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OXFAM
Hong Kong

無窮世界
World
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Poverty

香港生活工資研究報告

Report on Hong Kong Living Wage Research

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1. Introduction

Being a worldwide development organisation that works on poverty, Oxfam has been actively promoting the implementation of the Sustainable Development Goals (SDGs) around the world to reduce poverty, and combat inequality and injustice. Over the years, Oxfam has been promoting policies to relieve poverty through research, policy advocacy, public education and supporting various poverty alleviation projects together with its local partners.

According to Oxfam's latest report titled 'Reward Work, Not Wealth', 82% of the wealth created in 2017 went to the world's richest 1%. The poorest 3.7 billion people across the globe, however, did not share the fruits of economic growth.¹

According to the Hong Kong Census Reports, Hong Kong's Gini coefficient based on monthly household income rose from 0.533 in 2006 to 0.539 in 2016. Moreover, the Gini coefficient based on post-tax post-social transfer monthly household income was 0.473 in 2016, which is worse than other developed economies (e.g. Singapore - 0.356, United States - 0.391, United Kingdom - 0.351, Australia - 0.337, Canada - 0.318). Further, the median monthly household income of the top decile is 44 times greater than that of the lowest decile in 2016, compared to 34 times in 2006.²

Despite being close to full employment, 920,000 work but remain poor. In 2016, almost 40 per cent (37 per cent or 114,467 households) of the 308,549 working poor households earned a monthly income that was lower than the corresponding amount they would have received if they applied for Comprehensive Social Security Assistance (CSSA). Though minimum wage is reviewed every two years, the increments in which it increases still falls behind the rate of inflation. Taking inflation into account, the purchasing power of the current minimum wage (HK\$34.5 per hour) is equivalent to HK\$26.6 in October 2010. Since 1997, the Hong Kong government has allowed outsourced private organisations to offer public services. Yet because the lowest bidder wins the contract, outsourced workers are not paid more than minimum wage, which often leaves workers trapped in poverty. Oxfam believes this problem can be addressed by promoting a living wage (LW), which is a wage level that can fulfil workers' and their families basic needs.

Oxfam believes that a just society should move towards a human economy. Profit should not be the only goal; instead, the needs of people should be a priority in economic development. Vulnerable groups should be able to share the fruits of economic development and employers should help create an equal and just world in line with the United Nations' 17 SDGs.

¹ https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/bp-reward-work-not-wealth-220118-en.pdf, page 8

² Oxfam Hong Kong Inequality Report

Oxfam believes improving workers' rights and remuneration is an effective way of achieving different SDGs. In fact, an international report³ states that paying workers a LW not only enables them to share the fruits of economic development, but improves their labour rights and helps realise SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), SDG 1 (No Poverty) and SDG 5 (Gender Equality).

2. Background

Working poverty has long been an important focus of Oxfam's work in Hong Kong; since the '90s, Oxfam actively advocated for the minimum wage. In 2011, when statutory minimum wage was finally introduced in Hong Kong, workers saw their salaries increase. However, the calculation and review of minimum wage does not consider workers' ability to support themselves and their families.

2.1 Review of minimum wage does not consider families' basic needs

When reviewing the minimum wage rate, the Minimum Wage Commission (MWC) will make reference to an 'array of indicators', including: (1) general economic conditions; (2) labour market conditions; (3) competitiveness; and (4) social inclusion.

In the last review of the minimum wage, the MWC stated that they 'must have regard to the need to maintain an appropriate balance between the objectives of forestalling excessively low wages and minimising the loss of low-paid jobs, and the need to sustain Hong Kong's economic growth and competitiveness'⁴. Workers and their families' basic needs, however, have never been considered by the MWC.

2.2 Increase in minimum wage lags behind inflation

Although three adjustments were made to the minimum wage since it was introduced, as it is reviewed biennially, the adjustment rate still lags behind the inflation rate over the same period. According to the Census and Statistics Department, the Composite Consumer Price Index increased by 29.9 per cent, from 82.9 (based on year 2014/15) in October 2010 to 107.7 (based on year 2014/15) in October 2018.

Based on this rate, the purchasing power of the current minimum wage rate (HK\$34.5 per hour) is only equivalent to HK\$26.6 in October 2010. The corresponding purchasing power of the current minimum wage is thus even lower than that in October 2010.

³ <https://www.pwc.com/gx/en/sustainability/publications/PwC-sdg-guide.pdf>

⁴

https://www.mwc.org.hk/pdf/Review_of_the_SMW_Rate_Relevant_Reference_Info_and_Data_2018_eng.pdf

	Composite price index (based on year 2014/15)	Cumulative increase rate (%)	Minimum Wage level (HK\$)	Corresponding purchasing power (HK\$) (equivalent to Oct. 2010)
October 2010	82.9		28	28
October 2018	107.7	29.9%	34.5	26.6

2.3 Living Wage campaigns around the world

The LW campaign in the UK has been very successful. The campaign was launched by grassroots organisation Citizens UK in 2001 to ensure low paid workers have enough money to support themselves, and enough time for community and family life. After over a decade of campaigning, Citizens UK gained support from local hospitals, schools, big firms and eventually the support from the Mayor of London to help implement the LW across the capital.

Citizen UK and a group of principal partners from both the private and public sectors founded the Living Wage Foundation in 2011, to recognise and celebrate the businesses that have chosen to pay more than minimum wage. The LW has since gained the support of successive Mayors of London, and the movement expanded to reach across all four nations of the UK. In 2016, there were nearly 4,800 accredited LW employers across the UK which had secured pay rises for over 150,000 employees.

The LW campaign in Canada and New Zealand is similar to UK where civil society set up an accreditation system to encourage employers to pay a LW. In the US, Baltimore legislated the first Living Wage Ordinance in 1994. To date, there are more than 140 cities in the US that have legislated the Living Wage Ordinance to regulate certain employers (such as cities' governments) to pay a LW to employers in selected industries (e.g. cleaning).

Living wage vs. minimum wage in selected countries / cities		
Country / cities	Living wage (\$/hr)	Minimum wage (\$/hr)
UK	GBP 10.55 / HK\$106 (London) GBP 9.0 / HK\$90 (Outside London)	GBP 7.8 / HK\$78 (for age 25 or above)
New Zealand	NZD 20.55 / HK\$111	NZD 16.50 / HK\$89
US (Baltimore)	USD 13.96 / HK\$109 (Sept 2018)	USD 10.10 / HK\$79

Canada (Victoria, British Columbia) ⁵	CAD 20.5 / HK\$121	CAD 12.65 / HK\$74
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3. Research Objectives

Between November 2017 and February 2018, Oxfam commissioned Hong Kong Institute of Asia-Pacific Studies' Centre for Quality of Life The Chinese University of Hong Kong to conduct a study on the LW in Hong Kong.

The research objectives are:

1. To understand the household expenses of working families in Hong Kong, and
2. To propose the implementation of the LW in Hong Kong so that workers can secure a normative living standard.

4. Definition of Living Wage

In one of the ILO's working papers, *Estimating a living wage: A methodological review*, Anker (2011) reviewed more than 60 descriptions of the LW, the characteristics of 86 municipal LW laws in the United States and 99 national minimum wage laws from around the world. He summarised the constitution of a LW into the points below. He says it:

- (i) is a right according to the international community;
- (ii) needs to be sufficient to support a decent standard of living for a specific time and place;
- (iii) needs to be sufficient for a worker to support a family;
- (iv) needs to be based on the concept of take-home pay; and
- (v) needs to be earned during normal working hours and not require employees to work overtime.

Anker and Anker (2017) cited and adopted the Global Living Wage Coalition's 2016 definition of the LW in their manual of measuring the LW:

Remuneration received for a standard work week by a worker in a particular place sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs including provision for unexpected events. (p.8)

⁵ <http://www.livingwagecanada.ca/>, <https://www.retailcouncil.org/quickfacts/minimum-wage-by-province>

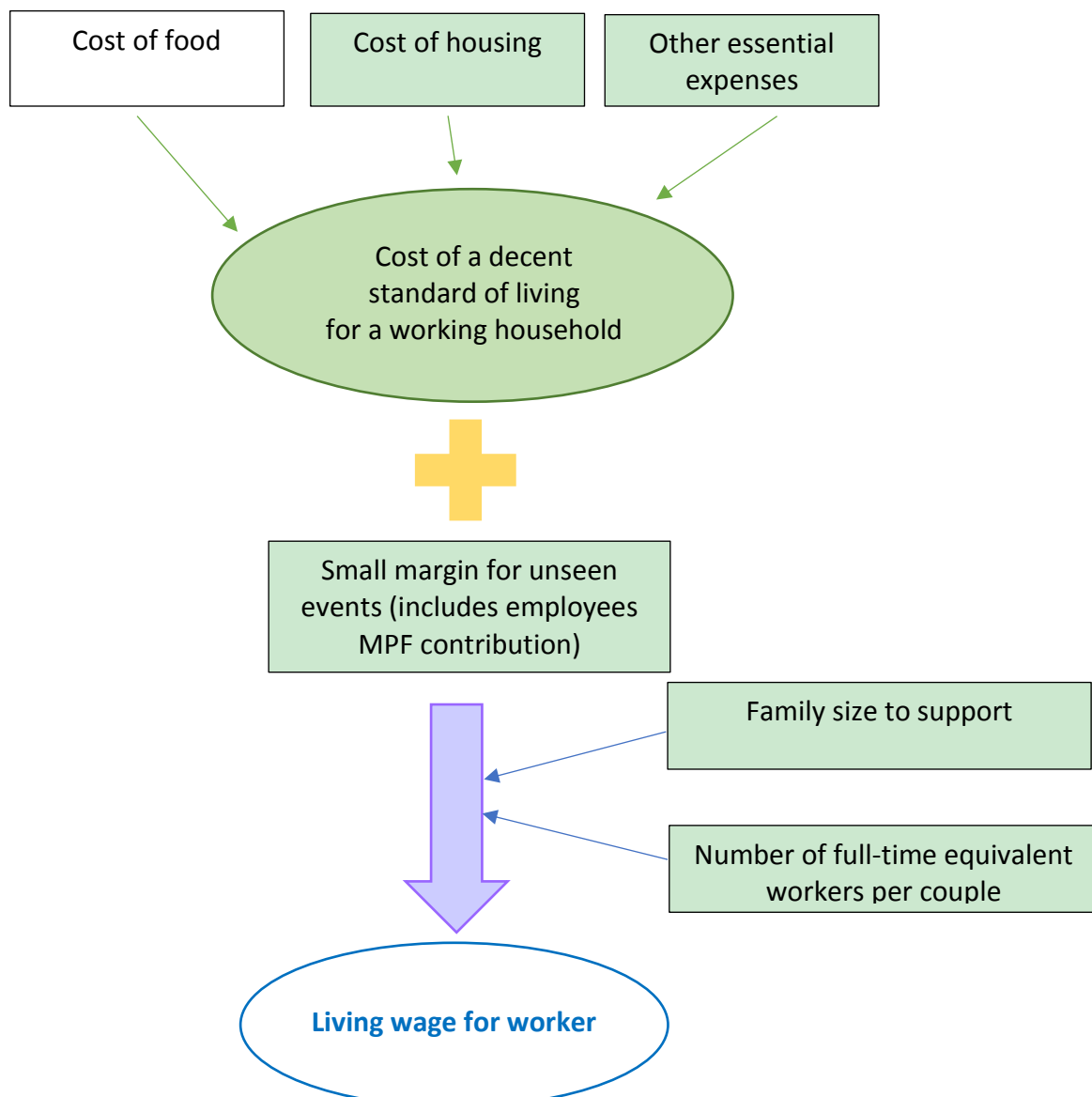
The core difference between the statutory minimum wage (SMW) and LW is that employers are required by law to pay the SMW to employees, while employers can choose whether to pay the LW to employees.

5. Methodology

5.1 Calculation of the Living Wage

According to Ankers' Living Wage Methodology, the calculation estimates the cost of a decent standard of living for a worker and his / her family in a particular place to determine the estimated LW. Living costs are divided into four categories: (A) food, (B) housing, (C) other essential needs and (D) small margin for unexpected events. Finally, 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). The flow chart of the methodology for estimating a LW is shown in Figure 1:

Flow chart of the methodology for estimating a living wage



In this study, local and secondary data was collected to understand the household expenditure of two types of working families in Hong Kong:

One-person working household: Family that lives in private housing (subdivided unit with kitchen and toilet); and

Three-person working household: Comprised of one parent with a full-time job, one parent with a part-time job and one child in primary / secondary school living in private housing (decently sized subdivided unit, i.e., the child does not need to do homework on the bed) or public rental housing.

5.2 Steps to calculate the living wage

1. Used the Anker LW methodology and took reference from sources of data like the *2014/15 Household Expenditure Survey (HES)* (Census and Statistical Department, April 2016) to draft the data collection framework.
2. Conducted two focus group interviews with workers and their families to understand their current cost of living.
3. Analysed the qualitative data about the cost of each item and basic monthly household expenditure of a one- and three-person working households, and compared the findings with HES and other sources of data.
4. Estimated basic monthly household expenditure for a one- and three-person working household.
5. Converted the estimated basic monthly household expenditure to an hourly rate. Calculated a LW for a decent standard of living in Hong Kong based on a standardised hourly rate.
6. The cost of living, estimated basic monthly household expenditure and standardised hourly rate were examined by different stakeholders (labour unions, international enterprises and NGOs) through three focus group interviews.
7. The standardised hourly rate was further adjusted with reference to the Anker LW methodology and census data, which is updated from time to time.

5.3 Limitations

1. The focus groups only involved one- and three-person households.
2. The family composition of three-person households is fixed.
3. Purposive sampling attracted interviewees with similar social-economic background.

6. Research Result

Five focus group interviews were conducted between November 2017 and January 2018. Purposive sampling was adopted to identify and select information-rich cases (Patton, 2002). Invitations were made through emails and phone calls with the assistance of NGOs like Oxfam. Personal contacts were also used to recruit participants. A total of 36 participants were involved in this study.

6.1 Decent living expenses

On food

One-person households spend about HK\$2,300 to HK\$3,300 per month for three meals a day and a meal at a restaurant once a week. Three-person households spend about HK\$8,600 to HK\$8,900 a month on food (which is equivalent to HK\$2,800 to HK\$3,000 per person) for three meals a day, and also to have home-made soup and dine out once a week.

On housing

Most of the interviewees lived in subdivided flats where the average living area per person is lower than that of public housing. The monthly housing expenses for one-person households averages at HK\$5,300 and HK\$9,500 for three-person households. Interviewees said their living areas were too small to meet their basic needs, and a few of the interviewees from one-person households even had to share bathroom with others.

On other essential expense

Other essential expenses included transportation, monthly mobile services, internet, financial support for relatives and school fees for children every year. It costed about HK\$1,200 for one-person households and HK\$3,000 for three-person households.

Small margin for unseen events

This small margin for unseen events covered employees' MPF contribution, savings, medical expenses and activities fee for children. It made up to 20 per cent of one-person households' expenses (around HK\$1,700) and 15 per cent for three-person households (from HK\$2,600 - HK\$2,800).

A detailed breakdown of the monthly expense for the interviewees is listed in Appendix 1.

Summary

Based on information gathered from the focus groups, the monthly expenses for one-person and three-person households are as follows:

	Monthly Household Expenditure	
	1-person working household (HK\$)	3-person working household (HK\$) (1 parent with a full-time job, 1 parent with a part-time job, 1 child in primary / secondary school)
Food	\$2,305 to \$3,275	\$8,666 to \$8,879 (monthly food expenditure per person \$2,889 to \$2,960)
Housing	\$5,300	\$5,555 to \$6,425
Other essential expenses	\$1,140 to \$1,223	\$2,968 to \$3,068
Small margin for unseen events	\$1,749 (20 per cent of total monthly expenditure)	\$2,587 to \$2,756 (15 per cent of total monthly expenditure)
Basic monthly household expenditure (lower and upper bound)	\$10,494 to \$11,548	\$19,768 to \$21,127
Average basic monthly household expenditure	\$11,021	\$20,448

6.2 Estimation of monthly living wage and hourly rate

The LW in this study was calculated based on a full-time employee who works for 26 days per month and 8 hours per day:

	1-person working household	3-person working household (1 parent with a full-time job, 1 parent with a part-time job, 1 child in primary / secondary school)
Average basic monthly household expenditure	HK\$11,021	HK\$20,448
Full-time equivalent workers per household	1	1.74 ⁶
Working days / hours per day	26 days / 8 hours a day	
Average hourly rate	HK\$53	HK\$56.5
Standardised living wage	HK\$54.7	

The hourly rate was calculated based on the assumption that employees worked 26 days per month and 8 hours per day with pay. The average hourly rate for a one-person working household ($\text{HK\$}11,021 \div 26 \text{ days} \div 8 \text{ hours} = \text{HK\$}53$) and three-person working household ($\text{HK\$}20,448 \div 1.74 \text{ full-time equivalent workers} \div 26 \text{ days} \div 8 \text{ hours} = \text{HK\$}56.5$) were then calculated.

According to the 2016 By-Census, one-, two- and three-person households make up 18.3 per cent, 26.5 per cent and 24.4 per cent of all households in Hong Kong respectively. As the total percentage of these households constitutes 69.2 per cent of all households in Hong Kong, the LW for these families can be used as the standardised living wage for all family sizes, as larger families usually have more members in the labour market.

It was also estimated that the LW for a two-person household would fall between that of a one- and three-person household. Therefore, the average LW of a one- and three-person household was taken as the standardised Living Wage Level for all families irrespective of their size.

$$\text{Standardised LW} = (\text{HK\$}53 + \text{HK\$}56.5) \div 2 = \text{HK\$}54.7$$

⁶ Calculated based on Annual Digest Statistics (2017 Edition) and Women and Men in Hong Kong - Key Statistics (2017 Edition) from Census and Statistical Department, HKSAR Government

Proposed LW hourly rate (take-home pay of employees): HK\$54.7

6.3 Comparing the living wage and official poverty line

According to the Commission on Poverty's Hong Kong Poverty Situation Report 2017, the official poverty line for one- and three-person households was HK\$4,000 and HK\$15,000 respectively. If workers in these households received a LW though, their respective monthly household incomes would be HK\$11,378 and HK\$19,798, which is 180 per cent and 32 per cent higher than the official poverty line. Paying a LW is thus an effective way of lifting working families out of poverty.

	Official poverty line (2017) (HK\$)	Monthly income from living wage (HK\$)	Difference
1-person households	\$4,000	\$11,378 (\$54.7 x 26 x 8)	180%
3-person households	\$15,000	\$19,798 (\$11,378x1.74)	32%

6.4 More than 1 million employees paid under the living wage

According to the 2017 Report on Annual Earning and Hours Survey, over 1.07 million employees were paid under the suggested LW level; 60 per cent of them were from the import and export trade, retail, restaurant, estate management, security and cleaning service industries.

Industry	No. of employees paid less than HK\$55/hour
Import and export trade	111,200 (10.4%)
Retail	174,300 (16.3%)
Restaurants	153,500 (14.3%)
Estate management, security and cleaning services	188,400 (17.6%)

7. Updating the living wage rate

It is proposed that the LW in Hong Kong can be updated according to the method presented below:

1. Refer to CPI(A) to update the cost of a decent standard of living, which is based on the expenditure patterns of about 50 per cent of households with relatively lower expenditure in Hong Kong.
2. Consider the **weight** of each item when updating household expenditure.
3. Calculate the full-time equivalent workers per couple using the most up-to-date census data.

8. Summary and suggestions

With ever-worsening inequality and the serious problem of working poverty in Hong Kong, the statutory minimum wage has failed to ensure workers and their family members are able to sustain a decent standard of living. As such, Oxfam and the Chinese University of Hong Kong conducted a study and calculated the first LW level in HK: HK\$54.7 per hour.

The government's practice of hiring outsourced workers has long been criticised for fuelling working poverty. According to the Replies to initial written questions raised by Finance Committee Members in examining the Estimates of Expenditure 2018 - 19 (LWB (L) 126)⁷, four major procuring departments, namely the Food and Environmental Hygiene Department, the Leisure and Cultural Services Department, the Housing Department and the Government Property Agency together employed 37,299 outsourced non-skilled workers. They mainly worked in areas like public cleaning, security and waste collection. Of these workers, 28.9 per cent (10,766) were paid minimum wage (HK\$34.5), while 47 per cent (17,369) were paid between HK\$34.5 and HK\$36.5 an hour. With over 1.1 trillion in reserves, Oxfam urges the government as the biggest employer in Hong Kong to pay a LW to all of its staff, including all of its outsourced workers.

Oxfam also encourages capable employers to pay their staff a LW; this should cover directly employed, contract, and sub-contracted (outsourced) workers. Doing this would enable workers and their families to secure a basic standard of living and fulfil companies' corporate social responsibly.

In the future, Oxfam will work with different stakeholders in Hong Kong to bring the LW campaign forward. It is hoped that doing this will enable workers and their family members to enjoy the fruits of their hard work, build a human economy that benefits the most vulnerable and all levels of society, and create a more equitable world.

⁷ <https://www.lwb.gov.hk/eng/legco/lwb-l-e-2018.pdf>

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Appendix 1: Monthly expenses of 1-person and 3-persons households in focus groups

	1-person working household (HK\$)	3-person working household (HK\$)
		(1 parent with a full-time job, 1 parent with a part-time job, 1 child in primary / secondary school)
Expenditure on food		
a. 1-person working household		
1) (every day) Breakfast (cooking at home)	\$15	
2a) (every day) Lunch (cooking at home)	\$20 to \$25	
2b) (every day) Lunch (eat out)	\$30 to \$50	
(every day) Dinner (cook at home / eat out)	\$25	
(every week) Eat out with friend(s) once	\$70	
(every week) Fresh fruit (2 portions of fruit per day, HK\$3-4/portion)	\$42 to 56	
(every month) Staple food (e.g. a pack of 5 kg rice, noodles)	\$60	
(every month) Non-staple food (e.g. biscuits)	\$50	
Monthly food expenditure or a 1-person working household	\$2,305 to \$3,275	
b. 3-person working household		
(every day) Breakfast per person (for mother and child ; cook at home)		\$12 to \$13
(every day) Breakfast for husband (eat out as the husband starts work early in the morning)		\$30 to \$35
(every day) Lunch (for mother and her preschooler ; cook at home; Saturday & Sunday for child in primary / secondary school)		\$15
(every day) Lunch per child (school lunch box of child in primary / secondary school; 5 days per week)		\$22 to \$23

(every day) Lunch for husband (eat out; 6 days per week)		\$50
(every day) Dinner for family		\$90
(once a week) Homemade soup for the family for dinner (including \$30 to buy the ingredients)		\$120
(once a week for the family) Eat dim sum		\$180
(every week) Fresh fruit per person (Monday to Friday: one portion; Saturday & Sunday: two portions)		\$60
(every month) Staple food (a pack of 8 kg rice)		\$80
(every week) Non-staple food per child (e.g. biscuits, snacks)		\$100
Monthly food expenditure for a 3-person working household		\$8,666 to \$8,879
Monthly food expenditure per person		\$2,889 to \$2,960
Household expenditure		
1. Monthly rent (70 sq. ft. for 1 person; 70 to 80 sq. ft. per person for 3-person household) for a subdivided unit	\$5,000	\$8,500 to \$9,500
Public Rental Housing		\$2,000 to \$2,500
2. Monthly utility costs (electricity, gas and water)	\$300	\$450
Monthly housing expenditure	\$5,300	\$5,700 to \$6,450 (average rent of private and public housing)
Other essential expenses		
1. Mobile service charge with data (per adult)	\$100	\$100 to \$108
2. Internet service charge (broadband at home)	\$240	\$238
3. Transportation		
a. 1-person working household		
(every month) Interviewee (with full-time job)	\$400	

Interviewee (visit family in mainland China; once every two months ; by cross-boundary shuttle bus)	\$300	
b. 3-person working household		
(every day) Husband (full-time job; 8 hours per day)		\$30
(every day) Wife (work part-time / buy food from the market / go out)		\$12
(every day) Each child (go to school / go out)		\$10
4. (every year) Support family (living apart)	\$3,000 to \$4,000	\$1,000 to \$2,000
5. (every year) Textbooks (per child)		\$2,500
Monthly expenditure on other essential items	\$1,140 to \$1,223	\$2,968 to \$3,068
Small margin for unseen events		
(1-person working household) Savings for emergency / non-regular expenses (e.g. to see a doctor, to buy medicine, to pay for medical consultation fees for family members/relatives who live in mainland China) + 5% employee contribution of Mandatory Provident Fund: 20% of total monthly expenditure	\$1,749	
(3-person working household) Savings for emergency / non-regular expenses (e.g. to see a doctor, to pay for classes outside of school / tutorial classes for each child) 5% employee contribution of Mandatory Provident Fund: 15% of total monthly expenditure		\$2,600 to \$2,759
Basic monthly household expenditure	\$10,494 to \$11,548	\$19,935 to \$21,156

Appendix 2: Ways to pay a living wage

Oxfam encourages capable employers to pay a living wage to their staff. Below are some examples of how to calculate a living wage salary in different situations:

For daily / hourly paid staff:

$$\text{Salary} = \text{Number of working hours} \times \text{living wage level (HK\$54.7)}$$

Example: if a worker worked for 3 hours today, his / her daily salary would be:

$$3 \times \text{HK\$54.7} = \text{HK\$164.1}$$

For monthly paid staff:

Since there are different kinds of contracts and different calculations, the principle behind the calculation should be at least:

$$\text{Salary} = \text{Number of working hours per month} \times \text{living wage level (HK\$54.7)}$$

Example 1:

If the contract states that employees have 26 working days per month and work 10 hours per day, their monthly salary would be:

$$26 \text{ (days)} \times 10 \text{ (hours)} \times \text{HK\$54.7} = \text{HK\$14,222}$$

Example 2:

If the contract states that employees work 44 hours a week, then their monthly salary would be:

$$\begin{aligned} & \text{HK\$11,378 (monthly living wage)} \times 44 / 48 \text{ (proportion of weekly working hours)} \\ & = \text{HK\$10,430} \end{aligned}$$