



HONG KONG RETAIL MANAGEMENT ASSOCIATION

Submission on Review of the Statutory Minimum Wage Rate (SMW) in 2014

16 May 2014

Executive Summary

The Hong Kong Retail Management Association (HKRMA) presents its views to the Minimum Wage Commission (MWC) in regard to its public consultation on the second review of the SMW rate.

1. We urge that the MWC should act prudently on the review and observe the following basic principles in the process:
 - (a) The legislative intention and stipulations should be adhered to closely;
 - (b) SMW's impacts and risks should be fully assessed and shared with the public; and
 - (c) The review must ensure fairness to all stakeholders.
2. We are disappointed to see the MWC only refers the public to a few raw reference materials for the public consultation this time. We urge the MWC to conduct a comprehensive impact study in order to achieve an "evidence-based" and "rational" review of the rate.
3. The MWC should provide reference data for the public consultation from holistic impact studies such as on the followings:
 - (a) Which types of low-paid jobs have been benefitted from SMW, and which types have not? In what way?
 - (b) What are the positive and negative impacts on non-SMW jobs?



- (c) Which sectors have been positively or negatively affected by SMW, including non-profit agencies, e.g. in recruiting and retaining staff?
- (d) What are the associated impacts on Hong Kong's economic growth?
- (e) As many companies have experienced increase in labour turnover since the introduction of SMW, how has this affected their competitiveness, and in turn the competitiveness of Hong Kong?
4. We urge the MWC to thoroughly assess the many new policies introduced by the Government lately in alleviating poverty such as the proposed Low-income Working Family Allowance, and the additional support for low-income CSSA recipients, to find out how these policies are interplaying with the SMW, since most of them are apparently overlapping with the SMW.
5. Many previous studies and reports shown that the SMW has increased labour turnover, raised training and management costs, decreased service quality and productivity; while the wage substitution effect also disrupted the employment balance, and reduced labour market stability. We think it is pivotal for the MWC to grasp a full picture on the adverse impacts of the SMW on businesses and the economy when conducting the review.
6. In the retail industry, the SMW has prompted workers to move to other sectors, thus exacerbating the labour shortage and creating worsened working conditions for workers who stay behind. The last raise of the SMW to HK\$30 per hour has worsened the situation. In addition, the economic outlook has deteriorated and the retail industry has already been suffering major negative growth in the Q1 of 2014. Any raise in the SMW will further dampen growth of the retail industry and affect its employees.
7. Given the above considerations on the consultation and the impacts of the SMW, we recommend that the MWC should look into its consultation process and consider the followings:



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- (a) **Put the review on hold** pending the availability of more information and in-depth studies of SMW's benefits and impacts upon its introduction and initial operation.
- (b) **Publish a full consultation paper or a draft report** in accordance with MWC's consideration to foster a more rational discussion.
- (c) **Review the assessment criteria** such as some within the "social inclusion" category that arguably have deviated from the original legislative intention of the MWO.
8. On the SMW rate review, if the MWC decides to go ahead irrespective of the gaps in the consultation process and circumstances, it should be extremely cautious and conservative in view of volatile economic outlook and deteriorating competitiveness of Hong Kong. We recommend the MWC should:
- (a) **Resist political expediency** and adhere to the law and legislative intention;
- (b) **Adopt a minimum change approach** including freezing the rate at the present level, and take into consideration of the critical factors as follows:
- i) Inflation and nominal wage increases have moderated over the years.
- ii) The SMW's impacts on businesses and the retail industry, as well as other sectors, have already been considerably substantial.
- iii) The Government has introduced a number of major measures to support people with less means, especially since 2013, thus creating policy overlaps.
- iv) There is a need to equip the labour market and businesses with flexibility to adjust for potential economic downturns, such as the unexpected slowdown of the retail business in Q1 of 2014.

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