



香港女工商及專業人員聯會

HONG KONG WOMEN PROFESSIONALS & ENTREPRENEURS ASSOCIATION LIMITED

**Response to the Bill of the Statutory Minimum Wage  
to  
The Provisional Minimum Wage Commission**

The Hong Kong Women Professionals and Entrepreneurs Association Limited (“HKWPEA”) respectfully submits our views in response to the Hong Kong Statutory Minimum Wage (“SMW”). HKWPEA is a non-profit organization comprising a broad spectrum of professional and business women with a mission to enhance professional standards, training and business opportunities as well as to provide mutual support for its members. We value the opportunity to present opinions to the Government on various policy consultations and public issues and see it as a contribution to the community we serve. Our comments below represent views that are being held from a cross-section of HKWPEA members who are holding significant positions in the public and private sectors in Hong Kong.

If the legislation on minimum wage is inevitably to be introduced, we urge the Government to undertake a full scale Regulatory Impact Study. Before the introduction of the SMW, it is essential that the public is provided with the full details and analysis of the impact that the SMW will bring to the Hong Kong in terms of its effect on Hong Kong economy, living standard, unemployment rate, and its competitiveness in the region.

There are a number of issues and concerns in the understanding, implementation and application of the Statutory Minimum Wage:

**1. *Living Wage Vs Wage Floor***

We consider that SMW should be a wage floor, guaranteeing worker that are generally non-skilled and less educated a minimum remuneration for their work, and should not be a living wage to cover family expenses. This is also clearly stated in the CE’s policy address:

“First, the introduction of an across-the-board minimum wage should protect workers against exploitation while at the same time prevent the loss of low-paid jobs. Second, wages are returns for employees’ labour. As family needs vary, the minimum wage may not be sufficient to cover family expenses of all employees. Employees in need can obtain assistance under the current social security system.”

Comprehensive measures to help the lower income group should be in place through low income subsidies.

## **2. *Lack of Impact Assessment***

The Annual Earning and Hours Survey (“AEHS”) provides only a snap shot of the hourly wages of workers in Hong Kong. What it is not, and what has not been done, is a comprehensive impact assessment study to determine the impact (on unemployment; business profitability; competitiveness of Hong Kong in the Asia Pacific region, etc) that a SMW may have at various wage levels.

The Provisional Minimum Wage Commission (“PMWC”) will, from a basket of indicators (which include general economic conditions, labour market conditions, competitiveness, standard of living and other relevant considerations), simulate the possible impact of different SMW levels on the labour market, firm’s profits, and prices of goods and services. We are concerned whether the PMWC has sufficient information to assess fully the impact of SMW at different levels.

## **3. *Knock-on Effect\****

The PMWC needs to take into account the knock-on effect of a SMW. According to the UK Low Pay Commission Report 2009, the minimum wage in UK had a knock-on effect on employees up to the 30<sup>th</sup> percentile in the six years after the introduction of a SMW. In other words, 30% of employees were affected by the introduction of the minimum wage even though it only directly covered approximately 4.7% of employees. The PMWC should also consider that the SMW will have a much greater impact on labour-intensive industries with multiple ranks and small wage differential among staff of different ranks, namely fast food, retail, Chinese restaurants (but not cleaning and security cleaning, security and restaurants).

PMWC should also carefully evaluate the knock-on effect to the economy of HK, when the majority of the restaurants and fast food is going to increase their staff cost and to pass onto consumers. What % of HK population covering under the SMW is regularly dining out? What % of HK population is relying heavily on the current fast food price to maintain their current standard of living? If these people are not covered under the SMW, but relying on the current restaurant or fast food price to maintain their living, these people will suffer after the implementation of SMW.

PMWC should also carefully evaluate the possible percentage of low-skilled or elderly workers that SMW is supposed to protect will be pushed out of job if the SMW rate is higher than employers could afford therefore there might be consolidation of jobs or employers might consider to hire younger people who might be attracted with the new higher salary to join these positions.

### **\* *Knock-on Effect***

The possible impact of the minimum wage level has on other wage levels of different sectors / industries, in particular, the labour-intensive sectors / industries with multiple ranks. Possible increases on other wage levels as a result of the introduction of the minimum wage, and thus, employers are likely to face increased operating costs.

#### **4. Competitiveness**

The rise in operating costs would affect profitability, sustainability and development of businesses and, to a greater extent, the competitiveness of Hong Kong. Should the SMW negatively affect the return on investment, companies might eventually choose to relocate, slow down growth of business or most unfortunate case is cease operation thus affecting the overall competitiveness of Hong Kong.

PMWC should not just look at current impact - how would the competitiveness of HK be affected in the coming 2 years, 5 years and 10 years? What will be our position when compared with Singapore and Shanghai? Are we in a disadvantage position when compared with Singapore which does not have such SMW? When Shanghai is going to be the Financial Centre and Marine Centre, how could Hong Kong prepare for our competitiveness after the introduction of such SMW.

#### **5. International Benchmarks**

Two benchmarks are commonly used internationally to set the minimum wage: % of median wage and % of workforce covered. As this is the first time HK to have a SMW we should benchmark a country that has shown reasonable result and it is believed that the UK system is more workable in HK. The key elements of setting the rate in UK are (i) a cautious approach; and (ii) evidence-based criteria, which results in high acceptance by the community. Currently, the minimum wage in UK covers about 4.7% of workforce, but PMWC should note that in 1999 when UK first introduced MW it only covered less than 4% workforce - it is only over the last 10 years that more work force are to be covered.

In the absence of an impact study, we recommend that the PMWC should err on the side of caution in establishing the first statutory minimum wage rate. Setting the rate too high may be counter-productive and result in job losses for those employees that a minimum wage is intended to benefit. As Hong Kong is to set its first MW it is important to mirror UK's initial approach in 1999 i.e. cover around 4% of total workforce.

Public Affairs Committee  
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