

For information on
17 June 2014

Legislative Council Panel on Manpower

Review of the Statutory Minimum Wage Rate

Purpose

This paper briefs Members on the review of the Statutory Minimum Wage (SMW) rate.

Background

2. The Minimum Wage Ordinance (Cap. 608) (MWO) was enacted by the Legislative Council (LegCo) on 17 July 2010. It establishes an SMW regime which provides a wage floor with a view to forestalling excessively low wages 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. 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. Since the implementation of SMW (of \$28 per hour) on 1 May 2011, the robust economy in Hong Kong has cushioned considerably the potential negative impact of SMW on labour market and business sentiment. The overall employment market has remained stable. The average monthly employment earnings of full-time employees¹ in the lowest decile group (i.e. the group of the lowest-paid employees) registered a year-on-year increase of 14.4% (or an increase of 6.0% in real terms after discounting inflation) for the period from June to August 2011. This was much higher than the overall average pay rise of full-time employees during the same period.

4. The SMW rate was increased (to \$30 per hour) on 1 May 2013 and it has been working smoothly. Compared with the pre-SMW situation (i.e. February to April 2011), the seasonally adjusted unemployment rate in February to April 2014 fell by 0.5 percentage point to 3.1%. Employment earnings of low-income workers have also continued to improve. For 2013 as a whole, the

¹ Excluding government employees and live-in domestic workers to whom SMW does not apply.

average monthly employment earnings of full-time employees in the lowest decile group registered a year-on-year increase of 5.9% (or an increase of 0.8% in real terms after discounting inflation), which was higher than the overall average pay rise of full-time employees during the same period.

Review of the SMW rate

5. The Minimum Wage Commission (MWC) is an independent statutory body established under the MWO with the main function to report its recommendation about the SMW rate to the Chief Executive (CE) in Council. MWC comprises a chairperson and three members each from the labour sector, the business sector, the academia and Government 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.

6. 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 arriving at its recommendation on the SMW rate, MWC consults various sectors of the community including organisations representative of employers and employees respectively, considers submissions received in the course of consultations, and analyses and considers data and information in researches or studies.

7. Adopting an evidence-based approach, MWC is reviewing the SMW rate in a comprehensive, objective and impartial manner. In addition to 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 makes reference to an Array of Indicators and the latest data on these indicators that reflect the socio-economic conditions after the implementation of SMW and after the revision of the SMW rate. The Array of Indicators includes a large number of other indicators (e.g. labour demand and supply, inflation, Gross Domestic Product and price forecasts, unemployment rate, etc) which are more frequently released and updated so that MWC can consider the latest situation and trends of society as well as short-term economic and labour market outlook. MWC will also conduct assessment on the possible impact under different SMW test levels and consider views of various sectors of the community so as to recommend an appropriate SMW rate.

8. MWC launched a six-week public consultation from 7 April to 18 May 2014 during which views were invited from various sectors of the

community, including members of the public and stakeholders, on the review of the SMW rate. MWC also conducted consultation meetings with stakeholders in the period of 10 to 13 June 2014 to gauge their views on the review of the SMW rate.

9. Relevant information and data are available at MWC's webpage for reference of members of the public and stakeholders.

10. After completing the review, MWC will submit a report on the SMW rate to the CE in Council before the end of October 2014.

Advice sought

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

Labour and Welfare Bureau
Labour Department
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