



香港飲食業聯合總會
Hong Kong Catering Industry Association

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Press Release
(5 pages)

Minimum Wage Survey in Hong Kong Catering Industry
Suggesting the minimum wage at an hourly rate not higher than \$24

Chairman of the Hong Kong Catering Industry Association (CIA), Tommy Cheung, together with the representatives of trade associations and restaurants in the consultation meeting of the Provisional Minimum Wage Commission (PMWC) today, pointed out that the catering industry would be affected the most by the minimum wage since it has a relatively higher demand for a large number of non-technical workers compared with other industries. The PMWC is urged to duly consider the hardship of their businesses and study figures provided by the catering industry when setting the minimum wage level. On behalf of the trade, he appeals for consideration that the rate of the minimum wage should not be higher than \$24 an hour, which would strike the right balance between:

- a. Forestalling the loss of non-technical jobs, ensuring job opportunities for people with low skills, low education and beyond middle-aged;
- b. Forestalling the adverse influence on the competitiveness of the catering industry, ensuring the sustainable development of the industry;
- c. Forestalling a spate of restaurant closures, especially ensuring that the small and medium enterprises would not close the businesses due to the minimum wage.

He added that even though the minimum wage of \$24 an hour would still put pressure on some members of the trade but the trade agrees that it would be the most appropriate to have the rate not higher than this level after studying the effects of the minimum wage at different levels.

He also said that the trade objects the proposal of setting the minimum wage at the medium earnings of the catering industry, an hourly rate of \$32.7, as this would induce much unfavourable influences on the trade.

The Minimum Wage Survey in Hong Kong Catering Industry (the Survey) conducted by CIA provided references for the trade to decide the minimum wage level and the conclusions of the Survey were supported by trade associations including Association of Restaurant Managers, Chinese Cuisine Management Association, Chiu Chow Overseas Food Trade Merchants Association, Estate Restaurant (HK) Merchant Association, Factory Canteen Chamber of Commerce, Hong Kong Federation of Restaurants and Related Trades, and the Association For Hong Kong Catering Services Management (in alphabetical order).

Findings of the Survey

In the press conference, Tommy Cheung, Chairman of the CIA, reported that the Survey stated that many restaurants in Hong Kong are operating with a large number of employees at low and middle-level positions. After the enactment of the minimum wage, this kind of restaurants will have a relatively higher ripple effect on their wage rise.

According to the findings of the Survey, Chinese and local-style tea restaurants, which have relatively lower profits, will suffer the most since they may not be able to absorb the rise in wage costs and their businesses will be at a mounting risk. At the hourly rate \$28 of the minimum wage, the overall profit of local-style tea restaurants will drop to the high-risk level. For the hourly rate at \$33, the overall profit ratio of the catering industry will fall to a negative value that the trade will find unacceptable and the adverse influences will further spread to the society.

The Survey also showed that among four choices of the minimum wage level, the largest proportion of respondents (34.6%) accepted the hourly rate at \$24. The next would be at the hourly rate of \$20 (25%). Also, 17.3% of the respondents chose the hourly rate at \$28 but none of the respondents accepted the hourly rate at \$33. For those choosing “others” (23.1%), the hourly rates are between \$18 - <\$30.

Research Method

Companies which have 8 or more food serving shops were identified with the help of catering associations early this year. Invitation letters were sent to 67 companies within the scope of the survey. Positive replies from 49 companies were received in respect of 1867 food serving shops and over 75000 employees, nearly 40% of employees in the catering industry of Hong Kong. The overall response rate of the survey was 73%. Senior staffs or representatives of human resources department of

the companies filled out the questionnaires with the assistance of CIA researchers by face-to-face or phone interviews between 1 February and 31 March 2010.

Background

Although Census and Statistics Department (C&SD) has also provided the estimations on the pay rise in the catering industry for the minimum wage, it only collected snapshot data, ie. the percentage increase in wage bill comparing with the original wage bill of all employees when the wages of employees earning less than the minimum wage are raised to the minimum wage level. CIA believes that this cannot give a real picture of the impact on the trade. In the Low Pay Commission Report 2009 of the United Kingdom, a study pointed out that there was some evidence of spill-over effects of the minimum wage on the earning distribution to about the 30th percentile of employees.

In response to this, our questionnaire was designed to ask the trade about the estimated increase in wage costs and related wage figures under the ripple effects at four different levels of the minimum wage, and then compare the calculated figures, the fall in the profits, with the profit data of the catering industry provided by C&SD so as to measure the impact of the minimum wage on the trade and help them decide the acceptable minimum wage level.

Data Comparisons

After discussions on the results of the Survey, the trade points out that although the comparisons with the C&SD data must have deviations for the differences on samplings and field periods, the estimations of the Survey are conservative. It is reasonably believed that the profits of restaurants in general may decline at a much deeper level than the figures derived from the Survey. There are three reasons as follows:

1. The profits of restaurants counted both by the Survey and C&SD are figures before deducting tax and depreciation ratio.
2. This survey has calculated the fall in profit after the wage increase but not counted other increased costs as the result of a chain reaction, like the rise in MPF, management fees, washing and ironing fees, maintenance fees, insurance costs and expenses caused by suppliers raising prices, etc.
3. This Survey only interviewed companies with 8 or more food serving shops. As most of them have central factories for food production operations and better management with higher economic benefits, the increase in wage costs came with the minimum wage may be lower than other companies in

smaller scale and do not have such sources. They therefore should have relatively less squeeze on profits compared with the majority.

Main findings of the impact on the trade at four different minimum wage levels (hourly rate):

\$20	<ul style="list-style-type: none"> ● Little rise in wage costs. ● The majority of respondents find acceptable and no measures will be taken.
\$24	<ul style="list-style-type: none"> ● 57.7% respondents have <5% rise in wage costs. ● Chinese restaurants and non-Chinese restaurants have higher increases in wage costs compared with other types of restaurants respectively at 8.8% and 10.3%. ● If absorbing the increase in wage costs by the profit, the overall profit ratio is still acceptable but Chinese restaurants will have medium profit ratio fall from 1.7% to -1%, ie. over half of Chinese restaurants running out of profits. Local-style tea restaurants will also have medium profit ratio fall from 3.7% to 1.6%, ie. half of these restaurants will be losing money after taking account of other expenses like deducting depreciations. ● Over 50% of respondents will take measures, 30.8% raising prices, 28.8% cutting working hours and employing part-time jobs and also 1.9% closing shops.

\$28	<ul style="list-style-type: none"> ● 63.5% of respondents will have more than 5% increase in wage costs and 11.5% of the respondents will have more than 30% increase in wage costs. ● Among all groups of restaurants, fast-food shops suffer the highest increases in wage costs, about 19.3% ◦ ● If absorbing the increase in wage costs by the profit, local-style tea restaurants will have overall profit ratio fall from 5.8% to 2.2%, for small and medium sized restaurants of this group will have overall profit ratio fall to 1.5%. In other words, the overall profit ratio will be at the high-risk level after counting other expenses such as deducting depreciations. The prospect of local-style tea restaurants will be going to be very dim. For the Chinese restaurants, its medium profit ratio will fall to -3% while for the small and medium sized Chinese restaurants, the medium profit ratio will also fall from 3.9% to -0.8%. ● 86.5% of respondents will take measures, 53.8% raising prices, 57.7% cutting working hours and employing part-time jobs, and 9.6% closing shops.
\$33	<ul style="list-style-type: none"> ● 38.5% of respondents will have over 30% increases in wage costs. ● The group of canteens/ small food shops will have over 50% increases in wage costs. ● If absorbing the increase in wage costs by the profit, the overall profit of the catering industry will be compensated to zero and about 60% of restaurants (5420 shops) and others will only have very little profit. ● The majority will take measures, 28.8% closing shops, 63.5% cutting working hours and employing part-time jobs, and 61.5% raising prices.

Some of the charts will be uploaded to <http://www.tommycheung.com> today. The survey report will be uploaded later for public reference.

For media enquiry, please call 2698 9344.

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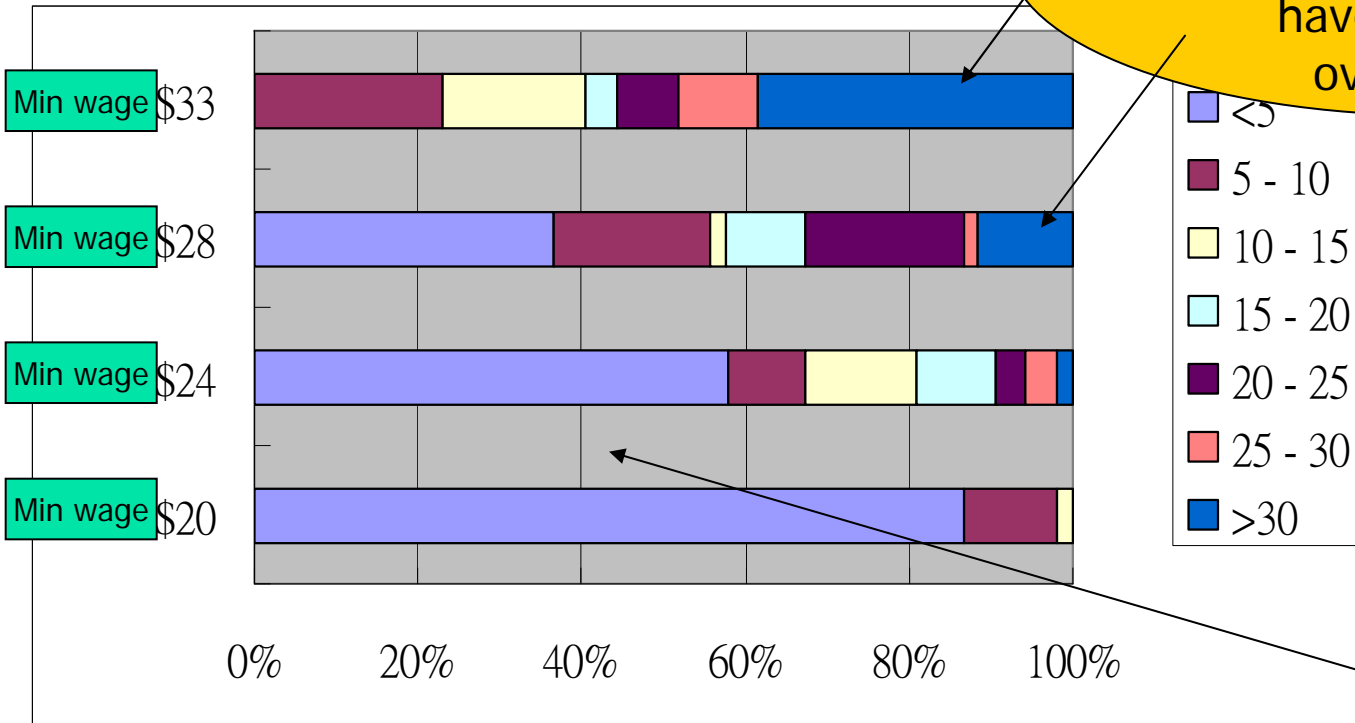
Real Example (a company, chinese restaurants)

– supposing a statutory minimum hourly wage \$24

Jobs	Average hourly wage (\$)	Estimated pay rise (\$)	Proportion of employees	Increase in Wage Costs
Dim sum helper	20	24	30% of employees covered (snapshot figures)	1.9% (snapshot figures)
Uniform attendant	21	25		
Cleaner	22	26		
Pantry helper	23	27		
Busboys	23	27		
Kitchen helper	27	32	20% of employees covered (no. under ripple effect)	
Barman	30	36		
Purchasing clerk	30	36		
Waiter	32	38		
Cook helper	35	42		
Cashier	37	44		
Captain	39	46		
Cook	47	56		
Bar Supervisor	52	62		
Chief Cook	60	72		
Manager	69	82		

Percentage Increase in Wage Costs

Under Ripple Effect



At hourly rate \$33, 38.5% responded that increases will be over 30%.

At the hourly rate \$28, 63.5% respondents have rises >5%, 11.5% respondents will have increases over 30%.

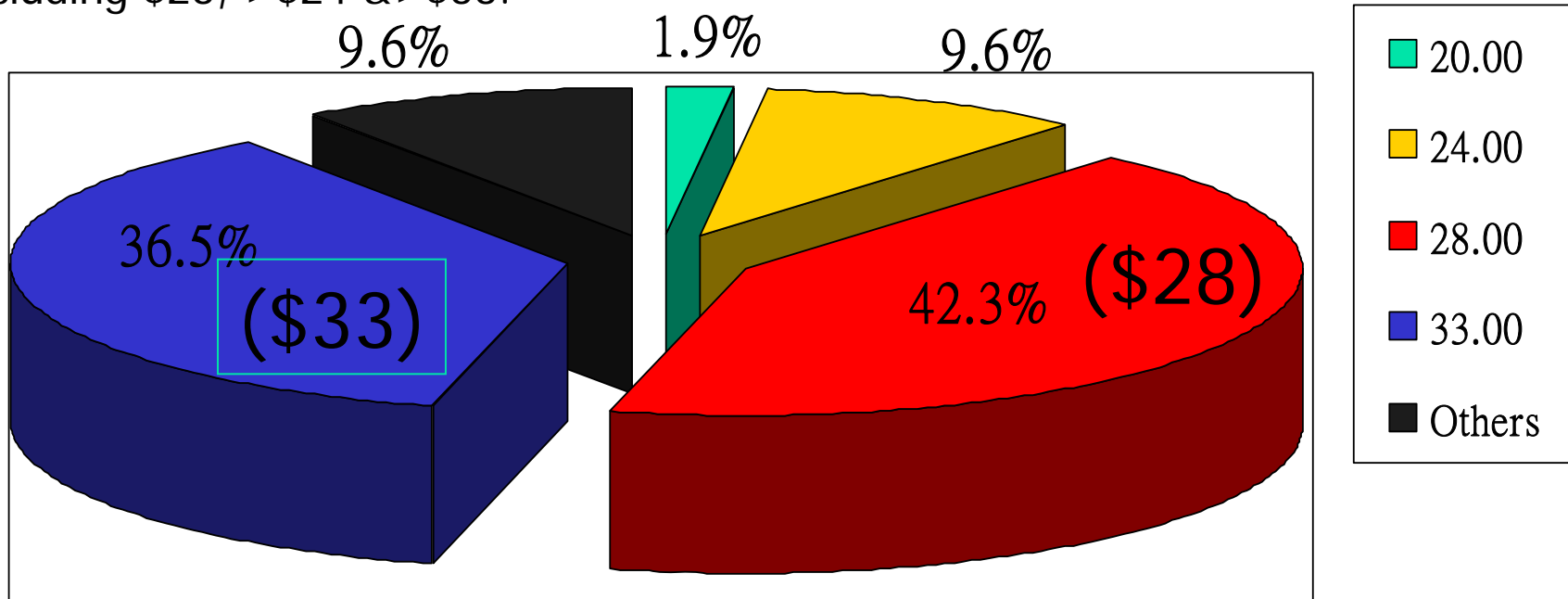
At the hourly rate \$24, 57.7% companies will have less than 5% increase in wage costs

Measures to be undertaken for various minimum hourly wage level - Overall

Minimum hourly wage	\$20	\$24	\$28	\$33
Raising prices	3.8 %	30.8%	53.8 %	61.5%
Layoff	0	15.4%	32.7%	38.5%
Closing shop (s)	0	1.9%	9.6%	28.8%
Cutting working hours and employs part-time employees	5.8%	28.8%	57.7%	63.5%
Cutting employee's benefits	1.9%	21.2%	32.7%	42.3%
Others	5.8%	11.5%	11.5%	19.2%
None of the above	82.7%	46.2%	13.5%	1.9%

Given that all operating costs and economic situation are unchanged, at which minimum hourly wage rate may lead to unacceptable effects on the company?

Note : Some companies gave a range of rates in "others" including \$23, >\$24 & >\$33.



If a statutory minimum wage should be implemented, at which minimum hourly wage rate will the company find acceptable?

Note : Some companies gave a range of rates rather than a single rate in "Others"

