

For information on
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Legislative Council Panel on Manpower
Review of the Statutory Minimum Wage Rate

Purpose

This paper briefs Members on the review work of the statutory minimum wage (SMW) rate.

Background

2. Given the high degree of external orientation of our economy, flexibility of wages and prices is crucial to Hong Kong's competitiveness and resilience to external shocks. The objective of the Minimum Wage Ordinance (Cap. 608) (MWO) is to set up a SMW regime which provides a wage floor with a view to forestalling excessively low wages but without unduly jeopardising our labour market flexibility and economic competitiveness, and without causing significant negative impact on the employment opportunities for the grassroots employees.

3. Since the implementation of SMW on 1 May 2011, the robust economy in Hong Kong has cushioned considerably the negative impact of SMW on labour market and business sentiment. The labour market as a whole has remained stable and low-paid employees have also enjoyed substantial improvement in their employment earnings. The latest figures (June to August 2012) revealed that the average monthly employment earnings for full-time employees (excluding government employees and live-in domestic workers) in the lowest decile group (i.e. the group of the lowest-paid employees) registered a year-on-year growth of 6.3% (or 4.6% in real terms after discounting inflation), outpacing the growth of overall employees of 3.4% (or 0.3% in real terms after discounting inflation)¹.

¹ Different consumer price indices are used for compiling the real indices of employment earnings, taking into account their relevance to the respective coverage. Specifically, the Consumer Price Index A, being an indicator of consumer prices for the relatively low expenditure group, is taken as the price deflator for employment earnings in respect of employees in the lowest decile group. The Composite Consumer Price Index, being an indicator of overall consumer prices, is taken as the price deflator for employment earnings received by overall employees.

Review of the SMW rate

4. The Minimum Wage Commission (MWC) is an independent statutory body established under the MWO to review the SMW rate and make recommendation to the Chief Executive in Council. MWC comprises a chairperson and three members drawn from the labour sector, three members from the business sector, three academics and three government officials so as to fully consider and take account of the impact of the SMW rate on employers and employees as well as the community, economy and employment.

5. In performing its function, MWC must have regard to the need to maintain an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs; and the need to sustain Hong Kong's economic growth and competitiveness. Before making a recommendation on the SMW rate, MWC may conduct consultation, analyse data and information, and consider various views.

6. Adopting an evidence-based approach, MWC reviewed the SMW rate in a comprehensive, objective and impartial manner. Apart from conducting detailed analyses on the wage distribution data of the Annual Earnings and Hours Survey conducted by the Census and Statistics Department as well as the findings of other surveys, MWC also made reference to relevant statistics in a Basket of Indicators covering employment, social and economic conditions. These included a large number of other indicators (e.g. labour supply and demand, inflation, Gross Domestic Product and price forecasts, unemployment rate, etc) which were more frequently released and updated so that MWC could consider the latest situation and trends of society as well as short-term economic and labour market outlook. MWC also conducted assessment on the possible impact of the recommended SMW rate upon its implementation and considered views of various sectors of the community so as to recommend an appropriate SMW rate.

7. MWC launched an eight-week public consultation from 2 April to 28 May 2012 to invite views on the SMW rate from members of the public and stakeholders. MWC uploaded its preliminary views on the Basket of Indicators, supplementary statistical data, other relevant considerations and impact assessment onto its webpage for information of members of the public and stakeholders. MWC also conducted two rounds of consultation meetings with stakeholders in the fourth quarter of 2011 and June 2012 respectively to gauge their views on the SMW rate. The Panel on Manpower of the Legislative Council (LegCo) also received views from deputations on the review of the SMW rate on 29 May 2012 and passed a copy of their written submissions to MWC for consideration.

8. After conducting detailed analyses and assessment on the statistical data and information and prudently considering the views of members of the public and stakeholders, MWC reached a consensus on the SMW rate and submitted its recommendation at the end of October 2012. The Government will make a decision after seriously examining and considering the recommendation of MWC. We hope that the new SMW rate will come into effect in May 2013, after completing the necessary legislative procedures.

Conclusion

9. The SMW regime in Hong Kong is the fruit of years of extensive discussion and consensus building in society. The issues concerned have been examined in a comprehensive, meticulous and detailed manner when legislating on SMW. All the provisions of the MWO including the mechanism for review of the SMW rate were passed by the LegCo after in-depth discussions and thorough deliberation. As SMW has widespread and far-reaching impact on the employment and economy of Hong Kong, we must uphold the evidence-based approach in setting the SMW rate so as to strike an appropriate balance among the diverse needs of various sectors of the community. The Government will continue to closely monitor the implementation of SMW.

10. Members are invited to note the content of this paper.

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