



The Impact of the Introduction of a Statutory Minimum Wage on Labor Market Condition and Job Satisfaction of Persons with Disabilities in Hong Kong

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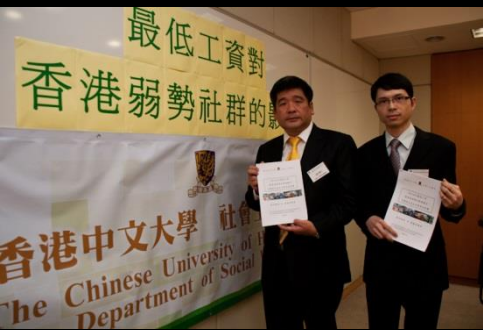
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Minimum Wage Impact Study

- In 2009, Hung WONG and Sam YE was funded by the **Central Policy Unit (CPU)** and the **Research Grants Council (RGC)** in Hong Kong to conduct
- The Impact of the Introduction of a Statutory Minimum Wage on Labour Market Conditions and the Quality of Life of Vulnerable Groups in Hong Kong

Acknowledgement



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Main Research Questions

- Whether the setting up of minimum wage in Hong Kong improve or worsen labour market conditions & job satisfaction of the vulnerable groups?
- What are the specific employment and wage effects of setting up of minimum wage on persons with disabilities?





Outline

- Social Policy Philosophy in HK
- Implementation of Statutory Minimum Wage (SMW)
- Changes in Labour Market & Job Satisfaction of Persons with Disabilities
- Policy Implication and Recommendation

Big market, small government

- The “big market, small government” principle of the HKSAR government was first stated in the 2003 Policy Address (Tung 2003, para. 16), and was restated recently in the 2009–10 Policy Address (Tsang 2010, para. 6).
- This principle of the HKSAR government is indeed similar to the “positive non-interventionism” of its preceding colonial counterpart. It is just “old wine in new bottles”



Economic pragmatism

- the social policy of the HKSAR government still has the economic pragmatism originated from its colonial past. The vague concepts of “big” and “small” make the new discourse confusing as the old idea of “positive” vs. “non-interventionism”
- The economic pragmatism origin of social policy in Hong Kong is not a special feature of Hong Kong; it is common in the East Asia region



Decisions of a higher political hierarchy

- The Hong Kong government is not a totally independent governance body; it has to follow the decisions of a higher political hierarchy—the colonial British government before 1997, and the Central People's Government (CPG) after 1997.
- Both governments have their own political interests, agenda, and considerations in determining their decisions over social policy in Hong Kong



Working Poor and Minimum Wage

- Between 1996 and 2006, the number of working poor increased by 87.9 percent (Wong, 2007a).
- To alleviate working poverty, unions, NGOs, and political parties jointly urge the Hong Kong Special Administration Region Government to introduce a statutory minimum wage (SMW) law since late 1990s.



Counter Productive

- The HKSAR government “does not consider it appropriate for the government to set up any form of minimum wage in Hong Kong. In fact, any move to tamper with private sector decisions on wage setting is bound to be counter-productive” (Education and Manpower Bureau 1998)



Economic Development and Labour Bureau and the Labour Department (2004)

- Hong Kong is well known for its **flexibility** and manpower resource is our most valuable asset.
- To **retain our competitiveness**, we must strike a balance between maintaining Hong Kong's strengths in this respect and safeguarding the rights and benefits of our workforce



Premier Wen Jiabao's statement in Dec 2005

- In December 2005, at the first report session of new CE Donald Tsang to the CPG, Premier Wen Jiabao said in front of the media that Hong Kong had “deep-rooted contradictions”. However, Wen did not specify the contradictions publicly.
- Many commentators speculated that the deep-rooted contradictions were the structural contradictions in the political, economic, and social arenas. Two of them were the discontent of the grassroots and the widening gap between the rich and the poor.



Deep-rooted contradictions

- Undoubtedly, the order of the CPG to solve the “deep-rooted contradictions” created intense pressure on the HKSAR government to address the livelihood problem of the poor.
- The small concessions given in the past cannot really solve the deep-rooted problems.



2006 : Wage Protection Movement

- The government responded by launching a Wage Protection Movement (WPM), which is a wage protection campaign through the voluntary participation of employers in October 2006. However, the coverage of WPM is limited as it only involves cleaning workers and security guards



2009 Legislation

- After two years of experimenting with WPM, Tsang considered the situation of WPM as unsatisfactory in October 2008;
- The Hong Kong government finally agreed to introduce legislation on the **Statutory Minimum Wage (SMW)** for employees in all industries and trades, in the 2008–09 legislative session.
- On 10 November 2010, an hourly rate of HK\$28 was recommended by the Provisional Minimum Wage Commission and adopted by the CE-in-Council.



1 May 2011 Enforcement



- The main purpose of SMW is to forestall the payment of excessively low wages, thereby protecting vulnerable groups that are prone to exploitation.
- Heat debates about setting and level of Statutory Minimum Wage (SMW)
- SMW was finally enforced on May 1, 2011

Pros and cons of minimum wage

- In Hong Kong, economists are the major opponents of the minimum wage.
- Many claim that a minimum wage system will distort the price mechanism of the labour market and will increase unemployment (negative employment effect) among the least-skilled workers.



Negative impacts on vulnerable groups



- Minimum wage lengthens the duration of a person receiving welfare and causes a negative employment effect among welfare mothers (Brandon, 2008).
- According to the opponents, the introduction of a minimum wage ostensibly helps vulnerable low-paid workers, but in fact it will hurt them.

Positive Impacts



- minimum wage offers substantial benefits to low-wage workers by increasing their wages (income effect) without a negative employment effect (Card, 1992a, 1992b; Fox, 2006; Katz & Krueger, 1992; Machin & Wilson, 2004).

Persons with Disabilities

- In 2008, there were 347,900 persons aged 15 and over with disabilities (excluding persons with intellectual disability) in Hong Kong
- The labour participation rate of persons with disabilities was 13.2% while the labour participation for the whole population was 60.6%.



Persons with Disabilities

- 45,800 economically active persons with disabilities, **41,000** were employed (89.5%) and **4,800** were unemployed.
- Unemployment rate: **10.5%**
- Median monthly employment earnings: **\$6,800** (67.3% of population)



361,300 Persons with Disabilities (5.2% of population)

347,900 (aged 15 & over)

15,400
(aged
below 15)

45,800 economically
active (13.2% of aged 15
& over)

302,100 economically
inactive
(86.9% of aged 15 &
over)

41,000
employed
(11.8% of
aged 15 &
over)

4,800
unemployed

Comparison of Labour Market Conditions of the Disabled with Population (2007)



- Disabled vs. Population
- Low Labour Participation rate (13.2% vs. 60.6%)
- High Unemployment rate (10.5% vs. 4.0%)
- Low Wage (\$6,800 vs. \$10,100)
- Work in Elementary Occupations (37.5% vs. 18.8%)
- Work in community, social and personal service (37.4% vs. 26.5%)

Research Method

| | |
|---------------------------------|---|
| Sep 2009 – Dec 2009 (Time 1) | Qualitative : Case study 3-4 cases from each category: people with disabilities, CSSA recipients, and newly arrived women |
| May 2010 – Sep 2009 (Time 1) | Quantitative Baseline study: 614 respondents |
| Nov 2011 – Jan 2012 (Time 2) | Quantitative Follow-up study: 379 respondents |
| Mar 2012 (Time 2) | Qualitative : focus group to discuss quantitative result |

Indicators



- Examines the impacts of the minimum wage on both objective and subjective indicators by a pre-post control group comparison research.
- Objective indicators are **hourly rate, working hours, monthly income from main job.**
- Subjective indicators are **wage satisfaction (Job Description Index, JDI) , job satisfaction (Job in General, JIG) and quality of life.**

Characteristics of Respondents with Disabilities

| | | Persons with disabilities | Low Income families |
|-----------------------------|---|---------------------------|---------------------|
| Age | Mean | 36.95 | 39.95 |
| | SD | 11.02 | 14.89 |
| Gender | Male | 76 (60.3%) | 25 (28.4%) |
| | Female | 50 (39.7%) | 63 (71.6%) |
| Education Attainment | Primary & under | 25 (20.2%) | 30 (34.1%) |
| | Junior Secondary (F1-F3) | 45 (26.1%) | 23 (26.1%) |
| | Senior Secondary & Matriculate (F4- F7) | 39 (31.5%) | 29 (33.0%) |
| | Tertiary & over | 15 (12.1%) | 6 (6.8%) |

Characteristics of Respondents with Disabilities



| | | Persons with disabilities | Low Income families |
|---------------------------|------------------------|------------------------------|------------------------|
| Marital Status | Single | 91 (72.2%) | 29 (33.0%) |
| | Married | 22 (17.5%) | 50 (56.8%) |
| | Separated/ Divorced | 10 (7.9%) | 6 (6.8%) |
| | Widowed | 3 (2.4%) | 3 (3.4%) |

Type(s) of Disability of respondents with disability

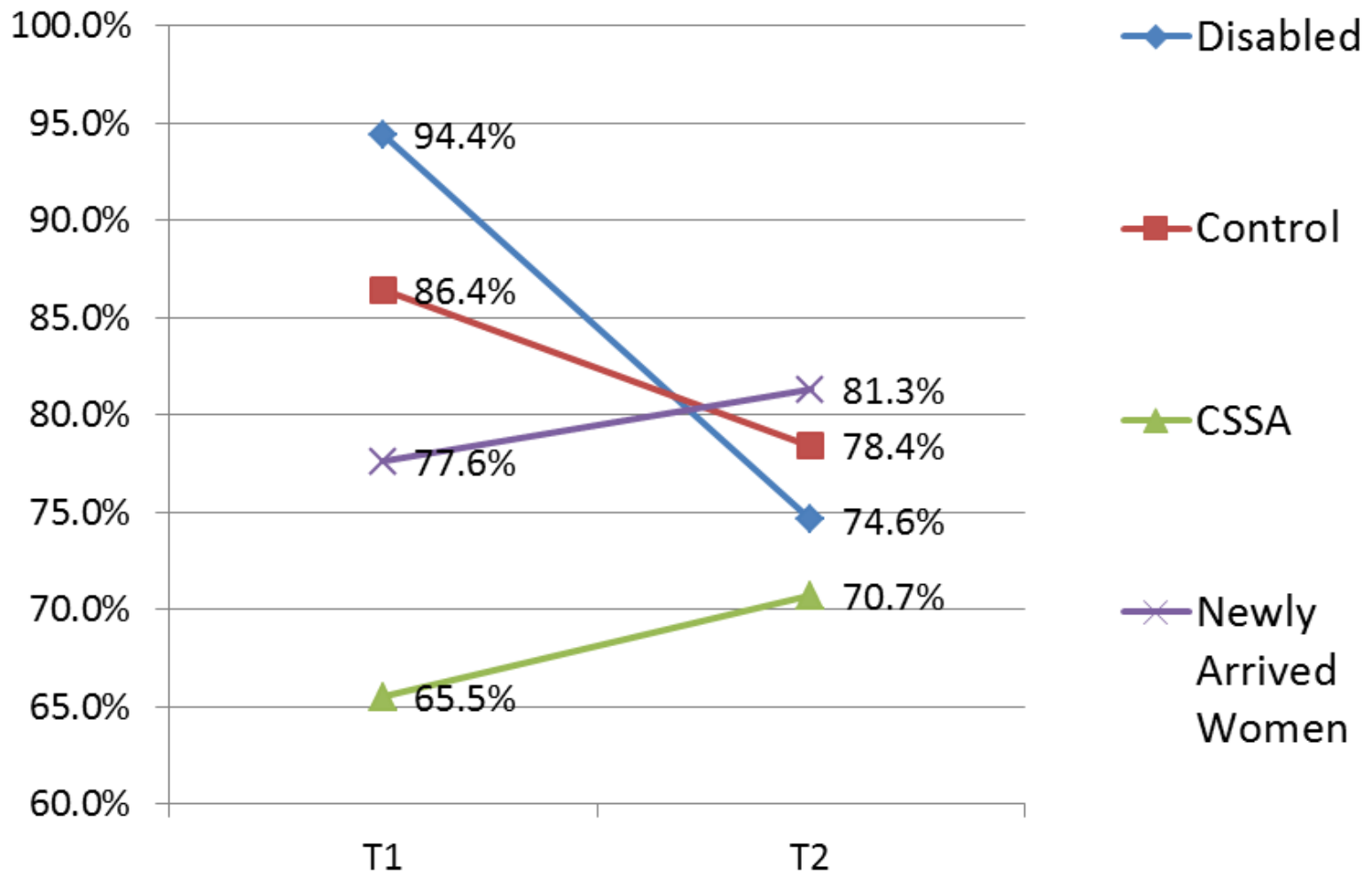
| Type(s) of Disability | Respondents with disability | |
|--|-----------------------------|---------------|
| | Number | Case Percent |
| Hearing impairment | 2 | 1.6% |
| Visual impairment | 14 | 11.1% |
| Physical challenge | 21 | 16.7% |
| Speech impairment | 6 | 4.8% |
| Mental challenge | 27 | 21.4% |
| Mental illness | 44 | 34.9% |
| Autism | 1 | 0.8% |
| Visceral disability/ chronic illness/Other | 15 | 11.9% |
| Attention Deficit/Hyperactivity Disorder | 2 | 1.6% |
| Specific Learning Difficulties | 6 | 4.8% |
| Total | 138 | 109.6% |





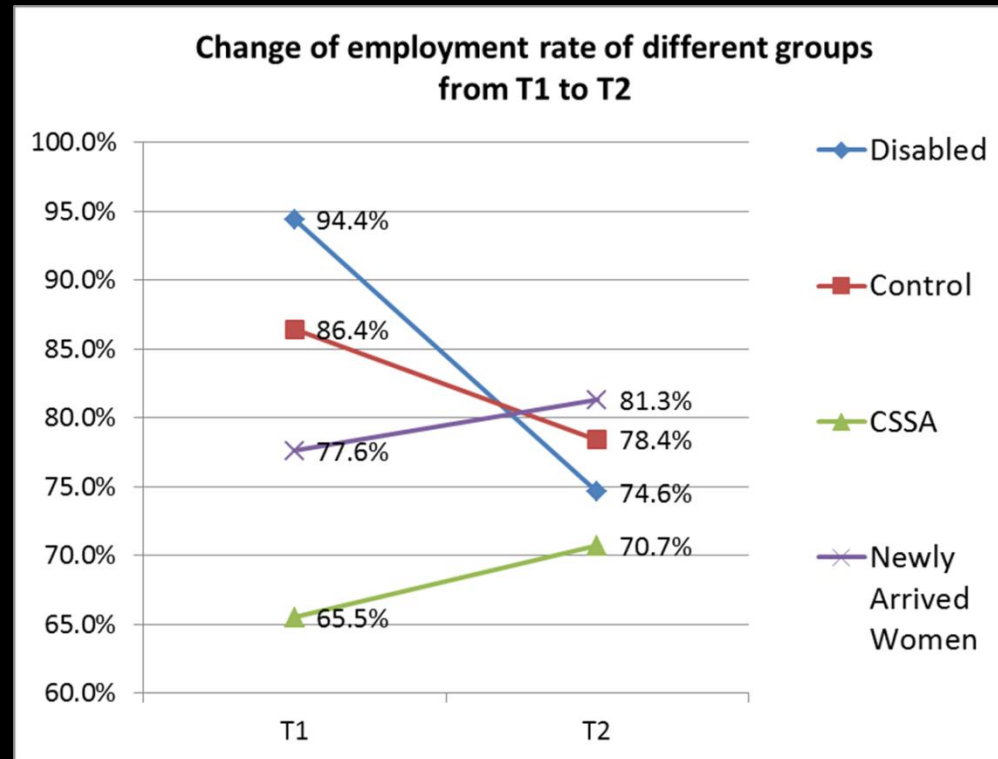
CHANGES OF LABOUR MARKET CONDITIONS OF PWD VS. CONTROL GROUPS

Change of employment rate of different groups from T1 to T2

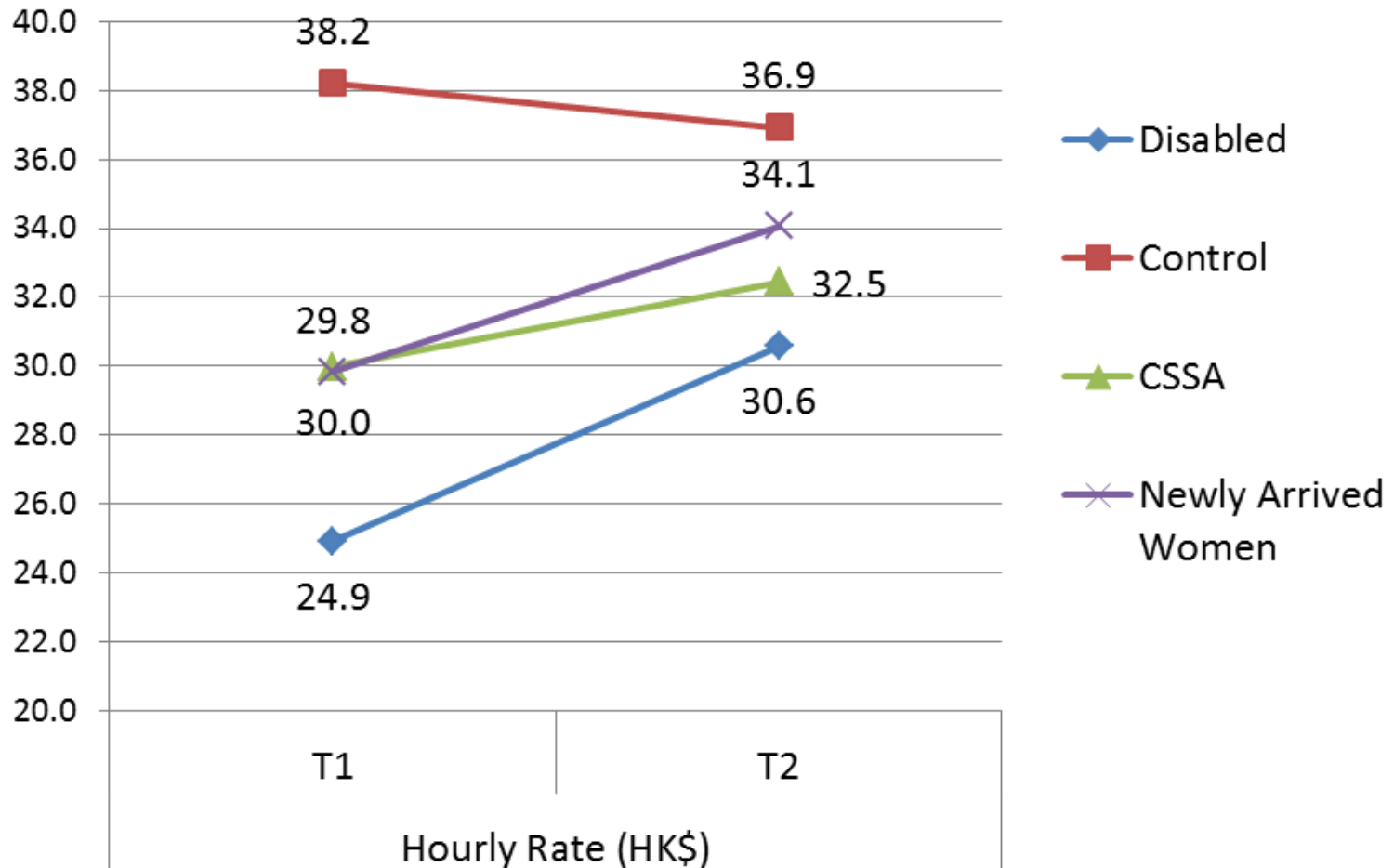


Negative employment effect

- **Negative employment impact** with persons with disabilities: employment rate decreased significantly **from 94.4% to 74.6%**
- **Mild negative employment effect** on the low-income control group was found. The employment rate of the control group decreased **from 86.4% to 78.4%**.
- **Mild positive employment effect** was found in **the CSSA recipients** and the newly arrived women

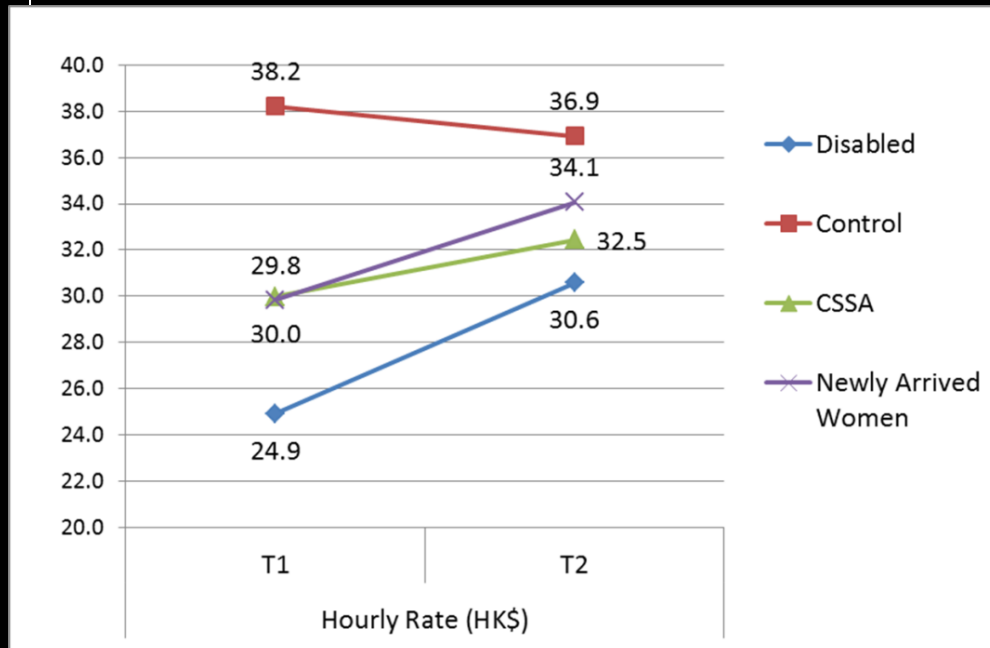


Compare changes of Hourly Rate of different groups from T1 to T2

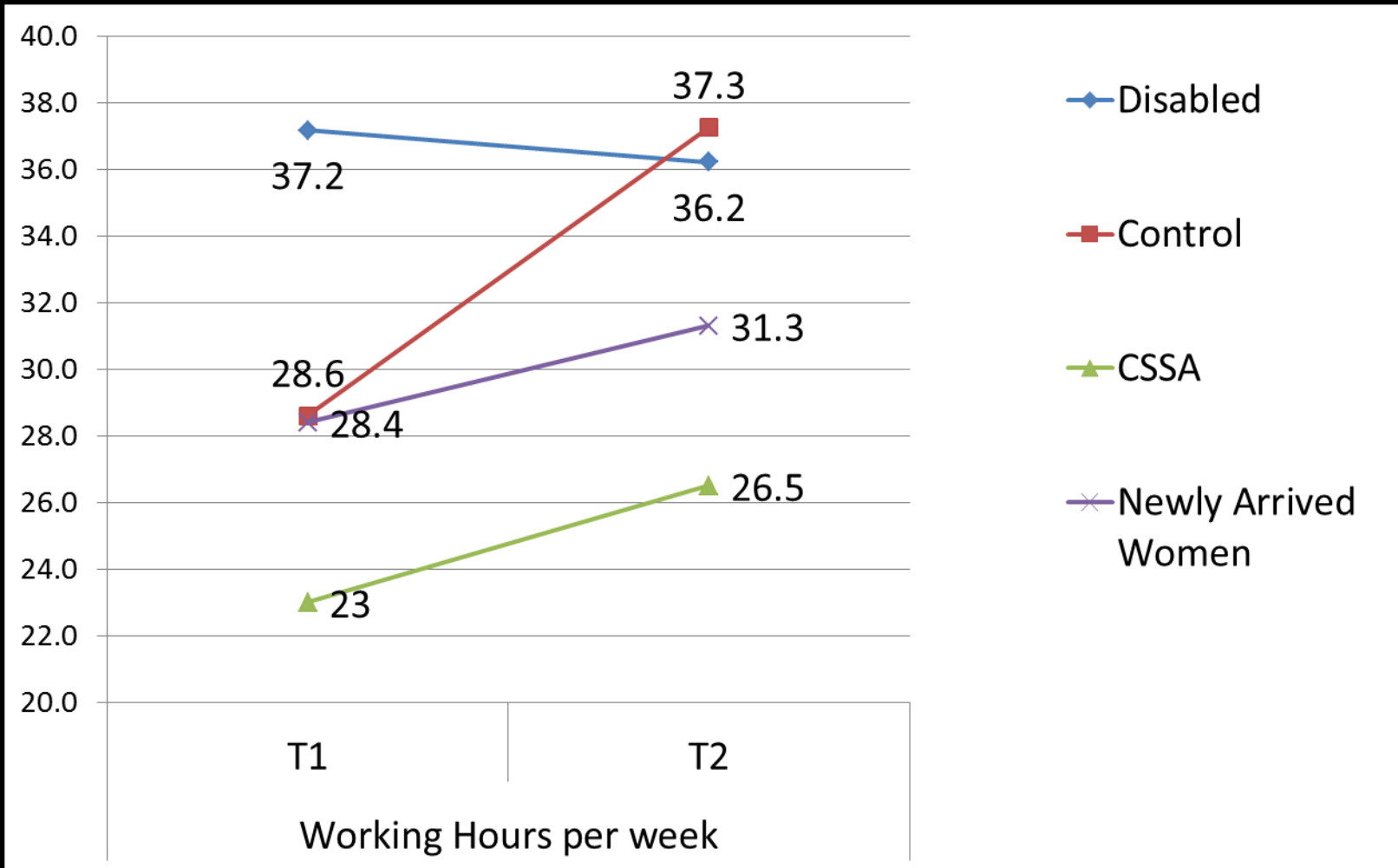


Changes in Hourly Rate

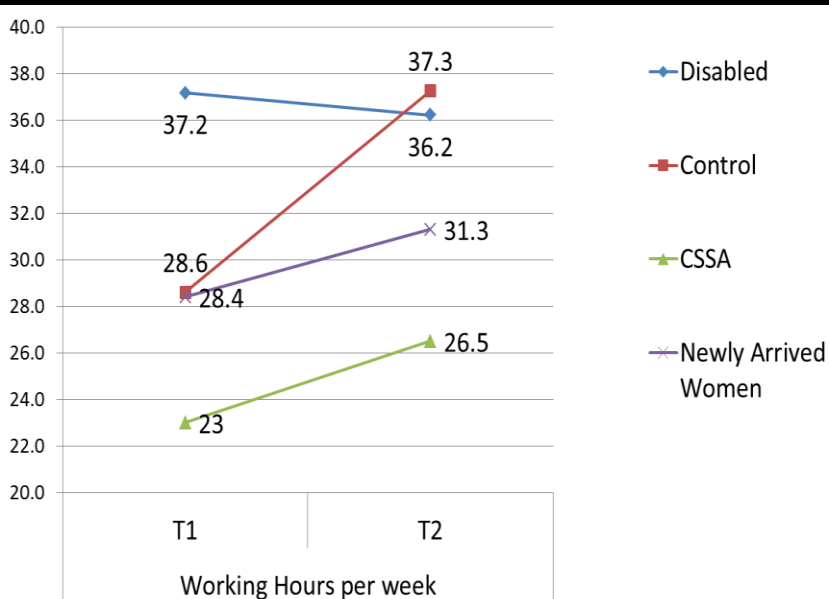
- Only control group recorded a decrease of the average hour rate **from \$38.2 to \$36.9**
- All the other three vulnerable groups received increase in hourly rate.
- Hourly rate for persons of disabilities were lower than the other two vulnerable groups both in T1 and T2. It increased **from \$24.9 to \$30.6**.
- Mean differences of hourly rate for all groups between T2 and T1 were not significant according to the t-test



Compare changes of Working Hours of different groups from T1 to T2

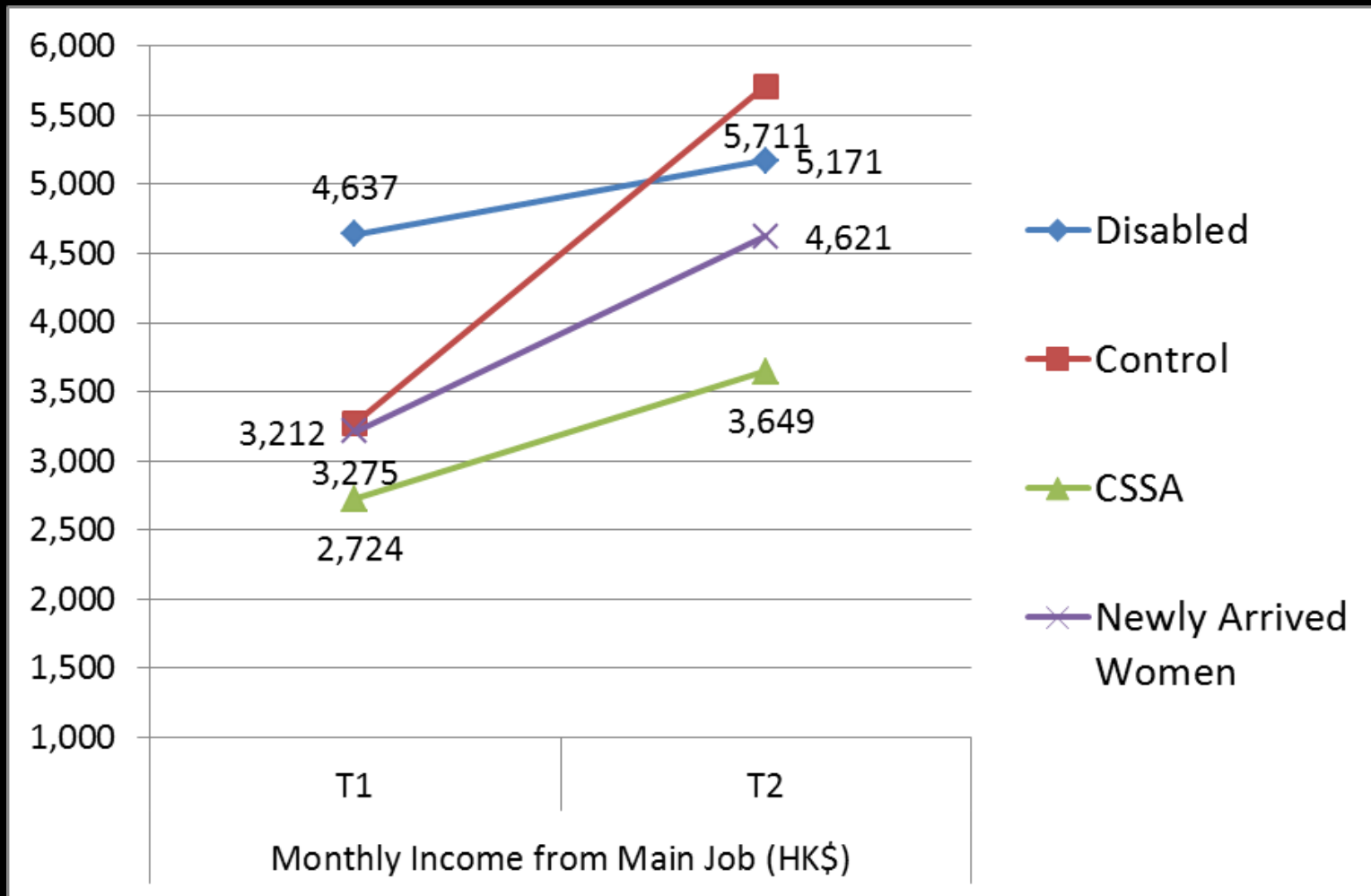


Working Hours

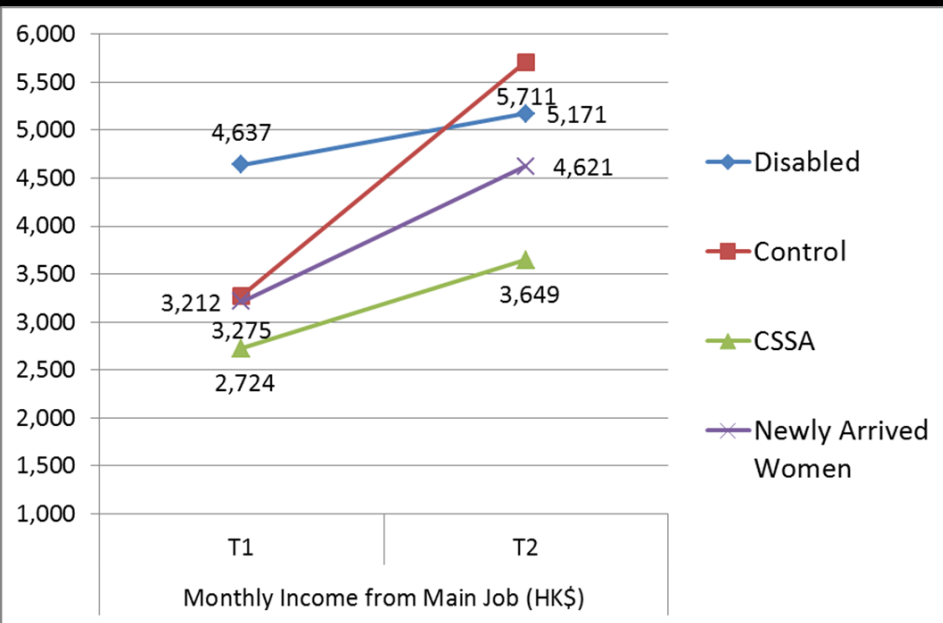


- only person with disabilities recorded a decrease of the working hour from \$37.2 to \$36.2, though the mean difference is not significant.
- the other two vulnerable groups, their working hours increased but the increase also not significant.
- Increase of working hours for low-income control group from 28.6 hours to 37.3 hours were significant ($p < 0.01$)

Compare changes of Monthly Income from Main Job of different groups from T1 to T2



Increase in Monthly Income



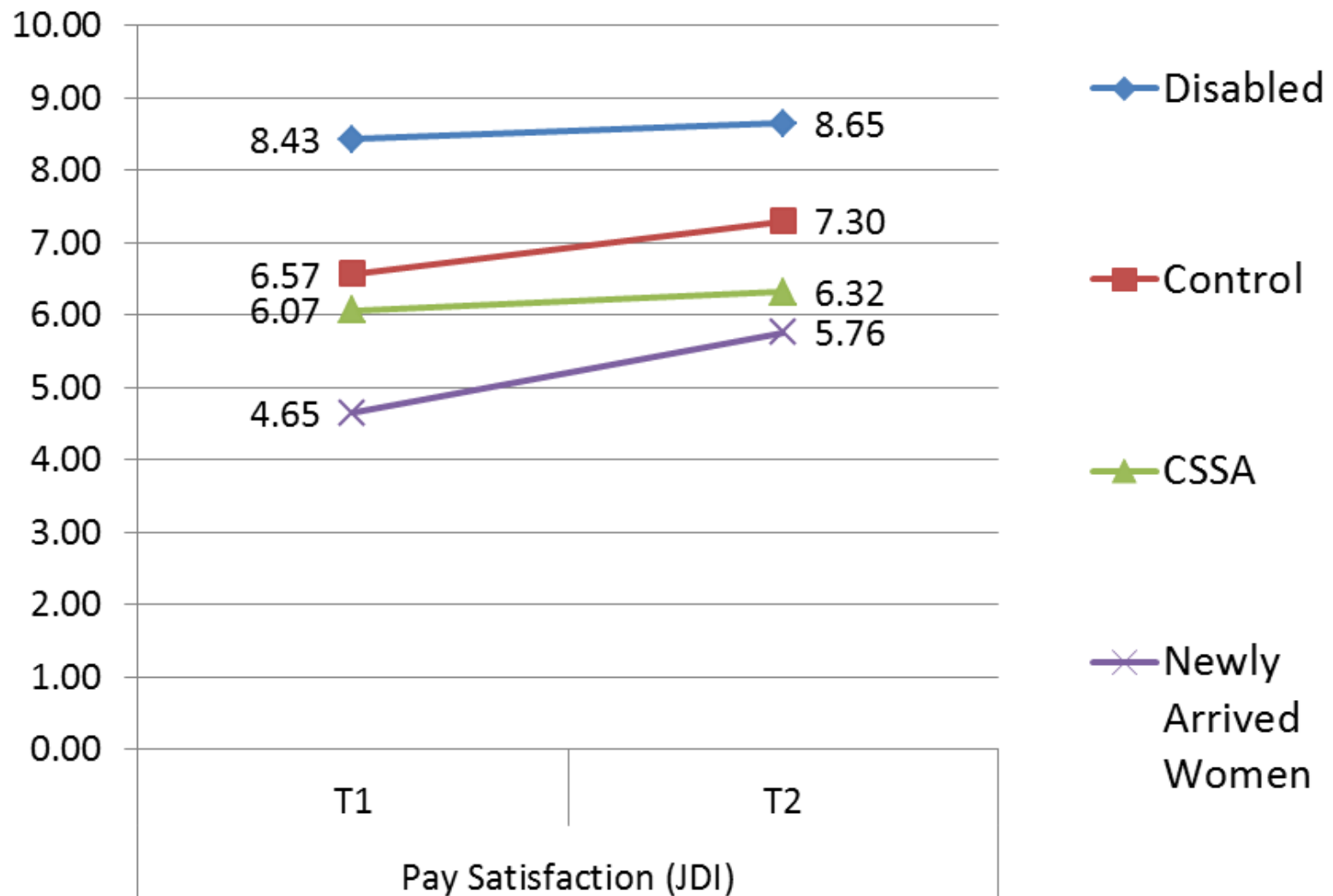
- all four groups recorded increase of their monthly income from main job. However **only increase of monthly income from main job of person with disabilities is not significant**
- monthly income from main job of persons with disabilities (**\$4,537**) in T1 are the highest among the four groups, the impact of the SMW on them are much less than the other three groups with lower monthly income



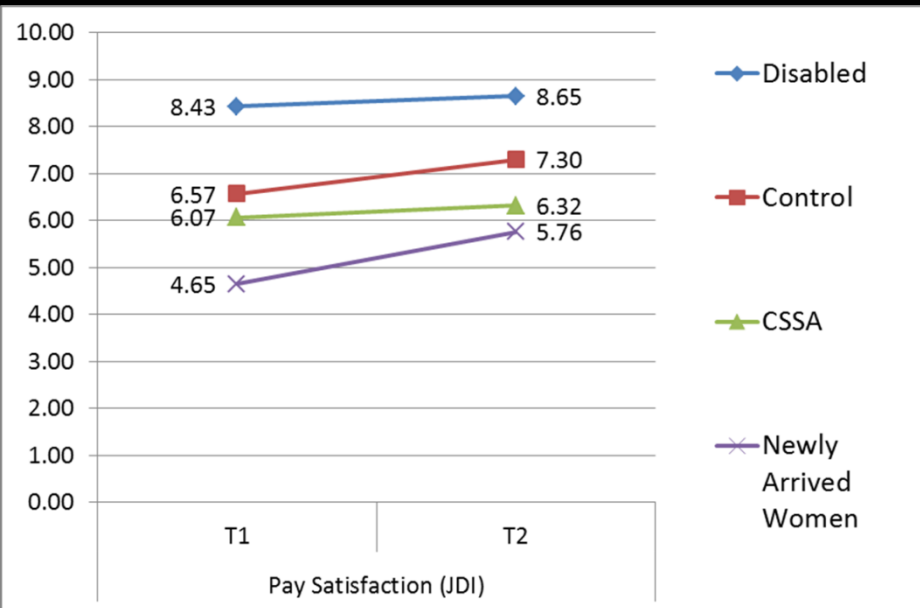
CHANGES OF PAY & JOB SATISFACTION OF PWD VS. CONTROL GROUP



Compare changes of Pay Satisfaction Score from T1 to T2

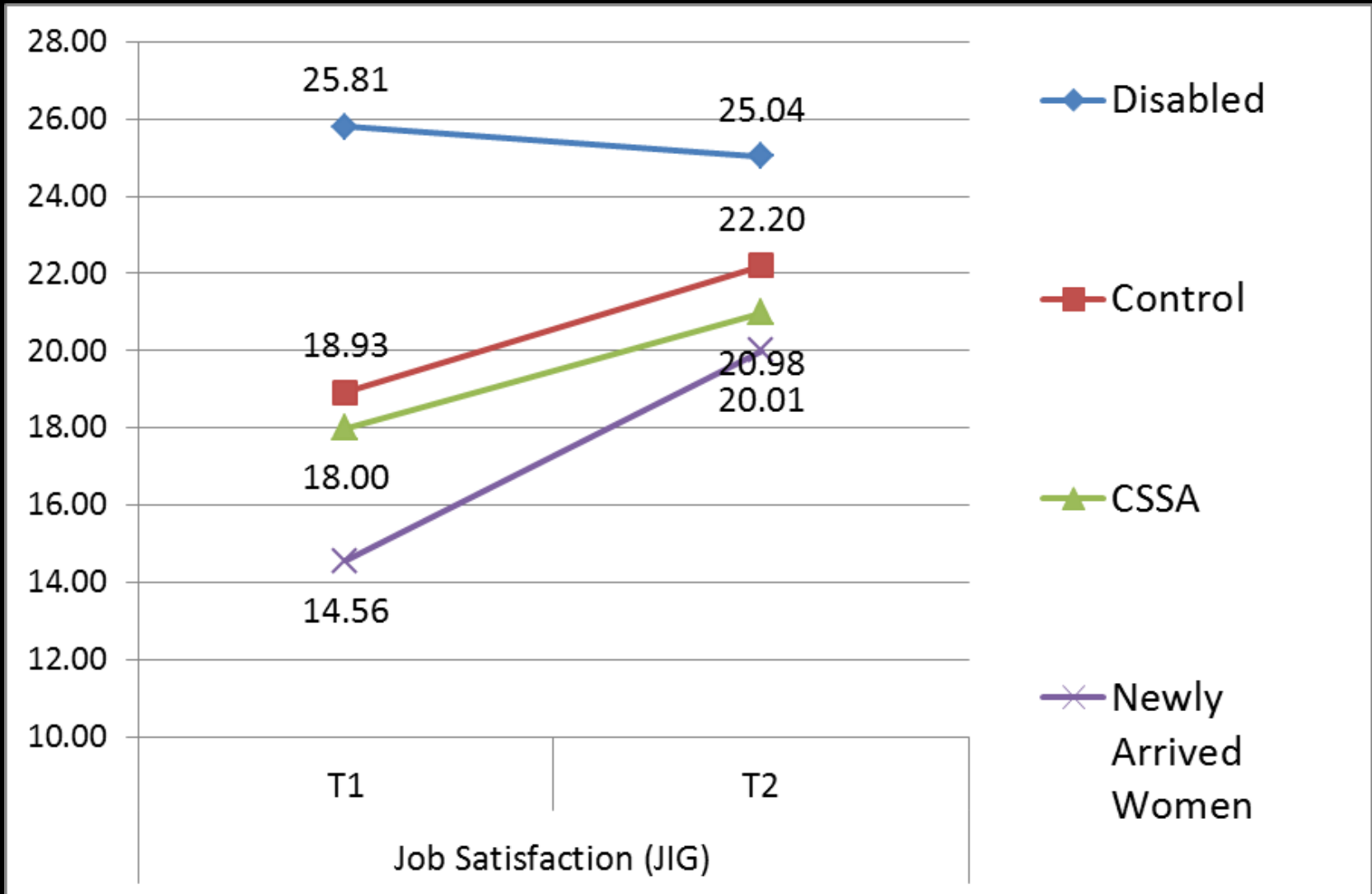


Changes of Pay Satisfaction

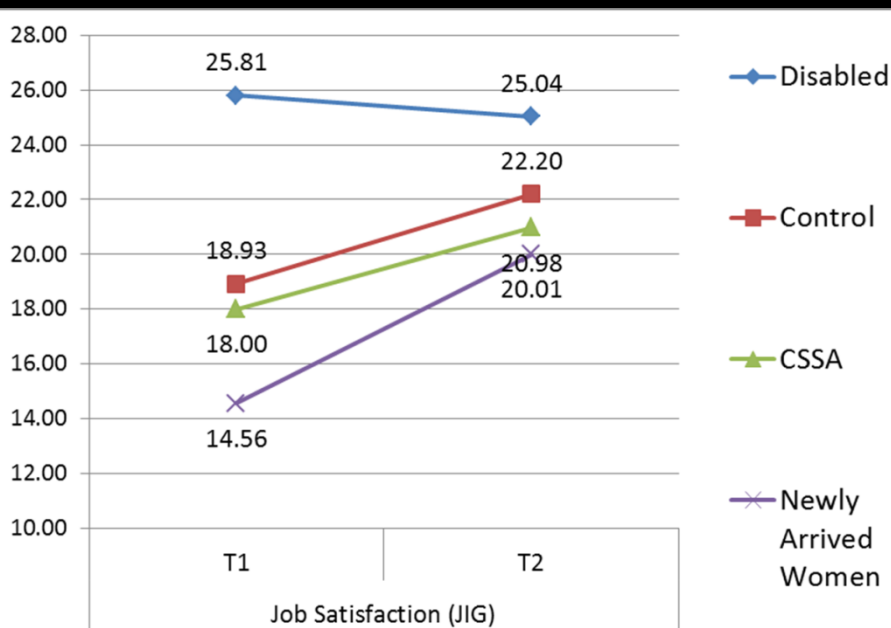


- The Pay Satisfaction score of people with disabilities increased statistical **insignificantly** from 8.43 at T1 to 8.65 at T2
- The score at T1 was very high, which shows that people with disabilities were comparatively **satisfied with their pay** before the implementation of SMW.
- After implementation, there was not much room for an increase.

Compare changes of Job Satisfaction Score from T1 to T2



Decrease in Job Satisfaction



- The Job Satisfaction score of people with disabilities decreased slightly from 25.81 at T1 to 25.04 at T2
- The Job Satisfaction score of the control group increased from 18.93 at T1 to 22.2 at T2
- The relative higher score of people with disabilities was very high at T1 showed that they were satisfied with their job before the implementation of SMW.
- However, their job satisfaction decreased after implementation.

The Back Door : Productivity Assessment Scheme

- Statutory minimum wage (SMW) applies to employees with disabilities and able-bodied employees alike
- Government agreed to set up a special Productivity Assessment Scheme, which allows employees with disabilities should be remunerated at not lower than the SMW rate or at a rate commensurate with their productivity
- Loop hole or remunerated at not lower than the SMW rate or at a rate commensurate with their productivity



Choose without choice

- Only 316 persons with disabilities had completed the productivity assessment in July 2013
- People with disabilities choose to join but not to invoke the transitional arrangement of assessment in order to remain at their current job.
- In other words, they were forced to choose to do so under limited choices. In fact, this transitional arrangement only delays the actual effects of SMW



Conclusion

- Major impacts of SMW on people with disabilities are its negative employment effects, both employment rate and working hours decreased significantly after the implementation of SMW
- More positive employment and wage effects can be found in other two vulnerable groups (newly arrived women and CSSA recipients), as well as the control group (low-income families)



Vulnerable position

- SMW has the least positive wage effect on people with disabilities, while the Low-income Control Group and the Newly Arrived Women undergone significant positive wage effect.
- The main reason about the different wage effect is that the increase of working hour of the people with disabilities was less than the other groups
- Vulnerable position in the labour market as their employment opportunities are limited



Recommendation

- The government can refer to the employment policies of France and establish an employment quota system and a compensation system. For instance, legislation should be made so that enterprises with over 100 staff should include 5% staff who have disabilities.
- If the enterprise cannot hire an adequate number of people with disabilities, it has to make up the remaining balance by providing people with disabilities with working subsidies.



Recommendation

- It is recommended that people with disabilities should be protected by SMW, but employers could request their employees with disabilities to undergo a productivity assessment.
- If there was a disparity between required ability and actual ability after assessment, the employers could pay them according to their actual ability. The remaining amount payable would be subsidized by “Employment Fund for People with Disabilities” set up by the Government





Thank you!