



Hong Kong General Chamber of Commerce
香港總商會 1861

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Mr Jat Sew Tong, SC, JP
Chairperson
Minimum Wage Commission
1/F Harbour Building
38 Pier Road
Hong Kong

Dear Mr Jat

We are pleased that the Commission is actively consulting stakeholders on the review of the Statutory Minimum Wage (“SMW”) rate. While the Hong Kong General Chamber of Commerce supports the establishment of SMW to ensure fair pay for workers at the bottom income category provided that the economic objectives of job creation and sustaining our competitiveness would not be compromised, the Chamber feels any adjustment should only be introduced after having carefully considered evidence-based data and views from all sectors. Indeed, Chamber members have observed that the introduction of SMW in 2011 has led to structural shifts in labour supply and exceedingly high job vacancies of low-skilled workers for certain industries, creating recruitment and retention difficulty for many employers.

Another observation is that SMW has created a widespread ripple effect of wage levels all the way to senior staff, fuelling inflation to the economy and impacting Hong Kong’s competitiveness. Businesses of more labour-intensive nature are hit the hardest by such wage inflation. Moreover, SMW has deprived businesses of the flexibility to adjust manpower cost as a means of controlling operating expenses during economic downturns.

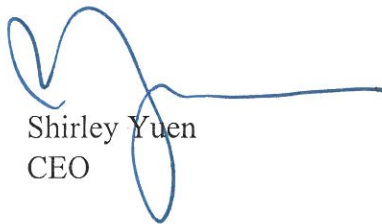
While it is important to ensure that employees would not be abused, salary levels for any jobs should be allowed to adjust based on the difficulty of the jobs, the number of job openings and the demand and supply of labour. The prime consideration for SMW adjustments should be the long-term viability of Hong Kong’s business environment. Any SMW adjustment should only be introduced after having carefully considered all relevant data, such as economic performance, market situation, corporate affordability and any future risk of eroding employers’ flexibility in determining wage levels.

It is noteworthy that there is a relatively lengthy effect lag from the introduction of SMW till the ripple effect filtering through the entire economic system. As the present minimum wage rate of \$30 has only been implemented for one year, the Government should provide more data on the impact of the minimum wage on the labour market, prices of products and services, as well as corporate earnings before conducting another review.

A proper functioning market does not require recurring government intervention. We are very worried that in recent years the Government seems to legislate whenever there is a perception that the market mechanism is not working. Increasingly, regulations are being put in place where they would restrict legitimate business activities. Intervention in free markets should be limited and condoned only when serious market failures are clearly identified and no other remedy is effective. It would not be in the interest of Hong Kong for the SMW review process to become politicized and turned into mass collective bargaining. We are also concerned about the ramifications SMW would have on the labour market during economic downturns.

With the long list of labour related legislations already in place together with those in the pipeline (SMW, standard working hours, paternity leave, MPF offsetting, 418 continuous contractual requirement under the Employment Ordinance, etc), the business sector is very concerned of their combined impact on the cost of doing business, especially for SMEs. The Government should review the various related issues and legislations in a holistic manner so as to maintain Hong Kong's competitiveness.

Yours sincerely,



Shirley Yuen
CEO