

Logistics Industry
Statutory Minimum Wage : Industry-specific Reference Guidelines

- Wages payable to an employee in respect of any wage period, when **averaged** over the total number of hours worked in the wage period, should be no less than the SMW rate.
- To address the characteristics and particular mode of operation of the logistics industry, the Labour Department has drawn up this *Statutory Minimum Wage : Industry-specific Reference Guidelines* in consultation with employer and employee groups in the industry. Some common examples under different situations and employment terms in the industry are included in the *Guidelines*. Employers and employees in the industry may refer to and apply the *Guidelines* flexibly according to their actual circumstances and needs.
- For more details on the provisions of the Minimum Wage Ordinance, please refer to the *Statutory Minimum Wage : Reference Guidelines for Employers and Employees* published by the Labour Department. The *Guidelines* explain the general application of the Ordinance under different scenarios for the reference of employers and employees in different industries. The interpretation of the Minimum Wage Ordinance (Cap. 608) should be based on its original text.

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Table of Contents

<u>Subject</u>	<u>Question Number</u>
(a) Basic principles in computing minimum wage	1, 2, 22
(b) Wage payment mode and arrangement	3, 4
(c) No contracting out to reduce employees' statutory entitlement to SMW	5
(d) Hours worked and basic computation principles	6, 7
(e) Meal break	8
(f) Waiting time and time staying outside Hong Kong	9, 10
(g) Travelling time	11, 12
(h) On-call time	13
(i) Arrangement relating to alternative holidays	14
(j) Overtime work and payment arrangement	15, 16
(k) Wage items and wages payable	17, 18
(l) Rest day pay arrangement	19
(m) Keeping record of total number of hours worked	20, 21
(n) Variation of terms of employment contract	23, 24

Note: Examples of computing minimum wage are available at [Annex to Logistics Industry - Statutory Minimum Wage : Industry-specific Reference Guidelines](#).

Q 1 : How is minimum wage computed?

A 1 : Wages payable to an employee by an employer in respect of any wage period shall not be less than the amount of minimum wage calculated as follows¹:

$$\text{Minimum wage} = \frac{\text{Total number of hours worked by the employee in the wage period}}{\text{Total number of hours worked by the employee in the wage period}} \times \text{SMW rate}$$

Q 2 : Do employers need to pay wages for each and every hour worked by employees? Must wages for each hour meet the SMW rate?

A 2 : According to the Minimum Wage Ordinance, minimum wage for an employee for a wage period is the amount derived by multiplying the total number of hours (including any part of an hour) worked by the employee in the wage period by the SMW rate. The employee should be paid wages of not less than this amount in respect of the wage period.

Hence, the basic principle is that wages payable to an employee in respect of any wage period, when **averaged** over the total number of hours worked in the wage period, should be no less than the SMW rate. The Ordinance does not prescribe that payment must be accorded for each and every hour worked or wages for each hour must meet the SMW rate.

Q 3 : SMW rate is expressed as an hourly rate, do employers and employees need to change their employment and wage payment mode from monthly/daily-rated to hourly-rated?

A 3 : The implementation of SMW does not change the employment and wage payment mode (i.e. employed and remunerated at monthly-rated, weekly-rated, daily-rated, hourly-rated, piece-rated, commission-based, etc.) formulated between employers and employees in accordance with their employment contracts and the Employment

¹ If the effective date of a revised SMW rate falls within a wage period, the revised SMW rate applies to any hour worked on or after its effective date in calculating minimum wage for that wage period.

Ordinance (Cap. 57).

The Minimum Wage Ordinance provides a wage floor for employees. In essence, wages payable to an employee in respect of any wage period, when **averaged** over the total number of hours worked in the wage period, should be no less than the SMW rate. As long as the amount of wages payable is not less than the minimum wage, it does not matter which employment and wage payment mode is adopted. Therefore, it is not necessary for employers and employees to change their employment and wage payment mode.

Q 4 : Does it mean that employers only need to pay minimum wage to employees to comply with the law?

A 4 : SMW only provides a wage floor for employees. This does not mean that employers only need to pay employees minimum wage. Employers still have to comply with the Employment Ordinance and terms in employment contracts (e.g. salary, arrangement of meal break and rest day) in dealing with employees' statutory and contractual entitlements.

Q 5 : Can an employer and an employee agree between themselves that the employee is to be paid less than the minimum wage?

A 5 : Any provision of a contract of employment that purports to extinguish or reduce any right, benefit or protection conferred on the employee by the Minimum Wage Ordinance shall be void. In other words, an employer and an employee cannot by agreement reduce the employee's entitlement to SMW.

Q 6 : What should be counted as hours worked for computing minimum wage?

A 6 : According to the Minimum Wage Ordinance, for the purpose of computing minimum wage, hours worked (including any part of an hour) include any time when the employee is, in accordance with the contract of employment or with the agreement or at the direction of the employer:

➤ in attendance at a place of employment, irrespective of

- whether he is provided with work or training at that time;
or
- travelling in connection with his employment, excluding travelling (in either direction) between his place of residence and his place of employment (other than a place of employment that is outside Hong Kong and is not his usual place of employment).

A place of employment means any place at which the employee is, in accordance with the contract of employment or with the agreement or at the direction of the employer, in attendance for the purpose of doing work or receiving training.

Apart from the Minimum Wage Ordinance, if the time in question is regarded as hours worked by the employee under the employment contract or agreement with the employer, such time should be included in computing minimum wage.

Q 7 : Is it required that any part of an hour be rounded up to one whole hour in counting hours worked for computing minimum wage?

A 7 : The Minimum Wage Ordinance does not require that any part of an hour be rounded up to one whole hour in counting hours worked for computing minimum wage. The Ordinance only provides that any part of an hour should be included in the hours worked for SMW computation. Therefore, if the hour worked is less than one whole hour, the minimum wage should be computed based on the **actual** period of time worked.

Q 8 : A delivery worker is on duty from 9:00 a.m. to 6:00 p.m.. During this period, he is provided with a 1-hour meal break. Is the meal break counted as hours worked for computing minimum wage?

A 8 : When this employee during his meal break also falls under the circumstances of hours worked as specified in the Minimum Wage Ordinance, such meal break **is** hours worked for computing minimum wage. For example, if he is, during his meal break, in accordance with the employment contract or with the agreement or at the direction of the

employer, in attendance at his post for the purpose of doing work (irrespective of whether he is provided with work or not), such meal break is included in the hours worked for computing minimum wage.

On the contrary, meal breaks falling outside the provisions on hours worked in the Minimum Wage Ordinance is **not** counted as hours worked for computing minimum wage. For example, if he, during his meal breaks, needs not remain in attendance at his post and is free to go out for lunch or to have rest, such time is not counted as hours worked for computing minimum wage as he is not, in accordance with the employment contract or with the agreement or at the direction of the employer, in attendance at his post for the purpose of doing work.

If meal breaks are counted as hours worked by the employee according to his employment contract or agreement with the employer, such time **must** be taken into account in computing minimum wage. For example, if an employer and his employee regard meal break as hours worked by the employee in accordance with their employment contract or agreement, such time should be included in the total number of hours worked in each wage period for computing minimum wage.

Q 9 : A truck driver, upon receipt of job order, needs to wait for several hours to collect the goods for delivery. Is the driver's waiting time counted as hours worked for computing minimum wage?

A 9 : If this employee during the waiting time also falls under the circumstances of hours worked as specified in the Minimum Wage Ordinance, i.e. if the employee is, in accordance with the employment contract or with the agreement or at the direction of the employer, in attendance at a certain place for the purpose of doing work, irrespective of whether he is provided with work or not, such time should be counted as hours worked for computing minimum wage. For example, if the driver under the work arrangement must stay in close proximity to his truck during the waiting period so that he can transport the goods to the destination once they are available, such waiting time is counted as hours worked for computing minimum wage.

On the contrary, waiting time falling outside the provisions on hours worked in the Minimum Wage Ordinance is not hours worked for computing minimum wage. For example, if he, during the waiting time, need not remain in attendance at his post and is free to have recreation or other activities, such time is not hours worked for computing minimum wage. However, if waiting time is regarded as hours worked by the employee according to his employment contract or agreement with the employer, such time must be included in computing minimum wage.

Should the employer and the employee have different understanding on whether or not such waiting time is counted as hours worked, they should clarify between themselves as soon as practicable in order to avoid dispute.

Q 10 : A truck driver has to stay outside Hong Kong overnight as his goods are seized for customs inspection. His employer provides him free accommodation and / or meals. Is his sleeping time during the stay outside Hong Kong counted as hours worked for computing minimum wage?

A 10 : If the employee during a certain period of time in his stay need not remain in attendance at a place of employment for the purpose of doing work - such as his sleeping time or personal recreation time - such time is not hours worked for computing minimum wage.

Q 11 : An employee works in an office in Hong Kong. He also needs to work in the company's warehouse in the Mainland on Wednesdays and Thursdays. Is the travelling time between his place of residence and the Hong Kong office / the Mainland warehouse counted as hours worked for computing minimum wage?

A 11 : The employee's travelling time between his place of residence and the Hong Kong office is not hours worked for computing minimum wage. As regards the Mainland warehouse of the company, it is also the employee's usual place of employment in this example. Thus, the travelling time between his place of residence and the Mainland warehouse is generally not counted as hours worked for

computing minimum wage.

However, if a period of travelling time is regarded as hours worked by the employee according to his employment contract or agreement with the employer, such travelling time must also be taken into account in computing minimum wage.

Q 12 : An employee works in a factory in Hong Kong. One day, his employer directs him to work at a client's office in Beijing which is outside Hong Kong and not his usual place of employment. Is the travelling time between his place of residence and the client's office in Beijing counted as hours worked for computing minimum wage?

A 12 : In this example, the client's office in Beijing is outside Hong Kong and not the employee's usual place of employment. As the employee is, in accordance with the contract of employment or with the agreement or at the direction of the employer, travelling between his place of residence and the client's office outside Hong Kong, such travelling time is hours worked for computing minimum wage.

Q 13 : A warehouse worker is off duty at 7:00 p.m.. The warehouse alarm sets off one night and he needs to return to the company to handle the matter. Is such time of working in the company counted as hours worked for computing minimum wage?

A 13 : If the employee is, in accordance with the employment contract or with the agreement or at the direction of the employer, and for the purpose of doing work, goes back to the company to handle the matter, the time when he is in attendance at the place of employment is hours worked for computing minimum wage.

Q 14 : A warehouse assistant is directed to work on a statutory holiday in May. His employer arranges an alternative holiday for him in June. Should this employee's working hours on that statutory holiday be included in computing minimum wage for the wage period of May?

A 14 : This employee's working hours on that statutory holiday are regarded as hours worked under the Minimum Wage Ordinance. In computing his minimum wage for May, such hours should be included. Minimum wage is derived by multiplying an employee's total number of hours worked in a wage period by the SMW rate.

Q 15 : A warehouse worker's wage period is a calendar month. He performs 20 hours' overtime work in May at the direction of his employer. Such overtime work is compensated by time-off-in-lieu in subsequent months. Should his overtime work be included in the hours worked for computing minimum wage for May?

A 15 : Since the period of overtime work is hours worked under the Minimum Wage Ordinance, such hours should be included for computing minimum wage of this employee for May. If the wages payable to the employee in respect of May fall below the minimum wage because of the additional number of hours worked, the employer has to pay the difference (i.e. "additional remuneration").

In computing minimum wage, wages payable to an employee in respect of any wage period, when **averaged** over the total number of hours worked in the wage period, should be no less than the SMW rate. The Ordinance does not prescribe that payment should be accorded for each and every hour worked or wages for each hour must meet the SMW rate.

Q 16 : It is an adopted practice of a company that overtime work of less than one hour will not be granted overtime pay. Should such overtime work for less than one hour be included in the hours worked for computing minimum wage?

A 16 : Different companies may have different recompense arrangements for overtime work. However, if the overtime work of less than one hour in this example falls under the circumstances of hours worked as specified in the Minimum Wage Ordinance (e.g. overtime work as directed by the employer), such time should be included in the total number of hours worked by the employee in the wage period and the wages payable to him should be **on average** no less than the SMW rate.

Q 17 : In determining whether wages meet the minimum wage requirement, which items are included? What are wages payable to an employee?

A 17 : The definition of wages for SMW is aligned closely with that under the Employment Ordinance. Unless otherwise specified in the Employment Ordinance, “wages” means all remuneration, earnings, allowances (including travelling allowances, attendance allowances, commission, overtime pay), tips and service charges, however designated or calculated, capable of being expressed in terms of money, payable to an employee in respect of work done or to be done, subject to certain exclusions². For example, contractual bonus (not of a gratuitous nature or payable at the discretion of the employer) payable to an employee when certain conditions are met (e.g. sales amount) is part of wages. For detailed definition of wages under the Employment Ordinance, please refer to *A Concise Guide to the Employment Ordinance* published by the Labour Department. The Guide can be downloaded from the Labour Department’s homepage (www.labour.gov.hk) or obtained from the offices of the Labour Relations Division of the Labour Department.

According to the Minimum Wage Ordinance, since the calculation of minimum wage excludes the time that is not hours worked, payment made to the employee for any time that is not hours worked (e.g. rest day pay, holiday pay, annual leave pay, maternity leave pay, paternity leave pay,

² According to the Employment Ordinance, the following items are not wages:

- the value of any accommodation, education, food, fuel, water, light or medical care provided by the employer;
- employer’s contribution to any retirement scheme;
- commission, attendance allowance or attendance bonus which is of a gratuitous nature or is payable only at the discretion of the employer;
- non-recurrent travelling allowance or the value of any travelling concession or travelling allowance for actual expenses incurred by the employment;
- any sum payable to the employee to defray special expenses incurred by him by the nature of his employment;
- end of year payment, or annual bonus which is of a gratuitous nature or is payable only at the discretion of the employer; and
- gratuity payable on completion or termination of a contract of employment.

sickness allowance, etc.) must **not** be counted as part of the wages payable to the employee in the calculation of minimum wage. The Minimum Wage Ordinance also sets out whether certain sums should be counted as wages payable to an employee in respect of a wage period in specific situations in order to determine whether the wages meet the minimum wage requirement.

If the wages payable to the employee in respect of the wage period are less than the minimum wage, he is entitled to be paid the difference (i.e. “additional remuneration”). The contract of employment of the employee must be taken to provide that the employee is entitled to additional remuneration in respect of that wage period. This additional remuneration also applies in calculating entitlements under other relevant legislation.

Q 18 : In determining whether wages meet the minimum wage requirement, is end of year payment included?

A 18 : The definition of wages for SMW is aligned closely with that under the Employment Ordinance. According to the Employment Ordinance, the definition of wages does **not include** end of year payment (i.e. any annual payment (including double pay, 13th month payment, end of year bonus, etc.) of a contractual nature, and the contract of employment can be made orally or in writing and can include express or implied terms) and annual bonus which is of a gratuitous nature or is payable only at the discretion of the employer. Hence, in determining whether wages meet the minimum wage requirement, end of year payment, or annual bonus which is of a gratuitous nature or is payable only at the discretion of the employer, is similarly **not included**.

Q 19 : Are employees’ rest days paid? Is it required that rest days be remunerated at the SMW rate?

A 19 : Neither the Minimum Wage Ordinance nor the Employment Ordinance prescribes that rest days should be paid. Whether rest days are with pay or otherwise and the calculation method of rest day pay (including whether rest days are remunerated at the SMW rate) are employment terms in accordance with the employment contract or

agreement between employers and employees. Where necessary, employers and employees should seek consensus on the concerned employment term on lawful, sensible and reasonable grounds through labour-management communication and consultation.

According to the Employment Ordinance, employers should not unilaterally vary the employment terms and conditions of employees. The Labour Department stands ready to assist employers and employees to resolve their problems and reach consensus. If employees suspect that their employment rights have been undermined, they could seek help from the Labour Department. The Labour Department will actively follow up such cases.

Note: Employees are entitled to paid statutory holidays and paid annual leave if they meet the relevant requirements of the Employment Ordinance. For details, please refer to *A Concise Guide to the Employment Ordinance* published by the Labour Department.

Q 20 : Must employees sign attendance record every day in order to record hours worked?

A 20 : Neither the Employment Ordinance nor the Minimum Wage Ordinance specifies the ways of employers recording hours worked by employees. Employers and employees can draw up reasonable and practicable ways to record hours worked with regard to their trade characteristics, administrative measures and monitoring needs in individual establishments, nature of work of the employees, etc.

Employers and employees should keep proper records in relation to attendance, hours worked, wages, etc. to safeguard their respective rights and benefits and help avoid unnecessary disputes.

Q 21 : Is there any specified format for the record of the total number of hours worked? Does the Labour Department provide any sample form of the record to employers?

A 21 : Neither the Employment Ordinance nor the Minimum Wage Ordinance specifies the format for recording the total number of hours worked. Officers of the Labour Department may

inspect the wage and employment records and require the total number of hours worked and the following particulars in the wage and employment records (which are set out in the Employment Ordinance) to be produced in a single document:

- name and identity card number of the employee
- wage period
- wages paid in respect of each wage period
- periods of annual leave, sick leave, maternity leave, paternity leave and holidays entitled and taken, together with details of payments made in respect of such periods

The Labour Department has published the booklet *Proper Keeping of Wage and Employment Records* for public reference. For details, please visit the Labour Department's homepage (www.labour.gov.hk).

Q 22 : Can one assume that the minimum wage requirement would certainly be met if employees are paid at wage level equivalent to the monthly monetary cap on keeping record of the total number of hours worked?

A 22 : Wages payable to an employee by an employer in respect of any wage period shall not be less than the amount of minimum wage calculated as follows:

Total number of hours worked in the wage period × SMW rate

The monthly monetary cap is only the amount of wages payable for exempting employers from the requirement to keep record of the total number of hours worked by employees, irrespective of whether an employee's wages have met the minimum wage requirement. Minimum wage of an employee is determined by his total number of hours worked in a wage period. An employer must pay his employee wages of not less than the minimum wage, regardless of whether or not he is required to record the employee's total number of hours worked.

Q 23 : Can employers unilaterally reduce benefits to which employees are currently entitled under employment contracts?

A 23 : According to the Employment Ordinance, employers should not unilaterally vary the employment terms and conditions of employees. For details, please refer to *A Concise Guide to the Employment Ordinance* published by the Labour Department. The Labour Department will actively follow up cases of employees suspecting their employment rights have been undermined.

In contemplating any change to the employment terms, employers should carefully assess the impact both on themselves and on the employees.

Q 24 : Can employers unilaterally change the status of employees to self-employed persons?

A 24 : An employer should not unilaterally change the status of his employee to a self-employed person. Otherwise, the employee may claim against the employer for remedies under the Employment Ordinance and common law.

If an employee intends to change his status to a self-employed person, he must carefully assess the pros and cons involved, including the employment rights and benefits that he may lose in such a change.

If in essence there exists an employer-employee relationship between the parties, even though the employee is called or described as a self-employed person in the contract, the employer is still required to fulfil his responsibilities under the relevant legislation by paying back statutory benefits retroactively to the employee who is falsely labelled as a self-employed person. The employer may also be liable to criminal sanctions for contravention of the relevant legislation.

For information about the differences between an “employee” and a “self-employed person”, please refer to the booklet *Clarify Your Employment Status* published by the Labour Department.

Enquiries

24-hour Enquiry Hotline: 2717 1771 (handled by “1823”)

Enquiry in person to Offices of the Labour
Relations Division:

www.labour.gov.hk/eng/tele/lr1.htm



Labour Department's Homepage:

www.labour.gov.hk

