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16 June 2020

Ms Priscilla Wong, BBS, JP
Chairperson
Minimum Wage Commission
1/F, Harbour Building
38 Pier Road, Central
Hong Kong

Dear Ms Wong,

Response by the Hong Kong General Chamber of Commerce ("HKGCC") to Public Consultation on the Review of the Statutory Minimum Wage Rate ("the Review")

HKGCC welcomes the opportunity to respond to the public consultation regarding the review of Statutory Minimum Wage ("SMW") rate.

Since the SMW rate came into force in May 2011, it has been reviewed every two years, and four upward adjustments, at an average of 7.6%, have been made. Amid the ongoing coronavirus pandemic, escalating Sino-U.S. tensions, and the return of social unrest, the Hong Kong economy is facing unprecedented challenges and businesses are going through an extremely difficult period. In particular, the global lockdowns have led to substantial declines in business activities across various industries. Many businesses, especially SMEs, are under enormous cash flow and liquidity pressures.

Taking this as well as other economic trends into consideration, the Government announced in early June a pay freeze for civil servants in the upper, middle and lower salary bands, as well as the directorate in 2020-21.

We understand that the objective of SMW is to ensure a certain level of living standards for grassroots workers. Most of the business owners in Hong Kong do care about their staff and try their best to maintain an amiable employer-employee relationship. However, some employers are currently struggling just to keep their businesses afloat. In view of such trying times, we recommend that the Commission should **keep the SMW rate unchanged at the current level of $37.5 per hour**.

During the first quarter of 2020, the Hong Kong economy shrank 8.9% year-on-year (YoY), the steepest decline on record. Private consumption and investment spending dropped 10.1% and 14.3% respectively. On the external front, exports of goods and services contracted 9.9% and 37.8% respectively. Given this grim economic outlook, the Government has revised downward its GDP forecasts for this year to a contraction of 4% to 7%.

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Against this background, the labor market has continued to face intense pressure, with the seasonally adjusted unemployment rate jumping to 5.2% in the three months from February to April 2020, the highest level in more than a decade. The total number of unemployed almost doubled to 202,500 compared to a year earlier.

With many companies fighting for survival, any increase in the SMW rate could further add to their burden, putting businesses, jobs and employees' livelihoods at risk. Employees who benefit the most from SMW are grassroots workers with limited skills, and they may be among the first to be laid off, especially as the pandemic has accelerated the adoption of technology and automation. An upward SMW wage adjustment could also have a ripple effect, driving up wages for higher earners and increasing non-wage remuneration.

The consequence is that a large number of companies, mainly SMEs, may have to bear a higher cost, which will likely drive some of them to close down. All these factors will undermine Hong Kong's competitiveness and hamper its ability to recover from the current economic downturn.

The new SMW rate will come into force on 1 May 2021 and will be effective for two years until 30 April 2023. We hope the Commission to consider our recommendation, taking into account Hong Kong's current economic climate and long-term prospects in determining the wage rate.

Yours sincerely,

George Leung
CEO