

立法會
Legislative Council

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by the Administration)

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**Subcommittee on
Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2012 and
Employment Ordinance (Amendment of Ninth Schedule) Notice 2012**

**Minutes of meeting
held on Friday, 11 January 2013, at 10:45 am
in Conference Room 2 of the Legislative Council Complex**

Members present : Hon TAM Yiu-chung, GBS, JP (Chairman)
Hon LEE Cheuk-yan
Hon Emily LAU Wai-hing, JP
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon WONG Kwok-hing, MH
Hon Jeffrey LAM Kin-fung, GBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon CHEUNG Kwok-che
Hon WONG Kwok-kin, BBS
Hon WONG Yuk-man
Hon Steven HO Chun-yin
Hon YIU Si-wing
Hon LEUNG Che-cheung, BBS, MH, JP
Hon KWOK Wai-keung
Hon Christopher CHEUNG Wah-fung, JP
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Dr Hon CHIANG Lai-wan, JP

- Members absent** : Hon Albert HO Chun-yan
Hon LEUNG Yiu-chung
Hon Cyd HO Sau-lan
- Public Officers attending** : Item II
- Mr Matthew CHEUNG Kin-chung, GBS, JP
Secretary for Labour and Welfare
- Mr CHEUK Wing-hing, JP
Commissioner for Labour
- Miss Mabel LI Po-yi
Assistant Commissioner for Labour
(Development)
- Ms Reddy NG Wai-lan, JP
Principal Economist, Economic Analysis and
Business Facilitation Unit
Financial Secretary's Office
- Mr William MAK Chi-tung
Chief Labour Officer (Statutory Minimum Wage),
Labour Department and
Secretary of Minimum Wage Commission
- Mr Manuel NG Man-chun
Government Counsel
Department of Justice
- Clerk in attendance** : Miss Betty MA
Chief Council Secretary (2) 1
- Staff in attendance** : Miss Evelyn LEE
Assistant Legal Adviser 10
- Ms Rita LAI
Senior Council Secretary (2) 1
- Ms Kiwi NG
Legislative Assistant (2) 1
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Action

I. Election of Chairman

Mr TAM Yiu-chung was elected Chairman of the Subcommittee.

II. Meeting with the Administration

2. The Subcommittee deliberated (index of proceedings attached at **Annex**).

3. Members noted that as agreed at the House Committee meeting on 4 January 2013, to allow more time for the Subcommittee to study the Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2012 and the Employment Ordinance (Amendment of Ninth Schedule) Notice 2012 ("the Notices"), the Chairman of the House Committee had moved a motion at the Council meeting of 9 January 2013 to extend the scrutiny period of the Notices to 6 February 2013.

4. Members agreed to invite public views on the Notices at the next meeting by announcing an invitation on the website of the Legislative Council.

III. Schedule of future meetings

5. Members agreed that the next two meetings of the Subcommittee be scheduled as follows -

- (a) 19 January 2013 from 9:00 am to 12:00 noon to meet with deputations and the Administration; and
- (b) 22 January 2013 from 8:30 am to 10:30 am to continue discussion with the Administration.

6. There being no other business, the meeting ended at 12:34 pm.

**Proceedings of meeting of the Subcommittee on
Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2012 and
Employment Ordinance (Amendment of Ninth Schedule) Notice 2012
held on Friday, 11 January 2013, at 10:45 am
in Conference Room 2 of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)	Action Required
<i>Agenda item I - Election of Chairman</i>			
000000 - 000152	Ms Emily LAU Mr WONG Kwok-kin Mr TAM Yiu-chung	Election of Chairman	
<i>Agenda item II - Meeting with the Administration</i>			
000153 - 000215	Chairman	Opening remarks	
000216 - 000912	Chairman Ms Emily LAU Mr Tommy CHEUNG Clerk Mr Ronny TONG	Legislative timetable for the Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2012 and the Employment Ordinance (Amendment of Ninth Schedule) Notice 2012 ("the Notices"). Invitation of public views on the Notices, and the schedule of subsequent meetings.	
000913 - 001757	Chairman Admin	Briefing by the Administration on the Notices (File Ref: LD SMW 86-1/2(C))	
001758 - 002340	Chairman Mr WONG Kwok-hing Admin	Mr WONG Kwok-hing's view that the recommended statutory minimum wage ("SMW") rate was a compromise of the diverse views among members of the Minimum Wage Commission ("MWC"). Consideration should be given to introducing legislative amendments to the Minimum Wage Ordinance (Cap. 608) ("MWO") to the effect that the SMW rate be adjusted automatically in accordance with the inflation rate and movement of Consumer Price Index compiled by the Census and Statistics Department ("C&SD") on an annual basis. The Administration's advice that in accordance with MWO, the SMW rate should be reviewed at least once in every two years, without precluding more frequent rate review if there was evidence supporting the need. In the light of the far-reaching impact of SMW, MWC had made reference to relevant statistics in a Basket of	

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		<p>Indicators covering various employment, social and economic conditions and taken into account views of stakeholders and interested parties, instead of setting the rate by applying a mathematical formula based on inflation. It was important to ensure the flexibility of the labour market and economic competitiveness of Hong Kong when determining the SMW rate.</p> <p>Mr WONG's suggestion that a mechanism should be put in place for the review of the SMW rate on an annual basis.</p>	
002341 - 003255	Chairman Mr LEE Cheuk-yan Admin	<p>Mr LEE Cheuk-yan's view that the Hong Kong Confederation of Trade Unions was disappointed with the revised SMW rate. An increase of the SMW rate by \$2 per hour could hardly improve the livelihood of the grassroots workers, which had been eroded by the soaring inflation in the past two years. Mr LEE's concern about the time lag between data collection and review of the SMW rate.</p> <p>The Administration's response that C&SD normally required eight months for completion of data analysis, which was broadly comparable with that of other overseas SMW jurisdictions. In recognition of the time lag between the date of making recommendation on the revised SMW rate and the date of its implementation, MWC, when reviewing the SMW rate, had taken into account short-term economic and labour market outlook to conduct scenario testing and made reference to a large number of other indicators and statistics on the socio-economic and employment situation which were more frequently updated.</p>	
003256 - 004328	Chairman Mr Tommy CHEUNG Admin	<p>Mr Tommy CHEUNG's objection to reviewing the SMW rate on an annual basis. His queries about the methodology for determining the revised SMW rate and the possible underestimation of the impact of the recommended SMW rate on the increase in total wage bill in respect of the catering industry.</p> <p>The Administration's response that a balance had to be struck between protecting the interests of workers and the affordability of employers.</p>	

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		<p>MWC had estimated the possible impact of the recommended SMW rate on the amount of additional wage bill and conducted scenario testing with assumptions on short-term economic outlook.</p> <p>Mr CHEUNG's suggestion that the Administration should make a comparison of the estimated and actual impact of additional wage bill on different sectors for the consideration of MWC when reviewing the next SMW rate.</p>	
004329 - 004528	Chairman Mr TANG Ka-piu Admin	<p>Mr TANG Ka-piu's view that the implementation of SMW should not be regarded as the major cause for inflation. As shown from the report of MWC, after taking into account the knock-on effect, the Composite Consumer Price Index (A) would rise by 0.5 to 0.6 percentage point. It was therefore considered that the estimated impact of SMW on inflation would be minimal. He appealed to the Administration to launch more publicity in this regard.</p>	
004529 - 005230	Chairman Ms Emily LAU Admin	<p>Ms Emily LAU's remarks that the Democratic Party was in support of reviewing the SMW rate on an annual basis, and adjusting the initial SMW rate to \$33 per hour. Her enquiry about the impact on employees and businesses if the revised SMW rate was adjusted to \$33 per hour.</p> <p>Ms LAU's concern about the labour shortage in specific industries after the implementation of SMW.</p> <p>The Administration's response that according to the latest statistical data (August to October 2012), the growth of the average monthly employment earnings after discounting inflation for full-time grassroots workers outpaced that of the overall full-time workers. The Administration had put in place a series of employment assistance programmes for job seekers and employers. Training and retraining were also provided for job seekers and serving employees.</p> <p>The Administration's explanation that MWC had conducted scenario testing when reviewing the SMW rate, including conducting assessment of</p>	

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		<p>the possible impact on the amount of annual additional wage bill brought about by 15 SMW test levels from \$28 to \$35 per hour based on three definitions of wage bill and how enterprises would respond to various SMW test levels under four economic scenarios. If the revised SMW rate was set at \$33 per hour, it was estimated that the number of employees involved would increase and the total additional wage bill would rise to \$7.59 billion taking into account total wages received by employees and additional labour costs arising from knock-on effect.</p> <p>Ms LAU's suggestion of compiling statistical data with a breakdown by gender for the future consideration of MWC when reviewing the next SMW rate.</p>	
005231 - 005937	Chairman Mr Ronny TONG Admin	<p>Mr Ronny TONG's view that MWC's recommended SMW rate was a political compromise. The review of the SMW rate on a biennial basis would not be able to catch up with the soaring inflation. Mr TONG's enquiry whether the Government would consider reviewing the SMW rate on an annual basis and drawing up a timetable for the review of MWO.</p> <p>The Administration's advice that MWO specified that MWC should report on the SMW rate at least once in every two years, without precluding more frequent rate review if there was evidence supporting the need. It was important to ensure that the setting of the SMW rate should not have significant adverse impact on the employment opportunities of the vulnerable employees or unduly jeopardize the labour market flexibility and economic competitiveness of Hong Kong.</p>	
005938 - 010448	Chairman Mr Andrew LEUNG Admin	<p>Mr Andrew LEUNG's concern that an increase in the SMW rate would induce knock-on effect, and in particular the possible pass-through of additional wage bills entailed by the revised SMW rate to prices of products and services, which would further push up inflation. He supported a two-year cycle of reviewing the SMW rate on the basis of objective statistical data.</p>	

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		<p>The Administration's advice that MWC had adopted an evidence-based approach in reviewing the SMW rate including examining a Basket of Indicators and relevant statistics, taking into account views of stakeholders and conducting impact assessment. The revised SMW rate would take effect from 1 May 2013 so as to allow time for the community to make preparation for its implementation.</p>	
010449 - 011013	<p>Chairman Mr YIU Si-wing Admin</p>	<p>Mr YIU Si-wing expressed support for the review of the SMW rate on a biennial basis. His concern about the insufficiency of data for assessing the ripple effect of the implementation of SMW. He requested the Administration to adopt an objective and evidence-based approach and take into account the latest statistics when reviewing the next SMW rate.</p> <p>The Administration's response that MWC had conducted scenario testing based on the assumptions on the short-term economic outlook to assess the impact of the revised SMW rate on businesses and inflation. It was estimated that the impact would be moderate.</p>	
011014 - 011646	<p>Chairman Mr Jeffrey LAM Admin</p>	<p>Mr Jeffrey LAM's concern about the impact of the ripple effect on small and medium enterprises ("SMEs") following the implementation of SMW. SMEs had been hard hit by the implementation of SMW as they were unable to pass on additional labour costs to customers. In his view, the Administration should provide members with analyses on the impact of SMW on doing business before making adjustment to the SMW rate.</p> <p>The Administration's explanation that MWC was mindful of the impact of SMW on different sectors. MWC had conducted comprehensive analyses on the data and empirical evidence of statistical surveys and research studies commissioned by the Administration, and assessed the impact of SMW on the affordability of businesses under different economic environments. The study findings and the analyses as well as the deliberations were detailed in the report of MWC.</p>	

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011647 - 012454	Chairman Mr WONG Yuk-man Admin	<p>Mr WONG Yuk-man's view that an increase of the SMW rate by \$2 was too conservative. Given the findings of the impact assessment showed that the knock-on effect and ripple effect on businesses would be moderate, the SMW rate should be increased to no lower than \$33 per hour.</p> <p>The Administration's reiteration that MWC had conducted scenario testing with an attempt to have more thorough consideration when reviewing the SMW rate. The setting of the revised SMW rate at \$30 per hour was considered appropriate having regard to the need to maintain an appropriate balance between forestalling excessively low wages and minimizing the loss of low-paid jobs, while sustaining the economic growth and competitiveness of Hong Kong.</p> <p>Mr WONG's view that the Administration had attached more importance to minimizing the adverse impact of SMW on the businesses than achieving the objective of improving the livelihood of grassroots employees.</p>	
012455 - 012939	Chairman Dr CHIANG Lai-wan Admin	<p>Dr CHIANG Lai-wan's remarks that the Democratic Alliance for the Betterment and Progress of Hong Kong was in support of MWC's recommendation of increasing the SMW rate to \$30 per hour. Dr CHIANG's suggestion that the Administration should consider setting out explicitly the circumstances under which the Administration would kick start the review of the SMW rate ahead of the two-year cycle.</p> <p>The Administration's response that in the event that there was evidence supporting the need for a review of the SMW rate, a review could be conducted within less than two years.</p>	
012940 - 013837	Chairman Mr Tommy CHEUNG Admin	<p>Mr Tommy CHEUNG's concern that the Administration might have underestimated the impact of SMW on businesses and his suggestion that the Administration should conduct tracking studies to compare the discrepancies between the estimated and actual impact of the revised SMW rate on businesses.</p>	

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		<p>The Administration's response that since the time of implementing SMW was still short, MWC had taken into account the possibility that other impact had yet to fully emerge and studied statistics on the latest economic situation and forecast in its deliberations of the revised SMW rate. In addition, the Administration had commissioned a consultancy study on knock-on effect of SMW on pay hierarchies in the retail and restaurants sectors. MWC had assessed the possible knock-on effect of SMW on the concerned sectors based on the study findings and the analyses and deliberations were detailed in its report.</p>	
013838 - 014403	Chairman Mr YIU Si-wing Admin	<p>Mr YIU Si-wing's concern about the recruitment difficulties faced by certain sectors after the implementation of SMW. His enquiry about whether the Administration would conduct statistical analysis on the staff turnover and wage differentials in the pay hierarchy in specific industries before and after the implementation of SMW so as to better study the magnitude of knock-on effect induced by the initial SMW rate.</p> <p>The Administration's advice that it was observed that wage differentials had been narrowed in different magnitudes among low paying sectors after the implementation of SMW. It had put in place a series of employment assistance programmes for job seekers and employers. Training and retraining were also provided for job seekers and serving employees. The Administration would closely monitor the labour market.</p>	
014404 - 014652	Chairman Mr SIN Chung-kai Admin	<p>Mr SIN Chung-kai's enquiry about the changes in the labour force after the implementation of SMW.</p> <p>The Administration's advice that total employment rose by 123 900 in September to November 2012 when compared with the pre-SMW period (February to April 2011), of whom 74 400 were lower-skilled female workers. The implementation of SMW had brought about positive effect on the income of grassroots employees, thereby improving their livelihood and enhancing the quality of life.</p>	

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014653 - 014903	Chairman Mr Martin LIAO Admin	Mr Martin LIAO's concern about the problem of manpower mismatch following the implementation of SMW. The Administration's response that it had put in place a series of employment assistance programmes for job seekers and employers. Training and retraining were also provided for job seekers and serving employees. The Administration would closely monitor the labour market.	
<i>Agenda item III - Any other business</i>			
014904 - 015006	Chairman	Dates of the next two meetings of the Subcommittee.	

Council Business Division 2
Legislative Council Secretariat
13 March 2013