

**Subcommittee on Subsidiary Legislation
Relating to Statutory Minimum Wage**

**Administration's Response to Issues Raised
at the Subcommittee Meeting Held on 26 November 2010**

Introduction

This paper provides information requested by a Member of the Subcommittee at its meeting held on 26 November 2010.

Initial statutory minimum wage (SMW) rate

2. A Member raised that the Provisional Minimum Wage Commission (PMWC), in conducting impact assessment of the initial SMW rate, has not provided a deflated recommended rate as the Low Pay Commission in the United Kingdom had done this in its first report in assessing the impact of the initial National Minimum Wage rate. He enquired on the equivalent hourly wage rate in the second quarter of 2009 of the initial SMW rate of \$28 per hour which has been recommended by the PMWC and accepted by the Administration.

3. It has to be emphasised that apart from making reference to the experience in other economies in implementing SMW, an appropriate mechanism rooted in the local context should be devised to assess the impact of the initial SMW rate, given the unique characteristics of Hong Kong in its social and economic circumstances.

4. Inflation is one of the important considerations of the PMWC in deliberating the initial SMW rate. During the deliberation and in conducting impact assessment, the PMWC has not only taken into account the latest inflation situation but also the inflation forecast, in recognition of the time lag in annual statistics as well as the inevitable time lag between the submission of the recommendation on the initial SMW rate and the date of its implementation.

5. Since wages change at different rates across workers in different industries and occupations and with different socio-economic characteristics, wage distribution would change according to these factors. Besides, the rates of change in the wages of various industries and

occupations may also differ from that in the consumer price index. Therefore, the PMWC has been of the view that using the forecast growth in the consumer price index or any other indicators to calculate the equivalent hourly wage rate in the second quarter of 2009 of the hourly wage of \$28 in May 2011, in order to estimate the number or proportion of involved employees at the time of implementation in 2011, is inappropriate.

6. As stated in the Report of the PMWC, in the absence of experience in implementing SMW and lacking in sufficient empirical data and information, the assessment of the SMW impact has its inherent limitations because many factors are involved and the economic and labour market conditions are constantly evolving.

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Secretary's Office
December 2010