

立法會
Legislative Council

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**Subcommittee on
Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2015 and
Employment Ordinance (Amendment of Ninth Schedule) Notice 2015**

**Minutes of meeting
held on Friday, 30 January 2015, at 9:00 am
in Conference Room 3 of the Legislative Council Complex**

Members present : Dr Hon CHIANG Lai-wan, JP (Chairman)
Hon LEE Cheuk-yan
Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, SBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon IP Kwok-him, GBS, JP
Hon Frankie YICK Chi-ming
Hon YIU Si-wing
Hon CHAN Chi-chuen
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
Dr Hon Fernando CHEUNG Chiu-hung
Hon SIN Chung-kai, SBS, JP
Hon Martin LIAO Cheung-kong, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu, JP
Hon CHUNG Kwok-pan

Member absent : Hon Cyd HO Sau-lan, JP

**Public Officers : Item II
attending**

Mr Matthew CHEUNG Kin-chung, GBS, JP
Secretary for Labour and Welfare

Miss Mabel LI Po-yi, JP
Assistant Commissioner for Labour (Development)

Mr Desmond HOU Ka-chun
Principal Economist, Economic Analysis and
Business Facilitation Unit
Financial Secretary's Office

Ms Queenie TANG Yuen-shan
Chief Labour Officer (Statutory Minimum Wage), Acting
Labour Department

Mr Jonathan LUK King-hang
Government Counsel
Department of Justice

**Clerk in : Miss Betty MA
attendance Chief Council Secretary (2) 1**

**Staff in : Mr YICK Wing-kin
attendance Assistant Legal Adviser 8**

Mr Raymond LAM
Senior Council Secretary (2) 7

Ms Kiwi NG
Legislative Assistant (2) 1

Miss Lulu YEUNG
Clerical Assistant (2) 1

I. Election of Chairman

Dr CHIANG Lai-wan was elected Chairman of the Subcommittee.

II. Meeting with the Administration

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

3. Members requested the Administration -

- (a) to provide information on the number of employees in the restaurant sector earning an hourly wage below the recommended Statutory Minimum Wage ("SMW") rate (including the current SMW rate) in May to June 2013 and the relevant breakdown from the Annual Earnings and Hours Survey ("AEHS");
- (b) to provide information on the unemployment rate, total employment, and the number and expenditure of unemployed Comprehensive Social Security Assistance cases since the introduction of SMW from 1 May 2011;
- (c) to provide, in relation to paragraph 2.26 of the 2014 Report of the Minimum Wage Commission, information on the review frequency of the SMW rate in the 10 selected places;
- (d) to provide reasons for adopting May to June as the survey reference period in AEHS of the Census and Statistics Department; and
- (e) to provide information on the number of employees with disabilities earning wages below SMW and the amount of public funding involved if the Government were to provide wage subsidy to these employees.

4. To allow more time for the Subcommittee to study the Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2015 and the Employment Ordinance (Amendment of Ninth Schedule) Notice 2015 ("the Notices"), members agreed that the Chairman would move a motion at the Council meeting of 11 February 2015 to extend the scrutiny period of the Notices to 18 March 2015.

III. Date of next meeting

5. Members agreed that the next meeting of the Subcommittee would be held on 11 February 2015 at 8:30 am to meet with deputations and the Administration.
6. There being no other business, the meeting ended at 11:05 am.

Council Business Division 2
Legislative Council Secretariat
2 March 2015

**Proceedings of meeting of the Subcommittee on
Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2015 and
Employment Ordinance (Amendment of Ninth Schedule) Notice 2015
held on Friday, 30 January 2015, at 9:00 am
in Conference Room 3 of the Legislative Council Complex**

Time marker	Speaker(s)	Subject(s)	Action Required
000000 - 000250	Mr LEE Cheuk-yan Mr Tommy CHEUNG Dr CHIANG Lai-wan Mr LEUNG Yiu-chung	Election of Chairman	
000251 - 000927	Chairman Mr Tommy CHEUNG Mr YIU Si-wing	Date of meeting to receive the views of the public on the Minimum Wage Ordinance (Amendment of Schedule 3) Notice 2015 and the Employment Ordinance (Amendment of Ninth Schedule) Notice 2015 ("the Notices") and meet with the Administration.	
000928 - 001447	Chairman Admin	Briefing by the Administration on the Notices.	
001448 - 002239	Chairman Mr KWOK Wai-keung Admin	<p>Mr KWOK Wai-keung's concerns and views that -</p> <p>(a) there was a time lag of about four years between the time of data collection in 2013 and early 2017 prior to the next revision of the Statutory Minimum Wage ("SMW") rate;</p> <p>(b) the proposed 8.3% increase in the SMW rate was lower than the increase of 9.3% in Consumer Price Index (A) during the same period; and</p> <p>(c) to avoid employees' purchasing power being eroded by inflation, the Administration should review and adjust the SMW rate on an annual basis.</p> <p>Administration's response that -</p> <p>(a) in making its recommendation on the revised SMW rate, the Minimum Wage Commission ("MWC") had considered, among other things, the findings of the Annual Earnings and Hours Survey ("AEHS") conducted by the Census and Statistics Department ("C&SD") and an array of indicators covering information</p>	

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		<p>on the socio-economic and labour market conditions as well as Gross Domestic Product ("GDP") and price forecasts, and inflation was only one of the factors considered. To adopt a more holistic approach in reviewing the SMW rate, MWC also conducted scenario testing for the local economic outlook in view of the time gap between recommending the SMW rate and its implementation;</p> <p>(b) there had been a moderation in the underlying inflation rate in Hong Kong over the past four years;</p> <p>(c) employees might suffer from a more immediate wage decrease in the event of a sharp economic downturn if the SMW rate was reviewed annually;</p> <p>(d) since SMW had only been implemented for about three years with limited experience, the existing flexible arrangement of reviewing the SMW rate at least once in every two years should be maintained; and</p> <p>(e) some establishments would need time to review and revise their business contracts in the light of increase in the SMW rate. If the SMW rate was reviewed annually, some employers might tend to offer short-term employment contracts and replace their permanent staff with casual workers.</p>	
002240 - 003038	Chairman Mr TANG Ka-piu Admin	<p>Mr TANG Ka-pui's concerns and views that -</p> <p>(a) the proposed 8.3% increase in the SMW rate was lower than the increase of 9.3% in Consumer Price Index (A) during the same period;</p> <p>(b) the SMW rate should be set at a level that relieved the problem of working poverty;</p> <p>(c) the rapid increase in rent in recent years had a greater impact on the competitiveness of Hong Kong than an increase in the SMW rate; and</p>	

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		<p>(d) there was a lack of sufficient coverage in the 2014 Report of the MWC on the positive impacts of introduction of SMW, such as decreases in unemployment rate and the number of unemployed Comprehensive Social Security Assistance ("CSSA") recipients.</p> <p>Administration's response that -</p> <p>(a) SMW provided a wage floor to forestall excessively low wages;</p> <p>(b) the recommended increase in the SMW rate was a consensus of MWC;</p> <p>(c) increases in food prices and rentals had accounted for about 70% of the inflation rate over the past four years; and</p> <p>(d) Chapter 4 of the 2014 Report of MWC had set out the impacts of SMW, including positive impacts on employees and the labour market.</p>	
003039 - 003705	Chairman Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's concerns and views that -</p> <p>(a) the SMW rate had not been set at a level that forestalled excessively low wages and addressed the problem of working poverty; and</p> <p>(b) according to a survey conducted by an academic, SMW should be set at \$38.7 to enable employees to maintain the basic living of their families.</p> <p>Administration's response that -</p> <p>(a) the SMW rate should be set at a level that maintained an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs while sustaining Hong Kong's economic growth and competitiveness;</p> <p>(b) the introduction of SMW had successfully forestalled excessively low wages and the</p>	

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		<p>employment earnings of grassroots workers had continued to improve after the introduction of SMW;</p> <p>(c) the recommended SMW rate of \$32.5 amounted to about 56% of the median hourly wage of full-time employees in Hong Kong in May to June 2013 according to AEHS; and</p> <p>(d) the Government was addressing the needs of low income families through the Low-income Working Family Allowance Scheme.</p>	
003706 - 004404	Chairman Mr LEE Cheuk-yan Admin	<p>Mr LEE Cheuk-yan's concerns and views that -</p> <p>(a) the proposed increase in the SMW rate had failed to catch up with inflation as well as increases in travelling expenses and rent;</p> <p>(b) the SMW rate should be reviewed annually;</p> <p>(c) although the salaries of civil servants were reviewed annually, the wages of employees of government outsourced service contractors were reviewed biennially;</p> <p>(d) the number of employees who would benefit from the proposed revision of the SMW rate would be substantially less than 150 000 as referred to in paragraph 5 of the Legislative Council Brief; and</p> <p>(e) the impact of an increase in the SMW rate on the operational cost of employers was mild.</p> <p>Administration's response that -</p> <p>(a) the Minimum Wage Ordinance (Cap. 608) ("MWO") required that the SMW rate should be reviewed at least once in every two years. It did not preclude more frequent rate review should circumstances so warrant; and</p>	

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		<p>(b) the average monthly employment earnings of full-time employees in the lowest decile group had increased by about 35% in the past three years, which represented an increase of 14.1% after netting out inflation, thus relieving the problem of working poverty to some extent.</p>	
004405 - 005020	Chairman Mr YIU Si-wing Admin	<p>Mr YIU Si-wing's concerns and views that -</p> <p>(a) the Administration had underestimated impact of the proposed increase in SMW rate on the operating costs of enterprises;</p> <p>(b) the food prices of many restaurants had increased substantially after the introduction of SMW; and</p> <p>(c) the Administration should adopt measures to assist employers who encountered recruitment problems after the increase in the SMW rate.</p> <p>Administration's response that -</p> <p>(a) increases in food prices and rentals had accounted for about 70% of the inflation rate over the past four years, which saw a moderating trend in recent years. The impact of a rise in the SMW rate on inflation had been analysed in the 2014 Report of MWC;</p> <p>(b) inflation impact was assessed assuming full pass-through, while in fact the degree to which a business establishment could pass on its cost increase arising from an increase in the SMW rate to customers depended on economic conditions and differed from one industry to another; and</p> <p>(c) a series of measures were in place to assist employers in recruiting local workers. Job fairs were held and retraining programmes tailored to the needs of particular industries had been introduced to address the manpower shortage problems of different industries. Employers in sectors facing manpower</p>	

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		<p>shortage could also apply for importation of skilled workers under the Supplementary Labour Scheme to meet their imminent needs when they experienced genuine difficulties in recruiting local workers.</p>	
005021 - 005606	Chairman Mr Tommy CHEUNG	<p>Mr Tommy CHEUNG's concerns and views that -</p> <p>(a) the Administration's policy on the revision of the SMW rate would have an adverse impact on economy of Hong Kong in the longer term; and</p> <p>(b) the revision of the SMW rate had induced knock-on effect on the pay hierarchy and ripple effect. Apart from raising employees' wages to the new SMW level, employers also needed to increase the pay of employees at higher ranks in order to maintain a reasonable differential in the pay hierarchy.</p>	
005607 - 010200	Chairman Mr POON Siu-ping Admin	<p>Mr POON Siu-ping's concerns and views that -</p> <p>(a) the SMW rate should be reviewed annually; and</p> <p>(b) the Administration should set out explicitly the considerations and circumstances under which the Administration would kick start the review of the SMW rate ahead of the current two-year cycle.</p> <p>The Administration's response that -</p> <p>(a) MWO required that the SMW rate should be reviewed at least once in every two years. It did not preclude more frequent rate review should circumstances so warrant;</p> <p>(b) employees might suffer from a more immediate wage decrease in the event of a sharp economic downturn if the SMW rate was reviewed annually; and</p>	

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		<p>(c) since SMW had only been implemented for about three years with limited experience, the existing flexible arrangement of reviewing the SMW rate at least once in every two years should be maintained.</p>	
010201 - 010714	<p>Chairman Mr KWOK Wai-keung Admin</p>	<p>Mr KWOK Wai-keung's concerns and views that -</p> <p>(a) the basket of indicators considered by MWC were mainly focused on the business environment of employers; and</p> <p>(b) the Administration should launch a public consultation on the review cycle of the SMW rate.</p> <p>The Administration's response that -</p> <p>(a) the recommended increase in the SMW rate was a consensus of members of MWC after having regard to, among other things, an array of indicators covering socio-economic and employment conditions;</p> <p>(b) the average monthly employment earnings of full-time employees in the lowest decile group had increased by 14.1% in real terms since the introduction of SMW; and</p> <p>(c) it would be more appropriate to carry out a review on whether the SMW rate should be reviewed annually after SMW had been implemented for a longer period of time.</p>	
010715 - 011126	<p>Chairman Mr LEE Cheuk-yan Admin</p>	<p>Mr LEE Cheuk-yan's concerns and views that -</p> <p>(a) the proposed increase in the SMW rate could not catch up with the increase in costs of living;</p> <p>(b) the SMW rate should be reviewed annually; and</p>	

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		<p>(c) the wages of many employees of government outsourced service contractors were revised only when the SMW rate was revised.</p> <p>The Administration's response that it would convey Mr LEE's views regarding the wages of employees of government outsourced service contractors to the Financial Services and the Treasury Bureau.</p>	
011127 - 011613	Chairman Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's concerns and views that -</p> <p>(a) the SMW rate should be reviewed annually;</p> <p>(b) reviewing the SMW rate on an annual basis would enable the wages of employees to be reviewed annually, thus better addressing the needs of low income families; and</p> <p>(c) the Administration should set out explicitly the considerations and circumstances under which the Administration would kick start the review of the SMW rate ahead of the current two-year cycle.</p> <p>The Administration's response that -</p> <p>(a) since SMW had only been implemented for about three years with limited experience, the existing flexible arrangement of reviewing the SMW rate at least once in every two years should be maintained;</p> <p>(b) the review of the SMW rate at intervals of less than two years would be subject to, among other things, the availability of the relevant statistics within a shorter time frame; and</p> <p>(c) employees might suffer from a more immediate wage decrease in the event of an economic downturn if the SMW rate was reviewed annually.</p>	

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011614 - 012205	Chairman Mr Tommy CHEUNG Admin	<p>Mr Tommy CHEUNG's remarked that many employers, particularly the catering industry, were offering wages above the SMW rate. Higher wages were offered particularly when there were recruitment difficulties.</p> <p>The Administration was requested to provide information on the number of employees in the restaurant sector earning an hourly wage below the recommended SMW rate (including the current SMW rate) in May to June 2013 and the relevant breakdown from AEHS.</p>	Admin
012206 - 012730	Chairman Mr Martin LIAO Admin	<p>Mr Martin LIAO's concerns and views that -</p> <p>(a) according to the 2014 Report of MWC, 2 000 enterprises would turn from profit to loss if the SMW rate was revised to \$32.5;</p> <p>(b) the impact of SMW on manpower demand and supply, inflation, operational efficiency and manpower costs of enterprises had yet come to surface. In the event of an economic downturn, SMW would become a catalyst for closure of businesses; and</p> <p>(c) in the review of SMW, factors such as the business environment, global economic situation and impact on small and medium enterprises ("SMEs") should be taken into account.</p> <p>Administration's response that -</p> <p>(a) according to the 2014 Report of MWC, the estimated number of enterprises that would turn from profit to loss if the SMW rate was set at \$32.5 was based on the assumption that the enterprises offset all of their additional wage bill by profit reduction;</p> <p>(b) in making its recommendation on the revised SMW rate, MWC had considered, among other things, an array of indicators covering information on the socio-economic and labour market conditions as well as GDP and price</p>	

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		<p>forecasts. Impact on SMEs had also been taken into account; and</p> <p>(c) the SMW rate should be set at a level that maintained an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs while sustaining Hong Kong's economic growth and competitiveness.</p>	
012731 - 013209	Chairman Mr TANG Ka-piu Admin	<p>Mr TANG Ka-piu's view and the Administration's response regarding whether a study could be conducted on the impact of reviewing the SMW rate annually.</p> <p>The Administration was requested -</p> <p>(a) to provide information on the unemployment rate, total employment, and the number and expenditure of unemployed CSSA cases since the introduction of SMW from 1 May 2011; and</p> <p>(b) to provide, in relation to paragraph 2.26 of the 2014 Report of MWC, information on the review frequency of the SMW rate in the 10 selected places.</p>	Admin
013210 - 013528	Chairman Mr Frankie YICK Admin	<p>Mr Frankie YICK's view that -</p> <p>(a) although cleansing and security service contracts usually covered a period of two years, the wages of most employees of such contractors were revised annually; and</p> <p>(b) the revision of wages by employers was not solely based on the SMW rate but also other factors such as the prevailing economic situation.</p> <p>Administration's response that MWC had recommended the revised SMW rate after considering, among other things, an array of indicators covering information on the socio-economic and labour market conditions.</p>	

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013529 - 013815	Chairman Mr Martin LIAO Admin	<p>Mr Martin LIAO's concern that the impact of the proposed revision in the SMW rate on inflation would be more than the increase of 0.3 percentage point as referred to in paragraph 7 of the Legislative Council Brief.</p> <p>Administration's response that -</p> <p>(a) for the impact of the recommended SMW rate on inflation, MWC estimated that assuming a full pass-on of the additional wage bill to prices of products and services and taking into account the first round of wage-price spiral effect, the Composite Consumer Price Index would go up by about 0.3 percentage point; and</p> <p>(b) MWC estimated that the increase in wage bill would be more notable in the labour-intensive and low-paying sectors, such as 3% for the cleaning services sector, 2.9% for the security services sector, 1.6% for the real estate maintenance management sector, 1.6% for fast food cafes and 1.1% for elderly homes, taking into account rest day and meal break pay (for employees granted these payments according to their employment contract or agreement) beyond the statutory requirements as well as the impact of knock-on effect.</p>	
013816 - 014305	Chairman Mr LEE Cheuk-yan	<p>Mr LEE Cheuk-yan's view that -</p> <p>(a) the impact of rental increase on the operating costs of businesses was much greater than that of the increase in SMW rate; and</p> <p>(b) consideration should be given to studying the hourly wage rates and wage revision intervals of cleansing workers of the Legislative Council Complex who were employees of government outsourced service contractors.</p>	

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014306 - 015045	Chairman Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's view that special arrangements for employees with disabilities under the SMW regime should be abolished to prevent such employees from receiving a wage rate that was lower than the SMW rate.</p> <p>Administration's response that the special arrangement sought to strike an appropriate balance between providing wage protection to employees with disabilities and safeguarding their employment opportunities in view of the concern of the community and relevant organisations about the possible employment difficulties of some employees with disabilities. The right to invoke the assessment was vested in the employees with disabilities. The Government had reviewed the special arrangement and briefed the Panel on Manpower on the review results and enhancement measures at its meeting on 16 December 2014.</p>	
015046 - 020020	Chairman Mr Tommy CHEUNG Admin	<p>Mr Tommy CHEUNG's question regarding why findings of AEHS for May to June 2013 were considered when MWC reviewed the SMW rate in 2014.</p> <p>Administration's response that about seven to eight months were required for data collection and analysis. The statistics of 2013, which were published in March 2014, were the latest statistics available at the time of review by MWC in 2014. Apart from the findings of surveys conducted by C&SD, MWC had made reference to a number of other indicators before recommending the increase in the SMW rate.</p> <p>The Administration was requested to provide reasons for adopting May to June as the survey reference period in AEHS.</p>	Admin
020021 - 020339	Chairman Dr Fernando CHEUNG Admin	<p>Dr Fernando CHEUNG's view that the Administration should top up the difference between the wage rates of employees with disabilities whose productivity was assessed to be less than 100% and the SMW rate.</p> <p>Administration's response that SMW and wage subsidy were two separate issues. The</p>	

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		<p>Government would continue to provide various services and support for promoting the employment of persons with disabilities.</p> <p>The Administration was requested to provide information on the number of employees with disabilities earning wages below SMW and the amount of public funding involved if the Government were to provide wage subsidy to these employees.</p>	Admin
020340 - 020507	Chairman	Extension of scrutiny period.	

Council Business Division 2
Legislative Council Secretariat
2 March 2015