



Hong Kong General Chamber of Commerce  
香港總商會 1861

香港總商會  
香港金鐘道統一中心廿二樓  
Hong Kong General Chamber of Commerce  
22/F United Centre,  
95 Queensway, Hong Kong  
Tel (852) 2529 9229  
Fax (852) 2527 9843  
Email chamber@chamber.org.hk  
www.chamber.org.hk

*Helping Business since 1861*

20 May 2016

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

Dear Mr Jat,

The Hong Kong General Chamber of Commerce welcomes the opportunity to comment on the Minimum Wage Commission's consultation exercise regarding the review of the Statutory Minimum Wage (SMW) rate. Given the recent economic slowdown and gloomy outlook, we believe the Commission should pay particular attention to keeping the appropriate balance of not having unduly low wages, minimizing job loss and sustaining Hong Kong's economic growth and competitiveness in determining the wage rate. **Therefore, we would like the Commission to consider maintaining the SMW rate unchanged at the current level.**

Hong Kong's economy achieved a meagre growth rate of 0.8 % year-on-year (YoY) during the first quarter of 2016, led by notable declines in both domestic and external economic activities. Retail sales have been declining on a year-on-year basis for the thirteenth consecutive month as of March, which is partly due to the slowing incoming visitor arrivals that declined 10.9% YoY in the first quarter. In addition to these distressful movements, external trade also declined by 7.5% YoY in the first quarter, and both domestic and external environments ahead do not look favourable.

**As economic momentum moderates, the employment market is slowly deteriorating.** The headline unemployment rate picked up by 0.1 percentage point, reaching 3.4% in March 2016 for the first time since November 2013, and remained at such level in April. In the meantime, the unemployment rate for the retail, accommodation & food service sectors reached 5.3% in April, indicating an even sharper downturn. With the less stringent employment dynamics, the pure market mechanism should point to weaker wage growth. **Any artificial manipulation of wages may easily disrupt the market equilibrium, resulting in unintended job losses.**

At the same time, the shrunken inflationary pressure also calls for very conservative nominal wage adjustments, if any. Since the SMW rate last adjusted in May 2015, the cost of living has been rising at a notably decelerated pace. The Consumer Price Index (A) averaged only 3.2% since the implementation of the new SMW rate, compared to the 5.7% figure between May 2013 and April 2015, which shows that inflationary pressure is on a downward trend. We expect food prices to remain stable over the near term, while rental prices may even contribute negatively to inflation so that inflationary pressure almost non-exists. Therefore, **the Commission must prevent any habitual upward revision of the SMW rate to avoid rocking the boat, particularly when disinflationary, or even deflationary, pressure is in front of us.**

Dishwashers, lavatory cleaners and security guards experienced average monthly wage increases of 50.1%, 60%, and 45.6%, respectively, between March 2011 and December 2015, compared to the 27% average nominal wage increase for all workers during the same period. **The wage increase in the lowest income echelon has driven up not only wages in the upper echelons (so-called “ripple effect”) but also other non-wage remunerations,** putting pressure on those labour-intensive service businesses that cannot transfer the higher costs to customers as a result of the fiercely competitive market. Such costs all add up, and could become the last straw that broke the camel’s back, forcing those more vulnerable businesses, mostly SMEs, to lay off employees or even close down.

The Commission stated in the 2012 Report of the Minimum Wage Commission that “should SMW be implemented during economic slowdown, the impact on the business environment would become more pronounced and dampen labour demand further” (p.16).<sup>1</sup> Therefore, against the current backdrop of low economic growth and inflationary environment, the souring employment outlook, as well as the already-runaway wage growth of certain occupations, we believe any policy-driven wage growth is counter-intuitive, and we sincerely hope that the Commission would put the increasingly bleak business conditions into consideration in making its decision.

Hong Kong has long been renowned as the economy with the highest degree of economic freedom in the international arena. Such status reflects market dynamics functioning efficiently in terms of resources allocation, and any excessive and recurring government interference will only disrupt such equilibrium. Our city’s success has been built on the business sector’s flexibility, competitiveness and efficiency. With the long list of labour-related regulations already in place resulting in enormous compliance cost for businesses, we should all work together to sustain the continued development of Hong Kong and build a bright future for its citizens.

Yours sincerely,



Shirley Yuen  
CEO

---

<sup>1</sup> Minimum Wage Commission (October 2012) 2012 Report of the Minimum Wage Commission