A study on trade union strategies on minimum wage determination and setting in Hong Kong

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1 This research is commissioned by International Labour Organisation. Chris Chan is the principle investigator and Jacky Tai is the research assistant to this project. We are very grateful to Hong Kong Confederation of Trade Unions and our informants for helping this research. Corresponding email: kccchan@cityu.edu.hk.
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Executive summary

The working poor in Hong Kong have increased nearly double for the last ten years due to the economic downturn plus the lack of collective bargaining and the poor labour laws. Youth, elderly, female, migrant, low skill services and informal sectors workers are the most vulnerable in the labour market.

Although the economy went up and down for the past decade, the average annual GDP growth is 4 per cent. Nonetheless, the grassroots could not share the economic growth and their living standard has not improved. It is due to the high inflation and reduction of social welfare.

Grassroots workers can never share the economic prosperity as their wages remained the same. In many sectors the real wages have decreased for the past ten years. In general, higher ranks have higher pay rise while grassroots workers encountered pay freeze or even pay drop. But if we look into the wage costs and productivity, they indicate that workers should have a bigger pay rise. Thus more and more labour disputes occurred after 2007.

After ten years campaigning for the legislative of the minimum wage (thereafter MW), it was eventually implemented in May 2011. However, the MW rate setting mechanism is nothing more than a black room deal, and the whole mechanism is dominated by the government. Trade unions and labour organizations could only pressure the government through social actions.

If we examine why the labour protection in Hong Kong is so insufficient, one of the major reasons is the lack of collective bargaining rights. Even though the unionization rate is over 23 per cent, workers who are covered by the collective agreement are less than 1 per cent of total workforce.

In the future, trade unions and labour organizations should adopt a mixture of social movement strategies and workplace organisation in the wage campaign.
1. Introduction

After a decade long struggle by the Hong Kong Confederation of Trade unions (HKCTU) and social organizations, the minimum wage (hereafter MW) ordinance has eventually been implemented since 1st May 2011. However, the MW campaign is far from over. As the statutory hourly rate is only set at 28 Hong Kong dollars (hereafter HK$), it is widely believed that the income cannot satisfy the basic living standard. Even worse, the inflation rate has soared in the recent months and almost offset the positive effects of the MW. Under the existing MW setting mechanism, the government dominates decision making. Trade unions should prepare for another wave of campaigns for raising the MW rate to a reasonable standard.

During the past 20 years, Hong Kong has experienced a dramatic change in the labour market which was increasingly unfavourable to labour. Jobs in the manufacturing industry disappear and are replaced by the low-paid jobs in the service sectors. Most of the low paid jobs consist in catering, sanitary, security, personal care sectors. We also saw the rapid increase of foreign domestic workers whose monthly salary is barely around HK$3,400. And during the economic recession after 1998, many workers were forced to modify their employment contracts to self-employment or to work on part time basis.

Hong Kong experienced a W-shaped economic development during the first decade of the 21st century. The economy went down from the late 1990s to 2004. It recovered in 2004 and reached a peak in 2008 before the economic crisis. After a short recession, the economy has boomed again since 2009. As a whole, Hong Kong economy performed quite well. However, it does not mean the general living standard improves. By contrast, the income gap increasingly widened. More and more people have slumped under the poverty line, even though the government refused to set an official poverty line.

The income disparity is the consequence of the laissez faire development model and the polarization of the labour market. While the wages of the professional and well educated employees elevated in the past decade, low income workers suffered from the decline in wages. The group of “working poor”, who work for long hours without decent salaries for their family livings, has been identified by the public. People started to reflect on the principles of “free economy” and “positive

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2 USHK$1 is approximate to HK$7.8
3 Oxfam Hong Kong has produced a number of reports for public education and policy advocacy purposes, see e.g. [http://www.oxfam.org.hk/content/98/content_3565tc.pdf](http://www.oxfam.org.hk/content/98/content_3565tc.pdf).
non-intervention” which has been taken for granted in Hong Kong.

In 2008, the government agreed to set the MW law. But the trade union and civil society groups continued to criticize the weakness of the law and the MW setting mechanism. They claimed that the government and the employers’ group tried to minimize the functions of the MW. Due to the undemocratic political system, the mechanism favours employers much more than employees. The government, which is accused of colluding with the business sector, manipulates the setting mechanism and leaves little room for trade unions to participate in the legislation process and in the collective bargaining.

The right to collective bargaining is not recognized by the law in Hong Kong. There are only few trade unions who have signed the collective agreements with the management. But all of these agreements are not binding. In view of this, employers dominate the wage negotiation and many of them even ignore the trade unions.

The MW law is only the very first step towards a decent wage. As this research shows, HKCTU has put the improvement of the setting mechanism and the legislation of collective bargaining at the top of its agenda. However, this is never an easy task in the context of Hong Kong, where full democracy does not exist and the independent trade unions are strategically excluded in the policy setting institutions. The task can only be achieved by stronger organization of workers and alliance with social movements together forming a longer frontline.

**Objectives**

This study aims at analysing the government statistics and other information to identify the characteristics and the causes of the working poor in Hong Kong. We also compare the economic development with the change in wage and living standard. Meanwhile, this paper is going to analyse the legal and practical elements of the MW setting. The goal is to suggest a future direction of the MW campaign.

**Key assumptions**

Before discussing the figures and the MW mechanism, we would like to stress our major assumptions on the MW, which are key to our discussion:

1. The MW is to minimize decent work deficits;

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4 A collective bargaining law had been passed in the Legislative Council in 1997 before the handover of Hong Kong’s sovereignty from Britain. However, the law has been abandoned by the Provisional Legislative Council after the handover.
2. The MW should be a part of social protection floor for decent living of workers and their families. It echos to the concept of social protection floor advocated by ILO;
3. The MW could has a positive contribution to economic growth;
4. The MW could be an essential element for social harmony and stability.

**Methodology**

This research is based on a number of sources. First of all, we have reviewed widely the official statistics and publications from Hong Kong census and statistics department and MW Commission. Many documents such as position papers of the HKCTU and the newspaper reports have also been reviewed. We also conducted in-depth interviews with several important stakeholders on the issue of MW, including government officials, members of provisional MW commission (which is responsible for setting the MW rate for the first time of its implementation), owners of small and medium enterprises, commercial chambers, advocacy groups, trade union leaders, and low income workers (see appendix I for the list of interviewees), as well as many informal interviews with frontline trade union organisers.

**1. Workforce out of the total population**

The working poor in Hong Kong have increased rapidly for the last ten years due to the economic downturn plus the lack of collective bargaining and the poor labour laws. The government does not have an official definition of the working poor, but most of the non-government organizations define the working poor as the low-income households with one or more members in employment. The low-income households refer to those households with monthly income equal to or less than the poverty line which is accepted as half of the median monthly household income. According to a research by Hong Kong Council of Social Service (HKCSS) in 2008, the poverty lines for a family with one, two, three and four or above members are $3,275, $7,100, 10,000 and $12,000 respectively\(^5\).

In 2000, there were around 210,000 working poor persons, not including the migrant domestic workers\(^6\). The number jumped to nearly 328,600 in 2010\(^7\). Employers can easily lay off workers without any compensation. Workers, especially the low skill groups such as sanitary, property management, catering and elderly care, have suffered from low wages in order to keep their jobs.

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In this section, we shall outline the pattern of the workforce in Hong Kong. Since 1980s, manufacturing have moved northward to mainland China and the share of manufacturing sector in terms of labour has fallen drastically. By contrast, the workers in the service sector increased to fill the gap. Most of the Hong Kong workers are working in the service sector. But there is a polarization in the service sector. While at the one end of the spectrum there are high valued services like finance, accounting and law, at the other end many people work in the low skill service jobs. The salaries of two groups have gone to two directions (we shall discuss in section 4). Now we shall look into the official statistics to show the size and the characteristics of the targeted workers of the MW.

1.1. Workforce by sex, age group and sector
As at the second quarter of 2011, Hong Kong has a total population of 7,029,900. Among them, 3,747,400, or 60.5 per cent are the workforces. 1,964,100 are male workers and 1,783,200 are female workers. In figure 2.1, it shows that males have a higher labour force participation rate of 68.9 per cent while only 53.3 per cent females participate in the labour market.\(^8\) In 2011, the unemployment rate of male is 4.3 per cent while the female’s is 3.0 per cent.\(^9\)

Due to the free high school education and the growth of post-secondary education opportunities, the workforce rates of the age group of 15-19 and 20-24 remains low. Figure 2.2 points out that the former is 9.5 per cent and the latter is 60.4 per cent. However, as shown in the figure 2.3, the age group of 15-24 also faces the high unemployment rate as 18.6 per cent of the youngest group are unemployed, and 9.2 per cent of the age group of 20-24 are unemployed. The unemployment of the youth

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\(^8\) Census and Statistics Department, HKSAR, *Quarterly Report on General Household Survey, April-June 2011*

\(^9\) ditto
aged below 24 is much higher than the average unemployment rate of 3.6 per cent. It is believed that the youths are more difficult to find jobs due to their lack of working experience. Another reason is that they change their jobs more frequently.

While many young people cannot find jobs, a certain number of elderly workers remain in the labour market. Some of the people retire at the age of 55 (especially the civil servants), so the labour participation rate drops at the age group of 55-59. Nonetheless, 6.5 per cent of the people above 65 years old, the official retirement age, is still working. Some elderly workers work because they do not want to retire, but many of them are forced to work as there is no comprehensive retirement protection. According to the statistics in 2010, the figure 2.4 shows the lower quartile of the hourly wage by age group, the age group above 55 and 15-24 only earn HK$28.5 and HK$31.3 per hour respectively, which is much lower than HK$39.5, the lower quartile of the hourly wage of all employees. Compared with the youngest and the elderly working population, the age group 25-34 earn HK$47.3 per hour, and another age group 35-44 also receive HK$46.3 per hour. We can observe the wage gap among different age groups. It is obvious that more youth and middle aged workers receive low income and we can thus infer that they are the targeted group of

\[^{10}\] ditto

\[^{11}\] ditto

\[^{12}\] 2010 Report on Annual Earnings and Hours Survey
We now turn to analyze the workforce by sector. The following figure is the comparison of the workforce by sector between 2000 and 2011. In the figure 2.5, we can observe that the working population in the manufacturing industry has dropped drastically by nearly 59 per cent from 340,400 to 140,200, while employees in the financing sector has increased by 52 per cent from 446,700 to 678,700. Community service, such as security guards and sanitary workers, have grown from 751,500 to 934,500, which is a jump of 24 per cent. If we compare the share of workforce by sector, the changes are even more obvious. The figure 2.6 illustrates the share of manufacturing sector has dropped from 10.6 per cent to only 3.9 per cent during the past ten years. By contrast, the financing and the community sectors have risen from 13.9 and 23.4 per cent to 18.8 and 25.9 per cent respectively.\textsuperscript{13} An overwhelming majority of the working population are now working in the tertiary sector.

\textsuperscript{13} ditto
It is clear that the economic structure of Hong Kong centers more and more on the service sector than the manufacturing sector. On the one hand, it has resulted in high paid jobs in finance, business services and insurance sectors. On the other hand, many low paid jobs in personal care, security and sanitary have arisen. This trend contributes to the growing income disparity. We shall further discuss the low income jobs in the section 4.

1.2. Migrant domestic workers (MDWs)
When the local labour market has become polarized, migrant domestic workers plays a more important role in Hong Kong. In 1992, there were totally 101,182 MDWs. In 2009, the number went up to 267,778. In terms of nationality, almost 90 per cent of those workers came from Philippines in 1992, and the Indonesian workers have increased rapidly from 24,706 in 1992 to 130,448 in 2009. There are now even more Indonesian workers than Philippines workers. MDWs from other nations are relatively few. For instance, the number of Thai MDWs was 6,451 in 2000, and it dropped to 3,695 in 2010. Only 2,058 Indians, 542 Nepalese and 890 Sri Lankans MDWs were working in Hong Kong in 2010.

Unfortunately, the MDWs do not get the decent wages. The number of MDWs accounts for almost 10 per cent of the total employees in Hong Kong. They are mainly responsible for all the housework and taking care of the children, elderly or disabled family members. They help release the labour force of local female workers. The MW of MDWs’ wage is decided by the government. Employers are required to use not less than the MW for employing MDWs. In reality, the MW also reflects the actual wage that workers get. As the administration controls the wage level, MDWs are the first group to be scarificied when the economic goes down.

14 Hong Kong Annual Digest of Statistics, 2002 and 2010
We should highlight the year 2003. As the economy went worse, the administration sharply cut the MDWs’ wage by HK$400 without consulting the migrant workers’ groups. At the same time, the government collected the levy of HK$400 per month from the employers of MDWs for retraining local unemployed workers. In other words, the government taxed the MDWs in favour of the job training of local workers. The MDWs’ wage has grown slowly amid the economic recovery. The existing monthly wage of 3,740 in 2011 is still lower than that of 3,860 in 1998.

### 1.3. Workforce in informal sector

Since the economic recession in 1990s, employment has undergone the process of informalization. The informal employment includes self-employment, part time and causal employment, and contract based employment. Table 2.1 shows the total employees have increased from 3.2 millions in 2000 to nearly 3.5 millions in 2010. Self-employed persons have dropped from 207,300 in 2003 to 186,800 in 2010. It is because the condition of self-employment is worse than the formal employment; people choose to be employed when the overall economic performance is good. Besides, the causal employees have decreased from 122,900 in 2000 to around 70,000 in 2002, and have kept steady until 2009. At last, there is a rising trend of part-time employees; the number has increased from 122,000 in 2000 to 158,800 in 2009, or 30 per cent raise. We shall examine each item in more details.

Table 2.1: Number of total employees, self-employees, part-time employees and causal employees

<table>
<thead>
<tr>
<th>Year</th>
<th>Total employees</th>
<th>Self-employees</th>
<th>Part time employees</th>
<th>Causal employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>3,197,800</td>
<td>--</td>
<td>122,000</td>
<td>122,900</td>
</tr>
<tr>
<td>2001</td>
<td>3,259,700</td>
<td>--</td>
<td>--</td>
<td>93,800</td>
</tr>
<tr>
<td>2002</td>
<td>3,190,700</td>
<td>--</td>
<td>130,900</td>
<td>65,600</td>
</tr>
<tr>
<td>2003</td>
<td>3,174,400</td>
<td>207,300</td>
<td>143,100</td>
<td>72,100</td>
</tr>
<tr>
<td>2005</td>
<td>3,326,300</td>
<td>--</td>
<td>150,900</td>
<td>69,100</td>
</tr>
</tbody>
</table>
It is believed that self-employment has soared since 2000. At that year, the Mandatory Provident Fund was implemented. Employers and employees are mandatory to make contributions of an amount equivalent to 5 per cent of the employees’ salary. Many employers have forced their employees to be self-employed in order to avoid making contributions. We do not have the statistics of self-employment before 2000. In 2003, there were total 207,300 self-employed persons, which account for 6.5 per cent of the total employed population. The number has gone down a little bit in 2009 to 186,800, or 5.3 per cent of the total employed population.

Self-employed persons normally earn less than the total employed population. 54.5 per cent of the self-employed persons earn less than HK$10,000 per month, while only 44.6 per cent of the total employed population gain the same monthly wage. (Table 2.1) Therefore it is not surprising to notice that when the economic condition improved in 2009, less workers were willing to be self-employed.

Table 2.2 comparison of monthly earnings of self-employed persons and total employed populations

<table>
<thead>
<tr>
<th>Monthly earnings from main employment (HK$)</th>
<th>Self-employed persons (per cent)</th>
<th>Total employed populations (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 4,000</td>
<td>12.0</td>
<td>11.4</td>
</tr>
<tr>
<td>4,000-5,999</td>
<td>7.4</td>
<td>5.8</td>
</tr>
<tr>
<td>6,000-7,999</td>
<td>16.1</td>
<td>12.8</td>
</tr>
<tr>
<td>8,000-9,999</td>
<td>19.0</td>
<td>14.6</td>
</tr>
<tr>
<td>10,000-14,999</td>
<td>18.4</td>
<td>20.8</td>
</tr>
<tr>
<td>15,000-19,999</td>
<td>10.6</td>
<td>10.7</td>
</tr>
<tr>
<td>&gt;20,000</td>
<td>16.4</td>
<td>23.9</td>
</tr>
</tbody>
</table>

The causal workers have been reduced from 102,500 in 1999 to 66,200 in 2009. At present, the causal workers only share 2.1 per cent of all employees. However, it is not because the employers transfer those causal workers into permanent workers. The reason is that the construction industry, in which workers are mainly causal

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15 Special Topic report No. 36
16 Special Topic report No. 56
17 ditto
workers, shirked in the past ten years.

Besides, the part-time employment becomes more common. In 1994, there were only 67,800 part-time employees, i.e. 2.7 per cent of the total employees. 15 years later, the number soars to 158,800, which is equivalent to 5.1 per cent of the total employment population.\(^\text{18}\) Before 1997, Hong Kong economy was boosting and employers were more willing to hire full time workers. But after the Asian financial crisis in 1997, more part-time workers, who have less benefits and protection, have been employed. It reached the highest share in 2003 and 2005 to 5.2 per cent of total employees, which was in line with the worst economic performance. In 2009, it fell by 0.1 per cent even the labour market has already rebounded.

![Figure 2.9: Part-time employees as % of total employees](image)

It shows that employers tend to hire part-time workers instead of full time workers. Among them, 64.4 per cent are female. And over 53 per cent of the part-time workers earn less than HK$4,000 per month. The major reason for being part-time workers is to take care of housework.\(^\text{19}\) Hence, those part-time employees have less bargaining power on wage.

For the contract based workers, the government does not have statistics on it, and there is no clear definition by the law. In general, we define the contract based workers as workers who are employed within a limited time frame, say one or two years. Most of the contract workers have fixed contract terms within the contract period. So it is easier for the employers to lay off the contract workers by refusing to renew the contract with them. Also, contract workers normally get lower pay and less benefits as compared with permanent workers.

According to the information from different unions, there is a trend that more and more employers have recruited contract workers since the mid-1990s. The

\(^{18}\) Special Topic Report No.52

\(^{19}\) ditto
low-waged contract workers are hired to replace the high-waged permanent staff. Around 40-60 per cent of the employees are contract-based in many private corporations. For example, the Cathy Pacific Airways has offered contracts on hourly rate to new flight attendances since 1993. Until now, there are almost 60 per cent of the flight attendances are covered by new contract.

To conclude, according to the government figures, 273,800 employees, or almost 10 per cent of total employed persons, earned less than HK$28 per hour in 2010. We can outline the characteristic of those target beneficiaries of the MW by observing the pattern of total workforce. First, the youth and elderly workers have less bargaining power as compared with other age groups. Second, the low skill service sectors like security, sanitary, food services and elderly care are more vulnerable to exploitation. Third, workers in informal sector, especially part-time workers and contract-based workers, earn less than full-time and permanent workers. Among those part-time workers, around two third are female. At last, we should be aware that over 260,000 migrant domestic workers are receiving low pays because their MW has remained the same for the past 13 years.

As we examined before, those categories of worker have less bargaining power. They are the targets to be exploited. Therefore, the MW is important to alleviate the low wage phenomenon and protect the rights of these inferior groups. The free market mechanism has failed to ensure people can get the decent wages. We will further discuss the wage trend of different industries in section 4.

2. GDP growth and living standards
Even though Hong Kong has experienced two major recessions in the last decade, the overall economic performance has been quite powerful. The real GDP has grown by 48 per cent from 2000 to 2010. Nonetheless, the grassroots could not share the economic growth and their living standard has not improved. One of the main reasons is the decrease of the real wages. Also the government cut the public expenditure on social security, public housing and health. Moreover, the inflation has rocketed since 2010. In views of these, the income disparity has gone worse and the populations in poverty have increased. In this section, we shall look into the performance of GDP, the inflation rate as compared with the poverty rate.

2.1. GDP performance
In 2000, the GDP was HK$1,175 billion. It has risen to HK$1,743 billion in 2010 as
The per capita GDP has also got a significant rise for about 25 per cent during the past ten years, or 2.3 per cent annually, from HK$197,697 in 2000 to HK$247,332 in 2010. The per capita GDP was subtracted in the economic hardship. It went up again from 2004 to 2008 due to the economic recovery. The current global economic recession has a relatively short-term impact on the economy, which has boomed again since 2010.

In terms of the economic activity, most of the GDP are contributed by the tertiary sector, the primary and the secondary sectors have a very small percentage of GDP contribution. Table 3.1 shows that agriculture, fishing, mining and quarrying sectors only contribute to 0.1 per cent of total GDP. The contribution of the manufacturing sector fell from 4.8 per cent in 2000 to only 1.8 per cent in 2009. In

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20 2010 Gross Domestic Product
21 Economic Forecast
22 2010 Gross Domestic Products
the tertiary sector, Import/export trade, finance and insurance and public administration have the greatest share of GDP growth. In 2009, their contributions shared 52.9 per cent of total GDP. Among them, finance and insurance have a significant growth from 11.9 per cent in 2000 to 15.2 per cent in 2009. Real estate, professional and business services also increase its shares from 9.3 per cent to 11.3 per cent in the same period. Other services sectors, on the other hand, have kept almost the same sharing to GDP. Hence, the figures show that during the last ten years, finance, real estate and business services have dominated the growth.

Table 3.1: GDP by economic activity-- per cent contribution to GDP at basic prices

<table>
<thead>
<tr>
<th>Economic Activity</th>
<th>2000</th>
<th>2005</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, fishing, mining and quarrying</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.8</td>
<td>2.9</td>
<td>1.8</td>
</tr>
<tr>
<td>Electricity, gas and water supply, and waste management</td>
<td>3.0</td>
<td>3.0</td>
<td>2.3</td>
</tr>
<tr>
<td>Construction</td>
<td>4.9</td>
<td>2.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Import/export trade</td>
<td>18.4</td>
<td>22.5</td>
<td>19.7</td>
</tr>
<tr>
<td>Wholesale and retail trades</td>
<td>3.3</td>
<td>3.7</td>
<td>3.9</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>3.0</td>
<td>2.8</td>
<td>3.1</td>
</tr>
<tr>
<td>Transportation</td>
<td>7.7</td>
<td>8.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Information and communications</td>
<td>3.3</td>
<td>3.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Financing and insurance</td>
<td>11.9</td>
<td>12.7</td>
<td>15.2</td>
</tr>
<tr>
<td>Real estate, professional and business services</td>
<td>9.3</td>
<td>9.0</td>
<td>11.3</td>
</tr>
<tr>
<td>Public administration, social and personal services</td>
<td>18.8</td>
<td>17.9</td>
<td>18.0</td>
</tr>
<tr>
<td>Ownership of premises</td>
<td>11.5</td>
<td>11.0</td>
<td>12.1</td>
</tr>
<tr>
<td>Ownership of premises</td>
<td>1.3</td>
<td>0.0</td>
<td></td>
</tr>
</tbody>
</table>

Hong Kong citizens have experienced a up and down economic situation for the past ten years. However, the actual figures show that overall economic performance was not bad. In average we have had a considerable economic growth by the contribution of the services sector. We should then ask whether ordinary workers were beneficiaries or not, or who were benefited and who were not. It would be clear if we look into the wage pattern in section 4.

3.2 Public budget expenditure
As constrained by the Basic Law\textsuperscript{24}, Hong Kong’s mini-constitution, we shall follow the principle of keeping the expenditure within the limits of revenues in drawing up its budget. Under this principle, the government sets a rule that total public expenditure should not exceed 20 per cent of the GDP. Since Hong Kong handover to China in 1997, the administration made its greatest effort to achieve the aforementioned goal. In the time of recession, the salaries of the civil servants were reduced, some civil servants were dismissed and social welfares were shrunken. The number of civil servants has fallen from 189,384 in 1999 to 153,824 in 2006 and the remaining civil servants encountered two consecutive wage cut in 2004 and 2005 (it will be discussed in sector 4.1). But in the economic boom, the government has failed to improve its services and expanded public expenditure. It has resulted in an income disparity and social unrest especially in the period from 2003 to 2010. The government has been more and more surplus while the people living under the poverty line have been increasing. In the past two years, the government officials started to realize the social discontents. However, their responses were giving one-off subsidies instead of long term welfare reform.

The following figure 3.3 shows the trend of public expenditure on basic livings. In the first few years after Asian financial crisis, although the per capita GDP fell (referring to the figure 3.2), the government was still expanding the expenditure on education and health (we shall discuss social welfare below). But starting from 2003, because of the huge deficit, the government has tightened the budget. For example, the authority has implemented a “drug formulary” in public hospitals and clinics since 2005, whereby the patients may need to purchase drugs at their own expenses. The patients may get subsidies on purchasing expensive drugs only if they could pass the harsh household income scrutiny.

\textsuperscript{24} See Article 107 of the Basic Law, where it is stated that “the Hong Kong Special Administrative Region shall follow the principle of keeping the expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product.”
For the social welfare, the government cut the budget more fiercely. The social welfare system in Hong Kong is called “Comprehensive Social Security Assistance”, or CSSA. CSSA is a complicated scheme, people who are unemployed, disabled or living by low income, can apply for the assistance. According to their specific situation, they can get different amount of “standard rate” subsidies, you may check the table 3.2 for more details. Besides standard rate subsidies, the applicant can also apply for other long term or short term supplement. Regarding the eligibility, the applicant must have been a Hong Kong resident for at least seven years, and he or she must pass both the income and asset tests.

Table 3.2 Amount of standard rates by category

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of standard rates per month (HK$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Single person</td>
</tr>
<tr>
<td>Elderly person aged 60 or above</td>
<td></td>
</tr>
<tr>
<td>Able-bodied/50% disabled</td>
<td>2,680</td>
</tr>
<tr>
<td>100% disabled</td>
<td>3,245</td>
</tr>
</tbody>
</table>

---

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Amount 2011</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requiring constant attendance</td>
<td>4,570</td>
<td>4,190</td>
</tr>
</tbody>
</table>

**Ill-health/Disabled adult aged under 60 (Rates from 1.8.2011)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount 2011</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ill-health/50% disabled</td>
<td>2,680</td>
<td>2,530</td>
</tr>
<tr>
<td>100% disabled</td>
<td>3,245</td>
<td>2,870</td>
</tr>
<tr>
<td>Requiring constant attendance</td>
<td>4,570</td>
<td>4,190</td>
</tr>
</tbody>
</table>

**Disabled child (Rates from 1.2.2011)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount 2011</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>50% disabled</td>
<td>3,025</td>
<td>2,635</td>
</tr>
<tr>
<td>100% disabled</td>
<td>3,585</td>
<td>3,205</td>
</tr>
<tr>
<td>Requiring constant attendance</td>
<td>4,900</td>
<td>4,525</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Requirement</th>
<th>Amount 2011</th>
<th>Amount 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single person</td>
<td>In a family comprising</td>
<td></td>
</tr>
<tr>
<td>not more than 2 able-bodied adults/children</td>
<td>2,060</td>
<td>1,855</td>
</tr>
<tr>
<td>3 able-bodied adults/children</td>
<td>1,890</td>
<td>1,685</td>
</tr>
<tr>
<td>4 or more able-bodied adults/children</td>
<td>2,275</td>
<td>1,880</td>
</tr>
</tbody>
</table>

In 1999, the social welfare department cancelled some allowances and reduced the amount of assistance for CSSA's recipients. At that time, a research showed that the food expenditure of CSSA's recipients dropped by 8 per cent and their financial deficit was worse. Furthermore, in 2003 and 2004 fiscal year, the CSSA has been again reduced by 11.1 per cent.

At the same time, the government amended the eligibility of the application. Before 2004 a person who lives in Hong Kong for one year is eligible to CSSA. It then changed to a minimum requirement of 7 years in 2004. The authority only considers

providing assistance to new arrival citizens case by case. In another words, many new immigrants are excluded from the social security system. The number has dropped from 72,816 in 2004 to 24,925 in 2009.27

After cutting the budget for several years, the expenditure of social welfare has increased again since 2008 because the government provided one additional month of CSSA payment to the recipients. But it was only a one-off measure in responding to the social discontent of wide income gap.

We turn to look into the yearly surplus/deficit and the accumulative surplus of the public account in figure 3.428. From 2000 to 2005, the government has totally 5 consecutive years of deficit account. But in comparison with the huge accumulative surplus, it only spent about one fourth of the overall savings, which decreased from 430 billion in 2000 to 275 billion in 2004. As we mentioned before, the government has reduced the public expenditure since 2004. The direct effect is an improvement of government finance. The yearly surplus in 2007-08 fiscal year reached HK$ 123 billion. And the accumulative surplus attained the record high of HK$ 591 billion in 2010-11. In the recent years, the public starts to comment on the situation as “rich government and poor citizens”.

![Figure 3.4: Yearly surplus/deficit and accumulative surplus](image)

### 3.3. Trend of the poverty

While the government accumulative surplus went up, the poverty population was also soaring. Hong Kong does not have an official poverty line. The government tends to regard the level of CSSA as a *de facto* poverty line. But it is criticized for the reason that the level of CSSA is too low to be a standard. Some organizations, like Hong Kong

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27 Statistics on Comprehensive Social Security Assistance Scheme, 1999 to 2009
Council of Social Services (HKCSS), designates the poverty line as 50 per cent of the median income. According to HKCSS, the poverty lines (50 per cent of the median income) of 1, 2, 3 and 4-member household in 2010 were HK$ 3,275, HK$7,100, HK$10,000 and HK$12,000 respectively. These incomes could hardly maintain a decent living in Hong Kong.

Figure 3.5 presents the numbers of persons in poverty by two definitions.29 The results are contradictive. According to the government definition, the poverty populations have dropped drastically since 2002, from over 1 million to around 750,000 in 2010. On the other hand, according to the definition of HKCSS, the poor persons increase from 1.18 million to more than 1.26 million, accounting for 18.1 per cent of the total population.

The disparity explains the poverty condition in Hong Kong, that is, many low income persons earn a little bit more than the CSSA amount. Trade unions and social organizations always criticize that the government reduces the poverty population by suppressing the amount of CSSA. The CSSA standard was only thoroughly reviewed in 1990s. For the past fifteen years, many groups have urged the government to review the CSSA in order to keep up the standard of social security. However, all the advices fall on deaf ears.

Low income workers and families have faced double blow. On the one hand, they have suffered wage cut and unemployment in the economic recession. On the other hand, the benefits of social welfare, with public health and education have evaporated.

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http://www.legco.gov.hk/yr09-10/english/panels/ws/papers/ws1109cb2-179-8-e.pdf; Legislative Council Paper No.CE(2)2279/10-11(05),
3.4 Inflation

Given that a large amount of population living in poverty or just above the poverty line, high inflation will be a fatal attack to the low income group. Hong Kong faced deflation a few years ago. But the situation turns worse in 2011.

Figure 3.6 shows the ten year changes of the consumer price index.\textsuperscript{30} For the first five years, we experienced the price deflation. It weakened the economy. People had less money to spend and caused the high unemployment. Starting from 2004, there has been inflation again. But in the first few years (2004-2007), the rates were quite moderate as the highest inflation rate was only 3.6 per cent in 2008. Nevertheless, the real challenge has happened since 2011.

![Figure 3.6: Year-on-year change of CPI](http://www.censtatd.gov.hk/hong_kong_statistics/statistics_by_subject/index.jsp?subjectID=12&charsetID=2&displayMode=T)

The inflation has been constantly soaring from 1.8 per cent in August 2010 to 6.3 per cent in August 2011. Hong Kong imports food from mainland China. The prices of food go up rapidly due to the appreciation of Chinese Yuan as compared with the depreciation of Hong Kong dollars, the food prices increased 12.2 per cent. Moreover, the rent surges at the same time. It has soared 8.2 per cent by year. In table 3.3, we can see both food and housing becomes the engine heads of the inflation, the increased food prices contributed 56 per cent while the soared rent contributed 43 per cent of the total inflation. In August 2011, the inflation rate reached 6.3 per cent as compared with last year. Almost all the increases are caused by the food and housing.\textsuperscript{31}

\textsuperscript{30} Monthly report on consumer price index, August 2011

\textsuperscript{31}
Table 3.3 the yearly change of price of food and housing in August 2011

<table>
<thead>
<tr>
<th>Section</th>
<th>Weight of total consumption</th>
<th>Yearly change</th>
<th>Contribution to the overall change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food excluding meals bought away from home</td>
<td>14.45 per cent</td>
<td>12.2 per cent</td>
<td>34 per cent</td>
</tr>
<tr>
<td>Meals bought away from home</td>
<td>19.23 per cent</td>
<td>5.9 per cent</td>
<td>22 per cent</td>
</tr>
<tr>
<td>Housing</td>
<td>32.19 per cent</td>
<td>8.2 per cent</td>
<td>43.1 per cent</td>
</tr>
</tbody>
</table>

We should note that households which have lower income spend more on food. In 2009, the lowest 25 per cent of the households spend 41 per cent of their total expenditure on food.\(^{32}\) In view of this, this wave of inflation seriously affects the low income group if their income growth could not catch up with the inflation rate. Actually, survey from the Hong Kong institution of human resources management has shown that in 2011, the overall salary rise was only 4.2 per cent, much lower than the inflation rate.\(^{33}\)

To sum up, Hong Kong economic performance did very well in the last decade. Nonetheless, the government’s fiscal policy did not stay in line with the GDP growth. The fierce cutting of social welfare worsens the living standards of low income households. As the low income workers’ wages have not improved, the high inflation in recent months definitely hurt the poor. We shall further look into the change of the wages.

3. Workers’ nominal and real wages

In the economic hardship, grassroots workers are requested to accept the reduction

\(^{32}\) 2009/10 Household Expenditure Survey and the Rebasing of the Consumer Price Indices

\(^{33}\) http://www.hkihrm.org/ihrm_eng/ih_pre_01.asp?id=139
of salaries. In the economic boom, employers said as the production costs increase, it is difficult to increase wages. As a result, grassroots workers can never share the economic prosperity\(^{34}\). While the per capita GDP increased by 25 per cent from 2000 to 2010,\(^{35}\) low income workers’ wages have remained the same. In this section we shall analyze the trend of the wages.

### 3.1. Wage change by sectors

We first examine the nominal wages changed by sector to see which sectors have better pay rises. Figure 4.1 illustrates the trends of different sectors’ wages.\(^{36}\) The wages in 1999 is indexed as 100. Financial and insurance activities, import/export and wholesale trades, retail trade, real estate activities and accommodation and food service activities have better wage in 2011 than in 1999. But we should stress that except financial and insurance activities, all other industries have no pay rise until 2010 as compared with 1999. We could see that all other industries were around or below 100 in figure 4.1. Financial and insurance activities have really outstanding pay rise. Its wage index has rocketed to 150.7 in 2011. On the other hand, sectors like manufacturing, transportation, information and communication, professional and business services and social and personal services have suffered the pay freeze or reduction in the last decade. For example, the wage index of the transportation sector in 2011 is 93.9, or 6.1 per cent lower than the wage in 1999.

To better compare the pay rise with the living standard, we then look into the real wages changed by sector. After considering the inflation, fewer sectors have real income increases, only financial and insurance activities, import/export and wholesale trades, retail trade and real estate activities. If we turn the clock back to 2010, then only financial and insurance activities and real estate activities have real pay-rise.\(^{37}\) The result clearly explains that only financial and real estate employees can benefit from the economic growth. As many mainland tourists come and buy luxury goods in Hong Kong, the wholesale and retail trade workers have significant pay rise in 2011. Except of these four sectors, all other industries have suffered from real wage decline.

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\(^{34}\) This view is generally shared by the trade union leaders and workers who were interviewed by us.

\(^{35}\) Refer to Figure 3.2

\(^{36}\) Quarterly Report of Wage and Payroll Statistics

\(^{37}\) ditto
Different ranks of the workers also have different wage change. In table 4.1 we can observe the change in wage of different ranks of the workers. As compared with the wages in 1999, Grassroots workers’ wages in 2010 have decreased by almost 4.6 per cent in real terms, their average hourly rate has decreased from HK$34.3 in 1999 to HK$32.9 in 2010. Service workers, who are mainly shopkeepers, also experienced the real wage loss by 1.6 per cent. On the other hand, for managerial and professional
employees, the real wage index has risen from 107.1 in 1999 to 116.6 in 2010, totally 8.9 per cent supervisory and technical workers, and clerical and secretarial workers have their income increased from 8.5 to 11.1 per cent in the same period.  

Table 4.1 Wage comparison between 1999 and 2010

<table>
<thead>
<tr>
<th>Rank</th>
<th>1999</th>
<th>2010</th>
<th>per cent change in real terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managerial and professional employees (index June 1995 = 100)</td>
<td>107.1</td>
<td>116.6</td>
<td>+8.9 per cent</td>
</tr>
<tr>
<td>Supervisory and technical workers (hourly rate)</td>
<td>HK$83.3</td>
<td>HK$90.8</td>
<td>+8.5 per cent</td>
</tr>
<tr>
<td>Clerical and secretarial workers (hourly rate)</td>
<td>HK$59.0</td>
<td>HK$65.9</td>
<td>+11.1 per cent</td>
</tr>
<tr>
<td>Service workers (hourly rate)</td>
<td>HK$39.6</td>
<td>HK$39.2</td>
<td>-1.6 per cent</td>
</tr>
<tr>
<td>Miscellaneous non-production workers (hourly rate)</td>
<td>HK$34.3</td>
<td>HK$32.9</td>
<td>-4.6 per cent</td>
</tr>
</tbody>
</table>

Let us study more in depth the difference in wage with regard to various ranks and sectors. Among managerial and professional employees, as we expect, employees in financial and insurance services get the highest wage increases, their wage index increased to 130.4 in 2010, while the baseline is 100 in 1995. In other sectors like manufacturing, building, import/export and trades and transportation, the managerial and professional employees have only enjoyed an accumulative pay rise of 4.6 to 16.1 per cent for the past fifteen years.  

Figure 4.3: Real Salary Indices of Managerial and Professional Employees by sector in 2010 (1995 = 100)

On the other end of the spectrum, the grassroots workers in food services sectors have the worst conditions among low income workers. According to the government statistics, the average wages of the following occupations declined or remained

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38 Quarterly Report of Wage and Payroll Statistics; Report of Salaries and Employee Benefits Statistics Managerial and Professional Employees (Excluding top management)
39 Report of Salaries and Employee Benefits Statistics Managerial and Professional Employees (Excluding top management)
unchanged for the last decade as shown in table 4.2.

<table>
<thead>
<tr>
<th>Industry and occupation</th>
<th>Hourly rate in 1999</th>
<th>Hourly rate in 2010</th>
<th>per cent change in real terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chinese restaurant general worker</td>
<td>HK$29.0</td>
<td>HK$26.7</td>
<td>-8.3 per cent</td>
</tr>
<tr>
<td>Chinese restaurant junior cook</td>
<td>HK$34.9</td>
<td>HK$33.8</td>
<td>-3.6 per cent</td>
</tr>
<tr>
<td>Fast food shop customer services worker</td>
<td>HK$28.5</td>
<td>HK$29.3</td>
<td>+2.2 per cent</td>
</tr>
<tr>
<td>Fast food shop dishwasher/cleaner</td>
<td>HK$27.3</td>
<td>HK$27.6</td>
<td>+0.6 per cent</td>
</tr>
</tbody>
</table>

In 2010, several industry sections consisted of numerous low income workers. Retails, restaurants and estate management are the three major sections. Figure 4.4 shows the median hourly income of all industry sections is HK$59.5, but several median incomes of several low income industries are much lower. In restaurants section, the median income is HK$33.7, which means more than 100,000 workers earned less than HK$33.7 per hour. In estate management section, the median hourly income is even lower as HK$28.5, more than 105,000 workers in this section, including security guards and cleaners earned less than HK$28.5 per hour, which is very close to the statutory MW HK$28. Miscellaneous section includes elderly home care workers, messengers and workers in salons, etc. Their median hourly income is only HK$34.6. In comparison, you may note that the lowest 5th percentile hourly wage in financial and insurance activities section was HK$49.6.

In 2010, several industry sections consisted of numerous low income workers. Retails, restaurants and estate management are the three major sections. Figure 4.4 shows the median hourly income of all industry sections is HK$59.5, but several median incomes of several low income industries are much lower. In restaurants section, the median income is HK$33.7, which means more than 100,000 workers earned less than HK$33.7 per hour. In estate management section, the median hourly income is even lower as HK$28.5, more than 105,000 workers in this section, including security guards and cleaners earned less than HK$28.5 per hour, which is very close to the statutory MW HK$28. Miscellaneous section includes elderly home care workers, messengers and workers in salons, etc. Their median hourly income is only HK$34.6. In comparison, you may note that the lowest 5th percentile hourly wage in financial and insurance activities section was HK$49.6.

Figure 4.4: Median hourly income by industry section

When the wages in private sector have polarized, the public sector’s wage remained relatively stable. The accumulative pay rise in the upper salary band for the past ten

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40 2010 Report on Annual Earnings and Hours Survey
years is 8.8 per cent, and middle and lower salary bands’ are 11.4 per cent.\textsuperscript{41} (Figure 4.5) This shows that the civil servants in middle and lower ranks have better pay rise than those in higher ranks. We may note that in the economic recession, middle and lower ranks officials normally have lower wage reduction.

\begin{center}
\textbf{Figure 4.5: Civil Servant Salary Change}
\end{center}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure4.5.png}
\end{figure}

The secret is because of the existing pay adjustment mechanism of civil service. The wage is adjusted annually. According to the mechanism, the government conducts a survey of the pay scale in the private sector. The results of the survey are then subject to validation by the Pay Trend Survey Committee. Civil service trade unions can then lobby or exert pressure on the committee and the government. And at last the government decides the final pay adjustment. Although it is not a real collective bargaining mechanism, civil service trade unions, to some extent, involve in the pay adjustment decision making.

\subsection*{3.2. Wage of informal workers}

However, there are some “second-class” government employees who do not get the same treatment. Since 1999, departments and bureau have employed “non-civil service contract (NCSC) staff”. The government claims that those employment are “short-term or part-time, or subject to market fluctuations, or the mode of delivery of the service is under review.”\textsuperscript{42} In 2009, the number increased to 16,186.\textsuperscript{43} In fact, 40 per cent of them have worked more than 3 years, 25 per cent of them have even worked for five years or more. Those NCSC staff members normally have lower salaries, fewer benefits and short contracts. 7.5 per cent of those workers have earned less than HK$8,000. In 2009, there were 16,186 NCSC staff members. At the same period, there were 155,378 civil servants. Thus the number of NCSC staff members equivalent to 10 per cent of total civil servants It is no doubt that the government use NCSC staff to replace the civil servants, creating low wage and less protective jobs.

\textsuperscript{41} http://www.csb.gov.hk/english/admin/pay/55.html  
\textsuperscript{42} http://www.csb.gov.hk/english/info/302.html  
\textsuperscript{43} http://www.legco.gov.hk/yr09-10/english/panels/ps/papers/ps1221cb1-597-3-e.pdf
Workers under the government outsourcing contracts are even worse. In 1999, the government stopped hiring civil servants. Except employing NCSC staff, some civil services, such as security and cleaning services, are outsourced. Unfortunately, there was a lack of monitoring on the sub-contractors. Some organizations exposed that some public toilet cleaners only earned HK$7 per hour in 2001. The members of public were shocked by the low wage. Government contract security guards and cleaners only earned less than HK$4,000 before 2004. In 2004, the unions successfully forced the government to guarantee the wages of all non-skilled contract workers not lower than the median income of the employed population. The wages of security guards then increased to around HK$5,500 and the cleaners’ incomes rose to around HK$5,000.

But contract workers in private sector still suffered from low wages. In 2006, Cleaning Service Industry Workers Union conducted a survey about the wage of the cleaners in a bus company. It is found that the lowest hourly wage was only HK$8.3, and the average hourly wage was around HK$11.

Part-time workers in fast food shops have had lower income too. Catering industry union surveyed the wages of different fast food chains in 2006, 2007, 2008 and 2010 and the results revealed that all of hourly pays are lower than HK$24 even in 2010. The lowest wage jobs were in KFC. In 2006, the part-time wage was only HK$15.7. It has risen to HK$21.4, which was still a low wage level. Other fast food chains had the similar pay trend. It shows that part-time fast food workers have less bargaining power on wage. They are more vulnerable than the permanent workers.

Table 4.3: a comparison of the hourly pay for fast-food workers from 2006 to 2010

<table>
<thead>
<tr>
<th>Fast-food chain</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>KFC</td>
<td>15.7</td>
<td>16.2</td>
<td>18.9</td>
<td>21.4</td>
</tr>
<tr>
<td>Fairwood</td>
<td>16.5</td>
<td>18.4</td>
<td>19.8</td>
<td>23.1</td>
</tr>
<tr>
<td>McDonald</td>
<td>17.0</td>
<td>18.4</td>
<td>20.3</td>
<td>23.1</td>
</tr>
<tr>
<td>Maxrim’s MX</td>
<td>18.9</td>
<td>18.5</td>
<td>21.1</td>
<td>22.6</td>
</tr>
<tr>
<td>Yoshinoya</td>
<td>19.0</td>
<td>18.5</td>
<td>20.6</td>
<td>21.5</td>
</tr>
<tr>
<td>Café de Coral</td>
<td>17.7</td>
<td>19.4</td>
<td>20.2</td>
<td>22.4</td>
</tr>
</tbody>
</table>

---

44 Homeless exploited for cheap labour, South China Morning Post, 19-02-2001
Another form of informal workers is self-employed. We have discussed before the self-employed persons earn less than general employees. Tractors industry is one of the major sections which have a lot of self-employed workers. According to the government statistics, the real wage index of the workers was 65.5 in 2011, as compared with 100 in 1992. In other words, their wages decreased 35 per cent for the past twenty years.

Thus, all the above figures echo what we explained in section 2, that is, the contracted, part-time and self-employed workers are more vulnerable than the workers of formal employment.

3.3. Wage costs
We now turn to the proportion of wage costs in the total production costs. The government statistics only consist of the data from 2005-2009. Actually, in most of the industry sections, the proportion of wage costs in the total production costs did not change much, given that the wages in many industries have increased for around 10 per cent. On the other hand, the proportions of gross surplus of some industries have risen. Food services and accommodation services sections were the most extreme case. In food services section, the compensation of employees has dropped its share from 30 per cent in 2005 to 27 per cent in 2009. On the other hand, the gross surplus has increased from 5 per cent to 8 per cent in the same period. We may note that in 2008 and 2009, the gross surplus has been declining mainly because of the high rent and the economic downturn. The accommodation services sector showed the similar pattern. The gross surplus went up amid the economic boom, whereas the compensation of employees declined. Only the economic crisis in 2009 reduced the gross surplus. If we refer to the figure 4.2, we find that the wages of food and accommodation services have almost the biggest income decline. Workers earn less and the employers gain more.

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47 Quarterly Report on Wage and Payroll Statistics
If we examine the compensation of employees as percentage of total value added, proportion of wage costs have dropped in the years of good economic situation. In 2003, the compensation of employees was 53.6 per cent of total value added. When there was economic boom, the share dropped to 50.1 per cent in 2006 and the numbers remained low in 2007 and 2008. It went up again in 2009, not because of the increase of the wage, but the decrease of the profit due to the economic crisis. So we can expect that in the proportion of wage costs have decreased in recent 2 years because the economy is rebounding again.

3.4. Labour productivity
While wages remain unchanged, most of the sections have increased their labour productivity for the past ten years. The most outstanding industries were information

49 2010 Gross Domestic Product
and communications, financial and insurance activities and import/export trade. Except manufacturing, all sections had at least 10 per cent increased for the last decade. But if we compare the wage rises in different industries, only financial and insurance activities have relatively reasonable return to the employees. The productivity has increased by 1.3 times and the wages has risen 50 per cent. In other industries, although their productivity also increased, their wages remain the same or even went down. We take transportation section as an example; its productivity has soared nearly by 50 per cent for the past ten years. But the workers have earned the same amount in the same period.

![Figure 4.9 Labour productivity indices (2000 = 100)](image)

3.5. Wage-related labour disputes.
The economic background explains why there were several labour disputes in 2007 and 2008. As far as we analyse the data on economic growth and the wage rises, it becomes clear that starting from 2005, Hong Kong got rid of the economic recession. However, at the same time the wages did not change so much. It was even worse when the inflation came in the year 2008.

Figure 4.10 gives us the whole picture of labour dispute. In 2005 and 2006, the economy was starting to recover from a 6-year long recession. There was less discontent among workers because there was no expectation on pay adjustment and the inflation was mild. Therefore, the number of strikes and employees involved were very few. But in the next three years, cases in strikes and employees involved

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50 Labour Productivity Index for Major Economic Activities, 2000-2009
went up drastically. The employees involved in the strikes went up from 67 in 2006 to 849 in 2007, and it continuously increased to 1337 in 2008 before it went down to 770 in 2009\textsuperscript{51} The figures echo to the inflation and the economic situation. In 2008, there was high inflation with low pay rise. In 2009, due to economic downwards, fewer workers joined the strikes.

The first major strike in 2007 was launched by the bar bending construction workers. Before 1997, they could earn around HK$1,200 per day. But in 2007, their wages decreased to around HK$800 per day. The working time extended and the rest break was cancelled. In 2007, the construction industry was recovering and the workers expected a reasonable pay rise to compensate their loss for the last ten years. However, employers only suggested a small percentage of pay rises. The anger broke out and over 2,000 bar bending workers went on strike, around 50 per cent of the total workers of the section. The strike lasted for 36 days and eventually the employers agreed to give a higher pay rises and shorten the working hours. The daily wage was increased to HK$860 and the working hours reduced to 8.

In 2008, the flame extended to the beverage production industries. The beverage transportation workers had no income adjustment for more than 10 years. In addition, the management even tried to change the pay scale and reduce workers’ wage. Therefore, in 2008, workers in Nestle, Vitasoy, Watsons and Coca-Cola went on strike continuously to fight for pay rises. All of them succeeded and set up the collective bargaining mechanism with the management\textsuperscript{52}.

In 2009 and 2010, there were relatively less strikes because the corporations did not dare to ignore the request of the workers. But in transportation section, workers took several industrial actions for wage rises. If we look at the figure 4.2, it explains why workers in transportation were discontented. In 2007, the real wage index of the transportation was 106.1, while in 1999 the index was 100. It went down to 99.4 in

\textsuperscript{51} Labour Department Annual Report 2009, \url{http://www.labour.gov.hk/eng/public/AnnualReport.htm}
\textsuperscript{52} Information is from interviews with trade union organizers and documents from HKCTU.
2011. In other words, the transportation workers earned less in real terms in 2011 than in 1999. It was because their wages could not catch up with the inflation. Some transportation workers, like the tractor drivers, even suffered from pay cut as we mentioned before.

To conclude, as Hong Kong has no collective bargaining regulation (we will discuss this issue in section 6), the wages are mainly determined by employers’ discretion. No matter when the economy turned good or the labour productivity increased, the wages remained the same or even went worse. We saw the contrast that the economy went up while the wages went down. It is evident that middle and lower income workers were marginalized by the benefit of economic growth after 2004. The situation also changed people’s attitude towards government intervention, that is, MW. If the free market economy cannot offer decent and fair wages, it is the responsibility of the government to correct the uneven distribution.

4. The MW setting mechanism
There was a long campaign for the legislation of MW in Hong Kong. Due to a marked decrease in the wage level and living standard of low income workers, HKCTU has urged for the MW legislation since 1999 and the motions on legislation were negated by the Legislative Council in 1999, 2000, 2002, 2004, 2005 and 2006. In 1999, there were only 9 councillors in the Legislative Council who were in support of the MW bill. This reveals that various political parties did not submit to the view that MW was necessary in protecting the low income workers. In addition, the government and the main stream of public opinion followed the “free market economy” ideology and thus it was difficult to advocate the MW.

As we mentioned before, in the first phase (1999-2004), the target was to call for the MW for the security guards and cleaners who were employed by the government under contracts. Unions conducted many actions to raise the public awareness of extremely low wages. HKCTU employed mainly moral condemnation to convey to the public the fact that the workers paid all their efforts without being able to support their families and maintain a decent life. It was nothing other than the policy of contracting out of the public services that caused their low wages. Thus, the government should shoulder the moral responsibility for improving the employment conditions of the low income workers. The intervention of the student unions also helped arouse the public awareness towards the problems of contracting out of

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53 Refer to the interviews with Mr. Lee Cheuk Yan and Mr. Mong Siu Tat (Appendix 1)
54 Refer to the interviews with Mr. Lee Cheuk Yan and Mr. Mong Siu Tat (Appendix 1)
university services. HKCTU and several student unions took part in exposing the cases of low wages within universities and in demanding the universities to be a responsible employer and remedy the situation.\(^{55}\) In 2004, the government agreed to set up the MW regulation for subcontractors. Afterwards, HKCTU called for the extension of the regulations to public utilities, e.g. universities, public transport, etc.

In the second phase (2004-2008), HKCTU allied with various NGOs to fight for the legislation of MW. A number of women groups, religious groups, community organizations and student unions also called for MW to alleviate poverty. In 2006, “People Alliance for MW,” composed of 35 different NGOs, was formed and took several protests and processions to raise public awareness. The Alliance went into contact with numerous people who do not fall into the network of unions, for example, the family members of low income workers and the workers who do not belong to a union. The Alliance enhanced the spread of the urge for the MW by publishing education booklets and holding press conferences.

Cardinal Joseph Zen Ze-Kiun, S.D.B. (陳日君) of the Catholic Church, avowed in 2006 that the government has an ineluctable responsibility to set up the MW to protect the low income workers. As the outspoken religious leader, his avowal helped form a pressing demand in the general public.\(^{56}\) In the period between 2006 and 2008, the media also played a role in unveiling the plights of the low income workers and this enhanced the public demand for the MW.\(^{57}\) Eventually in 2008, the government decided to enact the law.

In this section we will discuss the key regulations of legal framework and the mechanism of deciding the MW rate.

4.1. Key regulations of the MW Ordinance
The government and the trade unions have very diverse views on the aim of MW legislation. The former has considered the ordinance “aimed at striking an appropriate balance between forestalling excessively low wages and minimizing the loss of low-paid jobs while sustaining Hong Kong’s economic growth and competitiveness.”\(^{58}\) The latter, on the other hand, have requested that the MW should be enough for the basic living standard. Owing to the legislative aim, many

\(^{55}\) Refer to the interviews with Mr. Mong Siu Tat (Appendix 1)
\(^{56}\) Refer to the interviews with Mr. Mong Siu Tat (Appendix 1)
\(^{57}\) Refer to the interviews with Mr. Au Yeung Tat Chor (Appendix 1)
regulations in the ordinance are set to favour employers. For example, although the cleaning workers have an increment in their salaries over HK$5000 per month thanks to the MW, they necessarily fall into the system of Mandatory Provident Fund (MPF). In this case, they were exempted from paying the premium previously and now are not.\(^5^9\) This results in a reduced increment of their salaries. The minimum level of income for MPF contribution was amended to HK$6,500 on 1\(^{st}\) November 2011, six months after the implementation of the MW.

The following summary of the MW Ordinance is based on the booklet, “Statutory MW: Reference Guidelines for Employers and Employees”,\(^6^0\) which is published by the Labour Department of the HKSAR government.

**Coverage of the ordinance**
The MW applies to all employees, regardless of whether they are employed under a continuous contract. The exemption applies to the foreign domestic workers. Student interns and work experience students are exempted in certain conditions. HKCTU is highly concerned about the unjust situation of foreign domestic workers in Hong Kong. For example, there are cases showing that they merely get a salary unlawfully reduced by the employers and that they are maltreated by their employers. The fact that they are excluded from the MW due to their race is susceptible of being discriminative towards foreigners.

In addition, the contractors and the self-employed persons are not covered by the ordinance. Employees with disabilities are also covered by the MW Ordinance, but they can choose a productivity assessment to determine whether they should get the MW or at a rate correspondent with their productivity.

**Definition of hours worked**
According to the ordinance, hours worked include any time when the employee is, in accordance with the contract or with the agreement or at the direction of the employer:

- In attendance at the place of employment, irrespective of whether he is provided with work or training at that time; or
- Travelling in connection with his employment, excluding travelling between his place and residence and his place of employment, other than the place of employment that is outside Hong Kong.

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\(^5^9\) Refer to the interviews with Ms. G (Appendix 1)

The definition is not quite clear. The government tried to let the employers and employees decide themselves. It caused the debate on whether meal breaks and rest day should be included in the MW. Unions have stressed that the meal break and rest day is part of the working time. Employers’ groups have emphasized both should not be counted and paid. In fact, many employers, in order to reduce the wage costs, cut the paid meal break and rest days. The employers generally complained that if the MW includes all the rest days, this would result in an unbearable rise of cost and produce a heavy burden for the employers. A number of conflicts between the low income workers and their employers were observed in the first few months of the implementation of the MW. HKCTU intervened promoting the solidarity of the workers and demanding reasonable returns for the workers. The collective actions won the general support via the reports of the media. In the case of Café de Carol, the general public and a few political parties helped exert pressure on the corporation and played a role in the supervision of the MW.

**Definition of “wages” and “wages payable to an employee in respect of wage period”**

The MW Ordinance follows the definition of wages in Employment Ordinance. The “wages” means all remunerations, earnings, allowances including attendance allowances, commission, overtime pay, tips.

However, not all the wages are counted for the calculation of MW. Payment made to the employee for any time that is not hours worked (e.g. rest day pay and holiday pay) and advance or over-payment of wages should not be counted. As the same time, deductions from wages, for example, recovery of the loan to an employee or employee’s contributions to the pension, must be counted as part of the wages payable to an employee.

**How to determine whether the wages meet the MW**

Two factors should be considered:

1) What is the MW: total number of hours worked X MW rate (i.e. HK$28)

2) What is the wages payable to the employee in respect of the wage period

If 2) is not less than 1), then the MW requirement is met. Otherwise, if 2) is less than 1), the employer has to pay additional remuneration.

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61 Refer to the interviews with Mr. Mong Siu Tat (Appendix 1)
We should stress that there are many loopholes and deficiencies in the existing regulations. First of all, more than 260,000 foreign domestic workers are excluded from the ordinance. The government appeals to the excuse that the working time of live-in domestic workers is difficult to count. But it is not the sufficient reason to exempt them because the working time of many workers like drivers is also hard to count. Second, the government has left too much “white spaces” in the ordinance, like meal break and rest day pay. It provides more opportunities for the employers to cut the wages and benefits. Third, travelling times between employee’s residence and the placement of work are not counted as working time.

4.2. Minimum Wage Commission (MWC)

According to the MW Ordinance, the Minimum Wage Commission (MWC) is responsible to recommend the statutory MW rate to the Chief Executive. The composition of the MWC must be complied with the law. We quote the clause Section 11(2) of the MW Ordinance below:62

(2) The Commission consists of—

(a) a person, who is not a public officer, appointed as the chairperson;
(b) not more than 9 other members who are not public officers of whom—
(i) not more than 3 must be persons who, in the opinion of the Chief Executive, have knowledge of, or experience in, matters relating to the labour sector;
(ii) not more than 3 must be persons who, in the opinion of the Chief Executive, have knowledge of, or experience in, matters relating to the business sector; and
(iii) not more than 3 must be persons who, in the opinion of the Chief Executive, have knowledge of, or experience in, a relevant academic field; and  
(c) not more than 3 other members who are public officers.

The composition, to a large extent, imitates the British Low Pay Commission63. But the major difference is that Hong Kong has 3 more government officials in the MWC.

63 This point has been repeatedly emphasized by the labour bureau official to be interviewed. Refer to the interview with Mr. Charles Hui and Ms. Queenie Y S Tang (Appendix 1)
This arrangement provides a stronger influence of the administrative on the decision making process. We will examine the whole process of MW setting mechanism later to illustrate how the government dominates the mechanism.

Also, the members as well as the chairperson are appointed by the Chief Executive. That means the government has an absolute power to choose the members. Moreover, all the members are appointed on a personal basis. According to Chief Labour Officer (Statutory MW), this arrangement can ensure that all the members are responsible for the Commission instead of their corporations or interest groups. But trade unions believe that there is lack of accountability of the members and the MWC. Even the representatives of the business sector, like the convenor of the Environmental Services Contractors Alliance, a group of government sub-contractors are members of the commission who do not represent the opinions of the business sector and their interest.  

The MW Ordinance states that the MWC should review the MW at least once in every two years. Trade unions and the NGOs requested review once per year but the motion was rejected by the Legislative Council. This is because half of the councillors who got elected in functional constituencies stood more by the side of the employers.

The HKCTU criticizes the long interval of review. The first statutory MW rate was set according to the data in 2009 and has been implemented in 2011. Due to the inflation, the purchasing power of HK$28 at present is only equal to around HK$25.5 in 2009. It will be devalued further in 2012 and 2013 if the inflation rate goes up. That means the income of the workers who earn the MW can never catch up with the inflation. Moreover, for every review, the rate must definitely take a greater leap forward with the projection of potential inflation during 2 years’ interval.

In the following we will illustrate how the first MW rate was determined. In February 2009, the government appointed all the members of the provisional MW commission, or PMWC (At that time the MW Ordinance has not been passed). The census and statistics department collected relevant data, such as hourly wage distribution, working time distribution and the wage costs of different industries. The government also projected the influence on employment, wages and business costs by different wage rates. The statistics was shared with the public in Feb 2010.

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64 Refer to the interview with Ms. Catherine Yan (Appendix 1)
Then the PMWC held several meetings to discuss the statistics. The commissions consulted the public and met various groups representing employees and employers from March to June 2010. There were totally 42 meetings with the organizations and PMWC received more than 7,500 submissions of views.⁶⁵

In August 2010, the PMWC announced that all members had the consensus on the first MW rate. The report was then submitted to the chief executive in October. Although the PMWC repeatedly stressed that the decision was based on the statistics and indicators, there was no clear explanation on the weights of different indicators. So the decision was more based on the political negotiation rather than a pure “evidence-based” approach, as the government claimed.⁶⁶

In November 2010, the government published the statutory MW as HK$28 and would be implemented on 1st of May 2011. According to the law, the Legislative Council can only accept or reject the MW rate suggested by the chief executive. Although trade unions including the HKCTU were not satisfied with the rate, they did not veto the recommendation because it would then imply an overthrow of the MW altogether.

Under the existing circumstances, the chief executive can easily dominate the whole process. First, she appoints the members of MWC. Second, there are three public officers, who represent the interest of the government and the chief executive, in the MWC. Third, the MWC only “recommends” the rate whereas the final decision maker is the chief executive. Fourth, the Legislative Council cannot amend the rate. The member of the PWMC, Professor Cheng Kwok Hon, contends that the government has a strong political stance in the commission.

4.3. The involvement of the HKCTU in the consultation
As we mentioned, the administrative lead the whole process of setting the MW rate, Most of the works done by the HKCTU and other organizations were beyond the mechanism.

Within the mechanism, the HKCTU met the PMWC three times. The first meeting was held in December 2009. The HKCTU mainly emphasized the MW rate should not be lower than the average amount of CSSA and the negative impact of the MW should not be exaggerated. The second meeting was held in April 2010 after the publication

⁶⁶ Refer to the interview with Mr. Charles Hui and Ms. Queenie Y S Tang (Appendix 1)
of the statistics. The HKCTU studied the data and suggested that if the hourly rate was set as HK$33, there would be very moderate influence on the economy. Table 5.1 shows the calculation of the HKCTU to the PMWC. The first column is the percentage increase of wage costs if the MW rate is set as HK$33. For example, the wage costs of retail industry will increase 3.9 per cent. The second column is the wage costs as per cent of total revenue. For instance, in retail industry, the wage cost is only 9.1 per cent of the total revenue. The third column shows if the businesses want to shift the burden of the wage increase to the customers, what is the percentage of increase the price of goods or services. For example, the prices in retail industry will only increase 0.4 per cent (3.9 per cent X 9.1 per cent). For security and cleaning services, as they are only parts of the estate management services, the HKCTU estimated that median estate management fee will increase by around HK$40 to HK$45 per household per month only. In May 2010, the PMWC again met with the HKCTU to share ideas and to discuss the ripple effect on the pay hierarchy.

Table 5.1: Impact on wage costs and surplus if the rate is set as HK$33

<table>
<thead>
<tr>
<th>Sector</th>
<th>Increase of wage costs (A)</th>
<th>Wage as per cent of total revenue (B)</th>
<th>Change of the prices of goods and services (AXB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supermarkets and convenience store</td>
<td>8.5 per cent</td>
<td>7.2 per cent</td>
<td>0.6 per cent</td>
</tr>
<tr>
<td>Other retail stores</td>
<td>3.3 per cent</td>
<td>9.4 per cent</td>
<td>0.3 per cent</td>
</tr>
<tr>
<td>Restaurants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chinese restaurants</td>
<td>4.8 per cent</td>
<td>32.0 per cent</td>
<td>1.5 per cent</td>
</tr>
<tr>
<td>Non-Chinese restaurants</td>
<td>5.4 per cent</td>
<td>26.3 per cent</td>
<td>1.4 per cent</td>
</tr>
<tr>
<td>Fast food cafes</td>
<td>17.8 per cent</td>
<td>22.9 per cent</td>
<td>4.1 per cent</td>
</tr>
<tr>
<td>Hong Kong style tea cafes</td>
<td>10.7 per cent</td>
<td>30.3 per cent</td>
<td>3.2 per cent</td>
</tr>
<tr>
<td>Estate management, security and cleaning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate maintenance management</td>
<td>12.0 per cent</td>
<td>31.3 per cent</td>
<td>3.8 per cent</td>
</tr>
<tr>
<td>Security services</td>
<td>19.9 per cent</td>
<td>82.7 per cent</td>
<td>16.5 per cent</td>
</tr>
<tr>
<td>Cleaning services</td>
<td>25.6 per cent</td>
<td>75.6 per cent</td>
<td>19.4 per cent</td>
</tr>
<tr>
<td>Other low paying sectors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Elderly homes</td>
<td>10.2 per cent</td>
<td>55.5 per cent</td>
<td>5.7 per cent</td>
</tr>
<tr>
<td>Laundry and dry cleaning services</td>
<td>7.7 per cent</td>
<td>33.3 per cent</td>
<td>2.6 per cent</td>
</tr>
<tr>
<td>Hairdressing and other personal</td>
<td>11.2 per cent</td>
<td>39.3 per cent</td>
<td>4.4 per cent</td>
</tr>
</tbody>
</table>

67 The submission of the HKCTU to the PMWC, 20 April 2010
services

<table>
<thead>
<tr>
<th>Services</th>
<th>6.4 per cent</th>
<th>36.7 per cent</th>
<th>2.3 per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local courier services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Food processing &amp; production</td>
<td>4.5 per cent</td>
<td>16.0 per cent</td>
<td>0.7 per cent</td>
</tr>
</tbody>
</table>

Nevertheless, the PMWC did not take the views of the HKCTU. Lee Cheuk Yan, general secretary of the HKCTU, commented that the PMWC was nothing more than black-room deals.\(^{68}\) In view of this, it was more efficient to press the government by social actions instead of lobbying. During the consultation period, some representatives from business sector suggested the low wage rate. The most famous one was the Catering Functional Constituency Legislative Councillor Tommy Cheung. He proposed the MW rate should be HK$20 for not harming the catering industry. The HKCTU plus other organizations protested against him and made the public aware of his relentless view. Moreover, the HKCTU organized several protests and surveys to explain the unions’ stance. The social actions which kept the attention of the mass media were essential to negotiate on the MW with the government and also the employers.

4.4. Argument before the implementation of the MW

The argument did not stop after the confirmation of the first MW rate as HK$28. Employers and employees turned their battle on the implementation of the MW Ordinance. As said before, many employers planned to cut paid meal breaks and rest day pay to minimize the increase of wage costs. Under the existing employment law, if both employer and employee agree, they can change the contract terms. But it is obvious that many employers force their workers to sign the agreements to cancel the meal break and rest day pays. The trade unions urge that employers should have social responsibility to fulfil ordinary contract terms, which include meal break and rest day pay. What trade unions and social organizations could do is to reveal those immoral behaviours of “unscrupulous employers”.

The most serious case was the fast food chain Café de Coral, which hires more than 15,000 employees. Its chairman Mr. Michael Chan was, ironically, the member of PMWC. In November 2010, just after the announcement of the MW rate, the giant enterprise increased the wages to HK$28 per hour. But on the other hand, they decided to cut the meal break pay. As a result, the workers have no wage increase at all. The catering union launched a protest and boycotted the Café de Coral. This action gained tremendous support from the general public. Under the social pressure,

\(^{68}\) Refer to the interviews with Mr. Lee Cheuk Yan and Mr. Mong Siu Tat (Appendix 1)
the fast food chain eventually kept the meal break payment.69

But more and more cases broke out before the enforcement of the MW. The HKCTU has called for legislation to protect the meal break and rest day pay. The social movement has successfully raised the public awareness. Many employers have agreed to keep the meal break and rest day pay to avoid being stigmatized as “unscrupulous employers”. However, as there are no collective bargaining regulations, the employers are still easy to change the contract terms.

4.5. Current debates on the MW
We explained in the previous figures that the existing MW Ordinance and the mechanism have a lot of deficiencies. The current debates are still related to those deficiencies. The major argument is whether the MW rate should be reviewed annually. Trade unions stress that the annual review can help the wage keep up with the price indices. But the government announced that they will only comply with the law by submitting the report within two years. The social pressure is not high right now so the government seems to have more advantages.

Another hot debate is the accountability and the transparency of the MWC. The unionists and even the employers describe the MWC as black-room deal. Although the members of MWC are from the labour and business sector, they are appointed on personal basis, but not on organizational basis. Also, the discussions in the MWC are not open to the public. There is even no announcement on when the next meeting will be.

Besides, the HKCTU urges the amendment of the Ordinance for including live-in domestic workers. Disabled concern groups request the cancellation of the assessment test on disabled employees, because the test is the discrimination to the employees. But all the government has turned a deaf ear to all those requests.

4.6. Impact of the MW
The popular fear for the MW has evaporated after the implementation of the law. Before, many business groups and scholars warned that the MW would deteriorate unemployment rate, especially in the middle-aged and the youth group. Some threatened that many small businesses would be closed. But all the statistics show that there are no negative impacts on the labour market and business at present. Figure 5.1 presents the decline of the unemployment rates of different age groups

69 Refer to the interviews with Mr. Mong Siu Tat (Appendix 1)
after May 2011.\textsuperscript{70} Also, about the business, there is no evidence that the MW has caused any major deficits. So, all the tripartite constituents agree that it was right time to introduce the MW.

Even the employers acknowledge that the greatest increment of production cost comes from the ascension of rent, which might reach 50 per cent of the original rent in some cases.\textsuperscript{71} It is generally acknowledged that the MW has not led to obvious bankruptcies of small and medium sized companies. Thus, the worries of bankruptcies and loss of jobs, that numerous employers held and even the low income workers believed in, turn out to be ungrounded.

On the contrary, more and more positive effects of the MW have emerged. The very first is the wage increase, according to the government officials, 10 per cent of the employees belonging to the lowest income group had an increase of 12.5 per cent in salaries. On average, all employees enjoy an income rise of 7.6 per cent only. According to the government statistics, the number of workers who earn less than 50 per cent of the median income has dropped from 328,600 in 2010 to 248,600 in 2011\textsuperscript{72}, nearly 25 per cent reduction.

Also, the MW encourages the middle aged and women for working. Secretary for

\footnotesize{\textsuperscript{70} \url{http://www.censtatd.gov.hk/hong_kong_statistics/statistics_by_subject/index.jsp?subjectID=6&charsetID=2&displayMode=T} \\
\textsuperscript{71} Refer to the interviews with Mr. Lau Tat Pong (Appendix 1) \\
Labour and Welfare, Mr. Matthews Cheung, announced that more than 30,000 middle aged persons have joined the labour market after the implementation of MW. Moreover, the increase of the women labour participation rate is higher than the male one, showing that the MW attracts more women to work. Many housewives, who did not work before the implementation of the MW, are willing to find jobs as the wage is more attractive. Moreover, as there is shortage of labour supply, male workers are already scarce. Employers could only hire female workers to fill the new jobs.

The HKCTU conducted a survey in August and September in 2011 to look into the impacts of the MW. The survey successfully interviewed 519 workers and compared their wages and benefits before and after the implementation of the MW. The result discloses that those who earned less than HK$28 before enjoyed a pay rise by 14.5 per cent. Among them, cleaners have the highest pay rise to 23.7 per cent. The salaries of security guards and restaurant workers have also increased 7.8 and 7.7 per cent. People who earned more than HK$28 hourly before the first of May, have also enjoyed 1.7 per cent pay rise. Among the interviewees, only 1.6 per cent reported that they have lost their jobs in connection with the MW.

This study shows that low income workers, both earned below or near the MW rate before its implementation, are the main beneficiaries. As we mentioned before, this group is estimated as around 270,000 workers, more than 10 per cent of total employed persons.

To conclude this section, the government dominates the existing mechanism by controlling the appointment of the members of the PWC and the final decision of the rate. The so called “tripartite” commission exists only in name. In order to negotiate with the government and the employers, the HKCTU has the following strategies: First, analysing the statistics to convince the public that the relatively higher MW rate is acceptable. Second, using press conference and social actions to raise the awareness of the public, to create social pressure to the government and the PMWC. According to a former member of the Provisional MW Commission, it is obvious that the government makes use of the MW as a means to achieve social stability. The government keeps insisting on the importance of consensus between employers and employees in determining the level of MW. What is essential for the government is to render the employers and the employees to arrive at a compromise rather than a

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73 Refer to the interviews with Mr. Cheng Kwok Hon (Appendix 1)
74 Refer to the interviews with Mr. Charles Hui and Ms. Queenie Y S Tang (Appendix 1)
confrontation. It is well discernable that the government maintains a neutral role apparently and weakens the power of collective bargaining of the workers in deed.

5. Collective bargaining in Hong Kong

In this section, we turn our focus to the collective bargaining. A bill of collective bargaining which was put forward by Legislation Council member and HKCTU General Secretary Lee Cheuk Yan was passed before the handover in 1997. However, the provisional legislative council after the handover abolished this law. For many years, it has been one of the major targets of HKCTU and its affiliated trade unions. But the government ignored their requests.

5.1. The unionization rate and the collective bargaining rates

If we read the government report, it shows that Hong Kong has a relatively good unionization rate. The rate has increased for the past few years. The rate has climbed from 20.88 per cent in 2006 to 23.19 per cent in 2010. But it is widely believe that many workers join the union only for welfare benefits. For instance, one of the union federations, the Federation of Trade Unions (FTU) organizes many training courses for workers and members of public. Workers who join their unions can enjoy a discounted rate for enrolling the courses. Most of these so called “union members” do not participate in union affairs.

By sector, transportation, manufacturing and social and personal services have the highest unionization rates. On the contrary, financial and business sectors have very low rates. Transportation sector has contributed 11,290, or 25 per cent out of total 40,208 new memberships.  

Table 6.1 Unionization rate by sector in 2010

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Industry section | Declared membership | Employed persons | Unionization rate
---|---|---|---
Transportation | 132,860 | 161,544 | 82.2 per cent
Manufacturing | 60,457 | 117,590 | 51.4 per cent
Social and personal services | 181,185 | 432,812 | 41.9 per cent
Professional and business services | 44,955 | 314,344 | 14.3 per cent
Accommodation and food services | 24,989 | 255,288 | 9.8 per cent
Import/export, wholesale and retail trades | 67,286 | 813,230 | 8.3 per cent
Information and Communication | 6,458 | 88,894 | 7.3 per cent
Real estate | 7,410 | 112,542 | 6.6 per cent
Financing and insurance | 9,599 | 196,413 | 4.9 per cent
Total | ------ | ------ | ------

But we should stress that the unionization rate may be a bit over-valued, because the declared membership may include some duplication, i.e., a person may join two unions at the same time. Nevertheless, the figures, to some extent, reflect the participation of the workers in unions.

However, the collective bargaining rates are not in line with the unionization rate. Even though there is no official statistics on the collective bargaining rate, several unions enjoy the collective bargaining right. So it is widely believed that the collective bargaining rates are around 1 per cent or even less of the unionised enterprises.

As there are no regulations on collective bargaining, all the existing agreements are not binding. Employers could easily ignore the agreements and the request of the unions. For example, Cathy Pacific Airways, the largest air company in Hong Kong, signed the agreements with the unions in 1980s. The agreements include the annual wage negotiation. But from 1998 to 2009, no negotiations were carried out. It was eventually established in 2010 under the great pressure from the unions. Nonetheless, the negotiation in that year was terminated by the sole announcement of the wage increase by the company.

According to the chairperson of the Cathay Pacific Airways Flight Attendants Union, they face a lot of difficulties. On the one hand, due to a lack of Collective Bargaining
Ordinance, the corporation always has a stronger initiative than the union in taking certain issues to the table. The corporation insists that any industrial action and exposure to the media unfavourable to the corporation would lead to an interruption of the regular meetings between the union and the corporation because it uses every means to maintain its good image for the public. The corporation hopes the union not to unveil the proceedings of the regular meeting. On the contrary, the members intend to know more about the proceedings of the meeting. The corporation made its attempts to form a committee of consultation composed of the flight attendants so as to override the union.\textsuperscript{76}

Other unions, which are mainly transportation unions, enjoy a few aspects of the collective bargaining right. The Watsons Union holds a regular meeting with the representatives of the senior management every 3 months since 2008. This is exemplary for the practice of collective bargaining in HK. However, nearly all the rights they obtained are not guaranteed with legal power by a written regulation. The managements could easily change their attitude. Once they find the unions are weak, they assault the unions. In addition, due to a lack of collective bargaining ordinance, the female workers are more reluctant to join the union owing to their worries of possible dismissals.\textsuperscript{77}

5.2. Labour dispute cases and the negotiation of wage

If we compare figure 4.2 with table 6.1, we discover a very strange condition that industries with higher unionization rate do not mean they have higher wage increase. For example, transportation section has the highest unionization rate, but its real wage has not increased for more than 10 years. On the other hand, financing and insurance has the lowest union participation rate, but its wage skyrocketed. There are several reasons to explain this strange condition. First, as we mentioned before, many workers join the unions only for the welfare benefits, like enjoying the discounted rate of buying goods and services. Those members do not participate in the union action for pay rise. Second, we should not forget the fact that the collective bargaining rates are low. Therefore the unionization rates have no relevance to the wage negotiation. The wages are more determined by the nature of industries rather than the collective bargaining.

So the importance is not the unionization rate, but is whether the unions eager to mobilize their members to negotiate with the employers. Several labour dispute

\textsuperscript{76} Refer to the interviews with Ms. Dora Lai (Appendix 1)
\textsuperscript{77} Refer to the interviews with Mr. Leung Wai Yam (Appendix 1)
cases mentioned in section 4.5 show that organized fight are very crucial for getting the better wages. For instance, bar benders, who have the strike in 2007, got the greatest pay rise among the different sectors in construction works.

More and more unions have realized the wage rises and more benefits can only be obtained by union struggles. For example, after the strike in 2008, Hong Kong A.S. Watson & Company Limited Employees Union organizes their members every year to fight for a better pay rise. They collect the opinions of the members and send the results to the company. They hold a lot of meeting informing the progress of the negotiation to the members. The more organization the bigger chance to win. In 2011, they successfully got the medical cards for every member and the notice board in every region of transportation of bottled waters.

Nevertheless, we should also notice the difficulty of organizing industrial actions in Hong Kong. As we mentioned before, the labour laws in Hong Kong provide very few protection to the workers. Employers can easily lay off “trouble makers” without giving much compensation. So many workers are afraid to lose their jobs if they join the industrial actions. Hong Kong even does not have the regulation of reinstatement if the employer dismisses a worker improperly. In view of this, HKCTU and other labour organizations are also fighting for the rights to organize unions.

6. Conclusion
In the past ten years, the economy went up and down. Starting from 2000, the economy has declined and 2003 was the worst year. It has gone up again since 2004 and has reached the new record high in 2010. Overall, the performance was well. The annual GDP growth rate is 4 per cent and the per capita GDP has also increased by 2.5 per cent annually.

But the wages and the living standard have a very different story. We have seen the income gap growing wider. The financing and professional sections have enjoyed the prosperity; their wages have increased by 50 per cent for the past decade. But all other industries lagged behind. Some occupations’ wages, such as catering, have been cut more than 10 per cent for the last ten years. In term of the ranking, Grassroots workers have faced the most severe condition. Workers in fast food chain, sanitary, security have extremely low paid. The condition is deteriorating as the inflation rate is soaring, meaning that the real wage is threat to be decreased.

All the evidences show that the wages, especially the wages of low income workers,
are undervalued. The wage has not increased simultaneously with the growth of GDP and productivity. It shows that the share of the compensation of employees on the total production costs has dropped.

We observe that there are structural problems causing the wide income gap. First, the disappearance of the manufacturing led to the polarization of the labour market. We have seen the growing of both high and low skilled services jobs. The wages of low skilled jobs have been suppressed especially in the economic recession.

Second, due to the poor labour rights, more and more employers have preferred informal employment. Contracted, part-time or even self-employed have deteriorated the wages and working conditions.

Third, the government cut the social welfare which is the safety net of the low income workers. Without the safety net, low income workers needed to accept the worse wages and working conditions reluctantly. It then strengthened the bargaining power of the employers who could suppress the wages more.

Forth, the government has ignored workers’ collective bargaining rights and organization rights by refusing setting up legislations. Workers and unions have no means to discuss pay rise with the employers except taking industrial actions. But because of the high risk of losing job, it is not easy to mobilize workers to fight for better wage.

Therefore, the introduction of the MW is the immediately measure to alleviate the poverty, to help the working poor and to narrow the income gap. Under the existing mechanism, the MW rate is recommended by the MWC, which all the members are appointed by the chief executive. Although the commission consisted of the representatives from employers, employees and academic, all the members were appointed in individual basis. Many people criticize that the MWC lack accountability.

It seems that the MWC is responsible to decide the MW rate. But in fact the chief executive is the real controller. She can appoint the members, accept or amend the recommendation of the MWC. The existing MWC is still a black-room deal. We argue that the decision was the result of the political negotiation, because the rate depended very much on the indicators which the MWC concerned more. Also, members of the public and mass media have no idea about the work of the MWC. Thus, we stress that the existing mechanism cannot guarantee a thorough dialogue.
among employer groups, employee groups and other parties. The administration manipulatea the mechanism and can easily influence the decision of the MWC.

In view of this, the existing MW rate has not been decided merely by the PMWC or the government. Trade unions and labour organizations have mobilized several actions to raise the public awareness and support. Pressure from the outside of the PMWC has played an important role in the process of decision making. However, it is not an ideal way to discuss the MW rate. Because the (P)MWC cannot solve the divergence of the employers and the employees within the committee. We believe that only a transparent and accountable mechanism can ensure a reasonable rate.

Nonetheless, the existing statistics seem prove the function of the MW. Grassroots workers get the higher pay rise than general workers. Although there is still no official figures of the MW beneficiaries, it is believed that nearly 10 per cent of the employed persons have got the pay rise in connection with the MW. At the same time, employees who have higher salary level, seem not to encounter any change. That means that the income gap between the lowest ranks and the lower middle ranks is getting closer upon the implementation of the MW.

But we should not see the legislation as an ultimate victory of the workers, because the MW Ordinance is merely a baseline and there is a lot room for improvement. HK$28 per hour is not enough for the basic living, and the coverage is yet to be satisfied.

We believe that the increase of the MW would more or less contribute to the overall economy. According to the government figures, if the MW rate is increased to HK$33, the overall wage bill will increase HK$5.5 billion. It is only equivalent to 1 per cent of total wage bill, or 0.5 per cent of the total private consumption expenditure. It has not much impact but at least a positive implication.

As we discussed in section 5, the MW is attracting more people to join the workforce. In view of this, if the MW is increased, the supply of the labour will go up too.

At last, we would compare the statistics in Cambodia with Hong Kong. Table 7.1 compares the MW and the poverty line of both places. Although Hong Kong has higher MW rate in absolute terms, it is only equivalent to 28 per cent of per capita GDP. In contrast, the MW rate in Cambodia is equal to per capita GDP. It shows that the MW in Hong Kong is still insignificant to the total wealth. If we look into the
comparison of the poverty line, Hong Kong seems to have a less poor population. But we should not forget the GDP per capita of Hong Kong is 20 times of Cambodia’s. A wealthy city still has nearly one fifth of the people who live in the poverty. Hong Kong has a lot of rooms to increase the MW rate to alleviate the poverty.

Table 7.1: MW and the poverty line in Cambodia and Hong Kong

<table>
<thead>
<tr>
<th></th>
<th>Cambodia</th>
<th>Hong Kong</th>
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<tbody>
<tr>
<td>The MW rate</td>
<td>US$61 per month (2010)</td>
<td>Around US$746* per month</td>
</tr>
<tr>
<td>MW/GDP per capita</td>
<td>103.8 per cent (2007)</td>
<td>28.2 per cent</td>
</tr>
<tr>
<td>Poverty line</td>
<td>31 per cent (2007)</td>
<td>18 per cent</td>
</tr>
</tbody>
</table>

* Assuming eight hour work per day, 26 days per month


HKCTU and its affiliated unions have played a significant role in the MW campaign. Similar strategies should be applied to bargain a higher level of MW for workers in the future. In the context of Hong Kong, where the government is not fully democratized and the right to collective bargaining is not enacted, a mixture of social movement strategies and workplace organisation should be adopted in the wage campaign. We would like to suggest the following points for the consideration of trade union movement in Hong Kong.

**Recommendations to trade unions in Hong Kong for wage increases**

1) The MW setting mechanism states that the government should at least review the rate for every two years. In other words, members of public need to discuss the MW rate every time. Trade unions should prepare more information, both local and international, for the wage discussion.

2) Besides argument and information, it is more important to organize and mobilize workers and union members for better MW rate. Rallies, protests, press conferences of revealing the low wage situation, etc. are common strategies in Hong Kong in order to get public support and exert pressure to the government. They are much more useful than solely lobbying the MWC.

3) The members of the CCR should be nominated by the concerned social partners who represent the interest of workers and the employers.

4) Collective bargaining is the best way to protect workers wage comprehensively. Therefore campaign for the regulations of the collective bargaining should be the priority of the trade unions.

5) Similar to the MW campaign, it is impossible to get the legislation of the
collective bargaining from zero. Therefore, the campaign of the collective bargaining should be first in corporation level. Organize more and more corporate unions and mobilize union members in public campaign for collective bargaining should be the first step. It is important to educate the members how crucial the collective bargaining is. Thus, every member should participate in the campaign.

6) One of important factors enabling the success of the MW campaign is HKCTU’s alliance with the NGOs and civil society. Its strategy should be maintained for both the campaigns for the legislation of collective bargaining rights and the review of the MW.
## Appendix 1 - List of interviewees

(in ascending order of date of interview)

<table>
<thead>
<tr>
<th>Name of interviewees</th>
<th>Background/ Organization</th>
<th>Date of interview</th>
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<tbody>
<tr>
<td>1. Mr. Lau Tat Pong</td>
<td>Chairperson, Hong Kong Small and Medium Enterprises Association</td>
<td>12 SEP 2011</td>
</tr>
<tr>
<td>2. Mr. Lee Cheuk Yan</td>
<td>Elected member (Regional constituency) of Legislative Council, Hong Kong Confederation of Trade Unions</td>
<td>14 SEP 2011</td>
</tr>
<tr>
<td>3. Mr. Cheng Kwok Hon</td>
<td>Dean of Business School, Hong Kong University of Science and Technology, Former member of the Provisional MW Commission</td>
<td>14 SEP 2011</td>
</tr>
<tr>
<td>4. Mr. Mong Siu Tat</td>
<td>Chief Executive, Hong Kong Confederation of Trade Unions</td>
<td>15 SEP 2011</td>
</tr>
<tr>
<td>5. Mr. Leung Wai Yam</td>
<td>Union of Watsons’ Workers</td>
<td>19 SEP 2011</td>
</tr>
<tr>
<td>6. Mr. Au Yeung Tat Chor</td>
<td>Alliance for Reviewing Comprehensive Social Security Assistance (CSSA) Scheme, People Alliance for MW</td>
<td>28 SEP 2011</td>
</tr>
<tr>
<td>7. Ms. Chan Suet King and others</td>
<td>Cleaning workers in Hiu Lai Court, Sau Mau Ping</td>
<td>28 SEP 2011</td>
</tr>
<tr>
<td>8. Ms. Catherine Yan</td>
<td>Convenor of Environmental Services Contractors Alliance (Hong Kong), President of Hong Kong Pest Management Association, Managing Director of Centuryan Environmental Services Group Ltd.</td>
<td>6 OCT 2011</td>
</tr>
<tr>
<td>9. Mr. Charles Hui and Ms. Queenie Y S Tang</td>
<td>Chief Labour Officer (Statutory MW) and Senior Labour Officer (Statutory MW), Labour Department, The Government of the Hong Kong Administrative Region</td>
<td>7 OCT 2011</td>
</tr>
<tr>
<td>10. Ms. Leung Tai Mui</td>
<td>Skilled Worker in a Chinese restaurant in Yuen Long, responsible for making Dim Sum, Union of Workers in Restaurants and Hotels, Hong Kong Confederation of Trade Unions</td>
<td>12 OCT 2011</td>
</tr>
<tr>
<td>11. Ms. Dora Lai</td>
<td>Chairperson of Cathay Pacific Airways Flight Attendants Union (CPAFAU), Hong Kong</td>
<td>22 OCT 2011</td>
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<tr>
<td>Confederation of Trade Unions</td>
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