

# Chief Executive in Council accepts recommendations on enhancing review mechanism of Statutory Minimum Wage

The Chief Executive (CE) in Council has accepted the recommendations of the Minimum Wage Commission (MWC) on enhancing the review mechanism of the Statutory Minimum Wage (SMW). The recommendations include reviewing the SMW rate once a year (Annual Review), adopting a formula for implementing the Annual Review and reviewing the aforesaid new review mechanism five to 10 years after its implementation.

After extensive consultations and making reference to experience in reviewing the SMW rate, the MWC recommended implementing the Annual Review, which would allow closer alignment of the SMW rate with socio-economic changes and safeguard the income of grassroots employees more effectively.

The formula proposed by the MWC comprises two indicators, namely inflation and the Economic Growth factor. The former ensures that the rate of adjustment in the SMW will not fall below the headline Consumer Price Index (A) inflation, so as to maintain the purchasing power of the SMW and safeguard the employment income of grassroots employees. The Economic Growth factor enables the rate of increase in the SMW to be suitably higher than inflation when the Hong Kong economy performs well (i.e. economic growth in the latest year is higher than the trend growth in the latest decade).

The Secretary for Labour and Welfare, Mr Chris Sun, said he is very pleased with the MWC's accomplishment in the historic and challenging mission of studying enhancements to the review mechanism of the SMW. He paid warm tribute to the Chairperson of the MWC, Ms Priscilla Wong, for her exemplary leadership and all MWC members for their untiring efforts and sterling contributions.

Mr Sun said, "Having carefully considered the MWC's study report, the Government is of the view that the MWC has ably discharged its function. The recommendations of the MWC have struck an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs, while giving due regard to sustaining Hong Kong's economic growth and competitiveness. The Government agrees that the adoption of a formula for adjusting the SMW rate will enhance predictability and transparency, thereby reducing the contention of the community over the rate of each SMW adjustment, and helping foster harmonious labour relations. The Government also believes that the new review mechanism is in line with the overall interests of Hong Kong."

The first SMW rate derived under the new review mechanism will take effect on May 1, 2026. The Government will thrash out the arrangements for implementing the new review mechanism and announce them in due course. Moreover, in accordance with the requirements of the Minimum Wage Ordinance

(Cap. 608), the CE will require the MWC to submit the next recommendation report on the SMW rate on or before October 31 this year. The next SMW rate recommended by the MWC will take effect on May 1, 2025.

In January 2023, the CE tasked the MWC to study how to enhance the review mechanism of the SMW, including the review cycle, how to improve efficiency, and balancing a host of factors such as the minimum wage level and sustained economic development. The MWC submitted the Study Report on Enhancing the Review Mechanism of the Statutory Minimum Wage to the Government on October 31 the same year. The Report has been uploaded to the MWC website ([www.mwc.org.hk](http://www.mwc.org.hk)).