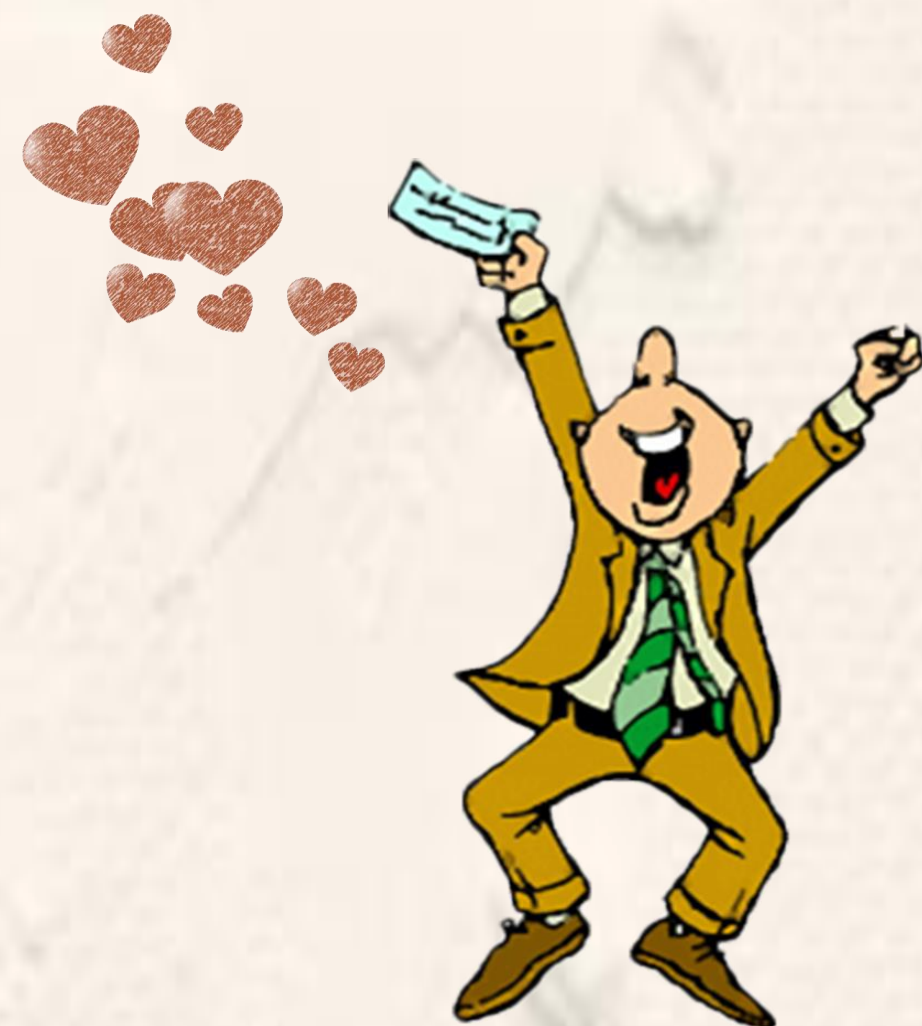


# CAN THE MINIMUM WAGE IN HONG KONG REDUCE THE NUMBER OF WORKING POOR?



1

## BACKGROUND

Minimum wage policy was introduced nine years ago with revision on the wage level for every two years. The effectiveness of the policy will be evaluated with respect to the official poverty line which has been revised each year since 2012.

We adopt low-income households with targeting three-persons family size and those who are economically active to have work and to get income excluding subsidies.

2

## WORRIES FROM THE PUBLIC

Workers might lose their job due to higher burden for enterprises. Higher employment cost would lead to reduction on aggregate supply.

Inflation will be induced due to higher production cost brought by the increase of wage.

3

## METHODOLOGY AND DATA ANALYSIS

$y = mx + c + \epsilon$ 

Low-income Working Households

Minimum Wage

Constant Term

Error Term

The regression analysis would be more rigorous and accurate when there are more factors rather than only including minimum wage data.

$$\log Y_1 = X_0 + a_1 \log X_1 + a_2 \log X_2 + a_3 X_3 + a_4 X_4 + a_5 X_5 + a_6 X_6 + a_7 X_7 + a_8 X_8 + \epsilon$$

With inclusion of CPI, Government Expenditure, Welfare Factors and Employment data from reliable database between 2004 to 2019, the regression analysis would be more explainable to the effect of the implementation of Minimum Wage Policy.

5

## RESULT

Each factor with P-Value less than 0.05 suggests that the regression analysis is statistically significant. The factor of minimum wage policy can affect number of low-income working households.

4

## NO WORRIES

Employment decisions are mainly affected by Macro-economic factors rather than the wage policy.

The extent of increase in wage is greater than the increase in price level.

Minimum wage benefits a certain proportion of underpaid workers who are determined to be low-skilled workers to join the labor market with higher wage.

The result shows a negative relationship between the level of minimum wage and the number of low-income working households.

Approximately, 1% increase of minimum wage would decrease 0.12% of low-income working households.

6

## CONCLUSION

Minimum wage could reduce the number of low-income working households and this policy is justified from the viewpoint of economics.