

# Minimum Wage Commission

## 2024 Report on Reviewing the Statutory Minimum Wage Rate



法定最低工資  
Statutory Minimum Wage

## **Chairperson's Foreword**

- 1 This is the fourth time I write in the capacity as the Chairperson of the Minimum Wage Commission (MWC). The work of the MWC continues to be as challenging as ever. Apart from discharging the statutory function of making a recommendation to the Chief Executive (CE) in Council on the Statutory Minimum Wage (SMW) rate in accordance with the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), the current term of the MWC had the privilege of taking up an unprecedented mission of conducting a study to enhance the review mechanism of SMW (the Study) in 2023.
- 2 All Members of the MWC and I were keenly aware of the importance of the Study, which would carry long-term implications for the SMW regime. After extensive consultations as well as careful and in-depth deliberations, the Study recommended an annual review cycle adopting a Formula for the future review of the SMW rate. We are pleased that the Government has accepted the recommendations of the Study, and that the first annually-adjusted SMW rate derived by the Formula is expected to take effect on 1 May 2026.
- 3 Since the MWC last submitted its recommendation on the SMW rate in October 2022, in compliance with the Ordinance, the MWC has been asked to recommend the next SMW rate within two years, i.e. by end of October 2024. This recommended SMW rate, if accepted by the CE in Council and passed by the Legislative Council, would likely take effect on 1 May 2025. The MWC unanimously agreed to adopt the Formula approved by the CE in Council for recommending the next SMW rate. To this end, the MWC had worked out the implementation arrangements for the first application of the Formula.
- 4 The MWC attaches great importance to stakeholder engagement in discharging its statutory functions. I would like to take the opportunity to express my sincere gratitude to the public and all stakeholders for providing their views and suggestions about SMW-related issues.

- 5 I am indebted to my fellow Members for their steadfast support for and dedication to the work of the MWC, particularly in its first-ever adoption of the Formula for recommending the next SMW rate. In addition, my gratitude goes to the Secretariat staff for their unwavering commitment to their duties, and all-out professional assistance.
- 6 I firmly believe that employers and employees complement each other and their partnership is instrumental to achieving common goals. In making recommendations to the Government, I am glad to see that all MWC Members have the overall best interest of Hong Kong at heart. We have each other in our hearts and we bear each other in our mind. This is the common ground on which, as a team, we discharged the statutory functions of the MWC.
- 7 I am delighted to submit to the CE in Council the *Minimum Wage Commission 2024 Report on Reviewing the Statutory Minimum Wage Rate* and appeal for acceptance of and support for its recommendation.



Priscilla WONG Pui-sze  
October 2024

## **1 Work of the Minimum Wage Commission**

### **1.I Statutory Functions**

- 1.1 The Minimum Wage Commission (MWC) is established under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (MWO) with the main function to, when required by the Chief Executive (CE) to do so, make a recommendation about the amount of the prescribed minimum hourly wage (i.e. the Statutory Minimum Wage (SMW) rate) to CE in Council. In performing its functions, MWC is required to maintain an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs, and give due regard to sustaining Hong Kong's economic growth and competitiveness.
- 1.2 MWO stipulates that CE must require MWC to make a recommendation about the SMW rate and submit a report at least once in every two years. Starting from 1 May 2023, the SMW rate is \$40.0 per hour. In addition, MWC has any other function given to it by CE in accordance with MWO.

### **1.II Composition and Membership of the Minimum Wage Commission**

- 1.3 Pursuant to MWO, MWC consists of a Chairperson, nine non-official members and three official members. The non-official members comprise three members each from the labour sector, business sector and academia. The Chairperson and the nine non-official members are appointed by CE on an ad personam basis. The two-year tenure of the current term (2023-25) of MWC started from 1 March 2023. The Labour Department and the Office of the Government Economist of the Financial Secretary's Office provide secretariat support for MWC.

1.4 The membership of the current term of MWC is as follows:



<b>Chairperson</b>	Ms Priscilla WONG Pui-sze, S.B.S., J.P. (front row: middle)
<b>Non-official Members<sup>(*)</sup></b>	Mr CHAN Wing-on, J.P. (back row: 3 <sup>rd</sup> from left)
	Mr LAU Chin-shek, J.P. (front row: 2 <sup>nd</sup> from right)
	Ms Juan LEUNG Chung-yan, M.H. (back row: 4 <sup>th</sup> from left)
	Professor Joyce MA Lai-chong, J.P. (back row: 2 <sup>nd</sup> from left)
	Dr Billy MAK Sui-choi (back row: 2 <sup>nd</sup> from right)
	Ms NG Wai-yee, M.H., J.P. (front row: 1 <sup>st</sup> from left)

	Dr Malina NGAI Man-lin, J.P. (back row: 4 <sup>th</sup> from right)
	Mrs Katherine NGAN NG Yu-ying, M.H., J.P. (front row: 2 <sup>nd</sup> from left)
	Professor TANG Hei-wai (back row: 3 <sup>rd</sup> from right)
<b>Official Members</b>	Permanent Secretary for Labour and Welfare Ms Alice LAU Yim, J.P. (front row: 1 <sup>st</sup> from right)
	Permanent Secretary for Commerce and Economic Development Ms Eliza LEE Man-ching, G.B.S., J.P. (back row: middle) <i>(up to 28 July 2024)</i> Ms Maggie WONG Siu-chu, J.P. <i>(from 5 August 2024)</i>
	Government Economist Mr Adolph LEUNG Wing-sing, J.P. (back row: 1 <sup>st</sup> from right)
<b>Secretary</b>	Chief Labour Officer (Statutory Minimum Wage) Ms Samantha LAM Yick-wah (back row: 1 <sup>st</sup> from left)

(\*) listed in alphabetical order of the surname

### 1.III Underlying Principles of Discharging Functions

#### In conformity with the statutory requirements

1.5 Pursuant to MWO, the main function of MWC is, when required by CE to do so, to make a recommendation about the SMW rate to CE in Council. In accordance with MWO, CE had required MWC to submit a report on the recommendation of the SMW rate on or before 31 October 2024.

#### Dissemination of information and principle of confidentiality

1.6 Noting the community's interest in SMW, MWC strives to keep the public and stakeholders abreast of its work. The latest news and

information, including press releases, are disseminated on the MWC webpage (www.mwc.org.hk) from time to time for reporting its work progress to the public.

- 1.7 To ensure objective and impartial discussions among MWC members without external influence, members unanimously agreed to keep the contents of studies and deliberations confidential, so as not to affect the effective operation of MWC and cause inconvenience to members. This could also avoid misunderstanding of the public and stakeholders on the work of MWC arising from incomplete information.

Taking the overall interest of the community as the major premise

- 1.8 As always, in addition to meeting the policy objectives stipulated in MWO when performing its functions, MWC upholds the principle of taking the overall interest of the community as the major premise in arriving at its recommendations through rational and objective discussions.

#### **1.IV An Overview of Work**

Study on enhancing the review mechanism of Statutory Minimum Wage

- 1.9 In January 2023, CE required MWC to study how to enhance the review mechanism of 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. MWC submitted the study report to CE in October 2023.
- 1.10 When conducting the above study, MWC carefully considered the views of the public and stakeholders collected during consultations, Hong Kong's economic situation, other relevant considerations and data as well as the experience gained in the past reviews of the SMW rate. After comprehensive and in-depth deliberations, the recommendations made by MWC included:

- (i) reviewing the SMW rate once a year (Annual Review);
- (ii) adopting a formula (the Formula) for implementing Annual Review (the Formula is set out in paragraph 2.1); and
- (iii) reviewing the new review mechanism (i.e. (i) and (ii) above) five to ten years after its implementation.

The study report is available on the MWC webpage:

([https://www.mwc.org.hk/en/downloadable\\_materials/2023\\_Report\\_of\\_the\\_Minimum\\_Wage\\_Commission\\_en.pdf](https://www.mwc.org.hk/en/downloadable_materials/2023_Report_of_the_Minimum_Wage_Commission_en.pdf)).

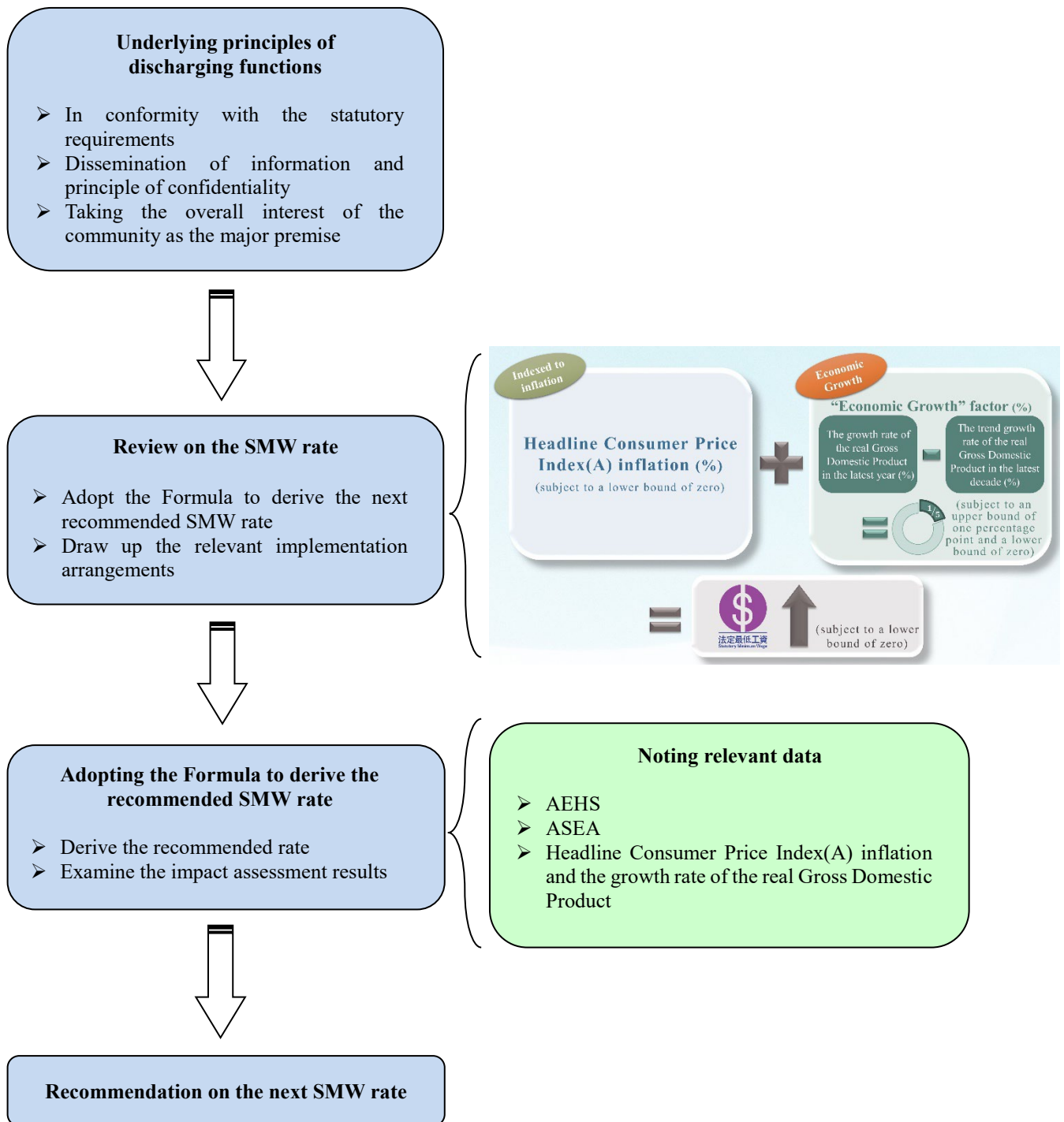
- 1.11 CE in Council accepted the recommendations of MWC on enhancing the review mechanism of SMW on 30 April 2024. The Government also announced that the first SMW rate derived under the new review mechanism was expected to take effect on 1 May 2026 and the implementation arrangements of the new review mechanism would be announced in due course.

#### Review on the Statutory Minimum Wage rate

- 1.12 MWC last submitted its recommendation on the SMW rate to CE in Council on 31 October 2022. As stipulated in MWO that CE must require MWC to submit a report on the recommendation of the SMW rate at least once in every two years, CE in June 2024 required MWC to submit a report on the recommendation of the next SMW rate on or before 31 October 2024. Subject to the endorsement of CE in Council and the scrutiny of the relevant subsidiary legislation by the Legislative Council, the next SMW rate is expected to take effect on 1 May 2025.
- 1.13 MWC unanimously agreed to adopt the Formula approved by CE in Council to recommend the next SMW rate and draw up the relevant implementation arrangements. MWC examined the relevant data of each indicator in the Formula, so as to derive the next recommended SMW rate and conduct the related impact assessment. MWC also noted the major findings of the 2022 Annual Survey of Economic Activities (ASEA) and the 2023 Annual Earnings and Hours Survey (AEHS).



**Figure: Process of MWC in reviewing the SMW rate**



## 2 Methodology of Reviewing the Statutory Minimum Wage Rate

### 2.I The Formula

2.1 MWC adopted the following Formula approved by CE in Council to recommend the next SMW rate:

<b>The annual rate of adjustment in SMW (%)</b>	=	<b>Headline Consumer Price Index(A) (CPI(A)) inflation<sup>1</sup></b> (subject to a lower bound of zero)	+	<b>“Economic Growth” (EG) factor*</b>
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\* EG factor = [(the growth rate of the real Gross Domestic Product (GDP) in the latest year – the trend growth rate of the real GDP in the latest decade) x 20%] (EG factor is subject to an upper bound of one percentage point and a lower bound of zero.)

2.2 The Formula ensures that the rate of SMW adjustment is not lower than CPI(A) inflation, so as to maintain the purchasing power of the low-income employees. When the Hong Kong economy performs well, EG factor will allow the rate of SMW adjustment to be suitably higher than the inflation rate, thus enabling employees to benefit as well. The Formula will also enhance the predictability and transparency of future adjustments of the SMW rate.

### 2.II Reference Period of the Indicators in the Formula

2.3 The Formula comprises three indicators: (i) the headline CPI(A) inflation; (ii) the growth rate of the real GDP in the latest year; and (iii) the trend growth rate of the real GDP in the latest decade. MWC recommended adopting uniformly calendar-year figures as the reference period (i.e. January to December) of the above three indicators, and the relevant data in the latest ten calendar years as the trend growth rate of the real GDP in the latest decade.

<sup>1</sup> It refers to the year-on-year rate of change in the headline CPI(A).

2.4 MWC was of the view that the adoption of calendar-year figures for deriving the SMW rate would facilitate public understanding and also minimise data lag as far as possible.

### **2.III Data Coverage Period**

2.5 The prevailing SMW rate took effect on 1 May 2023. The SMW rate under the current review, subject to the endorsement of CE in Council and the scrutiny of the relevant subsidiary legislation by the Legislative Council, is expected to take effect on 1 May 2025. Given the above, MWC recommended adopting the figures for the two years of 2023 and 2024 as the data coverage period of the current review.

### **2.IV Decimal Place and Rounding Method Adopted for the Data and the Result Derived from the Formula**

2.6 Making reference to the practice of the Census and Statistics Department (C&SD) of rounding the published data to one decimal place, MWC was of the view that the data of the indicators in the Formula should also be rounded to one decimal place, and that the SMW rate would be rounded to the nearest 10 cents based on the percentage rate of adjustment derived from the Formula (up to two decimal places at most).

### **2.V Locking the Data of the Indicators in the Formula**

2.7 MWC noted that C&SD, as per established practice, might make further revisions to the first released figure on the growth rate of the real GDP of a calendar year when more data became available. In general, the headline CPI(A) inflation would not be revised after its release.

2.8 MWC was of the view that the data of the indicators in the Formula should be locked at the time of recommending the SMW rate, and the submitted recommendation on the SMW rate should not be subject to subsequent revisions of the relevant data so as to maintain the certainty of the SMW rate.

### 3 Recommendation of the Statutory Minimum Wage Rate and Impact Assessment Results

#### 3.1 Recommendation of the Statutory Minimum Wage Rate

3.1 As abovementioned, MWC decided to adopt the Formula as stated in paragraph 2.1 to make a recommendation about the next SMW rate, and that the indicators in the Formula would cover the data for 2023 and 2024. MWC adopted the following calculation method to recommend the SMW rate:

Recommended SMW rate =

Prevailing SMW rate (i.e. \$40.0 per hour) x  
(1 + **percentage rate of adjustment as obtained by applying 2023 data to the Formula**) x  
(1 + **percentage rate of adjustment as obtained by applying 2024 data to the Formula**)

3.2 The recommended SMW rate derived based on the latest actual figures of the three indicators in the Formula<sup>2</sup> is shown in the table as follows:

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<sup>2</sup> In accordance with the decision of MWC, the relevant figures have been updated to the latest actual figures as of 3 February 2025.

**Table: Latest actual figures of the indicators in the Formula and the recommended SMW rate**

Year	Indicators in the Formula <sup>(1)</sup>			Rate of adjustment obtained using the Formula (%)	Recommended SMW rate <sup>(2)</sup> (\$)
	Headline CPI(A) inflation (%)	Growth rate of the real GDP in the latest year (%)	Trend growth rate of the real GDP in the latest decade (%)		
2023	2.3	3.2	1.1	2.72	42.1
2024	2.1	2.5	1.1	2.38	

Notes: (1) According to the implementation arrangements decided by MWC, the data of the indicators in the Formula are rounded to one decimal place.

(2) According to the implementation arrangements decided by MWC, the recommended SMW rate is calculated based on the rate of adjustment (up to two decimal places at most) derived using the Formula, and is rounded to the nearest 10 cents.

Source: Census and Statistics Department.

3.3 The rate of adjustment obtained by applying the 2023 latest actual figures to the Formula is 2.72%. The rate of adjustment obtained by applying the 2024 latest actual figures to the Formula is 2.38%. Hence, according to the calculation method as stated in paragraph 3.1, **the recommended SMW rate is \$42.1 per hour, which is 5.25% higher than the prevailing SMW rate (i.e. \$40.0 per hour).**

## 3.II Impact Assessment Results of the Recommended Statutory Minimum Wage Rate

- 3.4 As usual, MWC assessed the potential impacts of the recommended SMW rate on employees, enterprises, unemployment rate and inflation. The impact assessment followed the methodology adopted by the previous term (2021-23) of MWC<sup>3</sup>. Results of the impact assessment showed that the SMW uprating from the prevailing \$40.0 per hour to the recommended rate of \$42.1 per hour will benefit some low-income employees, while the overall impacts on costs of enterprises, unemployment rate and inflation will be relatively mild.
- 3.5 For the impact on employees, MWC estimated that before the SMW uprating to the recommended rate in the first half of 2025<sup>4</sup>, the number of employees earning hourly wages below the recommended rate (i.e. pre-adjustment employees involved) would be around 22 100 to 36 700, representing about 0.8% to 1.3% of all employees in Hong Kong. As enterprises strive to maintain the wage differentials among employees at different ranks, some of those employees earning at or above the recommended SMW rate before the implementation of the recommended SMW rate will also get a pay rise due to the SMW uprating (i.e. knock-on effect on pay hierarchies). Therefore, the number of employees benefitting from the SMW uprating should be more than the number of pre-adjustment employees involved as abovementioned.

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<sup>3</sup> For details, please refer to [Appendix IV](#) of the 2022 Report of the Minimum Wage Commission.

<sup>4</sup> The impact assessment reflected the potential impacts of implementation of the recommended SMW rate in May 2025, in which the economy is assumed to grow by 0% to 4% year-on-year in the first half of 2025. Given the same recommended SMW rate, the higher is the assumed economic growth, the smaller would be the number of pre-adjustment employees involved, and the corresponding impacts on costs of enterprises, unemployment rate and inflation would also be smaller.

- 3.6 As for the impact on enterprises, for all sectors combined, the additional wage bills due to the SMW uprating to the recommended rate (including the knock-on effect on pay hierarchies) would be about \$260 million to \$350 million, representing about 0.03% to 0.04% of the total wage bills. In particular, the impact would be relatively more visible for those sectors that employ more low-paid employees and have a higher proportion of relevant labour costs. The additional wage bills for low-paying sectors (LPS) as a whole<sup>5</sup> would be about \$170 million to \$230 million, representing about 0.12% to 0.15% of the total wage bills of LPS.
- 3.7 As for the impact on unemployment, MWC estimated that the number of unemployed grassroots workers would increase by about 600 to 900 as a result of the SMW uprating to the recommended rate, and the overall unemployment rate would rise by 0.02 percentage point.
- 3.8 As for inflation, assuming a full pass-on of additional wage bills to prices of products and services, the Composite CPI inflation and the CPI(A) inflation would go up by 0.01 percentage point to 0.02 percentage point<sup>6</sup>.
- 3.9 Considering the time gap between the review of the SMW rate and the implementation of the recommended rate, MWC already strived to make forward-looking estimations as far as possible when conducting the impact assessment as stated in this Chapter. That said, there exist complex interactions between the economic environment and the labour market, and various sectors would also adjust continuously. Hence, the impact assessment was only meant to understand the potential impacts of SMW uprating at the macro level, and the results should **not** be taken

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<sup>5</sup> MWC defined LPS as sectors employing a relatively large number of low-paid employees (i.e. employees with hourly wage rates below the 10<sup>th</sup> percentile of the overall distribution) or sectors with a relatively large proportion of low-paid employees among all employees within the sectors. LPS as identified by the current term of MWC included: (i) retail trade; (ii) food and beverage services; (iii) estate management, security and cleaning services; and (iv) other LPS (including elderly homes, laundry and dry cleaning services, hairdressing and other personal services, local courier services, and food processing and production).

<sup>6</sup> As it would be unlikely for enterprises to fully pass on the additional wage bills to consumers, the actual impact of SMW uprating on inflation should be smaller than the above estimate.

as a precise forecast of the actualities of relevant situations. At the micro level, individual enterprises are unique and diversified in terms of operating modes, types of goods / services, labour supply and demand conditions, profitability situation, as well as strategies in response to an SMW uprating. Owing to data limitations, the impact assessment did not analyse the conditions of individual enterprises.



## 4 Conclusion

- 4.1 Overall speaking, MWC was of the view that the adoption of the Formula to recommend the SMW rate was consistent with the policy objectives stipulated in MWO (paragraph 1.1 refers).
- 4.2 Based on the latest actual figures in the Formula, the recommended SMW rate is \$42.1 per hour, which is \$2.1 or 5.25% higher than the prevailing SMW rate (i.e. \$40.0 per hour).
- 4.3 Based on the impact assessment results, raising SMW to the recommended rate would benefit a certain number of low-income employees, while the overall impacts on the costs of enterprises, unemployment rate and inflation would be relatively mild (paragraphs 3.5 to 3.8 refer).
- 4.4 MWC stressed that the Formula should be solely adopted for the purpose of adjusting the SMW rate. It should not be regarded as an indicator of pay rise in the labour market, nor should it be taken as a factor of consideration in pay adjustment or used as a reference for pay trend survey, etc.
- 4.5 MWC successfully completed the review of the SMW rate under the existing biennial review cycle. We look forward to a new era of the SMW regime under the new review mechanism mentioned in paragraph 1.10.

*Remarks: The Report was updated in February 2025.*