

Minimum Wage Commission delighted by acceptance of its recommended new Statutory Minimum Wage rate

The following is issued on behalf of the Minimum Wage Commission:

After detailed analyses, in-depth assessment and thorough consideration, the Minimum Wage Commission (MWC) has by unanimous consensus recommended that the current Statutory Minimum Wage (SMW) rate of \$34.50 per hour be raised to \$37.50 per hour.

The Chairperson of the MWC, Ms Priscilla Wong, said today (January 11), "We are delighted to learn that the Chief Executive in Council has accepted our recommendation about the new SMW rate after considering the report of the MWC."

Ms Wong added, "Our recommendation is based on the unanimous consensus and support of all the MWC Members. The recommended new SMW rate maintains an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs, while giving due regard to the need to sustain Hong Kong's economic growth and competitiveness. We earnestly hope that the recommended new SMW rate could be accepted by the Legislative Council."

The MWC has adopted an evidence-based approach to review the SMW rate in an objective and balanced manner. Apart from making reference to the data of an Array of Indicators (covering four areas of consideration, namely general economic conditions, labour market conditions, competitiveness and social inclusion, and including a large number of indicators which were released more frequently and more up to date), the MWC also studied in detail the findings of other surveys and fully considered the views of the community on the review of the SMW rate. In parallel, the MWC considered other factors that were pertinent to the review of the SMW rate but could not be fully quantified, and conducted stress tests under four economic scenarios to assess the potential impact of different SMW test levels on employees, enterprises, the unemployment rate and inflation.

Based on the data from the Census and Statistics Department and assuming the Hong Kong economy would grow by 2.5 per cent to 3.5 per cent in real terms over the year earlier for the first half of 2019, the MWC roughly estimated that the number of employees with an hourly wage less than \$37.50 in the first half of 2019 before the implementation of the recommended new SMW rate (i.e. pre-adjustment employees involved) would be around 61 500 to 75 500, representing 2.0 per cent to 2.5 per cent of all employees in Hong Kong. Since the labour market would keep adjusting before and after the implementation of the recommended new SMW rate, the assumptions underlying the above rough estimates on the number of pre-adjustment employees involved

might differ from the actual outcomes. Taking into account the impact of the knock-on effect on pay hierarchies (knock-on effect) and drawing on the experience gained from previous SMW upratings, the MWC envisaged that, barring any abrupt economic downturn, the number of employees benefiting from pay rises owing to the uprating of the SMW would eventually be greater than the number of pre-adjustment employees involved, as well as the number of employees earning the recommended new SMW rate after the adjustment.

For enterprises, taking into account rest day pay and meal break pay (for employees who are granted these payments according to their employment contracts or agreements) and the impact of the knock-on effect in addition to the amount payable by enterprises to comply with the statutory requirement, the MWC estimated that the total wage bill would increase by about \$800 million to \$930 million or approximately 0.1 per cent. The MWC envisaged that the impact of the recommended new SMW rate would be manageable for most enterprises, while the overall business environment and incentives for business start-ups should not be significantly affected.

Regarding the impact on the unemployment rate, the MWC estimated that the recommended new SMW rate would lift the overall unemployment rate by about 0.1 to 0.3 percentage points. With the prevailing low unemployment rate in Hong Kong, barring any abrupt economic downturn, the recommended new SMW rate would unlikely trigger a marked deterioration in labour market conditions.

As for the impact on inflation, assuming a full pass-on of additional wage bills to prices of products and services and taking into account the first round of wage-price spiral effect, the MWC estimated that the Composite Consumer Price Index (CPI) inflation and CPI(A) inflation (the latter being a better measure for the impact of price changes on the grass roots) would both go up by about 0.1 percentage points. Nevertheless, as it would be unlikely for all enterprises to fully pass on the additional wage bills to consumers, the actual impact of the recommended new SMW rate on inflation should be smaller than the above estimates.

The full text of the "2018 Report of the Minimum Wage Commission" has been uploaded to the MWC's website (www.mwc.org.hk).