

Living Wage Charter Information for Potential Charter Signatories

1. Introduction

Oxfam believes that a just society should move towards a human economy. Workers should be adequately remunerated for safeguarding a decent standard of living (Oxfam, 2018). Therefore, Oxfam Hong Kong (OHK) initiated a Living Wage Initiative in 2018 to call for the voluntary implementation of Living Wages among Hong Kong's employers.

This document provides details and practical guidance on the implementation of Living Wages at your organisation. We sincerely look forward to your participation in the Initiative.

2. What are Living Wages?

Oxfam considers the statutory minimum wage an insufficient wage rate to satisfy basic necessities. We propose a higher hourly rate of remuneration ("Living Wage") that affords a decent standard of living for both workers and their families. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing and provision for unexpected events (Anker and Anker, 2017)¹. The Living Wage rate will be reviewed annually, reflecting changes to the Consumer Price Index (A) and the new rate will be announced around April every year.

We ask that signatories of the Charter pay all directly employed staff members the updated Living Wage rate within 6 months after signing the Charter. For directly outsourced staff², we encourage signatories to have a phased plan to implement Living Wage pay within 2 years. For examples on calculating Living Wages, you may also refer to Appendix 2 on page 9-12.

¹ Anker, R., & Anker, M. (2017). Living wages around the world: Manual for measurement. Cheltenham: Edward Elgar Publishing.

² Outsourcing of services is a common practice in Hong Kong in which outsourced staff are employed by contractors. In fact, the HKSAR Government has long engaged the private sector to deliver public services such as cleaning, security, low-skilled workers, etc. through outsourcing.

3. Benefits for Your Organisation

Oxfam believes that implementing Living Wages would benefit both employers and staff members. Living Wage employers in other countries have identified the following benefits for their staff members:

- Improved staff retention rates
- Positivity about the workplace and employers
- Improved psychological well-being

Organisations also find improvements to their corporate images:

- Enhanced reputation for attracting new customers and employees
- Differentiation from competitors

4. Experience in Other Countries

Voluntary Living Wages have been implemented by employers in the United Kingdom, New Zealand, and elsewhere across private, public, and non-profit sectors.

Private Sector

Over 12,000 employers in the U.K.'s private sectors have voluntarily signed on and pay Living Wages, anywhere from banks (or financial institutes) to retailers.

Linklaters, a global corporate law firm headquartered in London, has witnessed the following changes after implementing Living Wages for its U.K. staff members³:

- Enhanced quality of work among client-facing support staff
- Increased commitment of staff members
- More flexible and experienced teams

Public Sector

Government authorities, schools and healthcare bodies are among some of the U.K.'s public bodies that implement Living Wages.

New Zealand's Wellington City Council notes that the implementation of Living Wages

³ Living Wage Foundation, "Case Study: Linklaters," February 2018, https://www.livingwage.org.uk/sites/default/files/TheLivingWage_CaseStudies_Linklaters_Apr18.pdf.

by the public sector can⁴:

- demonstrate the organisation's values
- promote Living Wages to other actors

Non-profit Sector

Non-government organisations and charities have committed to implementing Living Wages, to name a few Oxfam Hong Kong, Oxfam New Zealand, and Amnesty International U.K.

5. Implementation Guidelines

Commitment to the Charter

What are the responsibilities for my organisation?

- You are expected to make the following commitments:
 - To incorporate Living Wages into your organisation's strategies; and
 - To designate a responsible person to oversee the implementation of the Living Wages; and
 - To remunerate all your directly employed staff not less than the Living Wage rate; and
 - To review wage rates of outsourced staff before the expiration of existing contracts, to ensure that wage payments for all outsourced staff who work at least 18 hours a week on your premises are paid not less than the Living Wage rate; and
 - To announce your commitment to the Charter to staff members and your networks; and
 - To display the Living Wage employer logo on your website and materials to share your commitment; and
 - To promote the Living Wage Initiative.

Is there a deadline for implementing Living Wages?

- You are expected to implement Living Wages for all your directly employed staff

⁴ Wellington City Council, "New Procurement Strategy Brings Benefits to City," News and Information, Wellington City Council, February 26, 2021, <https://wellington.govt.nz/news-and-events/news-and-information/our-wellington/2021/02/procurement-strategy>.

immediately and outsourced staff who work at least 18 hours a week on your premises at the Living Wage rate in phases within 2 years.

Is there a deadline for implementing changes to the Living Wage rate?

- You are expected to adjust your wage rate accordingly within 6 months after Oxfam's announcement of annual changes to the Living Wage rate. The new rate will be calculated after the government announces the whole-year CPI.

Would breach of the Charter incur liabilities?

- No. It is entirely voluntary to commit to the Charter. However, if your organisation breaches the Charter and does not comply with its guidelines after several reminder for non-conformities, you might result in removal of the Living Wage employer list and prohibition on the usage of the Living Wage logo in any materials (including websites and publication) or in any other way hold itself out as being associated with the Charter.
- You are encouraged to honour the Charter as a commitment to both your staff and your networks.

Could my organisation renounce our commitment to the Charter?

- Yes. It is entirely voluntary to commit to the Charter. You must submit a written notice to Oxfam if you decide to withdraw your commitment.
- You should remove the Living Wage employer logo from your website and materials after your withdrawal.
- Nonetheless, you are encouraged to honour the Charter as a commitment to both your staff and your networks.

How should my organisation determine the number of working hours of my staff?

- Notwithstanding any provisions on standard working hours in contracts of employment or contracts for service, Living Wage payments should always be calculated in terms of actual working hours.
- Overtime compensations are also payable based on Living Wage rates, provided that the contract of employment concerned stipulates overtime payments.

What should NOT count towards Living Wages?

- Employers' contributions to the Mandatory Provident Fund Schemes (MPF) DO NOT form any part of Living Wage payments.
- Bonuses DO NOT form any part of Living Wage payments.
- Any non-monetary rewards, one-off rewards or gratuities DO NOT form any part of Living Wage payments.

Should commissions count towards Living Wages?

- Any commission that is paid, with the prior agreement of your staff, and constitutes a large part of that staff's salary, can be counted towards Living Wages, under the condition that the employer guarantees top up staff's salary to the Living Wage level if the total pay including commission falls below the Living Wage.
- For examples on calculating Living Wages with commissions, you may also refer to Appendix 2 on page 9-12.

Should allowances count towards Living Wages?

- Allowances (e.g., transportation allowances), which are offered on a regular basis could count towards Living Wages at employers' discretion.

Should statutory entitlements under the Employment Ordinance (e.g. holiday pay and annual leave pay, etc) count towards Living Wages?

- Yes, statutory entitlements under the Employment Ordinance (e.g. holiday pay, annual leave pay, sickness allowance, maternity leave pay, severance payment, long service payment, etc) are calculated according to the definition of wages and should count towards Living Wages.

Recipients of Living Wages

Should the contracted and outsourced staff enjoy Living Wage rates?

- The Charter stipulates that Living Wages apply to ALL your directly employed staff, including part-time staff and temporary contracted staff.
- Living Wages also apply to outsourced staff who regularly work on your premises for at least 18 hours a week by phases within 2 years. This includes, but is not limited to, contracted catering, cleaning, security, gardening and ground staff.

- Living Wages do not apply to contractors who supply your organisation with products, or contractors engaged under one-off service contracts and paid by a lump sum amount, regardless of the working hours.
- Living Wages apply to BOTH written and oral contracts of employment.

Should staff members with disabilities enjoy Living Wage rates?

- Yes. The Charter stipulates that Living Wages should apply to ALL staff members, regardless of their abilities.

Should Living Wages apply to staff not directly employed or outsourced by my organisation?

- No. Living Wages DO NOT apply to a staff having no direct contract of employment or contract for service with your organisation.
- For example, Living Wage rates DO NOT apply to cleaners employed by a property management company that provides office cleaning services to all tenants of a building, including your premises.

Should self-employed workers enjoy Living Wage rates?

- No. Living Wages DO NOT apply to self-employed workers who carry on business on their own account.
- As an illustration, freelance workers who are remunerated at a piece rate and/or not entitled to employment-like benefits (e.g., annual leave) are likely treated as self-employed workers for the purpose of Living Wage payments.

Should student interns enjoy Living Wage rates?

- No. Living Wages DO NOT apply to student interns and work experience students during a period of exempt student employment under the Minimum Wage Ordinance (Cap. 608).
- Living Wages DO NOT apply to apprentices registered under the Apprenticeship Ordinance (Cap. 47).

6. Checklist

Deciding your commitment to the Charter

- Determine the number of staff members benefitting from a pay rise.
- Calculate the expenditure incurred by implementing Living Wages.
- Ensure that all directly employed staff are paid at the Living Wage rate within 6 months. For outsourced staff who regularly work on your premises for at least 18 hours a week, a phased plan should be in place to ensure they are paid with the Living Wage within 2 years.
- Adjust wage rates of all directly employed staff to accommodate the Living Wage rate.
- Provide a channel for staff members to express opinions.

After committing to the Charter

- Designate a responsible person to oversee the implementation of Living Wages.
- Enhance clarity over working hours.
- Develop plans for implementing wage rates upon contract renewal with directly outsourced staff.
- Announce your commitment to the Living Wage Charter to your staff and your networks.
- Strive to enhance the health and well-being of your staff.

Upon Oxfam's annual review of Living Wage rates

- Implement changes to Living Wage rates within 6 months after Oxfam's announcement.

7. Conclusion

Oxfam believes that poverty can only be eradicated with support from stakeholders. We look forward to your participation in the Initiative, and to working hand-in-hand with your organisation to create a positive impact on society.

Appendix 1 – The Living Wage Charter

LIVING WAGE CHARTER Statement of Commitment

We are committed to:

- Recognising and supporting the value of paying all staff members at or above Living Wage rates for the organisation.
- Incorporating Living Wages into organisational strategies.
- Reviewing and paying Living Wages (at a minimum) to all directly employed staff immediately and developing a plan of phased implementation applied to outsourced staff who regularly work on our premises for at least 18 hours a week within 2 years.
- Promoting the Living Wage Initiative by raising public awareness and inviting more organisations to join.
- Declaring the commitment of this charter to our staff and business partners.

Implementation

Equal treatment

- The Living Wage policy will be implemented in a fair manner; we will review and pay Living Wages to all directly employed staff, including staff members with disabilities. If any wage falls below the Living Wage rate, we will bring the pay of relevant staff members in line with the current Living Wage.
- We will review the rate of pay with all outsourced staff who work regularly on our premises and develop a plan for paying them at Living Wage rates.
- We will develop a set of achievable milestones to ensure Living Wages are implemented across all relevant contracts and for renewal.

Timely adjustment

- Living Wage rates will be reviewed and announced by Oxfam annually. We will put into effect any necessary raise or reduction in the rates of pay within 6 months of signing the Charter, if not as soon as possible.

(signature)

Name:

Position:

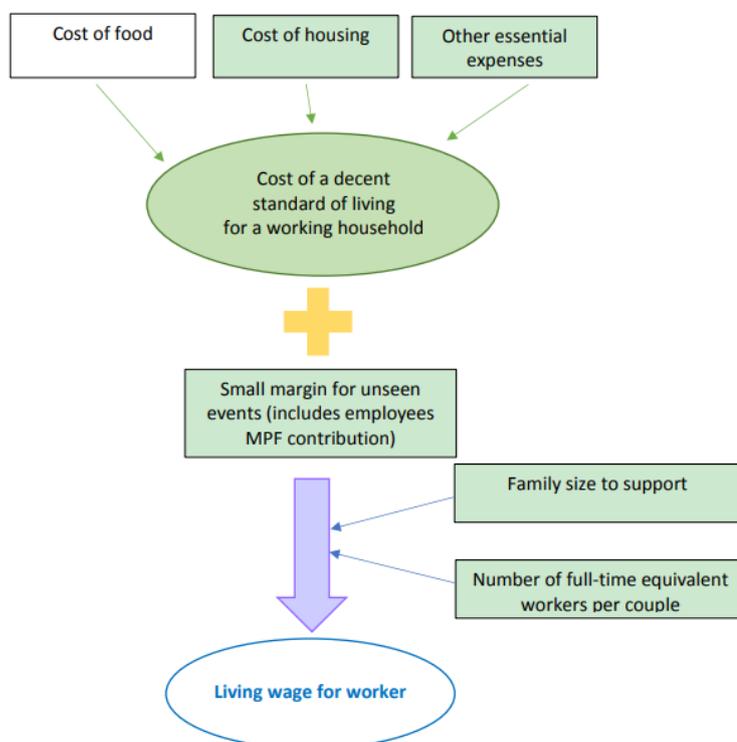
Date:

Appendix 2 – Calculation of Living Wage

In our Living Wage Research 2018, we used the Anker Living Wage methodology (2011)⁵ to calculate the estimation of the cost of a decent standard of living for a worker and his/her family in a particular place to determine the estimated Living Wage. The estimated total cost for a decent standard of living for a typical family is defrayed over the typical number of full-time equivalent workers per family in the area (Anker & Anker, 2017).

Fig1. Flow chart of the methodology for Living Wage estimation

Flow chart of the methodology for estimating a living wage



Announcement on the Living Wage Rate

Oxfam Hong Kong will announce the latest Living Wage standard every year. Employers will have 6 months as buffer time to adjust salary to the latest level.

⁵ Anker, R. (2011). *Estimating a living wage: A methodological review* (Conditions of Work and Employment Series No. 29). Geneva: ILO.

Examples of calculating the Living Wage (using the 2023 Living Wage standard of HK\$60.1 per hour as example)

Below are some examples of how to calculate a Living Wage salary in different situations:

Example 1

For daily-rated or hourly-rated staff:

Salary = Number of actual working hours x Living Wage rate per hour (HK\$60.1)

E.g. If a staff works 3 hours per day, his / her daily salary would be **at least**:

Living Wage according to the total number of hours worked: 3 (hours) x HK\$60.1 (per hour) = HK\$180.3

Example 2

For monthly paid staff:

Notwithstanding any provisions on standard working hours in contracts of employment or contracts for service, Living Wage payments should always be calculated in terms of actual working hours as follows:

Salary = Number of actual working hours per month x Living Wage rate per hour (HK\$60.1)

If a staff works 26 days per month and 8 hours per day, the monthly salary would be **at least**:

Living Wage according to the total number of hours worked:

26 (days) x 8 (hours) x HK\$60.1 (per hour) = HK\$12,500.8

Therefore, employers should pay **at least** the minimum monthly Living Wage of HK\$12,500.8 to their staff.

Below examples illustrate whether the Living Wage should be paid in the monthly salary:

Example 3

Assuming

- An employee with monthly salary of \$11,154 has worked 26 days in a wage period of 30 days with the total number of hours worked was 204 hours including overtime work.

Calculation:

(1) Living Wage according to the total number of hours worked for this month:

$$204 \text{ (hours)} \times \text{HK\$}60.1 \text{ (per hour)} = \text{HK\$}12,260.4$$

(2) Additional wages payable to the employee in respect of this month:

$$\text{HK\$}12,260.4 - \text{HK\$}11,154 = \text{HK\$}1,106.4$$

∴ HK\$1,106.4 difference should be paid extra to meet the Living Wage requirement.

Example 4

Assuming

- an employee with monthly salary of \$14,000 has worked 26 days in a wage period of 30 days with the total number of hours worked was 204 hours.
- in this wage period, payments made to the employee for time include one day of paid annual leave (AL) and one day of paid statutory holiday (SH).

Calculation:

(1) Living Wage according to the total number of hours worked for this month:

$$[204 \text{ (hours)} + 8\text{AL (hours)} + 8\text{SH (hours)}] \times \text{HK\$}60.1 \text{ (per hour)} = \text{HK\$}13,222$$

(2) Wages payable to the employee in respect of this month:

∴ As the monthly salary of HK\$14,000 is > HK\$13,222, the Living Wage requirement is met.

Example 5 (Commissions)

Assuming

- an employee with monthly salary of \$12,000 has worked 26 days in a wage period of 30 days with the total number of hours worked was 204 hours. An additional commission of HK\$500 is also paid.

Calculation:

(1) Living Wage according to the total number of hours worked for this month:

$$204 \text{ (hours)} \times \text{HK\$}60.1 \text{ (per hour)} = \text{HK\$}12,260.4$$

(2) Wages payable to the employee in respect of this month:

∴ As the monthly salary of HK\$12,500 (HK\$12,000 + 500) is > HK\$12,260.4, the Living Wage requirement is met.