



Hong Kong General Chamber of Commerce
香港總商會 1861

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31 May 2022

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

Dear Ms Wong,

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

HKGCC welcomes the opportunity to comment on the review of the Statutory Minimum Wage (“SMW”) rate, which we recommend to be left **unchanged at the current level of \$37.5 per hour** based on the following reasons.

Weak Local Conditions

The Covid-19 pandemic has taken a heavy toll on Hong Kong’s economy, which had by the end of last year been reduced to a size smaller than that during pre-pandemic levels. The recent fifth and worst wave has caused the economy to contract 4% year-on-year in the first quarter of 2022. Delays in reopening the border with the Mainland and lingering anti-pandemic restrictions will continue to undermine business confidence. This is especially the case of customer-facing, tourism-dependent sectors, which have been hardest hit with many businesses either having to scale back or shut down completely. As a result, the unemployment rate rose to 5.4% in the three-month period ending April 2022, a ten-month high.

Uncertain External Conditions

The effects of Covid globally have had material and adverse effects on Hong Kong. As international markets respond to the pandemic, these have resulted in goods shortages due to supply chains disruptions, a phenomenon that has also impacted the SAR. The outlook remains stark due to a worsening of the geopolitical environment surrounding the conflict in Ukraine and souring of market sentiment caused by soaring inflation and the resultant tightening of monetary policy by central banks around the world. As a small and open economy that is highly dependent on trade, Hong Kong is highly vulnerable to external shocks. Against such a background, the Government has recently lowered its economic forecast for 2022 to 1-2% from an earlier projection of 2-3.5% in growth.

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Impact on Businesses

In a healthy economy, businesses would be in a better position to absorb or transmit wage increases to the market through price adjustments. However, it would be difficult to do so under the present circumstances given the factors as mentioned. For labour-intensive sectors that typically pay the SMW rate, an upward adjustment during such challenging times could risk triggering closures and the loss of jobs. This would be especially the case among small and medium-sized companies, which are already facing a cash flow squeeze.

Conclusion

We appreciate the spirit behind and support the objective of SMW, which is to ensure that grassroots workers are able to enjoy a reasonable living standard. That being the case, we believe that an SMW increase under the current review cycle to be unwarranted, given the prevailing market conditions and grim economic outlook for Hong Kong and around the globe.

Yours sincerely,



George Leung
CEO