

# **HONG KONG IMPLEMENTS MINIMUM WAGE**

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## **Executive Summary**

1. The Statutory Minimum Wage (SMW) finally gained passage in the Hong Kong Legislative Council (LegCo) on 17 July 2010 after more than a decade of protracted debate. This is a milestone for Hong Kong, which has long prided itself as a bastion of laissez-faire capitalism.
2. The SMW took effect from 1 May 2011. By its prescription of an hourly minimum wage of HK\$28, the SMW is estimated to have raised the pay of about 100,000 workers mostly in the cleaning, retail, food, and security industries by an average of 20%.
3. So far the SMW has no discernible effect on job loss. However, four months into the implementation of the SMW, Hong Kong's labour market appeared to be reshuffling by sector and age group.
4. Over the years, the Hong Kong LegCo repeatedly rejected motions by legislators and labour activists advocating a SMW. Dividing views led to internal splits within the pro-democracy camp and the pro-Beijing camp, which were usually united along their political leaning.
5. The changing socio-economic and political climate since 2003, growing public support for a SMW and the Chief Executive's political considerations prompted the administration to rethink its previous objection to the SMW.
6. After the failure of a non-compulsory Wage Protection Movement, the government decided to forge ahead with the SMW. The Bill was introduced on 26 June 2009.
7. Surveys conducted in 2005 found that around 60%-70% of respondents approved of a SMW in Hong Kong as a means to prevent exploitation by employers, to relieve the plight of the "working poor" and to reduce poverty.

8. Hong Kongers' attitude towards income inequality is more ambivalent. There was a persistently high public awareness of income inequality, deemed a serious problem by at least 70% of Hong Kongers. Yet public tolerance of income inequality was relatively high.
9. This tolerance, however, is slowly eroding with a growing animosity towards the rich, sharpened by spiraling housing prices and the arrogance of the wealthy. Therefore, income inequality has elevated from a social to a moral issue, which the government cannot ignore for its social and political impact.
10. Income inequality in Hong Kong has been very wide, as in Singapore, due to the presence of internationally mobile expatriates who command higher-than-average salaries. In recent years, it has been aggravated by economic restructuring under globalisation and the influx of low-skilled mainland immigrants, who have depressed wages at the bottom.
11. As such, a SMW is not a fundamental solution to income disparity, which varies with the state of the economy and employment, and depends on long-term measures like skill upgrading and training and so on.
12. Yet the political incentive to implement a wage floor cannot be dismissed. A SMW helps to change negative public perception which may turn into votes against a government seen as not doing enough to help the poor, especially when social transfers are parsimonious and the tax regime favours the rich.