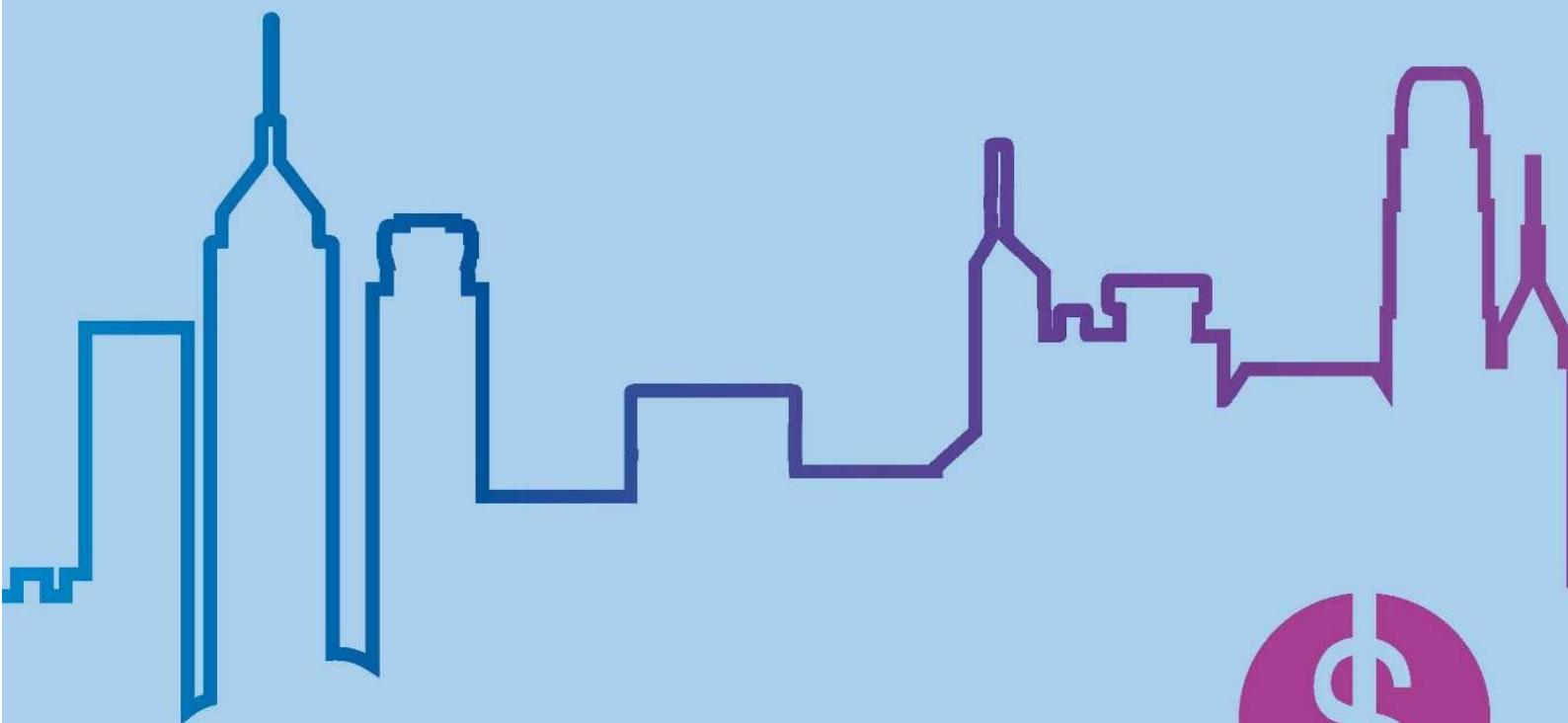


Minimum Wage Commission

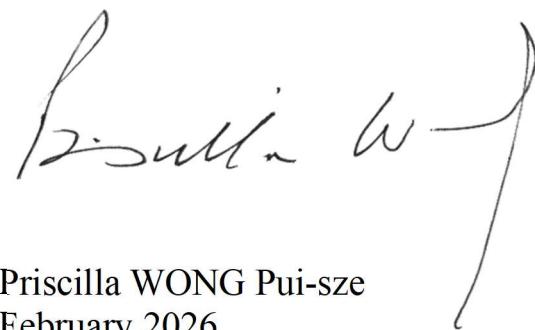
2026 Report on Reviewing the Statutory Minimum Wage Rate



Chairperson's Foreword

- 1 It is my honour to continue serving as the Chairperson of the Minimum Wage Commission (MWC) and witness the launch of the new annual review mechanism of the Statutory Minimum Wage (SMW) (the new mechanism). Culminating from the collaborative efforts of my fellow Members in the previous term, the new mechanism augments the SMW regime by responding positively to calls for annual adjustments. As such, it preserves and enhances the balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs, while giving due regard to sustaining Hong Kong's economic growth and competitiveness.
- 2 Under the new mechanism, the MWC reviews the SMW rate annually by adopting a unanimously agreed formula. Comprising both the headline Consumer Price Index (A) inflation and an economic growth factor, the formula seeks to maintain the purchasing power of low-income employees while enabling an adjustment suitably higher than inflation when the Hong Kong economy performs well. The formula-based approach of reviewing the SMW rate also enhances the predictability and transparency of the annual adjustment, thereby facilitating employers' prior arrangements, minimising contention and fostering harmonious labour relations.
- 3 To set the new mechanism in motion, the MWC has been tasked to conduct the first annual review of the SMW rate and submit a recommendation report to the Chief Executive (CE) in Council by end-February 2026 in accordance with the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong). The MWC deliberated and agreed on the implementation arrangements for adopting the formula, examined the latest figures of the formula's indicators, and assessed the impacts of the recommended SMW rate from different perspectives. The review completed in 2026 marked a milestone of the SMW regime.

- 4 With the new mechanism, SMW will continue to safeguard the employment earnings of grassroots employees while giving due regard to sustaining Hong Kong's economic growth and competitiveness. We believe that with the concerted efforts of employers, employees and the Government, Hong Kong is well-placed to rise up to challenges and scale new heights, as it always does.
- 5 In this term, it has been a privilege to work alongside veteran and distinguished Members. As a team fielded by experts in their respective areas, we hold each other in our hearts and minds to strive towards a common goal. I am profoundly grateful to my esteemed Members for their collaborative spirit and unwavering dedication. Taking this opportunity, I would also like to extend my gratitude to the Secretariat staff for their professional and sterling support.
- 6 I am pleased to submit to the CE in Council the *Minimum Wage Commission 2026 Report on Reviewing the Statutory Minimum Wage Rate*.



Priscilla WONG Pui-sze

February 2026

1 Work of the Minimum Wage Commission

1.I Statutory Functions

- 1.1 The Minimum Wage Commission (MWC) is established under the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (MWO) with the main function to, when required by the Chief Executive (CE) to do so, make a recommendation about the amount of the prescribed minimum hourly wage (i.e. the Statutory Minimum Wage (SMW) rate) to CE in Council. In performing its functions, MWC is required to maintain an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs, and give due regard to sustaining Hong Kong's economic growth and competitiveness.
- 1.2 MWO stipulates that CE must require MWC to make a recommendation about the SMW rate and submit a report at least once in every two years. Starting from 1 May 2025, the SMW rate is \$42.1 per hour. In addition, MWC has any other function given to it by CE in accordance with MWO.

1.II Composition and Membership of the Minimum Wage Commission

- 1.3 Pursuant to MWO, MWC consists of a Chairperson, nine non-official members and three official members. The non-official members comprise three members each from the labour sector, business sector and academia. The Chairperson and the nine non-official members are appointed by CE on an ad personam basis. The two-year tenure of MWC of the current term (2025-27) started from 1 March 2025. The Labour Department and the Office of the Government Economist of the Financial Secretary's Office provide secretariat support for MWC.

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



Chairperson	Ms Priscilla WONG Pui-sze, S.B.S., J.P. (front row: middle)
Non-official Members^(*)	Mr Calvin CHAN Ka-wai, M.H. (back row: 2 nd from left)
	Mr Allen CHENG Siu-kai (back row: 3 rd from left)
	Professor FONG Yuk-fai (back row: 3 rd from right)
	Mr Wilson KWONG Wing-tsuen, M.H. (front row: 2 nd from right)
	Mr LAM Chi-ting, M.H. (back row: 2 nd from right)
	Professor Joyce MA Lai-chong, J.P. (back row: 4 th from left)
	Ms NG Wai-yee, M.H., J.P. (front row: 2 nd from left)

	Dr Ricky SZETO Wing-fu (back row: middle)
	Professor TANG Hei-wai (front row: 1 st from left)
Official Members	Permanent Secretary for Labour and Welfare Ms Alice LAU Yim, J.P. (front row: 1 st from right)
	Permanent Secretary for Commerce and Economic Development Ms Maggie WONG Siu-chu, J.P. (back row: 4 th from right)
	Government Economist Mr Adolph LEUNG Wing-sing, J.P. (<i>up to 7 April 2025</i>)
	Acting Government Economist Dr Cecilia LAM Kwok-ying, J.P. (back row: 1 st from left) (<i>from 8 April to 2025 to 4 January 2026</i>)
	Government Economist Ms Irina FAN Yuen-yee (<i>from 5 January 2026</i>)
Secretary	Chief Labour Officer (Statutory Minimum Wage) Ms Samantha LAM Yick-wah (back row: 1 st from right)

(*) listed in alphabetical order of the surname

1.III Underlying Principles of Discharging Functions

In conformity with the statutory requirements

1.5 Pursuant to MWO, the main function of MWC is, when required by CE to do so, to make a recommendation about the SMW rate to CE in Council.

Dissemination of information and principle of confidentiality

1.6 Noting the community's interest in SMW, MWC strives to keep the public and stakeholders abreast of its work. The latest news and information, including press releases, are disseminated on the MWC webpage (www.mwc.org.hk) from time to time for reporting its work progress to the public.

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

Taking the overall interest of the community as the major premise

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

1.IV Implementing Annual Review of the Statutory Minimum Wage Rate

1.9 On 30 April 2024, CE in Council accepted the recommendations of MWC of the previous term (2023-25) on enhancing the review mechanism of SMW¹, which included:

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

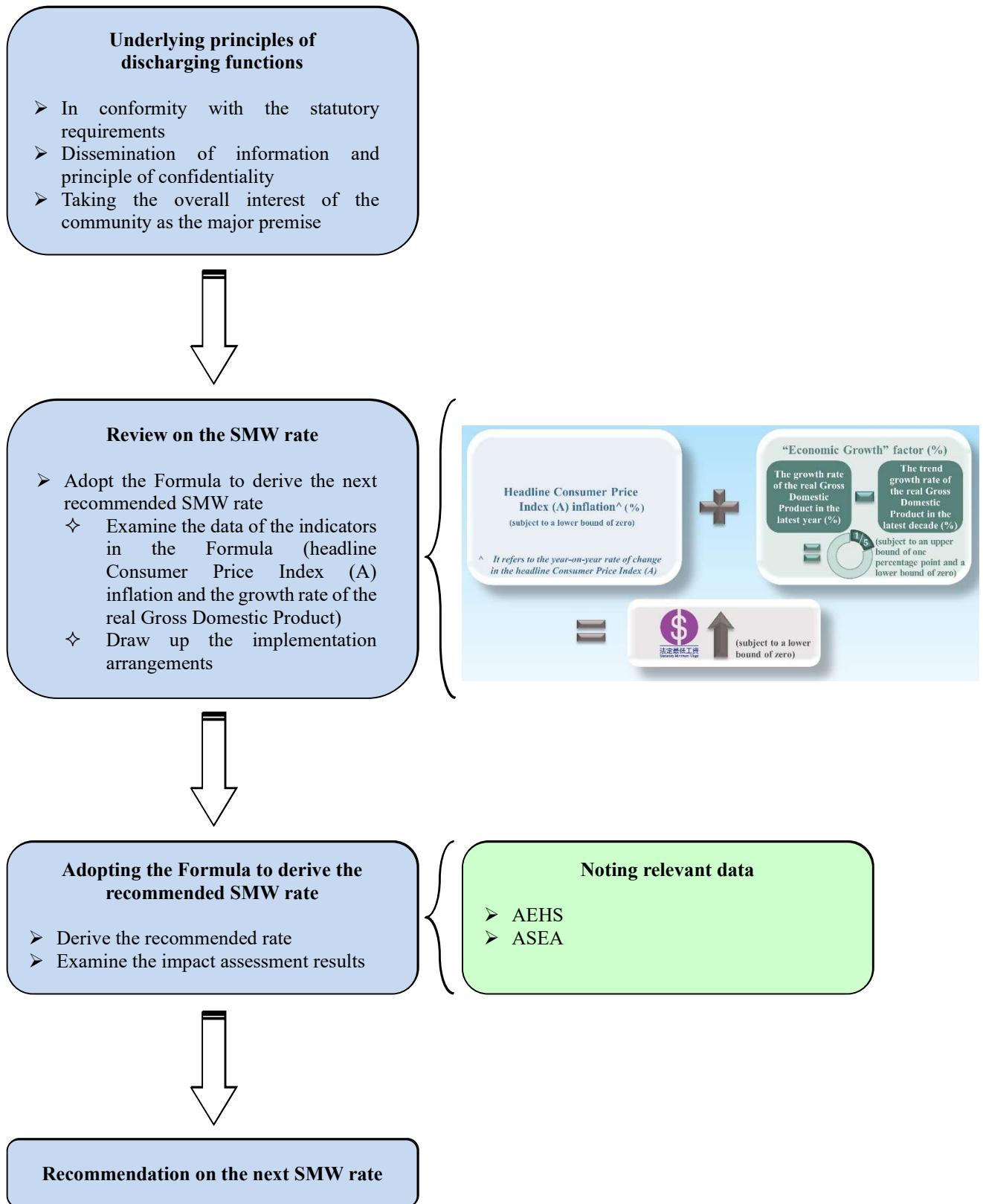
CE's 2024 Policy Address announced that the Government would implement the new annual review mechanism of SMW. CE's 2025 Policy Address announced the adoption of the Formula for implementing the annual review. The first SMW rate derived under the new mechanism was expected to take effect on 1 May 2026.

1.10 The Secretary for Labour and Welfare, in exercise of the authority delegated by CE, has required the current-term MWC to submit a report on the recommendation of the SMW rate on or before 28 February 2026 in accordance with MWO.

1.11 MWC unanimously agreed to adopt the Formula set out in paragraph 2.1 to recommend the next SMW rate. In the course of reviewing the SMW rate, MWC examined the relevant data of each indicator in the Formula, drew up the implementation arrangements and conducted the impact assessment. MWC also noted the major findings of the 2023 Annual Survey of Economic Activities (ASEA) and the 2024 Annual Earnings and Hours Survey (AEHS).

¹ MWC submitted the Study Report on Enhancing the Review Mechanism of the Statutory Minimum Wage to CE in October 2023. The Study Report is available on the MWC webpage: https://www.mwc.org.hk/en/downloadable_materials/2023_Report_of_the_Minimum_Wage_Commission_en.pdf.

Figure: Process of MWC in reviewing the SMW rate



2 Methodology of Reviewing the Statutory Minimum Wage Rate

2.I The Formula Adopted

2.1 MWC adopted the following Formula to recommend the next SMW rate:

The annual rate of adjustment in SMW (%)	=	Headline Consumer Price Index(A) (CPI(A)) inflation ^(Note)	“Economic Growth” (EG) factor*
		(subject to a lower bound of zero)	

* EG factor = [(the growth rate of the real Gross Domestic Product (GDP) in the latest year – the trend growth rate of the real GDP in the latest decade) × 20%] (EG factor is subject to an upper bound of one percentage point and a lower bound of zero.)

(Note: It refers to the year-on-year rate of change in the headline CPI(A).)

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

2.II Reference Period of the Indicators in the Formula

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

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

2.III Decimal Place and Rounding Method Adopted for the Data and the Result Derived from the Formula

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

2.IV Locking the Data of the Indicators in the Formula

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

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

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

3.I Recommendation of the Statutory Minimum Wage Rate

3.1 MWC adopted the Formula set out in paragraph 2.1 to recommend the next SMW rate and the indicators would cover the data of 2025. The recommended SMW rate derived based on the latest actual figures of the three indicators in the Formula² is shown in the Table as follows:

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

Year	Indicator in the Formula			Rate of adjustment obtained by using the Formula (%)	Recommended SMW rate (\$)
	Headline CPI(A) inflation (%)	Growth rate of the real GDP in the latest year (%)	Trend growth rate of the real GDP in the latest decade (%)		
2025	1.9	3.5	1.2	2.36	43.1

Source: Census and Statistics Department.

3.2 MWC therefore recommended that the prevailing SMW rate of \$42.1 per hour be increased to \$43.1 per hour, which is \$1.0 or 2.38%³ higher than the prevailing SMW rate.

² In accordance with the decision of MWC, the relevant figures have been updated to the latest actual figures as of 30 January 2026.

³ As the recommended SMW rate has been rounded to the nearest ten cents, the actual percentage rate of adjustment may not be exactly the same as the one listed in the Table above.

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

3.3 As usual, MWC assessed the potential impacts of the recommended SMW rate on employees, enterprises, unemployment rate and inflation. The impact assessment continued to follow the methodology adopted in the past. Results of the impact assessment showed that the SMW uprating from the prevailing rate of \$42.1 per hour to the recommended rate of \$43.1 per hour will benefit a certain number of low-income employees, while the overall impacts on costs of enterprises, unemployment rate and inflation will be relatively modest.

3.4 For the impact on employees, MWC estimated that before the SMW uprating to the recommended rate in the first half of 2026⁴, the number of employees earning hourly wages below the recommended rate (i.e. pre-adjustment employees involved) would be around 18 800 to 39 400, representing about 0.7% to 1.4% of all employees in Hong Kong. As enterprises strive to maintain the wage differentials among employees at different ranks, some of those employees earning at or above the recommended SMW rate before the implementation of the recommended SMW rate will also get a pay rise due to the SMW uprating (i.e. knock-on effect on pay hierarchies). Therefore, the number of employees benefitting from the SMW uprating should be more than the number of pre-adjustment employees involved as abovementioned.

3.5 As for the impact on enterprises, for all sectors combined, the additional wage bills due to the SMW uprating to the recommended rate (including the knock-on effect on pay hierarchies) would be about \$110 million to \$260 million, representing about 0.01% to 0.03% of the total wage bills. In particular, the impact would be relatively more visible for those sectors that employ more low-paid employees and have a higher proportion of relevant labour costs. The additional wage bills for

⁴ The impact assessment reflected the potential impacts of implementation of the recommended SMW rate in May 2026, in which the economy is assumed to grow by 0% to 4% year-on-year in the first half of 2026. Given the same recommended SMW rate, the higher the assumed economic growth, the smaller would be the number of pre-adjustment employees involved, and the corresponding impacts on costs of enterprises, unemployment rate and inflation would also be smaller.

low-paying sectors (LPS) as a whole⁵ would be about \$80 million to \$170 million, representing about 0.05% to 0.12% of the total wage bills of LPS.

- 3.6 As for the impact on unemployment, MWC estimated that the number of unemployed grassroots workers would increase by about 200 to 500 as a result of the SMW uprating to the recommended rate, and the overall unemployment rate would rise by about 0.01 percentage point.
- 3.7 As for inflation, assuming a full pass-on of additional wage bills to prices of products and services, the Composite CPI inflation and the CPI(A) inflation would go up by about 0.01 percentage point⁶.
- 3.8 Considering the time gap between the review of the SMW rate and the implementation of the recommended rate, MWC already strived to make forward-looking estimations as far as possible when conducting the impact assessment as stated in this Chapter. That said, there exist complex interactions between the economic environment and the labour market, and various sectors would also adjust continuously. Hence, the impact assessment was only meant to understand the potential impacts of SMW uprating at the macro level, and the results should **not** be taken as a precise forecast of the actualities of relevant situations. At the micro level, individual enterprises are unique and diversified in terms of operating modes, types of goods/services, labour supply and demand conditions, profitability situation, as well as strategies in response to an SMW uprating. Owing to data limitations, the impact assessment did not analyse the conditions of individual enterprises.

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

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

4 Conclusion

- 4.1 MWC was of the view that the adoption of the Formula to recommend the SMW rate was consistent with the policy objectives stipulated in MWO (paragraph 1.1 refers).
- 4.2 Based on the latest actual figures of the indicators in the Formula, the recommended SMW rate is \$43.1 per hour, which is \$1.0 or 2.38% higher than the prevailing SMW rate (i.e. \$42.1 per hour).
- 4.3 Based on the impact assessment results, raising SMW to the recommended rate would benefit a certain number of low-income employees, while the overall impacts on costs of enterprises, unemployment rate and inflation would be relatively modest (paragraphs 3.4 to 3.7 refer).
- 4.4 MWC stressed that the Formula should be solely adopted for the purpose of adjusting the SMW rate. It should not be regarded as an indicator of pay rise in the labour market, nor should it be taken as a factor of consideration in pay adjustment or used as a reference for pay trend survey, etc.
- 4.5 MWC successfully completed the first annual review of the SMW rate under the new mechanism, unfolding a new chapter of the SMW regime.