

Bills Committee on Minimum Wage Bill
Administration's Response to Issues Raised
at the Bills Committee Meeting Held on 27 April 2010

Introduction

This paper provides the Administration's response to the issues raised by Members of the Bills Committee at its meeting held on 27 April 2010 when examining the Minimum Wage Bill (the Bill).

Functions of the Minimum Wage Commission (MWC)

2. According to clause 11(1) of the Bill, the main function of the MWC is, when required by the Chief Executive, to recommend the statutory minimum wage (SMW) level and the timing and frequency of the SMW rate reviews. In turn, the Administration will take into account the recommendations of the MWC in deciding on the SMW level and the appropriate timing for conducting the next SMW rate review. This is consistent with the principle of adopting an evidence-based approach in setting and reviewing the SMW rate. It also preserves flexibility to cater for the needs and circumstances prevailing in Hong Kong at the time.

Report of the MWC

3. In performing its functions in an evidence-based manner, the MWC will invite views from the public, consult stakeholders widely and draw on data collected through large-scale and representative surveys. It is pertinent to note that all statistical information and data to be collected by the Census and Statistics Department (C&SD) and considered by the MWC would also be accessible to members of the public. In formulating its recommendation, the MWC will have regard to the information obtained in the process of consultations with stakeholders, the evidence obtained as well as the analyses undertaken based on information and data collected from statistical surveys conducted by C&SD.

4. As mentioned in our papers submitted to the Bills Committee (LC Paper No. CB(2)1261/09-10(02) and LC Paper No. CB(2)1371/09-10(01)), we fully recognise that the recommendation, in particular, on the SMW rate made by the MWC would be a matter of public concern. After receiving and considering the recommendation of the MWC, the appropriate SMW rate will be decided in a prudent and objective manner, and, subject to the approval of LegCo, prescribed in the Schedule of the Bill. The Administration will provide members of the public and LegCo with the justifications that it has taken into account in making its decision.

Income ceiling under the Transport Support Scheme (TSS) and Pilot Employment Navigation Programme (ENP)

5. As explained in our paper on the Administration's Response to Issues Raised at the Bills Committee Meeting held on 13 April 2010 (LC Paper No. CB(2)1371/09-10(01)), TSS was launched on 25 June 2007 on a one-year pilot basis as one of the poverty alleviation measures. The objective of TSS was to provide time-limited transport subsidy to needy job-seekers and low-income employees living in four designated remote districts, viz. Yuen Long, Tuen Mun, North and Islands districts, to find jobs and work across districts.

6. Under the pilot TSS, one of the criteria for the Cross-District Transport Allowance was that the applicant had to be engaged in full-time employment and their monthly income levels should be less than or equal to \$5,600. It was roughly the sum of half of the monthly median income (\$5,000) then prevailing and part of the travelling expenses incurred by those living in remote areas and having to commute to work across districts (\$600).

7. Upon implementation of the pilot TSS, it was identified that most of the unsuccessful applications were rendered ineligible on the ground that the applicants' monthly income exceeded the then income ceiling. With salary increasing and inflation picking up, there were views that the income ceiling of \$5,600 per month was too low. There were demands for raising the income ceiling so that those earning slightly more than the amount might also benefit from TSS to help them develop and sustain a work habit.

8. In response to requests from the LegCo Subcommittee to Study the Subject of Combating Poverty and the community for relaxing the

scheme's eligibility criteria, the Administration advanced and completed a review on the effectiveness of the pilot scheme in February 2008. As a result, the Labour Department introduced a number of relaxation measures on 2 July 2008, including raising the monthly income ceiling for eligible persons from \$5,600 to \$6,500. It was estimated that 26% of salaried employees in the four designated districts would be covered under the revised income ceiling.

9. Regarding the proposed ENP, as announced by the Financial Secretary in his 2010-11 Budget Speech on 24 February 2010, the Government will launch this two-year Pilot Programme to provide job-seekers with intensive employment counselling as well as cash incentives. The proposed ENP seeks to address the problem of manpower mismatch, in order to fully utilise our labour productivity and encourage employment.

10. Under the proposed ENP, an incentive of up to \$5,000 will be offered to each eligible ENP participant. This is to encourage the participant to land on and stay in a job for at least three months. One of the eligibility criteria for the incentive is that the job-seeker has to be employed to fill a vacancy listed under the Labour Department's employment service and the job concerned is a full-time post offering a salary of \$6,500 or less per month.

11. In arriving at the \$6,500 threshold, reference has been made to the eligibility criteria under TSS. We have also matched this against the salary of vacancies posted by the Labour Department and found that a sizable number of job-seekers would benefit should a \$6,500 threshold be adopted. For instance, in Q1 of 2010, the median salary offered for job seekers with no previous experience is around \$6,500 per month for posts like sales representative and shop sales/assistant where manpower mismatch is commonly found.

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