and work hours, minimum requirements for labour contracts, and rights and obligations of workers and employers in the Labour Standards Law.

⁹ In Taiwan, the government uses the term “basic wage”, rather than “minimum wage”.

3.21 The objective of the Labour Standards Law is to provide minimum standards of labour conditions, protect labour rights, and to promote social and economic development. No labour conditions concluded between an employer and a worker is allowed to be below the minimum standards provided in this law. The basic wage is one of the minimum standard of labour conditions provided in the law. In 1985, the Council of Labour Affairs issued the rules of fixing the basic wage. The form of the basic wage system has not been changed since the mid-1980s.

Japan

3.22 In 1955, the government established the Labour Issues Committee, which consisted of representatives of employers and workers. The Committee recommended the government to introduce a minimum wage system by encouraging employers to make private agreements with their employees on minimum wages. The government encouraged employers to do so and 127 agreements were made before adoption of the Minimum Wages Law.

3.23 The Central Minimum Wage Council was established in 1957 to study the implementation of a minimum wage system. The Council then recommended the government to introduce a proper legal minimum wage system and assist employers to make minimum wage agreements. In 1959, the Minimum Wages Law was enacted. It should be noted that Japan has both regional minimum wages and industrial minimum wages due to its unique historical background.

3.24 The government established the minimum wage system to improve the working condition of low-paid workers by guaranteeing them minimum wages in accordance with categories of industries, occupations or regions, and thereby to contribute to stabilizing workers' living, raising the quality of the labour force and securing fair competition among undertakings, as well as to promote the sound development of the national economy.

South Korea

3.25 The debate on the establishment of a minimum wage system began in the mid-1980s. As the workers' education and income levels improved, they questioned whether government policies aimed at protecting the interests of the employers only. Also, the government was increasingly concerned with the criticism that export production mainly relied on low-cost labour and poor working conditions. In the end, the government agreed to introduce a minimum wage system.

3.26 The Minimum Wage Act was adopted in 1986. When the minimum wage system was introduced, the employers worried about the possible negative effects, remarking that it would push up the wage level and impose heavy financial burdens on companies. In this view, employers demanded that introduction of the system should be postponed to allow enough time for companies to prepare themselves for it. As a result, the Minimum Wage Act entered into force in 1988.

3.27 The government established the minimum wage system which aims to ensure the workers having a minimum standards of living and to improve the quality of the labour force by guaranteeing them a certain minimum level of wage, and thereby to have them contribute to the development of the national economy.

China

3.28 The State Council's Department of Labour Administration promulgated the Minimum Wages Regulations in 1993. The regulations provide the details of a minimum wage system, and stipulate that employers must guarantee wages no less than the minimum local wage standards. The State Council's Department of Labour Administration controls the macro aspect of the system while the implementing rules are formulated by the people's government of a province, an autonomous region or a municipality.

3.29 The State Council's Department of Labour Administration remarked that after implementation of the reform and open-door policies in 1978, China witnessed the coexistence of different forms of economic operations, including the state-owned, collective, private, individual business and foreign-invested business. Since the early-1990s, the number of wage disputes in particular from the private sector increased rapidly. As a result, the central government established the minimum wage system which aims to guarantee the basic living standards of a worker and his family, protect the workers' interests, and promote fair competition amongst enterprises.

Guangdong Province

3.30 The People's Government of Guangdong Province implemented its minimum wage system in September 1994.

Shenzhen City

3.31 The People's Government of Shenzhen City implemented its minimum wage system in November 1994.

Summary

3.32 Table 3 provides the year and the legislation for establishing the minimum wage system for the countries/territory under study. It can be seen that Australia and the US both have long history of implementing the minimum wage system. Australia established its minimum award system in 1907. The US imposed a legal minimum in 1938 when the country experienced the great depression of the 1930s. Meanwhile, the Asian countries/territory established the minimum wage system between 1950s and 1990s after they achieved a certain level of economic development.

Table 3 - Summary Table for the Year and the Legislation for Establishing the Minimum Wage System

	Australia	US	France	Taiwan	Japan	South Korea	China	
							Guangdong Province	Shenzhen City
Year of establishing the minimum wage system	1907	1938	1950	1956	1959	1988	1994	1994
The legislation for establishing the minimum wage system	Conciliation and Arbitration Act	Fair Labour Standards Act	Minimum Wage Law	Minimum Wage Act	Minimum Wages Law	Minimum Wage Act	Minimum Wages Regulations	Minimum Wages Regulations

PART 4 - COVERAGE OF THE MINIMUM WAGE SYSTEMS

4.1 We discuss the coverage and categories of workers exempted (if any) from the minimum wage systems, and address the question whether the minimum wage systems apply to foreign workers or not.

Australia

4.2 In Australia, as long as an employer-employee relationship exists, the minimum award¹⁰ coverage applies. The awards prescribe rates of pay and conditions for employees and may relate to industries, trades or individual companies. At present, there are more than 3 200 awards in force. In other words, the minimum award system covers all paid-workers.

4.3 People who are self-employed are not employees as defined by law and therefore are not covered by an award, e.g. some taxi drivers and lorry owner-drivers, or people working under some forms of partnership agreement.

4.4 If a person is unable to obtain work at the relevant minimum rate applicable because of the person's age or infirmity, the Australian Industrial Relations Commission (AIRC) must specify a lower minimum rate of pay.

Exemption from the Minimum Award System

4.5 There is no exemption from the minimum award system.

Minimum Award System for Foreign Workers

4.6 The minimum award system applies to foreign workers in Australia.

The United States

4.7 More than 80 million American workers (about 65% of the labour force) are covered by the Fair Labour Standards Act (FLSA). There are two ways in which an employee can be covered by the FLSA: enterprise coverage and individual coverage.

¹⁰ Minimum industrial awards are issued by the Australian Industrial Relations Commission (AIRC). When it is difficult to decide which particular award an employee's work falls under, legal advice is sought. The AIRC has a mission to simplify this complicated award system.

Enterprise Coverage

4.8 Employees who work for the following businesses or organizations having at least two employees are covered by the FLSA: (i) those whose annual gross volume of sales is at least US\$500,000; and (ii) hospitals, businesses which provide medical or nursing care for residents, schools and preschools, and government agencies.

Individual Coverage

4.9 Even when there is no enterprise coverage, employees are covered by the FLSA if an individual worker engages in the production of goods and services for commerce. Also, domestic workers such as housekeepers, full-time baby-sitters, and cooks are covered by the law.

Exemptions from the Minimum Wage System

4.10 Some employees are exempt from the minimum wage system. Since the exemption depends on the exact terms and conditions in each case, an employer may need to contact the Department of Labour (DOL) for detailed information. These are illustrative examples of exemptions: (i) executive, administrative, and professional employees, as well as employees in computer-related occupations¹¹; and (ii) employees of certain seasonal amusement or recreational establishments, seamen employed on foreign vessels, employees engaged in fishing operations.

Minimum Wage System for Foreign Workers

4.11 The minimum wage system applies to foreign workers in the US.

France

4.12 The minimum wage (SMIC) is applicable to employees aged 18 or over in all branches of the economy, including temporary or part-time workers.

Exemptions from the Minimum Wage System

4.13 A few groups, such as some professional workers, temporary workers and salesmen are excluded from the minimum wage system. Disabled workers are also not covered by the SMIC.

¹¹ They are usually higher salaried employees. It is unlikely that they are paid the minimum wage.

Minimum Wage System for Foreign Workers

4.14 The minimum wage system applies to foreign workers in France.

Taiwan

4.15 The basic wage system encompasses all of the employees in Taiwan covered by the Labour Standards Law. The law applies to the eight broad categories of industries: (i) agriculture, forestry, fishery and animal husbandry; (ii) mining and quarrying; (iii) manufacturing; (iv) construction; (v) water, electricity, and gas supply; (vi) transportation, warehousing and telecommunications; (vii) mass media; and (viii) other occupations designated by the Ministry of Interior.

4.16 The law was revised in 1996 to gradually expand coverage to all paid-workers (as opposed to the self-employed). In 1998, the Labour Standards Law covered 6.6 million workers, or about 70% of the labour force.

Exemptions from the Basic Wage System

4.17 Certain industries such as financing, insurance and real estate, business services, and personal services may be exempted from the Labour Standards Law should it prove difficult to apply. In 1998, there were about 1.8 million workers in such industries, or around 20% of the labour force.

Basic Wage System for Foreign Workers

4.18 The basic wage system applies to foreign workers in Taiwan.

Japan

4.19 Minimum wage requirements apply to all employees, regardless of modes of payment (e.g. regular, temporary, part-time).

Exemptions from the Minimum Wage System

4.20 Exemptions are obtained for these types of employees: (i) disabled persons with limited working capacity; (ii) persons employed on a probationary basis; (iii) persons attending job training under programmes specified by the Human Resource Development Promotion Law; and (iv) persons employed for an especially short period of time; persons with especially light job duties; or persons who only work intermittently.

Minimum Wage System for Foreign Workers

4.21 The minimum wage system applies to foreign workers in Japan.

South Korea

4.22 In 1988, the minimum wage system covered manufacturing establishments with more than ten workers and in 1989 the coverage expanded to mining, manufacturing and construction establishments employing more than ten workers. Since 1990, the minimum wage system has extended its coverage to all industrial establishments employing more than ten workers.

Exemptions from the Minimum Wage System

4.23 Workers who fall under any of following categories and for whom the employer has obtained permission from the Minister of Labour are exempt from the minimum wage system: (i) a disabled worker with limited working capacity; (ii) a worker on probation; and (iii) a worker attending basic training courses as prescribed by the Basic Vocational Training Act.

Minimum Wage System for Foreign Workers

4.24 The minimum wage system applies to foreign workers in South Korea.

China

4.25 The minimum wage system applies to enterprises established inside China. However, the people's government of a province, an autonomous region or a municipality has the authority to decide whether the Minimum Wages Regulations should apply to an enterprise established by a county or a township.

Exemption from the Minimum Wage System

4.26 The minimum wage system does not cover disabled workers with limited working capacity.

Minimum Wage System for Foreign Workers

4.27 The minimum wage system applies to foreign workers in China.

Summary

4.28 Table 4 summarizes the exemptions of the minimum wage system and its applicability to foreign workers in the countries/territory under study. In Australia, the minimum award system applies to all paid-workers. In the US and France, their minimum wage systems do not cover professional employees. In Japan and South Korea, apprentices and trainees are the major examples of exemptions. In Taiwan, workers in certain industries are excluded from the basic wage system. In China, local governments can decide whether the minimum wage may apply to an enterprise established by a county/township. Another general observation is that disabled workers are not covered by the minimum wage systems.

4.29 The minimum wage system applies to foreign workers in all the countries/territory under study.

Table 4 - Summary Table for the Coverage of the Minimum Wage System

	Australia	US	France	Taiwan	Japan	South Korea	China
Exemptions from the minimum wage system	No exemption from the minimum award system.	Executive, administrative and professional employees and other specific groups of workers.	Professional employees, temporary workers, salesmen, and disabled workers.	Workers in certain industries such as financing, insurance and real estate, business services and social personal services.	Apprentices and trainees; disabled and intermittent workers; newly hired workers on probation; and workers with very short working hours.	Only business with more than ten workers must observe the minimum wage. Exemptions also apply to: apprentices and trainees, newly hired workers on probation, and disabled workers.	Local governments can decide whether the minimum wage system may apply to an enterprise established by a county/township; and disabled workers.
Minimum wage system applies to foreign workers	Yes	Yes	Yes	Yes	Yes	Yes	Yes

PART 5 - THE PROCESS OF FIXING THE MINIMUM WAGES

5.1 In this part, we discuss the determining authorities, advisory body (if any), criteria and procedures for fixing the minimum wages, as well as the frequency of adjustment.

Australia

Authority for Fixing the Minimum Award Rates and the Federal Minimum Wage

5.2 The Australian Industrial Relations Commission (AIRC) is the authority for fixing the minimum award rates and the federal minimum wage.

Functions

5.3 The major functions of the AIRC are: (i) to ensure that a safety net of fair minimum wages is established; (ii) to facilitate agreements between employers and employees in setting wage rates and conditions of employment; and (iii) to prevent and settle industrial disputes by conciliation or arbitration (if necessary).

Members

5.4 The AIRC¹² comprises the president, vice presidents, senior deputy presidents, deputy presidents (these are called presidential members) and commissioners. The presidential members must be a judge or a legal practitioner for at least five years. They have the same rank, status and precedence as judges of the Federal Court of Australia. A commissioner is only required to have appropriate skills and experience in the field of industrial relations. Appointments to the AIRC are made by the Commonwealth Government.

Criteria for Fixing the Minimum Award Rates and the Federal Minimum Wage

5.5 The AIRC takes three criteria into consideration when fixing the minimum award rates and the federal minimum wage: (i) the general living standards of the workers; (ii) economic factors such as the levels of productivity, inflation, and employment; and (iii) the needs of the low-paid workers.

Procedures for Fixing the Minimum Award Rates and the Federal Minimum Wage

5.6 The Commonwealth and State Governments, employers associations, and labour unions may file a claim to the AIRC for adjusting the minimum award rates and the federal minimum wage.

¹² In June 1998, the AIRC comprised 43 members: the president (Justice Giudice), two vice-presidents, eight senior deputy presidents, three deputy presidents, and 29 commissioners.

5.7 The AIRC has a judicial character¹³ and reaches a decision on the basis of detailed submissions and written/oral evidence made by all relevant parties. If there are adjustments of the minimum award rates, the AIRC would issue a wage order¹⁴ to publicize the adjusted rates.

Frequency of Adjustment

5.8 The minimum award rates and the federal minimum wage are adjusted annually.

The United States

Authority for Fixing the Minimum Wage

5.9 The legislature (i.e. US Congress) is the authority for fixing the federal minimum wage.

Criteria for Fixing the Minimum Wage

5.10 As required in the Fair Labour Standards Act (FLSA), the value of the minimum wage is adjusted according to changes in the (i) cost-of-living, (ii) inflation, (iii) income required to maintain a standard of living above poverty,¹⁵ (iv) the general wage level, and (v) productivity and profits of employers.

Procedures for Fixing the Minimum Wage

5.11 The minimum wage may be adjusted by legislation and any Congressmen may introduce a bill to effect an adjustment. The use of this approach is on the ground that it permits minimum wage decisions to be taken with the participation of the highest political authority and after the close scrutiny which is ensured by legislative hearings and debates.

Frequency of Adjustment

5.12 The minimum wage was not adjusted on a regular basis. In fact, the adjustment was infrequent. There were only six adjustments in the 1980 - 1999 period.

¹³ It functions as an industrial tribunal to deal with industrial relations matters.

¹⁴ A wage order is a legally binding instrument having the force of Federal Law.

¹⁵ The US has official poverty thresholds. For individuals (those not supporting families), the minimum wage has consistently exceeded poverty level incomes. On the other hand, for an individual trying to support a family, the minimum wage has lost some of its ability to generate a standard of living above the poverty line. In the 1980s, a worker earning the minimum wage was able to support a family of three at slightly over the poverty threshold. However, in 1997, the falling real value of the minimum wage reduced the family size supportable at the poverty threshold to two.

France

Authority for Fixing the Minimum Wage

5.13 The Council of Ministers (i.e. the cabinet) is the authority for fixing the national minimum wage (SMIC) on the advice of the National Collective Bargaining Board (NCBB) which is administered by the Ministries of Labour and Agriculture.

Advisory Body

5.14 The NCBB is a tripartite body consisting of 40 members: four from the government, 18 from five national labour unions and 18 from employers associations. The Minister of Labour presides as chair of the NCBB. The main function of the NCBB is to examine the relevant economic reports and recommend an adjusted SMIC to the Council of Ministers for approval.

Criteria for Fixing the Minimum Wage

5.15 The Council of Ministers and the NCBB consider four criteria: (i) the needs of workers and their families; (ii) the average wage of manual workers; (iii) inflation rate; and (iv) economic factors such as the economic situation, productivity and employment levels.

Procedures for Fixing the Minimum Wage

5.16 The SMIC may be adjusted in two ways. First, the SMIC rises in line with the national price index. On 1 July of each year, it is raised to cover the rise in the national price index since the last adjustment. In between times, when the national price index rises by 2%, the SMIC will be uprated automatically. In this way, the real value of the SMIC will not fall. Second, to adjust the SMIC on 1 July each year, the NCBB hold meetings in June to examine government reports on economic growth, employment situation, inflation, and the average wage of manual workers. After the deliberations, the NCBB would recommend an adjusted SMIC to the Council of Ministers for final approval. The Ministry of Labour is responsible for publishing the final figure.

Frequency of Adjustment

5.17 The SMIC is adjusted at least once a year. If the inflation rate rises by 2% from the previous adjustment point, the SMIC will be uprated by the same amount. Hence, the SMIC may be adjusted more than once in a year.

Taiwan

Authority for Fixing the Basic Wage

5.18 The Executive Yuan is the authority for fixing the basic wage.

Advisory Body

5.19 The Basic Wage Fixing Commission (BWFC) is an advisory body which is established in the Council of Labour Affairs (CLA) for the deliberations of basic wage and other related matters.

Members

5.20 The BWFC has a chairman who is a director from the CLA. The number of members can vary from 17 to 23 persons. The members are from the government, employers associations and labour unions: the CLA; Ministry of Economic Affairs; Ministry of Finance; Ministry of Transportation and Communication; Council for Economic Planning and Development; Council of Agriculture; Directorate General of Budget, Accounting and Statistics; Central Personnel Administration; Taiwan Provincial Government; Taipei City Government; Kaohsiung City Government; Export Processing Zone Administration; All-Taiwan Federation of Trade Unions; Taiwan Federation of Industry; and Taiwan Chamber of Commerce. The term of office of a member is two years, with the possibility of renewal.

Criteria for Fixing the Basic Wage

5.21 In fixing the basic wage, the Executive Yuan, the CLA and the BWFC take into account: (i) the latest economic situation; (ii) the consumer price index; (iii) the wholesale price index; (iv) labour productivity and the employment situation; (v) both national and average per capita income; (vi) the wages of industrial workers; and (vii) survey and statistical figures on household income and expenditures. In particular, consumer price index and labour productivity are given more weight.

Procedures for Fixing the Basic Wage

5.22 The BWFC is responsible for deliberating and submitting the adjusted basic wage to the CLA. If the CLA has no modification on the revised rate, the proposal would be submitted to the Executive Yuan for final approval.

5.23 If the employers' and the workers' representatives cannot reach a compromise on a rate, the BWFC would propose different rates to the Executive Yuan for consideration and approval. This practice has become common in recent years as the employers' and workers' representatives tend to be divided in opinion.

Frequency of Adjustment

5.24 The basic wage is adjusted annually.

Japan

Authorities for Fixing the Minimum Wages

5.25 The prefectural minimum wages councils (PMWC) determine regional minimum wages and different industrial committees fix different industrial minimum wages.

5.26 The members of the PMWC are from the government, employers associations and labour unions, and are nominated by the chief of the Prefectural Labour Standards Office (PLSO) for one year, with the possibility of renewal. The number of members in such councils varies between 15 and 20 persons, depending on the size of the prefecture.

5.27 A central body, the Central Advisory Committee on Minimum Wages (CACMW)¹⁶ classified the 47 prefectures into four groups (i.e. Tokyo, Hyogo, Hokkaido and Okinawa) based on the cost-of-living and the level of economic development. Every year, the CACMW provides each group with the proposed rate of regional minimum wage adjustment. The PMWC usually follows the CACMW's guidelines in deciding the adjustments.

5.28 Industrial committees are responsible for setting their industrial minimum wages, and are composed of members of the PMWC and of the representatives of workers and the representatives of employers from the industry concerned. In 1998, there were 254 industrial minimum wages, covering five million workers.

Criteria for Fixing the Minimum Wages

5.29 The authorities take into account: (i) cost-of-living; (ii) wages of comparable workers; and (iii) the industry's capacity to pay wages in fixing the minimum wages.

¹⁶ The CACMW has an equal number of members representing workers, employers and the public interests, respectively.

Procedures for Fixing the Minimum Wages

5.30 Minimum wage fixing is in two phases, which follow an established calendar schedule. The first phase is the determination of national level guidelines while the second phase is the fixing of prefectural level minimum wage.

5.31 Each July, the CACMW considers economic reports and data from the government and recommends adjusted prefectural minimum wage rates for the four groups of prefectures. In August, the PMWC deliberates on the minimum wage adjustments. The deadline for the decision is normally 9 August. Approaching the deadline, the three parties in the PMWC usually can reach a compromise, which is close to the recommendation of the CACMW. Otherwise, decisions are taken by majority vote. The new regional minima usually come into force on 1 October. From September to November, different industrial committees work on fixing the industrial minimum wages. The announcement of the minimum wage adjustment is published in an official gazette.

Frequency of Adjustment

5.32 The regional and industrial minimum wages are adjusted annually.

South Korea

Authority for Fixing the Minimum Wage

5.33 The Minister of Labour is the authority for fixing the minimum wage.

Advisory Body

5.34 The Minimum Wage Council (MWC), an advisory body, is established in the Ministry of Labour for preparing and submitting proposals to the Minister of Labour for adjusting the minimum wage.

Members

5.35 The MWC is composed of 27 members: nine workers' representatives, nine employers' representatives and nine independent members (including chairman and vice-chairman) representing the public interests. Workers' members are nominated by the Federation of Korean Trade Unions and employers' members by the Korea Employers' Federation. The Council members are appointed by the Minister of Labour for three years, with the possibility of renewal.

Criteria for Fixing the Minimum Wage

5.36 In fixing the minimum wage, the Minister of Labour and the MWC take into account: (i) cost-of-living, (ii) wages of comparable workers, and (iii) labour productivity.

Procedures for Fixing the Minimum Wage

5.37 Each year the MWC has 90 days to deliberate on minimum wage adjustment and to submit its proposal to the Minister of Labour. Decisions in the MWC are taken by two-thirds majority vote. In practice, the employers' representatives and the workers' representatives bargain over the rates of minimum wage, with independent members acting as moderators. The votes of independent members are decisive since employer and worker members can seldom reach an agreement.

5.38 The Minister only has the legal authority to refer back (i.e. to accept or reject) the MWC's proposals, not to alter them. The Minister may send the proposed adjustment back to the MWC for reconsideration within 20 days. Then the MWC has ten days to prepare and submit its revised proposal to the Minister of Labour. This tight schedule ensures that the adjusted rate can be determined and published by the Minister of Labour by 15 August. The new rate is applied from September of the year concerned to August of the next year.

Frequency of Adjustment

5.39 The minimum wage is adjusted annually.

China

Authority for Fixing the Minimum Wages

5.40 The Department of Labour Administration under local governments¹⁷ is responsible for fixing the local minimum wage rates.

Advisory Bodies

5.41 The local Department of Labour Administration has to consult the local chamber of industry and commerce, the association of enterprise directors, and labour unions before fixing the local minimum wages.

¹⁷ Local governments may be referred to the government of a province, an autonomous region or a municipality.

Criteria for Fixing the Minimum Wages

Guangdong Province and Shenzhen City

5.42 When fixing the minimum wages, the following criteria are taken into account: (i) the minimum living expenses of a worker and his family, (ii) the average wage, (iii) the amounts of social relief fund and unemployment benefits, (iv) differences in the levels of economic development within the province, (v) labour productivity, and (vi) local employment situation. Minimum wage rates thus fixed should be higher than the amounts of social relief fund and unemployment benefits¹⁸ but lower than the average wage in the locality.

Shenzhen City: Formula for Fixing the Minimum Wages

5.43 In Shenzhen City, the authority uses this formula to adjust the minimum wages:

$$\text{New minimum wage rate} = \text{current minimum wage rate} \times [(\text{cost-of-living index} + \text{average wage index} + \text{labour productivity index}) \div 3] \times \text{factor ratio}^{19}$$

Procedures for Fixing the Minimum Wages

5.44 The local Department of Labour Administration determines the minimum wage rates for the locality and the coverage, and registers a report to the State Council's Department of Labour Administration.

5.45 After receiving the report, the State Council's Department of Labour Administration would require the All-China Federation of Trade Unions and the China Enterprise Directors' Association to examine the report. If the minimum wage rates submitted and the coverage are found to be inappropriate, the State Council's Department of Labour Administration is entitled to give its views within 15 days from the day when the report is received.

5.46 If there are modifications from the State Council's Department of Labour Administration, the local Department of Labour Administration has to consider the proposed amendments and may adjust the rates and the coverage. The finalized local minimum wage rates and its coverage are promulgated in the local government bulletin and newspapers.

¹⁸ We discuss the relationship between the minimum wage level and the amount of unemployment benefits for the countries/territory studied in Part 8 of this research report.

¹⁹ The government determines the value of factor ratio (ranging from 0.8 to 1.2) taking into account the level of economic development and the employment situation.

Frequency of Adjustment

5.47 The local Department of Labour Administration adjusts the minimum wages annually.

Summary

5.48 Table 5 summarizes the process of fixing the minimum wages. In France, Taiwan, South Korea and China (Guangdong Province and Shenzhen City), the minimum wages are fixed by the respective government. In the US, the legislature is the authority for fixing the minimum wage. In Australia, the AIRC (working as an industrial court) has the power to fix the minimum award rates and the federal minimum wage. In Japan, the PWMC fixes prefectural minimum wages and different industrial committees set different industrial minimum wages.

5.49 There are official advisory bodies in France, Taiwan and South Korea for proposing adjusted rates to their determining authorities. Members of these advisory bodies are from the government, employers associations, and labour unions. In China, local Department of Labour Administration has to consult employers associations and labour unions. In Japan, some members of the determining authorities (i.e. the PWMC and industrial committees) are from labour unions. In sum, labour unions play an important role in adjusting the minimum wages.

5.50 The authorities use similar criteria in fixing their minimum wages. These include the cost of meeting the basic needs of the workers, the average wage, the levels of productivity, inflation, and employment, and profits of employers. In the US (the only country in the study), the authority has to consider the income required to maintain a standard of living above poverty. In China, the fixed minimum wages should be higher than the amounts of social relief fund and unemployment benefits but lower than the average wage in the locality.

5.51 In Australia, France, Taiwan, Japan, South Korea and China, the authorities adjust the minimum wages on an annual basis. The adjustment in the US has been infrequent.

Table 5 - Summary Table for the Process of Fixing the Minimum Wages

	Australia	US	France	Taiwan	Japan	South Korea	China (Guangdong Province and Shenzhen City)
Authority for fixing the minimum wages	The Australian Industrial Relations Commission (AIRC) is the authority. Members of the AIRC are appointed by the Commonwealth Government; the AIRC consists of presidential members (must be a judge or a legal practitioner for at least five years) and commissioners.	The legislature	The Council of Ministers (i.e. the cabinet)	The Executive Yuan	The prefectural minimum wages councils (PMWC) fix regional minimum wages and different industrial committees set different industrial minimum wages. The Central Advisory Committee on Minimum Wages (CACMW) provides guidelines to the PMWC.	The Minister of Labour	Local Department of Labour Administration
Advisory body	None	None	The National Collective Bargaining Board (NCBB)	The Basic Wage Fixing Commission (BWFC)	None	The Minimum Wage Council (MWC)	Chamber of industry and commerce, the association of enterprise directors, labour unions
Members of the advisory body	Not Applicable	Not Applicable	40 members: 4 are from the government, 18 from five national labour unions, and 18 from employers associations	17 - 23 members; members are from the government, employers associations and labour unions	Not Applicable	27 members: 9 workers' representatives, 9 employers' representatives and 9 independent members representing the public interests.	No information
Criteria for fixing the minimum wages	Three criteria: (i) the general living standards of the workers; (ii) economic factors such as the levels of productivity inflation, and employment; and (iii) the needs of the low-paid	Five criteria: (i) cost-of-living; (ii) inflation; (iii) income required to maintain a standard of living above poverty; (iv) the general wage level; (v) productivity level and profits of employers	Four criteria: (i) the needs of workers and their families; (ii) the average wage of manual workers; (iii) inflation rate; (iv) economic factors, including the economic situation, productivity and employment levels	Seven criteria: (i) the latest economic situation; (ii) consumer price index; (iii) wholesale price index; (iv) labour productivity and employment situation (v) both national and average per capita income; (vi) the wages of industrial workers; (vii) survey and statistical figures on household income and expenditures	Three criteria: (i) cost-of-living; (ii) wages of comparable workers; and (iii) the industry's capacity to pay wages	Three criteria: (i) cost-of-living; (ii) wages of comparable workers; and (iii) labour productivity	Six criteria: (i) the minimum living expenses of a worker and his family, (ii) the average wage, (iii) the amounts of social relief fund and unemployment benefits, (iv) differences in the levels of economic development in the province, (v) labour productivity, and (vi) local employment situation. Minimum wage rates thus fixed should be higher than the amounts of social relief fund and unemployment benefits but lower than the average in the locality.
Procedures for fixing the minimum wages	The Governments, employers associations, and labour unions may file a claim to the AIRC for adjusting the minimum wages. The AIRC has a judicial character and reaches a decision on detailed submissions and evidence made by different parties.	The minimum wage may be adjusted by legislation and any Congressmen may introduce a bill to effect an adjustment.	The SMIC may be adjusted in two ways: (i) whenever the price index rises 2% from the previous adjustment point, the SMIC will be uprated 2%; and (ii) on 1 July each year on the advice of the NCBB.	The BWFC submits the adjusted basic wage to the Council of Labour Affairs (CLA). If the CLA has no modification on the revised rate, the proposal would be submitted to the Executive Yuan for final approval.	The CACMW recommends adjusted prefectural minimum wages to the PMWC for consideration. The PMWC usually follows CACMW's guidelines. Different industrial committees fix their industrial minimum wages.	The MWC proposes an adjusted rate to the Minister of Labour for approval. The Minister of Labour may ask the MWC to revise the proposed rate. The Minister of Labour is the authority for determining the minimum wage.	Local Department of Labour Administration determines the minimum wage rates and the coverage, and registers a report to the State Council's Department of Labour Administration. The State Council may ask the local Department of Labour Administration to adjust the proposed rates and the coverage. The local Department of Labour Administration has the power to finalize the rates
Frequency of adjustment	Annual basis	Infrequent adjustment	Annual basis; may be more than once a year	Annual basis	Annual basis	Annual basis	Annual basis

PART 6 - MINIMUM WAGE LEVELS AND CHARACTERISTICS OF MINIMUM WAGE WORKERS

6.1 We discuss both the nominal and real values of the minimum wage levels, income tax incidence on the minimum wage workers, the number of minimum wage workers, characteristics of minimum wage workers, and the general living standards of the countries/territory studied in this Part.

Australia

Minimum Award Rates

6.2 The Australian Industrial Relations Commission (AIRC) reviewed the minimum award rates²⁰ in April 1998 and made the following adjustments. To benefit the lower-income employees and to narrow the wage gap, the AIRC determined a higher dollar quantum increase for the lower-income group.

- a A\$14 (amounting to HK\$68.3) per week²¹ increase in award rates up to and including A\$550 (HK\$2,684) per week;
- a A\$12 (HK\$50.6) per week increase in award rates from A\$551 (HK\$2,689) per week to A\$700 (HK\$3,416) per week; and
- a A\$10 (HK\$48.8) per week increase in award rates above A\$700 (HK\$3,416) per week.

Federal Minimum Wage

6.3 As mentioned in paragraph 3.10, the AIRC introduced a federal minimum wage to give effect to the statutory requirements to have regard, when adjusting the safety net, to the needs of low-paid workers. The 1998 federal minimum wage was A\$373.40 (HK\$1,822) per week, equivalent to an hourly rate of A\$9.8 (HK\$47.8). It represented an increase of 3.9% (in Australian terms) from the corresponding figure in 1997.

Minimum Award Wage Relative to the Average Wage

6.4 This ratio cannot be determined as the minimum award rates for different occupations vary.

²⁰ The minimum award rates for junior employees (aged under 21 years) and apprentices are below the adult rates.

²¹ A standard working week is 38 hours.

Real Value of Minimum Award Rates

6.5 The real value of minimum award rates experienced a downward trend in the 1984 - 1997 period. We can see that the average award rate adjustments were lower than the price changes, excluding the years of 1984 and 1992 (see Table 6). The AIRC has remarked that the reason for supporting modest rises is to avoid any adverse impact on employment, but it was also concerned about income inequality.

Table 6 : Movement in Average Award Rate and Consumer Price Index, 1984 - 1997

Year	Average Award Rate (Percentage Change)	Consumer Price Index (Percentage Change)
1984	9.2	3.8
1985	2.7	6.7
1986	4.0	8.5
1987	5.7	9.3
1988	4.5	7.1
1989	7.0	7.6
1990	6.3	7.8
1991	2.6	3.3
1992	3.4	1.2
1993	0.8	1.9
1994	1.3	1.7
1995	1.6	4.5
1996	1.1	3.1
1997	1.2	1.3

Source : AIRC

Income Tax Incidence on Workers Earning Minimum Award Rates

6.6 All workers pay income tax under the “pay-as-you-earn” system. If the taxable income is below a certain amount, the person does not need to pay any income tax. Currently, the tax-free threshold is set at A\$5,400 (HK\$26,352) a year.

6.7 As the government provides various tax credits (e.g. credits for dependent children), it is difficult to quantify the exact tax incidence on workers earning minimum award rates. If a worker earns a federal minimum wage for living, the income tax incidence will not be heavy.

Number of Minimum Award Workers

6.8 The AIRC estimated that between 1.7 million and 2 million workers (25% to 30% of the labour force) earned minimum award rates in April 1998.

Characteristics of Low-paid Workers

6.9 The majority of low-paid²² workers are women and they are concentrated in a number of economic sectors, including agriculture, textiles and clothing, footwear, retail trade, restaurants, and personal care services.

The United States

Federal Minimum Wage

6.10 Workers are entitled to a minimum wage of not less than US\$5.15 (amounting to HK\$39.9) an hour, effective from September 1997. The minimum wage rate remained unchanged at US\$4.25 an hour between April 1991 and September 1996, and was adjusted to US\$4.75 in October 1996 (see Table 7).

Table 7 - Minimum Hourly Wage of Workers in the US

Effective Date	Amount (in US\$)
1 Jan 1978	\$2.65
1 Jan 1979	\$2.90
1 Jan 1980	\$3.10
1 Jan 1981	\$3.35
1 Apr 1990	\$3.80
1 Apr 1991	\$4.25
1 Oct 1996	\$4.75
1 Sep 1997	\$5.15

Source: Department of Labour

State Minimum Wages

6.11 There are federal as well as state minimum wages. Currently, eight states (i.e. Alaska, California, Connecticut, Hawaii, Massachusetts, Oregon, Vermont, and Washington) and the District of Columbia have minimum wages that exceed the federal minimum wage. Their hourly minimum rates are between US\$5.65 (HK\$43.8) and US\$6.15 (HK\$47.8).

²² The AIRC only has information on the characteristics of low-paid workers. In Australia, workers earning less than A\$500 (HK\$2,440) per week are classified as low-paid.

Youth Minimum Wage

6.12 A minimum wage of not less than US\$4.25 (HK\$32.9) an hour is permitted for employees under 20 years of age during their first 90 consecutive calendar days of employment with a new employer.

Sub-minimum Wage Provisions

6.13 The Fair Labour Standards Act (FLSA) provides for the employment for certain individuals at wage rates below the statutory minimum. These include (i) vocational education students, (ii) full-time students employed in retail or service establishments, and agriculture; and (iii) workers with physical or mental disability. Employment at less than the minimum wage is authorized to prevent curtailment of opportunities for employment. Such employment is permitted under certificates issued by the Department of Labour (DOL).

Tipped Employees

6.14 Tipped employees are those who customarily receive more than US\$30 (HK\$232) a month in tips. The employer may consider tips as part of wages, but he must pay at least US\$2.13 (HK\$16.5) an hour in direct wages. If an employee's tips combined with the employer's cash wage do not equal the minimum hourly wage, the employer must make up the difference.

The Federal Minimum Wage Relative to the Average Wage of Production Workers

6.15 The ratio of the FLSA minimum wage to average wage of production workers experienced a downward trend. During the 1950s and 1960s, the FLSA minimum was generally over 51% of the average wage of production workers. The ratio declined to 46% in the 1970s, and further to about 40% in the 1980s and 1990s. In 1997, the minimum wage relative to average wage of production workers was 42%.

Real Value of Minimum Wage Levels

6.16 In the 1970 - 1995 period, the real value of minimum wage declined by 25%. This was in part due to the infrequent minimum wage adjustments over much of this period, especially between 1981 and 1990. The minimum wage was raised to US\$4.25 in 1991, but remained at that level for more than five years. With the 1996 and 1997 increases, hourly minimum wages increased by 15% in real terms from 1995 to 1997. In spite of these two latest increases, the real value of minimum wage remains much below the levels of the 1960s and 1970s.

Income Tax Incidence on Minimum Wage Workers

6.17 Minimum wage workers have to pay income tax, but the tax burden is minimal.

Number of Minimum Wage Workers

6.18 In 1997, there were around ten million minimum wage workers (about 9% of the labour force).

Characteristics of Minimum Wage Workers

6.19 In 1997, about two-thirds of the minimum wage workers were adults; 60% were working women, and 40% were the sole bread winner of their family. By industries, these workers were mainly in agriculture, garment, restaurants, security (guard) services, and personal care services.

France

Minimum Wage Levels

6.20 In July 1998, the minimum wage (SMIC) was raised by 2% to FRF40.22 (amounting to HK\$53.1) an hour, and to FRF 6,797 (HK\$8,792) a month (based on 169 standard working hours).

6.21 The SMIC is reduced for young workers. Those aged 17 - 18 years are entitled to 90% of the SMIC, amounting to FRF36.2 (HK\$47.8). This figure drops to 80% for those below 17 years of age, which is FRF32.2 (HK\$42.5). However, young workers with six months or more experience in their respective trade are entitled to the full rate.

Minimum Wage Relative to the Average Wage of Manufacturing Workers

6.22 The SMIC as a percentage of the average wage of manufacturing workers is around 59%. This ratio is considered high in the European Union as other member states have their ratios ranging from 45% to 55%.

Real Value of Minimum Wage Levels

6.23 In the 1970 - 1998 period, the real value of minimum wage more than doubled.

Income Tax Incidence on Minimum Wage Workers

6.24 The income tax is assessed on a household basis. Hence, we cannot conclude whether a minimum wage worker pays income tax or not.

Number of Minimum Wage Workers

6.25 In 1998, there were about 2.2 million minimum wage workers (about 12% of the labour force). The number of workers paid at the SMIC rate varies depending on the economic conditions. In periods when the pressure of raising wage is low, the number of those earning the SMIC tends to rise. Government policies of raising the relative level of the SMIC also cause the number of minimum wage workers to increase.

Characteristics of Minimum Wage Workers

6.26 The distribution of those earning the SMIC differs according to gender, age, and economic sector. In 1998 about 14% of women were paid at minimum wage while the figure for men was about 6%. About one-third of the minimum wage workers were aged under 26 years. The minimum wage workers were concentrated in restaurants, textiles, retail trade, and personal services.

Taiwan

Basic Wage Levels

6.27 In the October 1997 - September 1998 period, the hourly basic wage was adjusted to NT\$66 (amounting to HK\$15.2), an increase of 3.1% over the corresponding figure of NT\$64 in the September 1996 - September 1997 period. The basic wage for a child worker²³ should be not less than 70% of the adult rate, which is equivalent to NT\$46.2 (HK\$10.6). Disabled workers may also have a lower basic wage.

Basic Wage Relative to the Average Wage of Manufacturing Workers

6.28 The ratio of the basic wage to the average wage of manufacturing workers remains stable at about 45%.

²³ The age of a child worker is between 15 and 16 years.

Real Value of Basic Wage Levels

6.29 The real value of the basic wage appreciated significantly in the 1985 - 1993 period, and remained stable in the rest of 1990s.

Income Tax Incidence on Basic Wage Workers

6.30 Basic wage workers pay 3% of their earnings as income tax.

Number of Basic Wage Workers

6.31 In 1997, the number of basic wage workers was estimated at 420 000, or about 4.5% of the labour force.

Characteristics of Basic Wage Workers

6.32 In 1997, about 70% of the basic wage workers were women; they were mainly in the age groups of 15 to 24, and 55 or above. These workers were mainly engaged in labour-intensive industries such as garment, plastic product, and footwear.

Japan

Minimum Wage Levels

6.33 There are regional and industrial minimum wages in Japan. Regional minimum wages are applied to all workers regardless of industry and occupation in a prefecture (there are 47 prefectures in Japan). Industrial minimum wage can be divided into two types. One is the minimum wage determined for a specified industry in a prefecture, for example, the Tokyo iron and steel industry minimum wage; the other is determined for specified segments (coal mining and metal mining) within the whole industry. These industrial minimum wages are applied to workers in the industries concerned. In case a worker is covered by different minimum wages, the worker will have the highest rate.

6.34 In 1998, the annual average of prefectural minimum wages per hour was 645 yen (amounting to HK\$38.4) and 5,167 yen (HK\$307) per standard working day of eight hours. It represented an increase of 1.8% over the corresponding 1997 figure (see Table 8).

Table 8 - Annual Average of Prefectural Minimum Wages Per Day and Consumer Price Index, 1988 - 1998

	Prefectural Minimum Wages		Consumer Price Levels	
	Annual average of minimum wages per day (yen)	Percentage change	Consumer Price Index	Percentage change
1988	3,776	3.0	94.9	0.7
1989	3,928	4.0	97.0	2.3
1990	4,117	4.8	100.0	3.1
1991	4,321	5.0	103.3	3.3
1992	4,504	4.2	105.0	1.6
1993	4,644	3.1	106.4	1.3
1994	4,757	2.4	107.1	0.7
1995	4,866	2.3	107.0	- 0.1
1996	4,965	2.1	107.1	0.1
1997	5,075	2.2	109.0	1.9
1998	5,167	1.8	109.1	0.1

Source: Ministry of Labour, Japan

6.35 In 1998, by regional minimum wages, the highest level per hour was 683 yen (HK\$40.6) in Tokyo, Osaka, and Kanagawa; while the lowest level per hour was 589 yen (HK\$35) in Miyagi and Okinawa. Regarding the industrial minimum wages, the highest level per hour was 890 yen (HK\$53) for the general freight workers in Kochi and the lowest level per hour was 578 yen (HK\$34.4) for the vehicle salesmen in Okinawa.

Average Regional Minimum Wage Relative to the Average Wage of Manufacturing Workers

6.36 The average of regional minimum wages as a percentage of the average wage of manufacturing workers is about 42%.

Real Value of Regional Minimum Wage Levels

6.37 In the 1988 - 1998 period, the rates of regional minimum wage adjustments were higher than changes of consumer price levels. In other words, the real value of regional minimum wage appreciated in this period (see Table 8).

Income Tax Incidence on Minimum Wage Workers

6.38 Minimum wage workers have to pay income tax, but the tax burden is minimal.

Number of Minimum Wage Workers

6.39 The government does not have data on the number of minimum wage workers. Meanwhile, the International Labour Organisation (ILO) estimated that the number would be small.

Characteristics of Minimum Wage Workers

6.40 The government does not have information on the characteristics of minimum wage workers.

South Korea

Minimum Wage Levels

6.41 From September 1998 to August 1999, the hourly minimum wage level is 1,525 won (amounting to HK\$8.54). In terms of Korean won, it increased 2.6% over the comparable figure in the previous period. The hourly minimum wage for those workers below aged 18 years is 1,372.5 won (HK\$7.7), representing a 90% of the adult rate.

Minimum Wage Relative to the Average Wage of Manufacturing Workers

6.42 In 1998, the minimum wage as a percentage of the average wage of manufacturing workers was 38%.

Real Value of Minimum Wage Levels

6.43 In real terms, the minimum wages appreciated rapidly between 1989 and 1991. In the rest of the 1990s, adjustments in nominal minimum wage roughly followed the trend of consumer price index.

Income Tax Incidence on Minimum Wage Workers

6.44 We do not have information regarding the income tax incidence on minimum wage workers.

Number of Minimum Wage Workers

6.45 In 1998, about 5.1 million workers were covered by the minimum wage system, and an estimated 23 000 workers earned the minimum wage (or about 0.4% of the workers in the covered sectors).

Characteristics of Minimum Wage Workers

6.46 We do not have information on the characteristics of minimum wage workers.

China

Guangdong Province

Minimum Wage Levels

6.47 There are five minimum wage levels depending on the extent of development of the locality. The current hourly levels are: 2.375 yuan (amounting to HK\$2.22) applied to Guangzhou; and 2.125 yuan (HK\$1.99), 1.94 yuan (HK\$1.82), 1.75 yuan (HK\$1.64), and 1.56 yuan (HK\$1.46). The local government can choose the appropriate level for implementation.

Minimum Wage Relative to the Average Wage of Manufacturing Workers

6.48 The minimum wage levels were set at 35% - 45% of the average wage of manufacturing workers.

Real Value of Minimum Wage Levels

6.49 We do not have information on the real value of minimum wage levels.

Income Tax Incidence on Minimum Wage Workers

6.50 Minimum wage workers do not need to pay income tax as their incomes are low.

Number of Minimum Wage Workers

6.51 The government does not have data on the number of minimum wage workers.

Characteristics of Minimum Wage Workers

6.52 The minimum wage workers are mainly from the inland provinces.

Shenzhen City

Minimum Wage Levels

6.53 In May 1998, the hourly minimum wages were adjusted: 2.5 yuan (amounting to HK\$2.34) for the Shenzhen Special Economic Zone (SEZ) and 1.92 yuan (HK\$1.8) for areas outside the Shenzhen SEZ.

Minimum Wage Relative to the Average Wage

6.54 The hourly minimum wage accounted for about 30% of the average wage in 1997. The ratios experienced a downward trend (38% in 1994, 37% in 1995, 33% in 1996, and 30% in 1997) because the average wage (especially from the services sector) increased faster.

Real Value of Minimum Wage Levels

6.55 We do not have information on the real value of minimum wage levels.

Income Tax Incidence on Minimum Wage Workers

6.56 Minimum wage workers do not need to pay income tax as their incomes are low.

Number of Minimum Wage Workers

6.57 The government does not have data on the number of minimum wage workers.

Characteristics of Minimum Wage Workers

6.58 The minimum wage workers are mainly from the inland provinces.

General Living Standards and Minimum Wage Levels

6.59 In this research, we use gross national product (GNP) per capita converted by purchasing power parity (PPP) factor²⁴ as an indicator to show the general living standards of the countries/territory studied.

6.60 Table 9 presents GNP PPP per capita 1996 and minimum wage levels of the countries/territory studied. It is important to note that the US (ranked 1 by GNP PPP per capita 1996), Japan (ranked 2), Australia (ranked 3), France (ranked 4), Taiwan (ranked 5), South Korea (ranked 6) and Hong Kong are all in the high income group which is classified by the World Bank. This can reflect the high living standards in these countries/territory. Meanwhile, China (ranked 7) is classified in the lower middle income group.

6.61 By minimum wage level, France has the highest ranking, followed by Australia, the US, Japan, Taiwan, South Korea and China.

6.62 If we compare the two kinds of ranking, it can be seen that the minimum wage level in France and Australia is high, as they rank the fourth and the third by GNP PPP per capita 1996. The US ranks only the third by minimum wage level, given its highest ranking in general living standards.

Table 9 - GNP PPP per capita 1996 and Minimum Wage Levels

Countries/Territory	GNP PPP per capita (1996) (in US\$)	Ranking	Minimum wage levels (in HK\$)	Ranking
US	\$28,020	1	\$39.9	3
Japan	\$23,420	2	\$38.4	4
Australia	\$21,650	3	\$47.8	2
France	\$21,510	4	\$53.1	1
Taiwan	\$16,610	5	\$15.2	5
South Korea	\$13,080	6	\$8.54	6
China	\$3,330	7	\$1.5 - \$2.3	7
Hong Kong ¹	\$24,260	Not applicable	Not applicable	Not applicable

Note : ¹ For Hong Kong, the data is GDP PPP per capita.

Source: The World Bank, *World Development Indicators 1998*

²⁴ GNP is the sum of value of all goods and services produced by resident producers in one year. The PPP conversion factor is defined as the number of units of a country's currency required to buy the same amount of goods and services in the domestic market as one dollar would buy in the United States. The indicator GNP PPP per capita has been widely-used by researchers to compare the living standards in different countries/territories.

Summary

6.63 The provision of minimum wage is different in different places. Table 10 provides the summary of this part. Hourly minimum wage rates are as follows: France (HK\$53.1), Australia (HK\$47.8), the US (HK\$39.9), Japan (HK\$38.4), Taiwan (HK\$15.2), South Korea (HK\$8.54), and China (HK\$1.5 - HK\$2.3). The minimum wages in Taiwan and South Korea are relatively low due to their lower average income levels (indicated by the GNP PPP per capita 1996) and the weak currencies against the Hong Kong dollar.

6.64 By GNP PPP per capita 1996, the US has the highest ranking, followed by Japan, Australia, France, Taiwan, South Korea and China. In terms of minimum wage level, France has the highest ranking, followed by Australia, the US, Japan, Taiwan, South Korea and China.

6.65 If we compare the two kinds of ranking, it can be seen that the minimum wage levels in France and Australia are high, as they rank the fourth and the third by GNP PPP per capita 1996. The US ranks only the third by minimum wage level, given its highest ranking in general living standards.

6.66 In Australia, the US, France, Taiwan and South Korea, reduced minimum wage rates (about 70% - 90% of the adult rates) are fixed for young workers to avoid any negative employment effect on them.

6.67 The ratio of minimum wage to the average wage (of manufacturing workers) is highest in France, at 59%. In the US, Taiwan and Japan, their ratios are below 45%. The ratios in South Korea and Shenzhen City are low at 38% and 30%, respectively.

6.68 The real value of minimum wage levels in France doubled in the 1970 - 1998 period. The real value of minimum wage levels appreciated in Taiwan (in the 1985 - 1998 period), Japan (in the 1988 - 1998 period), and South Korea (in the 1989 - 1998 period). However, the real value of minimum wage levels depreciated in the US (in the 1950 - 1998 period) and Australia (in the 1984 - 1997 period).

6.69 France is the only country in the study which has inflation-indexed minimum wage.

6.70 Minimum wage workers in Guangdong Province and Shenzhen City do not need to pay income tax. In other countries/territory, the income tax incidence on minimum wage workers is minimal.

6.71 The number of minimum wage workers in Japan and South Korea is small. In the US and France, the minimum wage system covers about 10% of the labour force.

6.72 Minimum wage workers are mainly women and are concentrated in certain economic sectors such as textiles and clothing, restaurants, retail trade, and personal care services. In China, minimum wage workers mainly come from inland provinces.

Table 10 - Summary Table for the Minimum Wage Levels and Characteristics of Minimum Wage Workers

	Australia	US	France	Taiwan	Japan	South Korea	China	
							Guangdong Province	Shenzhen City
Hourly minimum wage levels (in HK\$)	Federal minimum wage: \$47.8; lower rates for junior employees and apprentices.	Federal minimum wage: \$39.9; youth minimum wage \$32.9; lower rates for full-time students employed in certain establishments.	SMIC: \$53.1; aged 17 - 18 years \$47.8; below aged 17 years \$42.5.	Basic wage: \$15.2; lower rate for a child worker, not less than 70% of \$15.2.	Regional minimum wage: \$38.4	Minimum wage: \$8.54; young workers below aged 18 years \$7.7, 90% of the adult rate.	Five minimum wage levels: from \$1.46 to \$2.22	\$2.34 for its SEZ and \$1.8 for areas outside SEZ
GNP PPP per capita (in US\$)	\$21,650	\$28,020	\$21,510	\$16,610	\$23,420	\$13,080	\$3,330	
Minimum wage relative to the average wage	No such ratio as minimum award rates for different occupations vary.	FLSA minimum wage relative to the average wage of production workers: 42%	SMIC relative to the average wage of manufacturing workers: 59%	Basic wage relative to the average wage of manufacturing workers: 45%	Average regional minimum wage relative to the average wage of manufacturing workers: 42%	Minimum wage relative to the average wage of manufacturing workers: 38%	Minimum wage relative to the average wage of manufacturing workers: 35% - 45%	Minimum wage relative to the average wage: 30%
Real value of minimum wage levels	Depreciated in the 1984 - 1997 period.	Has depreciated significantly since the 1950s.	Appreciated (doubled) in the 1970 - 1998 period.	Appreciated in the 1985 - 1993 period; remained stable in the rest of the 1990s.	Appreciated in the 1988 - 1998 period.	Appreciated in the 1989 - 1991 period; remained stable in the rest of the 1990s.	No information	No information
Income tax incidence on minimum wage workers	Federal minimum wage workers: the income tax incidence is not heavy.	Minimal tax incidence	Income tax is assessed on a household basis; the tax incidence on minimum wage workers cannot be determined.	Basic wage workers pay 3% of their earnings as income tax.	Minimal tax incidence	No information	Do not need to pay income tax.	Do not need to pay income tax.
Number of minimum wage workers	1.7 million to 2 million workers (about 25% to 30% of the labour force)	Around ten million workers (about 9% of the labour force)	About 2.2 million workers (about 12% of the labour force)	420 000 workers (about 4.5% of the labour force)	Small number of minimum wage workers	23 000 workers (about 0.4% of the workers in the covered sectors)	The government does not have data on the number of minimum wage workers.	The government does not have data on the number of minimum wage workers.
Characteristics of minimum wage workers	Low-paid workers: women; employed in agriculture, textiles and clothing, footwear, retail trade, restaurants, and personal care services.	Two-thirds were adults; 60% were working women; 40% were sole bread winner; employed in agriculture, restaurants, garment, security services, and personal care services.	Mainly women; one-third of them were aged under 26 years; employed in restaurants and catering, textiles, retail trade, and personal services.	Mainly women; they are mainly in the age groups of 15 to 24, and 55 or above; employed in labour-intensive industries.	The government does not have such information.	No information	The minimum wage workers are mainly from the inland provinces.	The minimum wage workers are mainly from the inland provinces.

PART 7 - ENFORCEMENT AND PENAL PROVISIONS

7.1 In this part, we outline the responsible agencies for enforcing the minimum wage systems and the penal provisions for failing to pay the minimum wage or making false reports to the enforcement agencies.

AustraliaEnforcement

7.2 The Commonwealth Government appoints inspectors in the Employment Advocate to enforce the Workplace Relations (WR) Act. In order to ascertain whether minimum awards are being observed, an inspector may enter workplaces, and demand presentation of accounting books and documents.

7.3 An employee or an organization of employees of which that employee is a member or an inspector may file a case to demand back wage payment to an eligible court (i.e. the Federal Court of Australia, a local court, or a magistrate's court). The employee may also sue for the unpaid amount of the payment in the eligible court.

Penal Provisions

7.4 Any person who fails to pay a minimum award wage is punished by a fine. The penalty is between A\$1,000 (HK\$4,888) and A\$5,000 (HK\$24,400). A person who makes a false report to an inspector is also punished by a fine, with the penalty ranging from A\$1,000 (HK\$4,888) to A\$5,000 (HK\$24,400).

Number of Disputes on Minimum Wages

7.5 In 1997, there were 447 industrial disputes, down 17% from 543 cases in 1996. The main cause of disputes was managerial policy,²⁵ being responsible for 54% of the total. However, the number of disputes involving minimum wages in 1997 was 21 cases (4.7%), down from 48 cases (8.8%) in 1996.

²⁵ This includes disputes concerning terms of employment, new awards and agreements, award restructuring, criteria of promotion or deployment, and disciplinary matters.

The United States

Enforcement

7.6 The Department of Labour (DOL) enforces the Fair Labour Standards Act (FLSA). Using both enforcement and public education efforts, the DOL strives to ensure that workers are paid the minimum wage. The DOL has more than 40 offices throughout the country and provides information on minimum wage through its Internet web site.

7.7 DOL's enforcement of FLSA is carried out by investigators stationed across the US. They can conduct investigations and gather data on wages, hours, and other employment conditions, in order to ensure that employers comply with the minimum wage law.

7.8 The DOL remarked that the enforcement initiatives have been targeted at certain industries (including agriculture, garment, restaurants, security services and personal care services) employing many low wage workers and a history of above-average FLSA violations. Attention also has been paid to rural areas and small towns.

Penal Provisions

7.9 It is a violation to fire or in any other manner discriminate against an employee for filing a complaint or for participating in a legal proceeding under the FLSA. Wilful violations may be prosecuted criminally and the violator fined up to US\$10,000 (HK\$77,450). A second conviction may result in imprisonment. Employers who repeatedly violate the minimum wage requirement are subject to a civil money penalty of up to US\$1,000 (HK\$7,745) for each such violation.

Number of Compliance Actions

7.10 For Fiscal Year 1996 (from 1 October 1996 to 30 September 1997), about 7 400 compliance actions were completed, resulting in about 51 000 employees found to be owed more than US\$21.0 million (HK\$162.6 million) in back pay. About 73% of enforcement actions taken were generated by complaints and direct investigations accounted for the other 27%.

France

Enforcement

7.11 Labour Inspectors under the Ministry of Labour are responsible for ensuring that employers comply with the law on minimum wages. They handle complaints and carry out regular inspections.

Penal Provisions

7.12 We do not have information on penal provisions.

Taiwan

Enforcement

7.13 In order to enforce the labour laws and regulations, the central government establishes a labour inspection system. No business entity may reject visits of inspection. In case of rejection by an employer, the inspector may enforce the visit in conjunction with the police.

7.14 In the course of an official visit, an inspector may require the employer to produce reports, records, books of account and other relevant documents or written explanations.

7.15 A worker may file a complaint to the Council of Labour Affairs (CLA) or the inspectorate about any violation by the employer of labour laws and regulations.

Penal Provisions

7.16 An employer who fails to pay a basic wage (minimum wage) is punished by a fine of not less NT\$2,000 (HK\$460) but not exceeding NT\$20,000 (HK\$4,600).

7.17 Any person who rejects, avoids or obstructs a labour inspector in the performance of his official duties is punished by a fine of not less than NT\$10,000 (HK\$2,300) but not exceeding NT\$50,000 (HK\$11,500).

7.18 Where the fine remains unpaid after the demand for payment by the CLA, the case may be referred to the court for compulsory execution.

Japan

Enforcement

7.19 The Ministry of Labour is responsible for enforcing the Minimum Wages Law. Labour Standards Inspectors may enter establishments or business offices of employers, inspect records, documents and put questions to persons concerned.

7.20 Publicity and inspections are two means of improving compliance. The Ministry of Labour carries out a range of publicity services nationwide, centered on the annual ten-day campaign to distribute information on minimum wages (21 - 30 November), just after adjustment of minimum wages. Inspections are also carried out in early-December and in springtime.

Penal Provisions

7.21 Any person who violates the provisions of paying minimum wages to workers is liable to a fine not exceeding 10,000 yen (HK\$595).

7.22 Any person who falls under any one of the following categories is liable to a fine not exceeding 5,000 yen (HK\$297.5) -- (i) any person who fails to inform the workers of the new minimum wages; (ii) any person who makes a false report to the Minister of Labour or the chief of the Prefectural Labour Standards Office; and (iii) any person who refuses, impedes or evades an inspection.

South Korea

Enforcement

7.23 The Ministry of Labour is responsible for enforcing the Minimum Wage Act. The Minister of Labour may request workers and employers to report matters relating to wages.

7.24 The Ministry of Labour employs labour inspectors to enforce the minimum wage law. In order to exercise the authority, the labour inspector may enter workplaces, demand presentation of accounting books and documents, inspect other articles, and ask the persons concerned any question.

7.25 In addition, an employer has to inform the workers of the applied minimum wage by displaying the notice at conspicuous places or by using other appropriate means.

Penal Provisions

7.26 Any person who fails to pay minimum wage may be punished by imprisonment for not more than three years or a fine not exceeding ten million won (HK\$56,000), or both.

7.27 Any person who falls under any of the following categories is punished by a fine not exceeding one million won (HK\$5,600) -- (i) a person who fails to inform the workers of the applied minimum wage; (ii) a person who fails to make a report to the Minister of Labour relating to wages; (iii) a person who refuses, interferes with, or evades the demand or inspection, or makes a false statement on the questions raised by a labour inspector.

China

Enforcement: Guangdong Province and Shenzhen City

7.28 The local Department of Labour Administration under the respective people's government is responsible for enforcing the minimum wages.

Penal Provisions: Guangdong Province and Shenzhen City

7.29 Where an enterprise fails to pay minimum wages, the local Department of Labour Administration should instruct it to pay, within a specified time, the wages owed to the workers as well as compensation which are determined by the duration of the delay. For a delay of more than five days, the daily compensation equal to 1% of a worker's wage must be paid to the worker. In the case of an enterprise refusing to pay overdue wages and compensation for more than three months, a fine from 5,000 yuan (HK\$4,678) to 50,000 yuan (HK\$46,780) are imposed on the enterprise.

7.30 In the event that a party does not accept the punitive decision, such party may apply for reconsideration of the case within 15 days. If the party refuses to accept the reconsideration decision, it may take legal proceedings in the people's court.

7.31 Where the applicant for reconsideration has not taken legal proceedings, upon the expiry of the claim period, enforcement of the penal provisions should be carried out.

Summary

7.32 The task of enforcing the minimum wages is executed by the labour authority (i.e. Ministry of Labour or Department of Labour). The responsible agencies in the countries/territory all have the power to enter workplaces, inspect reports and documents, conduct direct investigations, handle complaints, and carry out regular inspections. Publicity and inspections are two major means of improving compliance with the minimum wage legislation (see Table 11)

7.33 The financial penalties for failing to pay a minimum wage and making a false report to the enforcement agency vary among the countries/territory. In the US and South Korea, a conviction of failing to pay a minimum wage may result in imprisonment (see Table 11).

Table 11 - Summary Table of Enforcement and Penal Provisions

	Australia	US	France	Taiwan	Japan	South Korea	China	
							Guangdong Province	Shenzhen City
Enforcement agency	Inspectors in the Employment Advocate	Department of Labour	Labour Inspectors under the Ministry of Labour	Labour Inspectors under the Council of Labour Affairs	Ministry of Labour	Ministry of Labour	Local Department of Labour Administration	Local Department of Labour Administration
Penalty for failing to pay a minimum wage	Between A\$1,000 (HK\$4,888) and A\$5,000 (HK\$24,400)	A maximum penalty of US\$10,000 (HK\$77,450); a second conviction may result in imprisonment.	No information	Between NT\$2,000 (HK\$460) and NT\$20,000 (HK\$4,600)	A maximum penalty of 10,000 yen (HK\$595)	A maximum penalty of ten million won (HK\$56,000) or imprisonment for not more than three years, or both.	Between 5,000 yuan (HK\$4,678) and 50,000 yuan (HK\$46,780)	Between 5,000 yuan (HK\$4,678) and 50,000 yuan (HK\$46,780)
Penalty for making a false report to the enforcement agency	Between A\$1,000 (HK\$4,888) and A\$5,000 (HK\$24,400)	No information	No information	Between NT\$10,000 (HK\$2,300) and NT\$50,000 (HK\$11,500)	A maximum penalty of 5,000 yen (HK\$297.5)	A maximum penalty of one million won (HK\$5,600)	No information	No information

PART 8 - UNEMPLOYMENT BENEFIT SYSTEMS

8.1 This part provides a broad overview of the unemployment benefit systems in the studied countries/territory and discuss the linkage between the amount of unemployment benefit and the minimum wage level.

Unemployment Insurance System Versus Unemployment Assistance System

8.2 There are two types of unemployment benefit system -- insurance system and assistance system.

8.3 The benefits offered by an unemployment insurance system are financed by wage-linked insurance contributions paid by employers and/or employees. They are available only to those who, during a previous period of paid employment, have paid insurance contributions. The duration of benefit entitlement may be limited and may depend on the length of previous employment. The benefit rate is linked to previous earnings and, in some cases, to the duration of previous employment. Individual need consideration has no influence on benefit entitlement.

8.4 Unemployment assistance benefits, on the other hand, are usually independent of previous earnings and contribution payments. They are means-tested and financed by the government (through taxation). The level of benefit is oriented to basic needs requirement and is generally lower than that provided by an unemployment insurance system. However, the duration of benefit may be indefinite.

8.5 It is important to note that these two systems can coexist. For instance, the unemployment benefit systems in France consist of these two layers of benefits. The unemployment insurance entitlement is paid to the unemployed during an initial period of unemployment, while the unemployment assistance is paid if the spell of unemployment continues for a period of time.

An Overview of the Unemployment Benefit Systems

8.6 Table 12 summarizes the major features of unemployment benefit systems in the countries/territory under study. The US, Taiwan, Japan, South Korea and China²⁶ (implemented in major cities) operate an unemployment insurance system, while Australia adopts an unemployment assistance system. France implements both unemployment benefit systems.

²⁶ The government provides social relief fund to guarantee minimum living standards. The entitled amount is from 100 yuan (HK\$93.6) per month to 250 yuan (HK\$234) per month, depending on the living standards of the city. The duration of payment is maximum three years.

8.7 In the countries/territory (including France) operating unemployment insurance system, the benefits are financed from both employers' and employees' contributions.²⁷ In Australia and France, the unemployment assistance system is financed by the government (through taxation).

8.8 Under the unemployment insurance system (operated in the US, France, Taiwan and South Korea), the rate of benefit generally ranges from 40% to 60% of previous gross earnings. The ratio in Japan ranges from 60% to 80%. In other words, the amount of unemployment benefit does not have any linkage to the minimum wage level.

8.9 In countries operating unemployment assistance system, their rates of benefit are set below the earnings of minimum wage workers so as to avoid any negative effect on employment. In Australia, while a federal minimum wage worker earned A\$19,417 (HK\$94,754) in 1998, the amount of unemployment assistance was A\$8,100 (HK\$39,528), or about 42% of a minimum wage worker's earning. In France, a minimum wage worker earned FRF 81,564 (HK\$105,504) in 1998; whereas the amount of unemployment assistance ranged from FRF 15,950 (HK\$21,060) to FRF 27,010 (HK\$35,368), or 20% to 34% of a minimum wage worker's earning. France has a lower ratio of the unemployment assistance level to the minimum wage worker's earning. However, we are unable to conclude whether the unemployment assistance level in France is too low or the minimum wage level is too high.

8.10 In countries/territory under the unemployment insurance system, the entitlement of benefit is conditional on a minimum period of insured employment. This period ranges from 14 weeks in the US to two years in Taiwan. The maximum duration of benefit entitlement also varies according to the length of previous employment (in case of Japan and France also with the age of the person affected); this duration can reach five years for older workers in France.

8.11 In the countries with the unemployment assistance system (i.e. Australia and France), there is a means-test requirement for eligibility of benefit. The duration of benefit may be indefinite.

²⁷ The way in which the burden of contributions is divided between employers and employees may vary among these countries/territory. We do not have detailed information.

Table 12 - Unemployment Benefit Systems

	Australia	US	France	Taiwan	Japan	South Korea	China
Unemployment insurance	No	Yes	Yes	Yes	Yes	Yes	Yes
Mode of financing	Not applicable	Contributions from employers and employees	Contributions from employers and employees	Contributions from employers and employees	Contributions from both employers and employees	Contributions from employers and employees	Contributions from employers and employees
Rate of benefit	Not applicable	50% of previous gross earnings	60% of previous gross earnings	50% of previous gross earnings	60% - 80% of previous gross earnings	50% of previous gross earnings	40% of previous gross earnings
Qualifying conditions	Not applicable	At least 14 weeks to 20 weeks employment in the year before; varies by state	At least 6 months insured employment, depending on age	At least 2 years insured employment	At least 6 months contributions within a year preceding unemployment	At least 12 months of employment in the last 18 months preceding unemployment	At least 1 year insured employment
Duration of benefit	Not applicable	Maximum 26 weeks in most states	4 months to 60 months, depending on age and length of contributions	3 months to 16 months, depending on the length of contributions	90 days to 300 days, depending on age and length of contributions	Maximum 6 months	1 month to 24 months
Unemployment assistance	Yes	No	Yes	No	No	No	No
Mode of financing	The government provides the funds.	Not applicable	The government provides the funds.	Not applicable	Not applicable	Not applicable	Not applicable
Rate of benefit	Maximum A\$8,100 (HK\$39,528) per year	Not applicable	FRF 15,950 (HK\$21,060) per year - FRF 27,010 (HK\$35,368) per year	Not applicable	Not applicable	Not applicable	Not applicable
Qualifying conditions	Means-test requirement; involuntary unemployed; registered for employment	Not applicable	Means-test requirement; unemployed but not qualified for or has exhausted unemployment insurance; young job seekers, single mother, etc.	Not applicable	Not applicable	Not applicable	Not applicable
Duration of benefit	Indefinite	Not applicable	Indefinite	Not applicable	Not applicable	Not applicable	Not applicable

PART 9 - A SURVEY OF EMPIRICAL STUDIES ON THE IMPACT OF MINIMUM WAGE CHANGES ON THE LEVEL OF EMPLOYMENT, POVERTY, INCOME DISTRIBUTION, INFLATION AND COMPETITIVENESS OF THE ECONOMY

9.1 In this part, we discuss the difficulties in evaluating the impact of minimum wage changes and survey the empirical studies on the effects of minimum wage changes on the level of employment, poverty and income distribution. We do not have information on the studies of minimum wage changes on inflation and competitiveness of the economy. It is important to note that most of the minimum wage studies focused on the employment effects and were in the United States context.

9.2 In their replies to our request for information, the Ministry of Labour in Japan and the Governments of Guangdong Province and Shenzhen City responded that they had not conducted any empirical study in evaluating the effects of minimum wage changes. We have not received any information on the empirical studies from South Korea. We did not have information on Taiwan.

Difficulties in Evaluating the Impact of Minimum Wage Changes

9.3 We discuss the arguments for and against a minimum wage system in Part 2 of this report. From our discussions, it is evident that the impact of minimum wage changes is theoretically inconclusive. For this reason, researchers devoted much efforts to conduct empirical studies in analyzing the effects. Meanwhile, it should be noted that there may be difficulties in the evaluations.

9.4 First, there may simply be no relevant data or available statistics to analyze the effects of minimum wage changes on employment, income distribution, poverty, inflation and competitiveness of the economy. Researchers may need to use far from ideal inputs for the analysis.

9.5 Second, even when information is available, it is still not easy to quantify the precise impact of minimum wage changes from other influences on the economic variables that must be considered. Since these other influences can rarely be assumed to remain constant, it must be determined to what extent the observed changes are attributable to minimum wage changes relative to other causes. For example, if the employment in an industry is found to have risen following an increase of minimum wage, this does not necessarily mean that there has been no adverse employment effect, as it is conceivable that had there been no minimum wage change, the employment level might have increased even more substantially.

9.6 Third, the analysis is made more complicated by the fact that all the effects of minimum wage changes are not likely to be immediate. With the passage of time, the delayed effects may become more difficult to separate from more general economic trends.

9.7 Fourth, in the study of quantifying the effects of minimum wage changes on inflation or competitiveness of the economy, the precise chain effect is difficult to identify. Hence, researchers may not be able to have concrete measurements. In the case of inflation, researchers generally agree that fiscal and monetary policies would have more direct impact on the price level. On the issue of competitiveness of the economy, some researchers (e.g. Dr. NG Sik Hong of the University of Hong Kong and Dr. Gerald Starr of the International Labour Organisation) reconfirm that it is difficult to quantify the impact of minimum wage changes on the “competitiveness of the economy” as there is no agreed approach to measure “competitiveness of the economy”. As a result, researchers seldom engage in these two kinds of studies.

9.8 Fifth, adding further to the difficulties of evaluation is the fact the impact of minimum wage changes can only be assessed in a specific context. It will vary depending on the legal coverage of the minimum wage rates fixed, their level relative to the prevailing wage rates, the effectiveness of their enforcement, the characteristics of the affected labour markets and the economic conditions. Hence, it is possible to draw conclusions only to a limited degree. Evaluations must take into account the particular characteristics and circumstances of each case.

9.9 Although there are difficulties in evaluating the effects of minimum wage changes, systematic evaluations should be an integral part of well conceived minimum wage systems. This is particularly the case where a minimum wage system is of broad scope and the consequences of an error of policy are wide-ranging.

Minimum Wages and the Level of Employment

9.10 Most empirical studies focus on the employment effect, especially for youth employment. This is partly because youths generally have fewer skills and less labour market experience than other workers; hence, their labour demand is likely to be more sensitive to increases in the minimum wage.

Australia

9.11 The Australian Industrial Relations Commission (AIRC) evaluated the effects of minimum award changes on the level of employment in April 1998 and made these observations.

9.12 There were studies conducted in the 1970s and 1980s which addressed the effect of real wages growth on employment levels.²⁸ The studies showed that a 1% increase in real wages would reduce employment by between 0.6% to 0.8%. The AIRC indicated that these studies were dated and generally reflected a period of time in which significant real wage movements occurred. Caution is required in relying on such studies to explain the effects of real wage movements on the level of employment. In case of moderate minimum award adjustments, the effects on real wage and the employment level would not be significant. In sum, the AIRC remarked that the April 1998 moderate minimum award adjustments (growing by 2.5%) would not significantly affect the employment level.

The United States

9.13 An influential empirical study by Brown, Gilroy and Kohen covering the 30 years from 1951 to 1980 reviewed a large number of studies on the effect of minimum wage changes on the level of employment and concluded that:

“Time series studies²⁹ typically find that a 10% increase in the minimum wage reduces teenage (aged 16 -19 years) employment by 1% to 3% ... We believe that the lower half of that range is to be preferred [more likely to be the accurate research result] ... The effect of the minimum wage on young adult (aged 20 - 24 years) employment is negative and smaller than that for teenage employment. The direction of the effect on adult employment is uncertain in the empirical work, as it is in the theory.”³⁰

9.14 The 1990s saw an increase in the number of published studies, most of which suggested that the Brown, Gilroy and Kohen survey overestimated the effects on employment of a rise in the minimum wage. Among the researches, Card and Krueger had an important study of the fast food industry in New Jersey and Pennsylvania.³¹

²⁸ Australia has a structure of minimum award rates rather than a single minimum wage. Hence, researchers used the variable real wage movements to substitute minimum wage.

²⁹ Most empirical studies adopted a time-series approach in which a measure of employment for a demographic group was regressed against the ratio of minimum wage to the average wage and a set of other control variables.

³⁰ Brown, Gilroy and Kohen, “The Effect of the Minimum Wage Law on Employment and Underemployment”, *Journal of Economic Literature*, Vol. 20, June 1982.

³¹ The fast food industry is a major minimum wage employer in the United States. An increase in hourly state minimum wages in New Jersey in 1992 from US\$4.25 to US\$5.05 is used as a case study of the effect on employment of increases in minimum wages. Prior to the increased minimum wage taking effect, the authors surveyed 410 fast food restaurants in New Jersey and Pennsylvania. The restaurants were resurveyed ten months later, to determine how employment had responded to the increase in the minimum wage. Comparisons between restaurants in New Jersey and those in Pennsylvania where the minimum wage remained at US\$4.25 pr hour, provided direct estimates of the effect of the new minimum wage.

9.15 After the study, not only did the authors find no indication that the increase in the minimum wage reduced employment, on the contrary it seemed to have a positive effect on employment. The major reason for higher employment level was that workers would take up the vacant lower-paid jobs if there was an increase in minimum wage. Card and Krueger commented:

*“Contrary to the stark prediction of competitive labour demand theory, we find that the rise in the New Jersey minimum wage seems to have increased employment at restaurants that we were forced to raise pay to comply with the law... The absence of negative employment effects in all the studies provides reasonably strong evidence against the prediction that a rise in the minimum wage invariably leads to a fall in employment. We find zero or positive employment effects for different groups of low wage workers in different time periods, and in a variety of regions in the country. The weight of this evidence suggests that it is very unlikely that the minimum wage has a large negative employment effect.”*³²

9.16 However, Card and Krueger’s study was criticized by some other researchers. Neumark and Wascher argued that Card and Krueger’s method of data collection was faulty and skewed their results. In re-examining the case of New Jersey minimum wage increase, they received payroll data on some New Jersey and Pennsylvania fast food restaurants from the Employment Policies Institute, and also collected payroll data themselves. Using this combined sample, they found statistically significant negative employment effects resulting from the New Jersey minimum wage increase.³³

9.17 A recent empirical study by Bernstein and Schmitt³⁴ examined the impact of the 1996 - 1997 minimum wage increases on employment opportunities of low wage workers. The authors found that the estimated employment effects were generally small and statistically insignificant.

³² Card and Krueger, *Myth and Measurement: The New Economics of the Minimum Wage*, Princeton University Press, 1995. p. 15 -16.

³³ Neumark and Wascher, *Reconciling the Evidence on Employment Effects of Minimum Wages: A Review of our Research Findings*, Federal Reserve Board Discussion Paper, 1996.

³⁴ Bernstein and Schmitt, *Making Work Pay: The Impact of the 1996 - 1997 Minimum Wage Increases*, Economic Policy Institute, 1998.

9.18 In the 1998 Report³⁵ to the US Congress, the Secretary of Labour commented that minimum wage studies mainly focused on measuring the employment effect of minimum wage changes. Recent data from such studies indicated that while the level of the minimum wage was set within its traditional range (approximated 50% or less of the average wage), and increases were moderate, negative employment effects, if any, would be slight and difficult to detect. Other variables affecting the extent of employment loss (or gain) might include: (i) change in demand for labour derived from economic growth; (ii) change in labour productivity; (iii) levels of profits, and (iv) the elasticity of the demand for young workers.

General Observations

9.19 In sum, the surveyed research studies in the US indicate that there is no agreement among researchers on the likely employment impact of an increase in minimum wage. Some researchers argue that an increase in the minimum wage will not have a significant negative impact on low wage employment. Other researchers argue that an increase in the minimum wage will cause job loss. However, it is generally agreed that a high real minimum wage could have an adverse impact on the employment of low-wage workers.³⁶

France

9.20 Since the beginning of the 1990s, France has experienced a sharp increase of unemployment,³⁷ in particular among youth. Researchers devoted to conduct studies to evaluate whether the SMIC had a negative impact on employment, and particularly youth employment. We surveyed several major empirical studies in this part.

9.21 In 1991, Bazen and Martin found that the minimum wage uprating caused higher average real earnings of young workers, but they could not establish that the rise of youth labour cost had a negative impact on the level of employment. The elasticity of youth employment to minimum wage movement, ranging between -0.1 and -0.2, (i.e. a 10% increase in the minimum wage would lead to a decline in youth employment ranging between 1% and 2%) seemed very modest.

³⁵ Under the Fair Labour Standards Act (FLSA), the Secretary of Labour has to submit an annual report containing an evaluation of the minimum wages to the US Congress.

³⁶ McCallion, *The Federal Minimum Wage: Employment and Distributional Effects*, Congressional Research Service Report for Congress, May 1996.

³⁷ The 1998 average unemployment rate was 12%.

9.22 Skourias conducted three separate studies, in 1992 and 1993, using different approaches to measure the minimum wage effect on youth employment. Skourias concluded that the minimum wage had a negative, though modest, effect on youth employment. He found that the elasticity of youth employment to the minimum wage ranged from between -0.2 and -0.22. (i.e. a 10% increase in the minimum wage would lead to a decline in youth employment ranging between 2% and 2.2%.)

9.23 In measuring the employment effect of the minimum wage, Abowd, Kramarz, Lemieux and Margolis³⁸ tracked the employment of workers whose wage, just prior to the increase, was above the previous minimum wage but below the new higher minimum wage. Such workers, they reason, would be most likely to lose the job due to an increase in the minimum wage. The authors found that the minimum wage had very large negative employment effects. For men aged 25 to 30 years who were in this marginal category, an increase of 1% in the minimum wage would reduce their probability of keeping their job by 4.6%.

Minimum Wages and Poverty

9.24 In evaluating whether minimum wage can help to tackle the poverty problem, the important consideration is how much of the minimum wage increase can effectively flow to those in poverty. The proportion of low income families that have low wage workers is of considerable importance, as families without incomes do not benefit directly from minimum wage increases.

The United States

9.25 In examining who received raises from the 1996 - 1997 two stage increases in the minimum wage from US\$4.25 to US\$5.15, Bernstein of the Economic Policy Institute³⁹ found the following: (i) close to 10 million workers benefitted from the increase; (ii) nearly half of the affected workers (46%) worked full time; and (iii) the increase primarily benefitted the low income families -- most of the benefits from the minimum wage increase went to the poorest 40% of working families.

9.26 The minimum wage proved effective at getting benefits to their intended recipients. Despite this, the minimum wage had limited, and diminishing, impact in addressing the problem of low wage poverty. The reason is that the real buying power of the minimum wage (after adjusted for inflation) dropped substantially over the past 30 years. Hence, the present minimum wage system might not be an effective tool for preventing poverty among low wage workers.

³⁸ Abowd, Kramarz, Lemieux and Margolis, *Minimum Wages and Youth Employment in France*, The National Bureau of Economic Research, 1998.

³⁹ Bernstein, *America's Well-Targeted Raise*, Economic Policy Institute Brief, 1997.

General Observations

9.27 McCallion remarked that a minimum wage might not significantly ameliorate poverty. The reasons were: (i) not all minimum wage earners lived in poor families; (ii) most of the working poor already earned more than the proposed minimum wage; and (iii) some poor families did not have wage earners.

Minimum Wages and Income Distribution

The United States

9.28 Card and Krueger argued that the declining real value of the minimum wage over time contributed to rising wage inequality, and that the increase of minimum wage to US\$4.25 in 1991 resulted in a diminution in wage inequality. They found that workers who benefitted from the 1991 minimum wage adjustment were more likely to be from lower income families.⁴⁰

9.29 Bernstein and Schmitt⁴¹ assessed the impact of the 1996 minimum wage increase on the distribution of wages, the distribution of family income, and the employment opportunities of low wage workers. The authors concluded that the higher minimum wage boosted the earnings of low wage workers; the benefits of the minimum wage increase went primarily to low income working families; and employment opportunities for teenagers and young adults were not adversely affected by the increase. McCallion, the US Congress researcher, shared the view that a minimum wage increase might diminish wage inequality.

9.30 However, some researchers⁴² argued that minimum wage changes would not have a significant effect on income inequality. They contended that minimum wage workers were fairly evenly distributed across families in different income groups. In addition, they argued that a minimum wage increase would benefit those families who depended least on the earnings of their minimum wage members.

Minimum Wages and Inflation

9.31 We do not have detailed information on the impact of minimum wage changes on inflation.

Minimum Wages and Competitiveness of the Economy

9.32 We do not have detailed information on the effects of minimum wage changes on competitiveness of the economy.

⁴⁰ Card and Krueger, *Myth and Measurement: The New Economics of the Minimum Wage*, Princeton University Press, 1995. p. 284.

⁴¹ Bernstein and Schmitt, *The Sky Hasn't Fallen, An Evaluation of the Minimum Wage Increase*, Economic Policy Institute, 1997.

⁴² Horrigan, Michael and Mincy, *The Minimum Wage and Earnings and Income Inequality*, Russell Sage Foundation, 1993.

Summary

9.33 Table 13 summarizes the findings of the empirical studies on the impact of minimum wage changes on the level of employment, poverty and income distribution.

Table 13 - Summary of Findings of the Empirical Studies

Minimum Wages and the Level of Employment	
Research conducted by	Findings
The Australian Industrial Relations Commission (Australia; 1998)	Moderate adjustments in minimum award rates would not significantly affect the level of employment.
Brown, Gilroy and Kohen reviewed the studies conducted in the 1951 - 1980 period on the effects of minimum wage changes on the level of employment. (US; 1982)	A 10% increase in the minimum wage would reduce teenage employment by 1% to 3%. The effect of the minimum wage on young adult employment was negative and smaller than that for teenage employment. The direction of the effect on adult employment was uncertain.
Card and Krueger studied the case of fast food industry in New Jersey and Pennsylvania. (US; 1995)	An increase in minimum wage had zero or even positive effects on the level of employment.
Neumark and Wascher re-examined the case of New Jersey with the use of a different sample. (US; 1996)	There were statistically significant negative employment effects.
Berstein and Schmitt evaluated the impact of the 1996 - 1997 minimum wage increases. (US; 1998)	The negative employment effects were generally small and statistically insignificant.
Secretary of Labour's Report to the US Congress (US; 1998)	If the minimum wage was set at 50% or less of the average wage, and increases were moderate, negative employment effects would be slight and difficult to detect.
Bazen and Martin studied the impact of minimum wage changes on youth employment. (France; 1991)	There were modest negative employment effects.
Skourias conducted three studies to measure the effects of minimum wage changes on youth employment. (France; 1992 and 1993)	There were modest negative employment effects.
Abowd, Kramarz, Lemieux and Margolis studied the effects of minimum wage changes on the level of employment of marginal workers. (France; 1998)	There were very large negative employment effects.
Minimum Wages and Poverty	
Research conducted by	Findings
Berstein examined the effects of the 1996 - 1997 minimum wage increases on the low-paid workers. (US; 1997)	The present minimum wage system might not be an effective tool for preventing poverty as the real buying power of the minimum wage dropped substantially in the last 30 years.
Minimum Wages and Income Distribution	
Research conducted by	Findings
Card and Krueger (US; 1995)	Declining real value of the minimum wage caused wage inequality.
Berstein and Schmitt assessed the impact of the 1996 minimum wage increase on income distribution. (US; 1997)	An increase in the minimum wage might diminish wage inequality.
Horrigan, Michael and Mincy (US; 1993)	Minimum wage changes would not have a significant effect on income inequality.

PART 10 - THE SPECIAL CASE OF THE UNITED KINGDOM

10.1 Minimum wage in the United Kingdom (UK) has a convoluted history. Statutory support for minimum wages in the UK existed for 103 years during the period 1891 - 1994. There was a break of about five years in 1994 - March 1999 due to change of Governments. The Labour Government introduced a national minimum wage on 1 April 1999. Hence, in this report, we devote a full part to outline in more detail the case of the UK. (Please see Appendix I for historical development of the minimum wage system in the UK and Appendix II for operations of the former Wages Councils.)

Low Pay Commission

Background for Establishing the Low Pay Commission

10.2 The Conservative Party won the 1992 General Election and formed the government in the period 1992 - 1997. At that time, the UK (1994 - March 1999) did not have a minimum wage system for industries and business sectors (except for three Agricultural Wages Boards).

10.3 The Labour Party won the General Election in May 1997 and formed a new government. In the General Election in May 1997, the Labour Party's manifesto was that there should be a statutory wage level beneath which pay should not fall -- with a minimum wage decided not on the basis of a rigid formula but according to the economic circumstances of the time and with the advice of an independent Low Pay Commission (LPC).

10.4 The Labour Government acted to implement its commitment to the national minimum wage and established the independent LPC in July 1997 to recommend to the Prime Minister the coverage and initial level of the national minimum wage. This is the first time in the UK that a national minimum wage would be introduced, covering all business sectors and regions of the country. The LPC was asked to publish a national minimum wage report in June 1998. (The membership and the terms of reference of the Low Pay Commission are provided in Appendix III.)

Research Process

10.5 The LPC started the work by studying the academic literature on the subject from the UK and abroad. The LPC had undertaken extensive consultation, which supplemented the analysis of extensive research and official data. The LPC received nearly 500 written submissions, and took oral evidence from a wide range of representative organizations. The LPC undertook a substantial programme of visits to over 60 cities, towns and villages throughout the UK, where the LPC heard directly from small firms, rural businesses, low wage workers, and the unemployed.

Findings and Recommendations of the Low Pay Commission

10.6 In June 1998, the LPC published its first report on the national minimum wage, and presented to Parliament by the President of the Board of Trade. The findings and recommendations of the LPC are discussed below.

Pattern of Low Pay

10.7 Low pay is more prevalent among certain groups of individuals, especially women and young people. It is closely associated with particular working patterns, such as part-time work and homeworking. And low pay is concentrated in certain business sectors -- particularly in service industries, such as hospitality, retails, business services and social services -- and in small firms.

Defining the Wage

10.8 Most low-paid workers receive only a basic rate of pay, but a minority have more complex pay structures or are paid on an incentive basis. In defining the components of pay in the national minimum wage, the payments based on output, productivity or performance should count towards the national minimum wage, including, for example, payment by results, commission, bonuses, and tips and gratuities paid through the payroll.

10.9 In whatever way workers' pay is defined or whatever hours they work, only pay for "standard" working should count. Hence, employers cannot satisfy their obligation to pay the national minimum wage by including benefits and premium payments, such as overtime and shift premia. In addition, all actual working time should be covered by the national minimum wage.

Training and Development

10.10 Young people are more likely than older people to be unemployed or in low-paid jobs. They must receive the necessary coaching and training to prepare them for a working life. The evidence suggests that 16 and 17 year olds should not be regarded as full participants in the labour market; they should be in education or training. Apprentices are on a structured programme of training that provides recognized, transferrable skills leading to better employment prospects. Young people aged 16 and 17 years and those on formal apprenticeships should therefore be exempt from the national minimum wage.

10.11 The LPC recommended a development rate lower than the full rate of the national minimum wage for the 18 - 20 age group because of the concern for losing job opportunities. The LPC would monitor the progress of the implementation of development rate and its linkage to formal and accredited training.

10.12 To avoid the national minimum wage becoming a barrier to the receipt of structured training and to provide an incentive for employers to train, workers aged 21 years and over on accredited training courses may be eligible for the development rate for a maximum of six months when beginning a job with a new employer.

Initial National Minimum Wage Rate

10.13 The initial national minimum wage should be introduced at a rate which offers real benefits to the low-paid, while avoiding unnecessary risks to businesses and to jobs. The LPC recommended an initial rate of £3.60 an hour in April 1999 and £3.70 an hour in June 2000. At the same time, the LPC proposed an initial development rate of £3.20 per hour in April 1999 and £3.30 per hour in June 2000.

Criteria for Fixing the Initial National Minimum Wage Rate

10.14 A recommendation on the initial rate of national minimum wage must balance the aim to address low pay with the need to ensure that the level is manageable for business and the economy. An assessment of the latter consideration was based on six economic issues in particular: pay differentials, the costs of business, competitiveness of the economy, prices, employment and public sector finances.

Number of Minimum Wage Workers

10.15 The LPC estimated that the total number of minimum wage workers would be around two million people (or about 9% of the labour force).

Characteristics of Minimum Wage Workers

10.16 Some 1.5 million of the minimum wage workers are women, more than half of whom work part-time.

Analysis of the Socio-economic Effects When Introducing the National Minimum Wage

10.17 The LPC had to judge about the balance between a high national minimum wage, which would make a more substantial difference to the low-paid, and the risk that jobs might be lost or that goods and services might become more expensive. Meanwhile, the LPC remarked that the impact of the national minimum wage could not be predicted precisely.

10.18 A wide range of evidence -- on employment, inflation, pay differentials, business costs, competitiveness, and public sector finances - helped the LPC to determine the likely effects of the national minimum wage. The LPC also considered the implications of other statutory minimum pay systems, notably the former Wages Councils in the UK, and international systems.

10.19 Judgment about the effects of the national minimum wage on employment must take into account the potential for business re-organization, and productivity and efficiency improvements, depending on individuals' choices about how to react. It is likely that the impact will be greater on the structure of employment than on its level; in particular, firms which are inefficient or which offer low value-added goods and services may need to re-organize working practices. Equally, more efficient firms and those offering higher added-value can be expected to benefit.

10.20 Inflationary pressures⁴³ will depend on a range of dynamic adjustments in the economy, including the extent to which there is pressure to restore pay differentials. At the rate the LPC recommended, restoration of wage differentials would be limited, although this will vary from company to company reflecting diverse business circumstances.

10.21 The costs to business will vary substantially, both between and within sectors. The LPC took account of evidence about the costs to particular sectors, such as social care and business services, as well as the higher incidence of low pay among small firms and the greater difficulties they face in absorbing higher costs. Most business sectors will not be directly affected by the national minimum wage. Increased costs in some low-paying sectors; however, such as cleaning and security, may affect other industries across the economy to a limited extent. The price consequences within business sectors are likely to be small and will depend on the particular competitive pressures that firms face.

10.22 A moderate national minimum wage has the potential to spur improved competitiveness of the economy. Whether it will, however, depends on a range of critical factors: the product market strategies that promote competition based on quality; work organization which ensures workers are effectively deployed; and employee relations systems which foster commitment. How a rise in labour costs interacts with these critical factors will determine the impact of the national minimum wage on competitiveness. After interviewing the employers, the LPC could only comment that the national minimum wage might provide a spur to increased productivity and encouraged businesses to make better use of their workforce. The LPC was unable to quantify the precise impact of a national minimum wage on the competitiveness of the economy.

⁴³ The LPC has remarked that there has been little empirical work on the impact of minimum wage on inflation. In practices, these effects will depend on a range of factors, such as the increase in the wage bill, conditions in the goods and labour markets, and the way in which firms and workers adopt to the new policy. In addition, judgement about inflation cannot be made in isolation from the macroeconomic policy response.

10.23 The effects on public finances depend on changes in the local and central government wage bill, the price of purchased goods and services, and tax revenues and benefit expenditure. The greatest impact on government services is likely to be in the social services sector, with more limited costs arising elsewhere in local government and in the national health service. Taking account of reduced in-work benefit⁴⁴ costs and increased revenues, the overall effect on public finances is likely to be broadly neutral.

Implementing and Enforcing

10.24 Clear information and advice to business, particularly smaller enterprises, and to employee organizations is essential for implementing the national minimum wage. An existing agency (i.e. the merged of the National Insurance Contributions Agency and the Inland Revenue) should be given the task of enforcement.

National Minimum Wage Rates

10.25 The government welcomed the report and supported the LPC's key recommendations. However, to proceed with due caution, the government decided on a lower initial minimum wage rate for the group aged 18 - 21 years, and finalized the national minimum wage rates as follows:

- a general minimum level of £3.60 (amounting to HK\$46.2) an hour for those aged 22 years old and over;
- a minimum level of £3.00 (HK\$38.5) an hour for those aged from 18 to 21 years;
- a minimum level of £3.20 (HK\$41.1) an hour for workers aged 22 years old and over who are in the first six months starting a new job with a new employer and receiving accredited training.

10.26 The government will review the rates of minimum wage in June 2000.

National Minimum Wage Relative to the Average Wage

10.27 The national minimum wage (i.e. the general rate) as a percentage of the average hourly gross earnings of full-time employees is about 41%.

⁴⁴ The UK government provides two main benefits (i.e. family credit and housing benefit) to working people on low incomes to ensure them having a minimum living standard.

Income Tax Incidence on Minimum Wage Workers

10.28 Minimum wage workers have to pay income tax. Income tax is levied at a starter rate of 20% on earnings which exceed the personal tax allowance (currently £4,195 a year for a single person) and then on a scale up to 40% as earnings increase. (A minimum wage worker earns £6,912 (HK\$88,680) a year assuming a standard working week of 40 hours.) Married couples and certain individuals, for example, new widows, are entitled to an additional married couple's or personal allowance, which attracts tax relief at 15%.

Coverage of the Minimum Wage System

10.29 The national minimum wage applies to all workers, full or part-time, permanent or temporary and to casuals and homeworkers. Piece-workers will receive at least the national minimum wage for every hour worked. However, there are exemptions for those who are below the age of 18, and for apprentices in the first year of their apprenticeship.

10.30 Under the National Minimum Wage Act 1998, the genuinely self-employed,⁴⁵ serving members of the armed forces, and fishermen are not entitled to the national minimum wage.

Minimum Wage System for Foreign Workers

10.31 This minimum wage system applies to foreign workers in the UK.

Authority for Fixing the Minimum Wage

10.32 The legislature is the authority for fixing the national minimum wage. The government introduced the National Minimum Wage Act in May 1998, and the Act received Royal Assent⁴⁶ in July 1998 providing powers to implement a statutory national minimum wage in April 1999. In March 1999, the Parliament approved the regulations in implementing the national minimum wage.

⁴⁵ Around 3.2 million people (or about 11% of the labour force) were classified self-employed in 1998. Agriculture and fishing, and construction had the highest proportions of self-employed people, while relatively few of those engaged in the manufacturing sector were self-employed.

⁴⁶ When a Bill has passed through all its parliamentary stages, it is sent to the Queen for Royal Assent, after which it is part of the law of the UK. The Royal Assent has not been refused since 1707.

Procedures for Fixing the Minimum Wage

10.33 The national minimum wage will be adjusted by means of a legislative process. The use of this approach is on the ground that it permits national minimum wage decisions to be taken with the participation of the highest political authority and after close scrutiny ensured by legislative hearings and debates.

Enforcement

10.34 The government appointed the National Insurance Contributions Agency and the Inland Revenue to enforce the national minimum wage. The two organizations are to be combined in year 2000, and the resulting single body will be placed to take on this work.

Penal Provisions

10.35 The penalties for non-compliance are set out in the National Minimum Wage Act 1998 and range from financial penalties (2 x hourly national minimum wage per worker per day of continuing non-payment of national minimum wage), issued by enforcement officers, up to prosecution with fines of a maximum of £5,000 (HK\$64,150) for specific criminal offenses, including refusal or willful neglect to pay national minimum wage or make a false report to the enforcement agency; failing to keep national minimum wage records; producing false records; keeping false records; intentionally obstructing an enforcement officer; and refusing to give information to an enforcement officer.

Summary

10.36 Table 14 summarizes the experience and major features of the new minimum wage system in the UK.

Table 14 - Summary Table for the Experience and Major Features of the New Minimum Wage System in the United Kingdom

Major Features	Details
Historical development of the minimum wage system	<ul style="list-style-type: none"> • Minimum wage system existed for 103 years during the period 1891-1994. Different minimum wage rates were fixed for different industries and trades. • There was no minimum wage system for about five years in 1994 - March 1999. • The government introduced a new national minimum wage on 1 April 1999.
Coverage	<ul style="list-style-type: none"> • The minimum wage system applies to all workers. There are exemptions for those who are below the age of 18, and for apprentices in the first year of their apprenticeship. In addition, the genuinely self-employed, serving members of the armed forces, and fishermen are not entitled to the national minimum wage. • The minimum wage system applies to foreign workers in the UK.
Authority and procedures for fixing the minimum wage	<ul style="list-style-type: none"> • The legislature is the authority for fixing the minimum wage. • The national minimum wage will be adjusted by means of a legislative process.
Criteria for fixing the minimum wage rate	<ul style="list-style-type: none"> • Six economic issues: pay differentials, the costs of business, competitiveness of the economy, prices, employment, and public sector finances.
National minimum wage rates	<ul style="list-style-type: none"> • A general minimum level of £3.60 (amounting to HK\$46.2) an hour for those aged 22 years old and over. • A minimum level of £3.00 (amounting to HK\$38.5) an hour for 18 - 21 year olds. • A minimum level of £3.20 (amounting to HK\$41.1) an hour for workers of aged 22 and over who are in the first six months starting a job with a new employer and receiving accredited training.
National minimum wage relative to the average wage	<ul style="list-style-type: none"> • 41%
Income tax incidence on minimum wage workers	<ul style="list-style-type: none"> • Minimum wage workers have to pay to income tax.
Number of minimum wage workers	<ul style="list-style-type: none"> • About two million workers (or 9% of the labour force)
Characteristics of minimum wage workers	<ul style="list-style-type: none"> • Some 1.5 million of the minimum wage workers are women, more than half of whom work part-time.
Enforcement	<ul style="list-style-type: none"> • The National Insurance Contributions Agency and the Inland Revenue enforce the national minimum wage.
Penal provisions	<ul style="list-style-type: none"> • The government imposes a maximum financial penalty of £5,000 (HK\$64,150) for neglect to pay national minimum wage or make a false report to the enforcement agency.

SECTION B - EXPERIENCE OF PLACES WITHOUT MINIMUM WAGE SYSTEM

PART 11 - THE EXPERIENCE OF SINGAPORE

11.1 The Panel on Manpower discussed at its meeting held on 29 October 1998 a research paper published by the Hong Kong Social Security Society (HKSSS) -- *Proposal on Minimum Wage in Hong Kong*. The HKSSS recommended that the Hong Kong Special Administrative Region (HKSAR) Government should expeditiously follow Singapore's example by setting up a wages council to fix the level of minimum wage. Nevertheless, the HKSAR Government pointed out that the primary objective of the National Wages Council (NWC) established by the Singapore Government in 1972 was not to impose a minimum wage, but rather to contain wage increase.

11.2 We provide a part in this report on the experience of Singapore in order to explain the Singapore Government's position on minimum wage and the operations of the NWC in detail. In addition, the NWC's revised wage guidelines for 1998 - 1999 are also discussed in Appendix V for the Panel's reference. (In its revised guidelines, the NWC called for a reduction in both wage and non-wage cost to help companies regain their competitiveness.)

Issue of Minimum Wage

11.3 Singapore does not implement a minimum wage system. The government is against minimum wage as the measure would introduce inflexibility into the wage system. It postulates that wages should be determined by free market forces of supply and demand. Employers and workers should be allowed to negotiate and mutually agree on the wages to be paid before they enter into an employment contract.

11.4 Singapore does not have any minimum wage law. The government provides more employment opportunities and better investment environment to tackle the issues of low wages and unemployment. Good investment climate is promoted through better infrastructural facilities, adequate investment in human resources, low tax regimes, good industrial relations, stable monetary and banking system, the maintenance of law and order and the encouragement of private initiatives, and other factors like free mobility of capital and enterprise. In other words, workers can have higher wages and standards of living by improving their productivity under a good investment climate.

Issue of Inflation-indexed Wage System

11.5 There is no inflation-indexed wage system in Singapore. Inflation-indexed wage system means that wages would automatically go up by the extent of consumer price index (CPI) increase. The workers thus would not lose out. In Singapore, in the 1972 - 1997 period, on average, the Singaporean worker each year was paid 4.9% more in real wage than the corresponding rate of CPI increase (4.1%). In 1998, a manufacturing worker earned about S\$2,400 (HK\$11,136) per month.

11.6 Singapore does not have an inflation-indexed wage system for the following reasons. First, it is not compatible with wage flexibility. Secondly, it is too mechanistic and may not be compatible with maintaining international competitiveness. Thirdly, workers cannot play an active role in helping the country to keep inflation low. Lastly, the inflexibility factor may lead to unemployment problem if inflation rates are high and wage rates become high too: a wage-inflation spiral can develop.

National Wages Council

11.7 The NWC was established in 1972 to advise the government on wage policies and also issue wage guidelines in line with long-term economic objectives. (Please see Appendix IV for composition and operations of the NWC.) The NWC's recommendations, when accepted by the government, serve as a basis for wage negotiations between employers and unions. NWC's recommendations apply to both the public and private sectors.

Historical Background

11.8 By 1970, Singapore experienced labour shortages, and there were indications of a possible wage explosion. The government, unwilling to allow wages and fringe benefits to rise substantially for fear of retarding industrial growth, attempted to increase the labour supply by encouraging female workers to enter the labour force, and allowing foreign workers to be imported. Despite their efforts, the labour shortage persisted. Firms started to offer higher wage to workers. Faced with a tight labour market situation and being unwilling to rely excessively on foreign workers, the government set up the NWC in 1972 to regulate wages in Singapore.

Functions

11.9 The functions of the NWC are: (i) to formulate general guidelines on wages; (ii) to ensure orderly wage development consistent with the promotion of economic and social growth; and (iii) to advise on desirable incentive systems for the promotion of national productivity.

11.10 It should be noted that the key function of the NWC is to enhance Singapore's competitiveness in the international markets by adjusting the wages in an orderly manner. With this as the aim of the NWC, the target would be the maximization of employment rather than merely increasing wages.

Non-mandatory Guidelines

11.11 The operational task of the NWC is to issue wage guidelines annually. The NWC guidelines are only recommendations. They are non-mandatory in the sense that they do not have the force of law.

11.12 Any disputes in implementing the NWC guidelines could be referred by either party to the Ministry of Manpower for conciliation. Should that fail, either party could refer the dispute to the Industrial Arbitration Court (IAC), whose decisions are legally binding. In practice, the IAC follows the NWC guidelines in discharging its duties.

National Wages Council Guidelines

11.13 From 1972 through 1985, the NWC started with making quantitative guide-figure or guide-range. Since 1986, the NWC has been issuing qualitative guidelines (no more guide-figure and guide-range), except for the revised national wage guidelines for 1998 - 1999. For example, the NWC in 1997 recommended that "the wage increase for that year should be moderate". The initial NWC recommendations on wage guidelines for 1998 -1999 issued in May 1998 called for "wage restraint".

11.14 However, the NWC's revised wage reduction guidelines for 1998 - 1999 was quantitative, departing from its preference for qualitative approach since 1986. The NWC put specific figures to its guidelines indicating the seriousness of the 1998 economic recession. (Please see Appendix V regarding the National Wages Council's Revised Wage Guidelines for 1998 - 1999 and Appendix VI for the "Flexible Wage System" in detail.)

11.15 The NWC has all along provided a set of national wage guidelines, but not sectoral wage guidelines. The reasons for this approach are: (i) all sectors compete for workers from a common pool; therefore, wage guidelines are set at the national level and not at the sectoral level; and (ii) it would take much more time and resources to reach some sort of agreement pertaining to sectoral guidelines if the latter were to be enforced.

Summary

11.16 Singapore does not implement a minimum wage system; neither does it adopt an inflation-indexed wage practice. The government is against these measures as they would introduce inflexibility into the wage system.

11.17 The NWC was established in 1972 to advise the government on wage policies and also issue wage guidelines. The key function of the NWC is to enhance Singapore's competitiveness in the international markets by adjusting the wages in an orderly manner. With this as the aim of the NWC, the target would be the maximization of employment rather than merely increasing wages.

PART 12 - DISCUSSIONS ON ESTABLISHING A MINIMUM WAGE SYSTEM IN HONG KONG

12.1 In this part, we discuss the minimum wage legislation (i.e. the Minimum Wage Ordinance of 1932 or the Trade Boards Ordinance of 1940) and the approach of fixing foreign workers' occupational minimum allowable wages.

12.2 In addition, we present the views of the Hong Kong Special Administrative Region (HKSAR) Government, employers associations, labour unions and the Hong Kong Social Security Society (HKSSS) on introducing a minimum wage in Hong Kong.

Minimum Wage Legislation

12.3 Hong Kong first legislated on minimum wages as early as 1932. The Minimum Wage Ordinance, No. 28 of 1932, which gave effect to the International Labour Organisation's Convention No. 26 concerning the creation of a minimum wage fixing machinery, was passed in response to a circular dispatch from the Secretary of State for the Colonies. The Minimum Wage Ordinance of that time enabled the Governor in Council to fix a minimum wage for any occupation in which the wages were considered unreasonably low. Any inquiry leading to such a promulgation was to be conducted by a board of commissioners appointed by the Governor. However, the Minimum Wage Ordinance contained no reference to piece rates and hours of employment. There is no evidence to show that this Minimum Wage Ordinance has been applied. The Minimum Wage Ordinance was then superseded by the present Trade Boards Ordinance, No. 15 of 1940.

12.4 The objective of the Trade Boards Ordinance is to provide a machinery for fixing minimum wages, determining normal working hours, and fixing overtime rates for unreasonably lowly-paid trades. Under the Trade Boards Ordinance, the Governor in Council had the power to fix minimum wages for any trade and establish a trade board on a sectoral basis, consisting of members representing employers and workers in equal proportions, and of appointed members. The Trade Boards Ordinance followed certain provisions of the Trade Boards Acts 1909 and 1918 of the United Kingdom.

12.5 Thus, Hong Kong has enacted minimum wage legislation for a long period of time (i.e. the Minimum Wage Ordinance of 1932 or the Trade Boards Ordinance of 1940). The 1940 enactment is still in the statute-book today and, like its predecessor, it has never been put to actual use. No trade board has ever been established and no minimum wage has ever been laid down under this legislation. In sum, until now, there has been no provision for an economy-wide statutory minimum wage in Hong Kong.

Minimum Allowable Wages for Foreign Workers

12.6 The HKSAR Government maintains restrictions on the admission of foreign workers into Hong Kong primarily to safeguard the employment opportunities of local citizens. Under the Immigration Ordinance, the Director of Immigration is empowered to impose certain conditions (including a minimum allowable wage rate) to a person for the issue of an employment visa. The Secretary for Education and Manpower determines various rates for different occupations. In other words, the occupational minimum allowable wage is fixed by administrative process, not by legislative process. Currently minimum allowable wages⁴⁷ are mandated for certain categories of imported workers, including domestic helpers.

12.7 There is a minimum allowable wage imposed and adjusted every year as part of the conditions of the employment visa for foreign domestic helpers employed in Hong Kong.⁴⁸ On 2 February 1999, the HKSAR Government announced that the minimum allowable wage for employment contracts of foreign domestic helpers⁴⁹ in Hong Kong signed on or after 3 February 1999 would be set at HK\$3,670 a month, a reduction of 5% from the previous rate of HK\$3,860 a month. In adjusting the minimum allowable wage, the HKSAR Government took into account changes to wages and earnings of local workers and the economic conditions of Hong Kong.

Hong Kong Special Administrative Region Government's View on Introducing a Minimum Wage in Hong Kong

12.8 There have been discussions as to whether or not it is desirable for the HKSAR Government to introduce an economy-wide minimum wage standard.⁵⁰ The HKSAR Government does not consider it appropriate to establish a minimum wage system in Hong Kong. The reasons provided by the HKSAR Government are:

- (a) Imposition of a minimum wage will not only distort the wage structure in the labour market, but also increase rigidity of wage adjustment, particularly during an economic downswing. As a result, it would impair the ability of the business sector and the economy as a whole to adjust to external shocks.

⁴⁷ The Government uses the term “minimum allowable wages” (rather than “minimum wages”) for foreign workers.

⁴⁸ Any employer who pays less than the stated wage in the effective contract commits an offence under the Employment Ordinance and the employer is liable, on conviction, to a fine of HK\$200,000 and one year’s imprisonment. Foreign domestic helpers who have been underpaid by their employers can make a complaint to the Labour Department.

⁴⁹ As at 31 December 1998, there were about 180 000 foreign domestic helpers working in Hong Kong.

⁵⁰ Please see Part 2 of this report for the major arguments for and against having a minimum wage system.

- (b) Adopting a minimum wage system will undermine the inherent incentive of the workforce, especially the less skilled and low-paid workers to improve and upgrade their quality, which will not be beneficial to the development of the Hong Kong economy in the long term.
- (c) Any statutory minimum wage which deviates from the market-determined level in either direction (higher or lower) will not necessarily be beneficial to employees. On the contrary, it will have an adverse impact on their employment opportunities.

If the minimum wage is set too high (i.e. higher than the market-determined level), the labour cost may be too high for certain trades to remain competitive or viable, and as a result, some companies will have to scale down or even close their operations. This will lead to an overall reduction in employment opportunities and an increase in unemployment, especially at times of economic downturn or recession. In such circumstances, the less skilled and less qualified workers (especially the elderly, the disabled or marginally employable workers) may lose their jobs at one single minimum wage. Alternatively, it would induce employers to impose more stringent non-wage requirements or terms of employment on employees to impose as an offset, so as to bring down the actual labour cost. In this case, the minimum wage so introduced will not be able to achieve its intended purpose of protecting the interest of workers.

If the minimum wage is set too low (i.e. below the market-determined level), employers will have no difficulty meeting the stipulated wage requirement. In a slackening labour market with high and rising unemployment, this may induce some employers to refuse paying higher than the minimum wage to employ workers with higher productivity or better performance. In such circumstances, the minimum wage may in effect become the maximum wage. If so, a statutory minimum wage will fail to increase the earnings of workers and stifle the incentive of workers to upgrade their qualifications and productivity.

- (d) It is practically very difficult to set one single minimum wage for all industries and trades. The reason is that in the free and dynamic labour market of Hong Kong, wages vary amongst different enterprises at different points in time.

Views of the Hong Kong Social Security Society

12.9 In October 1997, the Hong Kong Social Security Society (HKSSS) published a research report entitled *Proposal on Minimum Wage in Hong Kong*. In its research paper, the HKSSS proposed that the HKSAR Government should follow Singapore's example by setting up a wages council, fixing the level of minimum wage, ratifying the International Labour Convention on minimum wage and establishing a system of minimum wages in Hong Kong.

12.10 HKSSS proposed that the 1998 monthly minimum wage rate was HK\$5,850 (please see Appendix VII for the methodology of calculating the minimum wage rate), and put forward the following as merits of the system of minimum wages:

- (a) It serves as a safety net of offering minimum acceptable protection for workers and ensuring a minimum standard of living for them and their families.
- (b) It can protect semi-skilled and low-skilled workers, new arrivals who are relatively advanced in age, and female workers.
- (c) It can help to slightly narrow the gap between the rich and the poor.
- (d) It can help to cut down spending on the Comprehensive Social Security Assistance (CSSA) and prevent low-income earners from falling below the poverty line.
- (e) It can help to promote the development of high-value added products in Hong Kong and ensure the proper use and safeguarding of human resources.
- (f) It can help Hong Kong to ride out the storm during a period of economic downturn or recession, and maintain social stability.

Views of the Hong Kong General Chamber of Commerce

12.11 The Hong Kong General Chamber of Commerce is against establishing a minimum wage system in Hong Kong. Their reasons are:

- (a) Adopting a minimum wage system will undermine Hong Kong's regional competitiveness.
- (b) A minimum wage system will increase production costs, especially in labour-intensive businesses. This may discourage overseas investment in Hong Kong and cause unemployment.

- (c) A minimum wage system will have adverse impact on inexperienced job-seekers.
- (d) If there were a minimum wage system, the HKSAR Government would have to use enormous resources to administer the system. This will involve high costs and produce more administrative bureaucracy.
- (e) The HKSAR Government should not interfere in the free market in determining wages. Wages should be based on qualifications, abilities, as well as the demand and supply of labour.
- (f) Minimum wage is a complex issue and inevitably will become a political issue. Wages should be determined at the workplace, not by politicians.

Views of the Chinese General Chamber of Commerce

12.12 The Chinese General Chamber of Commerce is against setting a minimum wage in Hong Kong. Their views are as follows:

Free Market Economy

- (a) The setting of a minimum wage will hamper the inherent adjustment of a free market. The level of wages should be determined by supply and demand in the labour market.
- (b) It is in practice difficult to set a minimum wage level suitable for all trades and industries.
- (c) It is questionable that the basic cost of living sufficiently for supporting a worker and his dependent family members should be adopted as a yardstick for calculating the level of minimum wage. If the market wages are not sufficient for him to support himself and his family, it should be the responsibility of the HKSAR Government rather than the employer to offer him protection in the form of social welfare service.

The Economy of Hong Kong

- (d) In the wake of an economic downturn, the adoption of a minimum wage system will add financial burden to employers, pushing them to the verge of winding up their businesses.

- (e) The adoption of minimum wages may not be beneficial to the structural changes of industries and wage adjustments of certain jobs. If wages are not adjusted through market forces, Hong Kong's competitiveness will be affected. Moreover, some manufacturers will speed up the relocation of their production bases to Mainland China in order to reduce wage costs which in turn will aggravate the unemployment problem.
- (f) A minimum wage system may not serve the genuine interests of employees: (i) employers may have to cut down the number of permanent posts in favour of employing more hourly-rated staff to reduce operating costs; (ii) a minimum wage will affect the employment opportunity of full-time workers as more people are willing to take up part-time jobs; (iii) employees can hold down their jobs by accepting lower pay during the period of economic recession; and (iv) a minimum wage system will affect the employment opportunities of the inexperienced workers.

Mechanism to Balance the Interests of Employers and Employees

12.13 The Chamber considers that a minimum wage may on the contrary become a yardstick for setting a maximum wage. Fixing a minimum wage will not help balance the interests of employers, employees, and the whole economy. It should not be taken as a means to protect employees. The Chamber is of the view that an effective mechanism should be put in place to balance the interests of employers and employees and that the adequacy of protection provided by the existing social welfare system should be reviewed.

Views of the Federation of Hong Kong Industries

12.14 The Federation is against the establishment of a minimum wage system in Hong Kong. They are concerned that a minimum wage system can result in job losses, especially for young people with lower skill and less experience. Moreover, a minimum wage system would force employers to pay higher wages to some employees who may not possess the required experience and skills and would therefore weaken Hong Kong's competitive edge.

12.15 The Federation also has doubts whether a minimum wage system would be the solution to family poverty. The Federation believes providing a safety net for the poor should be a question for the HKSAR Government, instead of employers, to address.

Views of the Employers' Federation of Hong Kong

12.16 The Employers' Federation of Hong Kong objects to establishing a minimum wage system in Hong Kong. Their views are summarized as follows:

- (a) Wages should be determined by the free market (i.e. the demand and supply of labour). Employees' wages should be determined by their productivity, competence, and ability.
- (b) The imposition of a minimum wage may cause higher unemployment. Moreover, if minimum wage becomes a statutory requirement, its subsequent amendment would inevitably become a political agenda, which is not beneficial to the economy.
- (c) A minimum wage system is an ineffective tool to alleviate the problem of poverty. Meanwhile, the low-skilled workers (usually among the low income group) may lose their jobs if there is a legal minimum.
- (d) The imposition of a minimum wage system may be harmful to the economic recovery and competitiveness of Hong Kong.
- (e) Imposing a minimum wage in Hong Kong will force small enterprises either to ignore the law or reduce the number of employees because those small companies are operating at a very low profit margin.

Views of the Hong Kong Construction Association

12.17 The Hong Kong Construction Association is against establishing a minimum wage system in Hong Kong. Their comments are:

- (a) A minimum wage would be an obstacle to the cost adjustment of the economic activities which is important to revitalize the economy.
- (b) Employees' wages should remain market-driven, determined by the demand and supply of labour.
- (c) In times of the economic downturn, some employers would be forced to dismiss their workers if they are unable to reduce the employees' wages.
- (d) The imposition of minimum wage is not an appropriate approach to solve the poverty problem. This problem should be tackled by the HKSAR Government.

Views of the Federation of Hong Kong & Kowloon Labour Unions

12.18 The Federation of Hong Kong & Kowloon Labour Unions argues for establishing a minimum wage system in Hong Kong. However, as the actual wage levels in different trades and industries vary, an across-the-board minimum wage may not be suitable for some trades. Their views on a minimum wage are as follows:

- (a) A lack of bargaining power associated with a rising unemployment rate is subjecting those semi-skilled or non-skilled workers, who are already among the low income group, to further exploitation by employers in the form of reduced wages. This will weaken their purchasing power, which in turn will hinder a recovery in the local economy, widen the gap between the rich and the poor, and ultimately pose a threat to social stability. A minimum wage system can help to improve the situation.
- (b) A minimum wage setting above the poverty line will ensure a decent life for workers and their families.
- (c) More than 80 countries in the world, including China, have ratified the International Labour Convention on recommendation concerning minimum wages. Hong Kong should follow their example and adopt a minimum wage system.

Views of the Hong Kong Confederation of Trade Unions

12.19 The Hong Kong Confederation of Trade Unions recommends that the HKSAR Government should introduce legislation on minimum wage to protect employees' interests. The level of minimum wage must be set above the poverty line.

12.20 As more than 80 countries in the world have ratified the International Labour Convention on recommendation concerning minimum wages, the Hong Kong Confederation of Trade Unions urges the HKSAR Government to follow suit as soon as possible.

12.21 The Hong Kong Confederation of Trade Unions opines that the right to collective bargaining will offer the best protection to employees and will prevent employers from turning a minimum wage into a maximum wage. The legislation on minimum wage should be reinforced by giving employees the right to collective bargaining.

Views of the Hong Kong Federation of Trade Unions Rights and Benefits Committee

12.22 In principle, the Hong Kong Federation of Trade Unions Rights and Benefits Committee is not against the establishment of a minimum wage system to protect the interests of workers. However, they have concerns about the impact and effectiveness of a minimum wage system. Their comments are summarized as follows:

- (a) In setting a minimum wage, the HKSAR Government, employers associations and labour unions have to work out a compromised rate. Based on the current economic situation of Hong Kong, the relevant parties are not likely to reach an agreement. In times of economic downturn or recession, the agreed minimum wage rate may be very low. If the legal minimum is set at the prevailing market rate, the workers will not benefit from the introduction of a minimum wage.
- (b) In the current recession, the less skilled and qualified workers, especially the elderly and marginally employable workers, will be compelled to leave the labour market at one single minimum wage. Unemployed persons having better qualifications will take-up their jobs. As a result, the less skilled and qualified persons may be forced to apply for CSSA.
- (c) In a slacking labour market with high unemployment, employers may only pay their employees the legal minimum. In other words, the minimum wage will become the maximum wage. This will affect the earnings of the more experienced workers.
- (d) During an economic downturn, small enterprises may ignore the minimum wage law. Also, workers may not dare to file their case to the Government because of the possibility of losing their jobs. Hence, the Committee has concern whether the minimum wage system can help to increase the workers' earnings.
- (e) The minimum wage system cannot protect the self-employed persons since there is no employer-employee relationship. In recent years, the number of self-employed workers in Hong Kong has increased rapidly. One of the reasons for this trend is some employers have avoided signing any legal contract with their employees in order to avoid providing them with benefit schemes such as retirement benefit and compensation (if there is an accident). Hence, a minimum wage system is unable to protect this group of workers.

Summary

12.23 Hong Kong first legislated on minimum wages as early as 1932 (i.e. the Minimum Wage Ordinance). In 1940, the Minimum Wage Ordinance was superseded by the present Trade Boards Ordinance. However, these Ordinances have never been put to actual use. No trade board has ever been established and no minimum wage has ever been laid down. In sum, until now, there has been no provision for an economy-wide statutory minimum wage in Hong Kong.

12.24 The HKSAR Government maintains restrictions on the admission of foreign workers into Hong Kong. Under the Immigration Ordinance, the Director of Immigration is empowered to impose certain conditions (including a minimum allowable wage rate) to a person for the issue of an employment visa. The Secretary for Education and Manpower determines various rates for different occupations. In other words, the occupational minimum allowable wage is fixed by administrative process, not by legislative process.

12.25 Table 15 summarizes the views of the HKSAR Government, HKSSS, employers associations and labour unions on establishing a minimum wage system in Hong Kong.

Table 15 - Summary of the Views of the HKSAR Government, HKSSS, Employers Associations and Labour Unions on Establishing a Minimum Wage System in Hong Kong

	Support a Minimum Wage System	Do Not Support a Minimum Wage System
HKSAR Government		✓
Hong Kong Social Security Society (HKSSS)	✓	
Hong Kong General Chamber of Commerce		✓
The Chinese Chamber of Commerce		✓
The Federation of Hong Kong Industries		✓
The Employers' Federation of Hong Kong		✓
Hong Kong Construction Association		✓
The Federation of Hong Kong & Kowloon Labour Unions	✓	
Hong Kong Confederation of Trade Unions	✓	
Hong Kong Federation of Trade Unions Rights & Benefits Committee	✓	

SECTION C - ANALYSIS**PART 13 - CONSIDERATIONS FOR HONG KONG**

13.1 There are different arguments for and against a minimum wage system. In addition, the results of empirical studies of the effects of minimum wage changes on the level of employment, poverty and income distribution are inconclusive; different researches have had contradicting results. Hence, in theoretical and empirical considerations, there is no consensus on the precise impact of a minimum wage. (For detailed discussion, please see Parts 2 and 9 of this research report.)

13.2 International experience varies for different countries and territory. Australia, the United States (US), France, Taiwan, Japan, South Korea, China, the United Kingdom (UK) implement minimum wage systems, and each country or territory has its own system suited to its socio-economic needs. Singapore does not have a minimum wage system.

13.3 In considering whether or not to establish a minimum wage system in Hong Kong, the relevant parties, including the Hong Kong Special Administrative Region (HKSAR) Government, the employers associations, labour organizations, and social pressure groups, would need to evaluate the impact of a minimum wage system:

- whether or not a minimum wage system would ensure that low wage workers secure minimum living standards, overcome in-work poverty, increase purchasing power of low wage workers, and compel employers to raise efficiency and productivity;
- whether or not a minimum wage system would cause job losses, reduce wage rates in sectors not covered by minimum wage system, affect competitiveness of the economy, and reduce on-the-job training.

13.4 If Hong Kong were to establish a minimum wage system, the following would be the necessary considerations.

- Should the minimum wage system cover all workers? Should the determining authority exempt certain categories of workers from the system (in the countries/territory studied, exemptions include professional employees, apprentices and trainees, disabled workers, and workers in certain industries)? Should the minimum wage system apply to foreign workers (in the countries/territory studied, foreign workers are covered by minimum wage systems)?

- Which authority should be responsible for determining the minimum wage rate (the government -- the cases of France, Taiwan, South Korea and China; the legislature -- the cases of US and the UK; independent juridical commission -- the case of Australia; and independent regional and industrial committees -- the case of Japan)?
- What are the procedures for adjusting the minimum wage (file a case to the commission -- the case of Australia; by legislation -- the cases of the US and the UK; periodic review by the determining authority - - the cases of France, Taiwan, Japan, South Korea and China)? Should the determining authority establish any appeal channel (no particular appeal channel exists in the countries/territory studied)?
- Should the determining authority establish any official advisory body (official advisory bodies are established in France, Taiwan and South Korea)? Who should be in the advisory body? How can we ensure the advisory body effectively represent the interests of different parties?
- What are the criteria for determining the minimum wage? Should the determining authority use the criteria adopted in the studied countries/territory such as workers' basic needs, the average wage, labour productivity, inflation rate, employment level, employers' profits and poverty line? Does the authority have the required data and statistics on these criteria?
- Should the authority fix a uniform minimum wage rate (the cases of the US, France, Taiwan, South Korea, China, and the UK) or different rates for different regions and industries (the case of Japan)? The authorities may set a national rate or different rates for different industries to cater for their particular socio-economic circumstances. We observe that in the beginning of this century setting different minimum wages for different industries was the trend (the cases of Australia and the former minimum wage system in the UK) whereas in the last few decades fixing a uniform rate across the board has been more popular.
- Should the authority fix an inflation-indexed minimum wage (the case of France)? What is the appropriate frequency of adjustment (annual basis -- the cases of Australia, France, Taiwan, Japan, South Korea and China; infrequent adjustment -- the case of the US)?

- What is the appropriate minimum wage rate (hourly rate in France: HK\$53.1, Australia: HK\$47.8, the UK: HK\$46.2, the US: HK\$39.9, Japan: HK\$38.4, Taiwan: HK\$15.2, South Korea: HK\$8.54 and China: HK\$1.5 - HK\$2.3)? What is the appropriate ratio of minimum wage relative to the average wage (about 60% -- the case of France; about 45% -- the cases of the US, Taiwan, Japan and the UK; below 40% -- the cases of South Korea and Shenzhen City)?

In September 1998, in all selected occupations, the workers' average monthly salary in Hong Kong was HK\$11,384.⁵¹ We assume the number of standard working hours per month is 192 hours (8 hours per day x 24 working days per month).⁵² The hourly wage rate would be HK\$59.3 (i.e. HK\$11,384 ÷ 192 working hours). In the studied countries/territory, the ratios of the minimum wage relative to the average wage range from 40% to 60%. If Hong Kong were to establish a minimum wage system and follows the international trend in setting the minimum wage level, the following rates might be considered (see Table 16). The hourly rate would range from HK\$23.7 to HK\$35.6; whereas the monthly rate would be between HK\$4,554 and HK\$6,830.

In the fourth quarter of 1998, 261 900 persons (or 8.1% of employed persons) earned less than HK\$4,000 per month, and 483 700 persons (or 15% of employed persons) earned less HK\$6,000 (see Table 16). If Hong Kong were to introduce a minimum wage, these persons might be benefit from the system. The C&SD has remarked that the General Household Survey covers foreign workers (including foreign domestic helpers) in Hong Kong. As foreign domestic helpers are covered by the survey and most of them are in lower income groups, the number of Hong Kong people who will benefit from a minimum wage system will be smaller than the total indicated above.

⁵¹ The term "all selected occupations" refers to all occupations covered in the wage enquiry of the Labour Earnings Survey. This figure is used as the Census and Statistics Department (C&SD) does not have the average wage rate. Please see the regular series *Half-yearly Report of Wage Statistics* published by the C&SD in September 1998.

⁵² The C&SD does not have the number of standard monthly working hours in all selected occupations, but has the number of normal hours of work per day and the number of standard working days per month for an occupation. Most of the figures are 8 hours per day and 24 standard working days per month.

Table 16 - Minimum Wage Levels and Monthly Employment Earnings

Percentage of minimum wage relative to the average wage	Hourly minimum wage rate (in HK\$)	Monthly minimum wage rate (in HK\$)	Monthly employment earnings (in HK\$)	Number of employed persons (in thousand)	Percentage (%)
40%	\$23.7	\$4,554	< \$3,000	78.7	2.4
45%	\$26.7	\$5,123	\$3,000 - \$3,999	183.2	5.7
50%	\$29.7	\$5,692	\$4,000 - \$4,999	89.5	2.8
55%	\$32.6	\$6,261	\$5,000 - \$5,999	132.3	4.1
60%	\$35.6	\$6,830	\$6,000 - \$6,999	194.5	6.0

Source: C&SD, *Quarterly Report on General Household Survey*, October - December 1998.

- Should the authority fix a reduced rate for young workers and trainees? If yes, what is the appropriate level (70% - 90% of the adult rates in the cases of Australia, the US, France, Taiwan, South Korea and the UK)?
- What is the number of minimum wage workers (about 10% of the labour force -- the cases of the US, France and the UK)? Who would benefit from the minimum wage system? What are the characteristics of minimum wage workers (in the studied countries/territory, they are mainly women and employed in sectors such as textiles and clothing, restaurants, retail trade, and personal care services)?
- Which authority should be responsible for enforcing the minimum wage system (in the studied countries/territory, the system is mainly executed by local labour authority)? How can the enforcement authority ensure the employers pay the minimum wage? What is the cost of enforcement (in the studied countries/territory, the enforcement authorities conduct direct investigations, handle complaints, and publicize the law)? What are the penalties for failing to pay a minimum wage and making a false report to the enforcement authority (in the US and South Korea, a conviction of failing to pay a minimum wage may result in imprisonment)?

Appendix I**Historical Development of the Minimum Wage System in the United Kingdom****Turn of the Century**

A.1 Statutory support for minimum wage levels in the United Kingdom (UK) began with the Fair Wages Resolution of 1891. It required employers engaged on government contracts to pay at least the wage level generally recognized for the sector or locality concerned.

A.2 This Resolution was followed in 1909 by the Trade Boards Act which established boards for specific industries to fix minimum wage levels. The objective of the Trade Boards Act was not to establish a national wage floor but to provide protection for those unable to defend themselves through collective organization. While there were calls for a national minimum wage at the time, these were rejected in favour of the sectoral approach. The long-term aim was for the boards to be replaced by voluntary collective bargaining between employers and unions at industry level.

A.3 The 1909 Trade Boards Act provided for the formation of four Trade Boards in manufacturing covering 20 000 workers. These Boards were made up of equal numbers of employers' and workers' representatives and a number of independent members.

Post-World War I

A.4 In 1918 the Trade Boards (Amendment) Act made it easier for the Minister of Labour to create additional Boards. The Act had the intention to encourage the growth of collective bargaining in the industries concerned, and boards could be established not only where pay was low but also where collective bargaining was weak or non-existent. The scope of Wages Orders was, furthermore, extended to include piece rates, overtime rates and the fixing of basic hours of work.

A.5 From 1922, with the onset of the post-war depression, the rate of Wages Boards formation fell. At that time, it was argued that no more boards should be established and wage regulation should be left to voluntary collective bargaining. Hence, the total number of boards decreased to 47 in 1939 from 63 in 1921.

Post-World War II Developments

A.6 Major changes took place following the Labour election victory in 1945. The Wages Acts 1945 empowered the Minister of Labour to establish Wages Councils (as opposed to Trade Boards) if it was considered that existing voluntary collective bargaining arrangements were at risk. It also allowed employers and unions to seek jointly the abolition of a Wages Council where collective bargaining had been established. Another important element was the increased scope for the Councils to settle all aspects of pays, hours and holidays.

A.7 At their peak in 1953 the number of Wages Councils increased to 66, covering 3.5 million workers. The major sectors covered were retail distribution, catering and hotels, clothing, and laundries.

From 1960s to 1970s: Criticism of Wages Councils

A.8 During the 1960s and 1970s attitudes towards the Wages Councils changed considerably. There was concern about the effectiveness of the councils in tackling low pay. The unions argued that voluntary collective bargaining would be a more effective way of helping the low-paid.

A.9 The Industrial Relations Act 1971 made it easier to abolish Wages Councils and encouraged the establishment of a collective bargaining machinery. The Commission on Industrial Relations, established by the Act, recommended the elimination of five Wages Councils, and between 1974 and 1979 the Labour Government abolished or merged a number of councils. The 1975 Employment Protection Act enabled wages councils to fix, in addition to minimum pay and holidays, any other terms and conditions. The Act also gave the Secretary of State the power to convert Wages Councils into Statutory Joint Industrial Councils (SJICs) as a move towards fully fledged collective bargaining.

A.10 The 1975 Employment Protection Act also provided that employers and independent trade unions could bring a claim to the Central Arbitration Committee (CAC) that an employer was not observing the recognized terms and conditions of employment, or was paying less than the “general level” in a trade or industry where there were no recognized terms and conditions. The CAC was empowered to make a legally binding award. In the final period of the Labour Government’s incomes policy in the late 1970s, unions made increasing use of the CAC as a route round government pay limits.

From Late 1970s to 1994: Road to Abolition

A.11 The election of a Conservative Government in 1979 led to a further change in approach. In 1980 the Employment Protection Act was repealed and in 1983 the Fair Wages Resolution was rescinded. By 1985 the government advocated the abolition of the Wages Councils.

A.12 Outright abolition was not pursued, but the 1986 Wages Act made major changes to the Wages Councils. These included: (i) excluding workers under the age of 21 from the scope of the councils; (ii) restricting councils to setting a single minimum hourly rate and a single hourly overtime rate; (iii) requiring councils to consider the impact on jobs of the rate set; and (iv) introducing a simplified procedure for abolishing or changing the scope of a council.

A.13 Before passing the 1986 Act the government was required to give notice of its intention to deratify the International Labour Organisation (ILO) Convention No. 26 requiring signatories to maintain minimum wage fixing machinery. The three Agricultural Wages Boards were unaffected by the 1986 legislation.

A.14 The 26 Wages Councils in Great Britain, covering some 2.5 million workers, and the nine in Northern Ireland covering 35 000 workers, continued to issue Wages Orders. In 1988 the government proposed the abolition of the Wages Councils, and in 1993 the Trade Union Reform and Employment Rights Act abolished the Wages Councils in Great Britain. The nine Wages Councils in Northern Ireland ceased to exist in 1994 as a result of the Industrial Relations (Northern Ireland) Order 1993. The three Agricultural Wages Boards were also reviewed in 1993, and it was decided that they should continue.

Source: Low Pay Commission, *The National Minimum Wage*, June 1998

Appendix II**Former Wages Councils in the United Kingdom****Operations**

A.1 The composition of the Boards and Councils remained virtually the same from 1909 until their abolition in 1994, with equal numbers of employers' and workers' representatives and several independent members. At abolition the administration of the Councils was carried out by the Office of Wages Councils in the Department of Employment.

A.2 The Office of Wages Councils, staffed by civil servants, provided the secretariat for the Councils and its main function was to operate the statutory procedures which came into operation once a Council had decided what to propose to the Minister. There were two ways in which Wages Orders were enforced: by publicizing the new rates and through inspection. Inspection was carried out by the Wages Council Inspectorate. There were a number of Wages Council Inspectors in each of regional offices. Each region had to fulfill a quota of routine inspection as well as investigate all complaints.

A.3 The majority of the members were nominated by trade unions or employers' associations and appointed by the Secretary of State for three-year periods. The size of each Wages Council's membership varied according to the size of the industry, but other factors played a part, such as the variety of occupations covered and the number of different categories of employer. The smaller councils had around five members for each side while the largest had up to sixty members (thirty on each side). The maximum number of independent members permitted was five, of whom one was appointed as chairman.

A.4 Council meetings were held when the Secretary of the Wages Council received a request from one of the sides for a meeting, usually a claim by the workers' side for an increase in the basic minimum rate. The employers' side would respond to the claim which was then discussed in the Council.

A.5 Decisions were reached by a vote of the employers and worker sides, but if no agreement was reached the independent members had the casting vote. A quorum consisted of one independent member together with at least a third of all representative members. Once agreement by the Council on a change to the Wages Order was made, a draft Order was issued and written submissions invited from interested parties in order to allow any objections to be made. These objections had to be made within two weeks of the draft Orders being published. The Minister had no powers to amend the Order, but he could refer it back to the Council for reconsideration. Once the Order had been approved by the Minister, it typically took some ten weeks for it to become effective.

A.6 Notices of the Wages Orders were received by employers in the form of both pamphlets and posters which had to be displayed prominently in the workplace. The notices informed employers and workers of the new rates and conditions.

Enforcement

A.7 The Wages Order defined what deductions an employer could make for accommodation provision. Apart from deductions of tax and national insurance contributions, other deductions could only be made where they were authorized in writing by the worker. If underpayment of the minimum rate was suspected, a worker could make application to an Industrial Tribunal or take civil action through the Small Claims Court to recover the sum.

A.8 Failure by an employer to observe the terms of an Order was a criminal offence. Until 1986 all offences involving failure to observe an Order carried a maximum fine of £20, the same amount as in 1909. In the 1986 Wages Act, the maximum fine was raised to £400 and an employer found guilty could be ordered to pay the deficient amount for a period going back no more than two years.

A.9 Wages Inspectors had legal rights to free access to the place of work and the records of hours and wages, which had to be kept by an employer for three years. Inspectors also had the power to interview workers or their representatives, and to take signed statements from them. In practice there were very few prosecutions by the Inspectorate for underpayment; in the period from 1979 to 1992 the average annual number of completed prosecutions was under seven. Inspectorate policy was to achieve compliance through advice and persuasion rather than legal action.

A.10 The number of Inspectors in the 1950s was around 200, but this had fallen to 158 by 1979 and 65 by 1992. The number of establishments covered fell from approximately 500 000 in the early-1960s to 400 000 by 1992. In 1992, 32 000 establishments were checked, of which 19 000 had actually been visited; the others were checked through a postal questionnaire or a visit to the head office of the organization. The number of workers whose pay was checked by the Wages Inspectorate in 1992 was around 400 000, of whom nearly 15 000 in some 7 000 establishments were found to be underpaid.

Source: Low Pay Commission, *The National Minimum Wage*, June 1998

Appendix III**Membership and Terms of Reference of the Low Pay Commission****Membership**

A.1 The Low Pay Commission (LPC) embodies the principle of social partnership: its nine members are drawn from employer, employee and academic backgrounds. The Commission is chaired by Professor George Bain (President and Vice-Chancellor of the Queen's University of Belfast).

A.2 The members of the LPC are Professor William Brown (Professor of Industrial Relations, University of Cambridge), Professor David Metcalf (Professor of Industrial Relations, London School of Economics), Rita Donaghy (Permanent Secretary, Students' Union, University of London Institute of Education), Bill Callaghan (Chief Economist, Trades Union Congress), Paul Gates (General Secretary, National Union of Knitwear, Footwear and Apparel Trades), John Cridland (Director of Human Resources Policy, Confederation of British Industry), Lawrie Dewar (Chief Executive, Scottish Grocers' Federation), and Stephanie Monk (Director of Human Resources, Granada Group).

Initial Terms of Reference

A.3 The initial terms of reference of the LPC are as follows: (i) recommend the initial level at which the national minimum wage might be introduced; (ii) make recommendations on lower rates or exemptions for those aged 16 - 25; and (iii) consider and report on any matters referred to it by Ministers.

A.4 In making its recommendations, the LPC should have regard to wider economic and social implications; the likely effect on the level of employment and inflation; the impact on the competitiveness of business, particularly the small firms sector; and the potential impact on the costs to industry and the economy.

New Terms of Reference

A.5 The initial national minimum wage was fixed by the government, having taken advice of the LPC. However, the Minimum Wages Act 1998 provides for the Secretary of State for Trade and Industry to appoint a LPC at any time to examine any issues relating to the national minimum wage. This would include a review of the rate. Following the government's acceptance of its initial report, the LPC has been retained and has been asked by the government to monitor the implementation of the national minimum wage and evaluate its effects.

A.6 The new terms of reference of the LPC are as follows:

- (a) monitor and evaluate the introduction and impact of the national minimum wage, with particular reference to the effect on (i) pay, employment and competitiveness in low paying sectors and small firms; (ii) particular groups of workers, such as young people, women, ethnic minorities, homeworkers, people with disabilities and voluntary sector workers; (iii) pay structures, including the effect on differentials and different pay systems; and (iv) training programmes.
- (b) review the position of 21 year olds following the introduction of the development rate for young people and in particular whether they should be covered by the adult rate.

A.7 In making its recommendations, the Commission should have regard to wider economic and social implications; the likely effect on employment and inflation; the impact on the costs and competitiveness of business, particularly the small firms sector, and the potential costs to industry and the Exchequer. The Commission is asked to report to the Prime Minister and Secretary of State for Trade and Industry by December 1999.

Appendix IV**Composition and Operations of the National Wages Council in Singapore****Composition**

A.1 There are three parties in the National Wages Council (NWC) representing different interest groups and appointed differently. The three groups are the employers' representatives, the employees' representatives and the government representatives. The ten employees' representatives are nominees of the National Trades Union Congress (NTUC) and the ten employers' representatives are nominees of various employers' organizations in Singapore. Four permanent secretaries from the Cabinet are in the NWC.

A.2 The NWC has a chairman who is an academic and who is independent of the government and of the other two parties. The chairman is appointed by the government. Professor Lim Chong Yah has been Chairman of the NWC since its formation in February 1972. He is Professor of Economics at the Nanyang Business School, Nanyang Technological University.

Operational Task

A.3 The operational task of the NWC is to issue wage guidelines annually. As the NWC is national in perspective, the council is interested in the direction of the wage trend for the nation as a whole. It does not get involved in wage negotiations at the micro level. The decision to adopt whatever rates of wage increase is left to the direction of individual branch unions and the respective employers, although it is encouraged that the NWC recommendations be adopted as a guide for reference.

Consensual Recommendations

A.4 The NWC guidelines are arrived at by consensual negotiations among representatives of the government, management and workers. Thus, the process reflects the procedures of rule-making which each party undertakes, such as the government in taking into consideration the welfare of society as a whole and the economic well-being of the nation, the management in giving consideration to the need to be competitive, and workers in giving consideration to the cost-of-living, and all three parties on the whole in giving consideration to global and domestic economic performance.

A.5 NWC decisions on wage guidelines are made unanimously, and not by majority vote. Although there is no legal obligation on the part of the parties concerned to implement the agreement they have put their signatures to, the agreement carries with it a moral weight. The practice of consensus prevents any one group from imposing its will on others. However, this also means that any group can put a stop to all proceedings. Thus, it is necessary that the various interest groups agree to compromise. Effectively, this means that the NWC decision is restricted to those areas in which consensus can be obtained.

Confidential Deliberations

A.6 Another feature is that all NWC deliberations are confidential. According to the NWC, this has two advantages. First, it is easy for any group to adjust their stance on wage issues without feeling embarrassed about retreating. Secondly, no group can use the NWC as a forum for political or other reasons.

Appendix V**National Wages Council's Revised Wage Guidelines for 1998 - 1999****Background**

A.1 The National Wages Council (NWC) recommendations on wage guidelines for 1998 - 1999 issued in May 1998 called for wage restraint and non-wage cost cutting measures. The wage guidelines were formulated against the backdrop of the regional economic turmoil and the economic growth forecast by the Ministry of Trade and Industry (MTI) between 2.5% and 4.5%. However, the economic situation in Southeast Asia deteriorated further in mid-1998. MTI's growth forecast for 1998 was then revised downwards in June 1998 to between 0.5% and 1.5%. The NWC was accordingly reconvened in September 1998 to review its May recommendations.

Revised NWC Wage Guidelines

A.2 In formulating the revised guidelines, the NWC aimed to achieve the following objectives: (i) instil greater confidence among global investors in the Singaporean economy; (ii) help companies regain their cost-competitiveness; (iii) preserve jobs for workers and minimize unemployment. To meet these objectives, the NWC made the following recommendations.

A.3 In its revised guidelines, the NWC called for a reduction in both wage and non-wage cost to help companies regain their competitiveness. It recommended a cut in the total wage costs by 5% to 8%, which together with the 10% point cut in employer's Central Provident Fund (CPF) contribution would achieve the overall reduction of 15% in wage cost. The main instrument to achieve the 5% to 8% wage reduction should be the variable components (e.g. bonuses and the 13th month payment) under the flexible wage system.

A.4 Any across the board cut in wages would affect the lower income employees more severely than the higher income group. The NWC urged employers to consider moderating the wage cut for lower income employees by implementing a deeper cut for the higher income executives to affect the desired extent of reduction in total wages. The government, as a major employer in Singapore, takes the lead in implementing the revised wage recommendations.

Reduction in Non-wage Costs

A.5 To reduce the cost of doing business in Singapore, the NWC urged the government to substantially reduce the non-wage costs such as rentals, telecommunication and utility charges, transport costs and government fees. The NWC also urged the government to increase the productive capacity of the nation through more government development spending and through more investment in human capital.

Acceptance of the Revised Guidelines

A.6 The NWC's revised wage guidelines superseded the wage restraint guidelines issued in May 1998 and are valid until 30 June 1999. The NWC will meet again in April/May 1999 to review and update the wage guidelines.

A.7 After studying the recommendations of the NWC, the government accepted the revised guidelines in November 1998.

Appendix VI**The Flexible Wage System in Singapore****Introduction**

A.1 There are generally two types of wage payments systems, i.e. the seniority-based wage system and the flexible wage system. Workers are rewarded according to seniority under the former. Under the flexible wage system, workers are rewarded with a fixed wage and a variable bonus according to national performance, company profitability, and personal productivity performance. The NWC initiated the use of flexible wage system in 1986 with an objective to maximize employment and increase business competitiveness.

National Performance

A.2 National performance is measured with the use of various macro economic data such as economic growth rate, export growth, inflation and unemployment. Wage increase guidelines take into consideration national performance.

Company Profitability

A.3 Company profitability is another factor considered. Wage rewards at the company level should reflect changes in company profitability as well. The National Wages Council (NWC) can only state the principles but would not give each guideline for each company.

A.4 To reinforce this system, the NWC has recommended companies to pay as much of the total wage increases as possible in the form of a variable payment. The variable component should reflect the performance of the company. For this payment, companies could consider paying in advance part of the total annual variable payment based on their performance and, for those with exceptional performance, a one-off special bonus to reward their employees.

A.5 The NWC advocates that the variable component of wage payment should be worked up to 20% of the wage bill of each company, and currently for the private sector, this component has reached an average of 16%. For the public sector, the variable component has exceeded 20%. The variable component normally takes the form of year-end bonuses.

Personal Productivity Performance

A.6 Each company should consider the individual performance within each company. NWC has no intention to interfere in this area.

Appendix VII**The Methodology Used by the Hong Kong Social Security Society
in Calculating the Minimum Wage Rate****The Fixing of a Minimum Wage in Hong Kong**

A.1 The minimum wage must be fixed at a level sufficient to cover the basic cost of living of workers and their dependent family members, that is to say, the basic cost of living of an individual must not be below the poverty line.

A.2 According to the Poverty Rate of Hong Kong published by the Hong Kong Social Security Society (HKSSS) in September 1997, the poverty line was defined as HK\$2,500 per month, which was calculated on the basis of the figures gathered from the 1996 By-census. Each worker had to support 2.1 family members. (Given that the average household size was 3.3 persons and the average number of working members was 1.6 in 1996, each working member had to support 2.1 family members on average and this figure was referred to as the “dependent rate”.)

A.3 Therefore, the level of minimum wage should be $\text{HK\$}2,500 \times 2.1 = \text{HK\$}5,250$ (as at 1996).

A.4 The level of minimum wage in Hong Kong for 1998 could be calculated by making adjustments to the above figure according to inflation. The inflation rate in 1997 was 5.8% and that for 1998 was estimated at 5%, so the minimum wage for 1998 should be $\text{HK\$}5,250 \times (1 + 5.8\%) \times (1 + 5\%) = \text{HK\$}5,832$. (For implementation, this figure could be rounded up to HK\$5,850.

A.5 This level was in line with the international standard under which the level of minimum wage should be between 40% and 60% of the average wage. As the median wage rather than the average wage was employed in compiling statistics in Hong Kong, the HKSSS used the median wage to make an estimate. The median wage in 1997 was HK\$10,000. Taking account of the 5% inflation rate in 1998, the median wage in 1998 should be HK\$10,500. A minimum wage of HK\$5,832 accounted for 55% of the median wage. Moreover, the median wage was generally lower than the average wage. It was therefore estimated that the above minimum wage accounted for less than 45% of the average wage, and was considered to be an appropriate and reasonable amount.

Minimum Hourly, Daily and Weekly Wage

A.6 A 44-hour week is generally accepted in the international community and Hong Kong as well. Given the global trend towards a shorter working week (such as in China where a five-day week system is adopted), it was suggested that a 40-hour be adopted for calculation. In fact, even if the HKSSS adopted 44 hours as the weekly working hours, hourly-rated workers would be deprived of the wage for the one-hour lunch time every day. That meant the workers was remunerated for 39 hours of work. Therefore, it would be more appropriate to adopt 40 hours as the statutory weekly working hours across-the-board.

A.7 Given that there were four weeks plus two working days in a month, the monthly working hours amounted to a total of 168 hours. By dividing the minimum monthly wage of HK\$5,832 by 168 hours, the HKSSS obtained a minimum hourly wage of HK\$34.7 which could be rounded up to HK\$35.

A.8 The minimum weekly wage was $\text{HK\$}34.7 \times 40 \text{ hours} = \text{HK\$}1,388$, which could be rounded up to HK\$1,400.

A.9 The minimum daily wage was $\text{HK\$}34.7 \times 8 \text{ hours} = \text{HK\$}277.6$ which could be rounded up to HK\$280.

Source: Hong Kong Social Security Society, *A proposal for a Minimum Wage in Hong Kong*, 1998.

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