

**Responses by The Professional Commons Regarding the
Public Consultation on the Statutory Minimum Wage Rate**

1. The implementation of the statutory minimum wage system is to rectify the shortcomings in which the low-educated, low-skilled workers are being forced to accept an excessively low wage due to their inferior bargaining position. It is hoped that the statutory rate will be sufficient not only to cover employees' basic needs but to improve their quality of life in the long run. More importantly, the minimum wage system should also help alleviate the deep-seated conflicts that occur in our society, including the situation where the general public is denied a share of the fruits of economic prosperity and where the local business environment is being adversely affected by skyrocketing rental prices.
2. The Professional Commons suggests that the level of statutory minimum wage should be adjusted upward to HK\$ 35 per hour, which is the maximum threshold of increase listed out by the Minimum Wage Commission. The following basic principles should reflect in the new statutory rate: labour income should be above the minimum subsistence level, grassroots workers should be able to share the fruits of economic prosperity, and the problem of surging rental costs could be addressed.

Higher than the Minimum Subsistence level

3. In order to encourage work and self-reliance as well as improvement in quality of life through personal efforts, it would be of crucial importance to ensure salary level of grassroots workers to reflect the “true” value of labour that should be above the minimum subsistence level. Generally speaking, the standard rate under the Comprehensive Social Security Assistance Scheme (hereafter the CSSA) is designed to help the recipients to meet their basic needs. Therefore, the amount of CSSA standard payments can be regarded as an income level just enough for them to live at subsistence level. Based on this, the monthly salary based upon the statutory rate should be higher than the minimum subsistence level, that is, higher than the amount of CSSA payments.

4. As the average household size in Hong Kong at present is 2.9 persons, the minimum amount of CSSA payments that an imaginary three-person family has been calculated. In accordance with “A Guide to Comprehensive Social Security Assistance,” should there are two middle-aged able-bodied adults and a child or an elderly person in the 3 person family; even if we only calculate the monthly CSSA standard rates and rental allowance, their allowance could have reached \$11,660¹. The details are as follows:

	Amount (in HK Dollars)
Standard rate – Single person	2,820
Standard rate – First Family member	2,660
Standard rate – Second Family member	2,660
Rental allowance (3-person household)	3,520
Total	11,660

5. Should the two middle-aged persons enter the labour market and receive the minimum hourly wage of \$28 per person, each of them could receive a monthly salary of \$5,824 (\$28 x 26 days x 8 hours a day). Therefore, their total income would only be \$11,648, 12 dollars less than their basic CSSA allowance.
6. According to “A Guide to Comprehensive Social Security Assistance”, CSSA recipients can have other supplements such as long-term supplement, single parent grants, community living supplement, and transport supplement. Some of them might be entitled to receive special grants such as child care grants, school grants, etc.² In addition, there are also waivers for payments for medical treatments. In the light of this, the current statutory wage rate is just enough to meet a life of minimum subsistence level, therefore inadequate to cover the real expenditures in life. Hence, there is a need for a substantial increase in the rate of the minimum wage.

¹ Social Welfare Department, A Guide to Comprehensive Social Security Assistance, April 2012, p. 14 and 24.

² Social Welfare Department, A Guide to Comprehensive Social Security Assistance, p. 15-16 and 24-25.

Fair Sharing of Economic Prosperity

7. From 2004 to 2010, the nominal wage index, which reflects the pay levels of the medium and junior employees, rose by 12.2 percent. During the same period, the Composite Consumer Price Index also rose by 12.2 percent, which means that this portion of employees failed to enjoy a slight growth in the real wage in the last couple of years.
8. During the same period, the labour productivity index rose by 23.8 percent and the Gross Domestic Product (at current market prices) over the same period had experienced a growth of 34.8 percent. It is definitely unfair for the segment of medium and junior level employees not to have a fair share from economic prosperity and saw no growth in terms of their real wages.

	Gross Domestic Product (HK\$ bill) ³	Labour Productivity Index ⁴	Nominal Wage Indices ⁵	Composite CPI ⁶
2004	1,292	111.0	145.4	-
2005	1,383	116.8	147.7	1.0
2006	1,475	124.1	151.0	2.0
2007	1,616	128.6	155.2	2.0
2008	1,677	133.2	156.6	4.3
2009	1,623	132.3	157.9	0.5
2010	1,742	137.4	163.1	2.4
Growth Rate 2004-10	450 (34.8 %)	26(23.8 %)	18(12.2%)	12.2

9. More importantly, it should be highlighted that wage levels should reflect the positive attitude of the society as a whole toward value of labour. As Hong Kong is heading in the direction of a knowledge-based economy, it would be difficult for productivity of low educated and low-skilled employees to enjoy a handsome

³ "GDP and its main expenditure components at current market prices", Census and Statistics Department website.

⁴ Census and Statistics Department, "Labour Productivity Index for Major Economic Activities, 2000 to 2010," Chart 1, Hong Kong Monthly Digest of Statistics (Feature Article), November 2011, p. FA6.

⁵ "Nominal Wage Indices for Employees up to Supervisory Level (Excluding Managerial and Professional Employees) by Selected Industry Section (September 1992 = 100)", Census and Statistics Department website.

⁶ Census and Statistics Department, "Annual Report on the Consumer Price Index 2011," February 2012, Table S1, p.6.

growth. But their contribution to the economy as a whole should not be undermined. They should be entitled to share the fruit from improvement of the overall productivity.

Addressing the Upsurge in Rental Costs

10. In recent years, rents and wages are two major items of expenses in production costs in Hong Kong but the continued upsurge in rental costs has been the main cause of the ever-adverse business environment in local economy. Between 2004 and 2010, the rental index for Grade C office buildings, private retail premises and the private flatted factories rose on an average from 30% to 70% (see the following table), far more than the inflation and the increase in nominal wages over the same period.

	Rental Index ⁷		
	Private Office Premises Grade C	Private Retail Premises	Private Flatted Factory Building
2004	78.6	92.8	77.3
2010	133.1	122.9	108.9
Rate of Increase (%)	69.3	32.4	40.9

11. The rise in rental costs has been persistently criticized by the business sector as being so serious that their profit has been eroded. For the sake of cost reduction, low educated and lowly skilled workers have usually been the scapegoat, given their little bargaining power. Their salaries seemed always to be at the bottom tier of the market. Hence, the Government has no alternative choice but to take legislative means by setting up the statutory minimum wage system, but this resulted in an increase in salary costs as a percentage share of overall operating costs. As all affected companies of the same trade would be facing the pressure of comparable level, their ability to meet the demand for further increase in rental payments would be weakened, therefore hopefully reducing the chance of the landlords to find new tenants that are willing to pay a higher rent and they are eventually forced to reduce the amount of rental increase. To this end, the

⁷ Rating and Valuation Department: Hong Kong Property Review (2012), April 2012, tables 25, 32 and 38.

minimum wage system may help enhance the bargaining power of employers when facing a request of rent rise from the landlords. It could then reduce the rents proportion out of the total operating costs which helps offset part of the wages increase. Hence, the affected employers should not exaggerate the possible burdens arising from the increase in minimum wage rate.

The Professional Commons
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