



Statutory Minimum Wage in Hong Kong

Figure 1 – SMW and hourly wage of selected employees during 2011-2017

Year	Hourly rate of SMW (HK\$)	Hourly wage of the bottom 10 th percentile* employee (HK\$)	Overall median hourly wage of employees (HK\$)
2011	28.0	29.3	52.4
2013	30.0	33.0	57.5
2015	32.5	36.5	62.9
2017	34.5	40.0	68.0
Cumulative change	+23%	+37%	+30%

Note: (*) Hourly wage which delineates the lowest 10% of employees.

Figure 2 – Number of employees earning SMW during 2011-2017

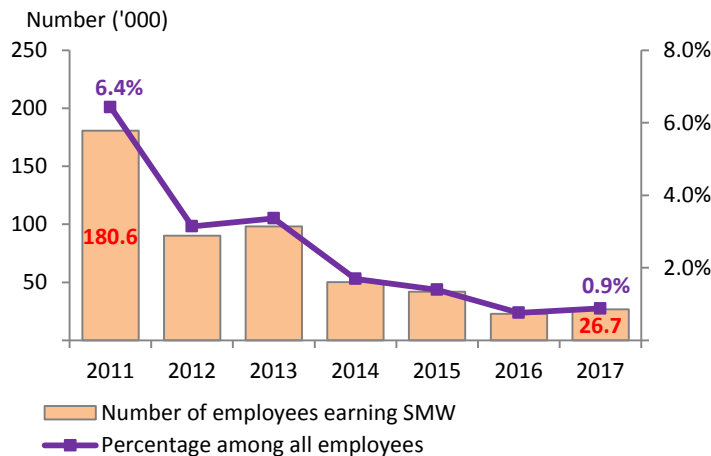
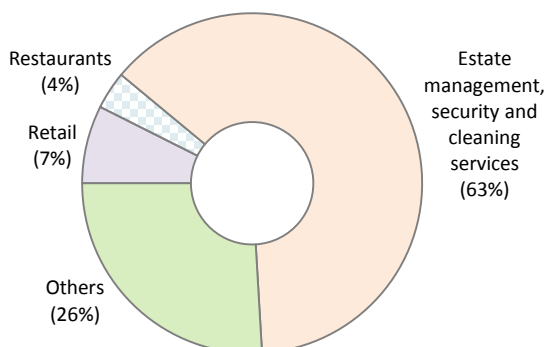


Figure 3 – Employees earning SMW by sector in 2017



Highlights

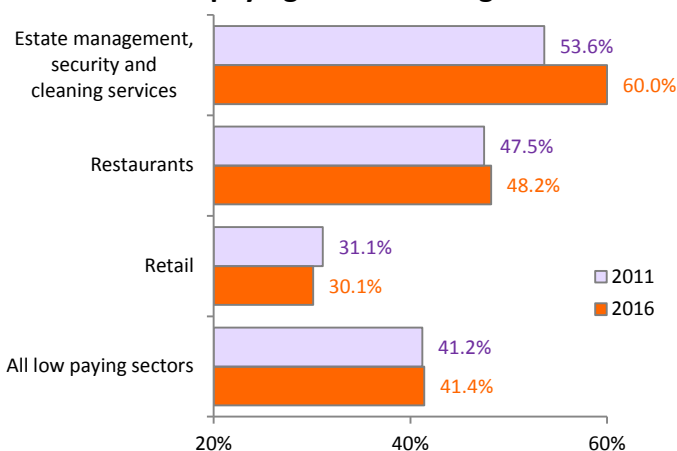
- The hourly rate of Statutory Minimum Wage ("SMW") has been progressively adjusted upwards biennially since its implementation in May 2011, from HK\$28 to HK\$34.5 in May 2017. The Minimum Wage Commission ("MWC") is reviewing SMW for the next adjustment due for implementation in May 2019.
- During 2011-2017, the cumulative increase in SMW was 23%, compared with the respective inflation rate of 21% (Figure 1). SMW appears to have offered certain protection to low-paid workers, with the hourly wage of the bottom 10th percentile worker increasing by a total of 37% in six years to HK\$40 in 2017, faster than the 30% growth in overall median hourly wage.
- Over the past six years, the number of employees earning exactly SMW rate has plunged by a total of 85% to 26 700 persons in 2017 (Figure 2). Concurrently, their share in overall employees has also plummeted from 6.4% to 0.9%. There have been different views over this downtrend. While some consider that it reflects that employers have been offering more generous wage package to their workers, others are concerned that the upward adjustment in SMW has been too modest to keep pace with a tighter labour market in recent years.
- Analyzed by sector, amongst the 26 700 employees earning the SMW in 2017, there was a high concentration in low paying sectors as identified by MWC. For instance, the "estate management, security and cleaning services" sector took up the largest share of 63%, followed by the retail sector (7%) (Figure 3).

Statutory Minimum Wage in Hong Kong (cont'd)

Figure 4 – LFPRs of selected persons during 2011-2017

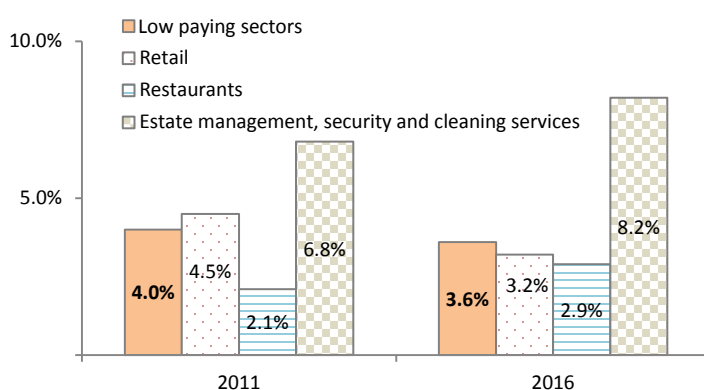
Year	Overall	Elderly aged 65 and over	Females aged 35-64
2011	58.4%	6.2%	56.6%
2013	59.5%	8.1%	59.0%
2015	59.4%	9.4%	59.8%
2017	59.1%	11.0%	60.4%
Cumulative change	+0.7% pt.	+4.8% pt.	+3.8% pt.

Figure 5 – Share of staff cost in operating expense* in low paying sectors during 2011-2016



Note: (*) Total operating expenses exclude cost of goods sold.

Figure 6 – Profit margin# of SMEs* in low paying sectors during 2011-2016



Notes: (#) Refers to the ratio of profit before deducting tax and provisions, etc. to business receipts.

(*) Refer to enterprises with fewer than 50 persons engaged.

Highlights

- Regarding the impact of SMW on the labour market, the Government stated that both the wage improvement of low-paid workers and more abundant job opportunities in the market "helped enhance the incentive to work and encouraged more people to enter or re-enter the labour market". During 2011-2017, overall labour force participation rate ("LFPR") has increased by about 0.7 of a percentage point to 59.1%, with even more visible improvement for elderly aged 65 and above and middle-aged females (Figure 4). However, there are concerns over whether such improvement in LFPRs could be attributable to SMW, as other socioeconomic factors are also in play to affect work incentive.
- Successive increases in SMW could increase the staff cost of employers, especially for those labour-intensive business enterprises. During 2011-2016, while the share of staff cost in operating cost of overall low paying sectors edged up by just 0.2 of a percentage point to 41.4%, the "estate management, security and cleaning services" sector seemed to be most affected by SMW, with the respective ratio rising by 6.4 percentage points to 60% (Figure 5).
- There are concerns over how far small and medium enterprises ("SMEs") in low paying sectors could absorb the cost impact of further rise in SMW. During 2011-2016, the profit margin of SMEs in overall low paying sectors has declined by 0.4 of a percentage point to 3.6% in 2016, with even lower margin seen in retail trade and restaurants (Figure 6). SMEs in these low paying sectors may face greater challenges in operation upon further adjustment in SMW.

Data sources: Latest figures from Minimum Wage Commission and Census and Statistics Department.

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