

21<sup>st</sup> November 2011

Mr Jat Sew-tong, SC  
Chairman  
Minimum Wage Commission  
1/F, Harbour Building  
38 Pier Road  
Central  
Hong Kong

Dear Mr Jat,

**Consultation on Statutory Minimum Wage**

The Chamber is grateful for the opportunity to meet with you and with Commission members on 17<sup>th</sup> November to exchange views on the impact of the recently implemented statutory minimum wage (SMW).

The Chamber supports the principle behind a wage floor, which is to ensure fair pay for those at the lower spectrum of the labour market. This would, however, have to be balanced against the key priorities of creating new jobs and protecting those already employed, and sustaining Hong Kong's competitiveness. We are happy to note that these concerns are shared by the Commission.

In principle, intervention in free markets should be limited and condoned only when serious short-comings are clearly identified and no other remedy is effective. It would not be in the interests of Hong Kong, nor would it be consistent with the SMW's design, for the SMW review process to become politicized and turned into mass collective bargaining.

We are pleased that the Commission is actively consulting stakeholders on the impact of SMW, but wish to point out that at this very early stage, it is impossible to fully understand and fully feel the impact the SMW has on competitiveness, employment and profitability. Experience elsewhere suggests that it takes two years on average, and sometimes longer, for the effects of a SMW to become clear. It is also useful to note that the roll-out of the SMW was made during a period of strong economic growth. We are therefore concerned about the ramifications the SMW will have on the labour market once the economy experiences a downturn as projected recently by the IMF.

The Chamber looks forward to working closely with you and the Commission on an SMW that is appropriate for Hong Kong and to continue our regular dialogue.

Yours sincerely

Y K Pang  
Vice Chairman