The Impact of the Minimum Wage Ordinance on Security Companies in Hong Kong

Submitted by

Mr. Hon, Kim Tak
Dip (Legal Studies), BA (Psy), MBus

Student number: c3041843

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Abstract

Hong Kong, as a developed city, has implemented a new law of Minimum Wage Ordinance since May 2011. Many industries would be affected, especially for some low-skilled and low wage industries. This research is to evaluate impacts of the Minimum Wage Ordinance on guarding companies in Hong Kong. Guarding companies are to change their business strategies, company structures and human resources policies to suit into the market. This research is to identify the arguments in favour of and against Human Resource Management and Minimum Wage in Hong Kong. In-depth Interview of qualitative research methodology adapts to the research to have rich descriptions of phenomena from the interviewees and Open-ended questions are used to get various answers to the research questions.

The findings reveal that all interviewed companies are well arranging Human Resource Management policies on dealing with the implementation of Minimum Wage Ordinance; wages have been increased, communication has been enhanced and benefits have not been reduced. It is suggested that the implementation of Minimum Wage Ordinance is perfectly at the very good time of rapid economy growth in Hong Kong where most of the negative effects are offset or even over by economy growth. All interviewed companies keep making profits and maintain profit margins. The inflation is even downward which some theorists argue that setting up minimum wage would push the inflation upward. It is also suggested that the minimum rate is set not high
that most low-skilled and low wage employees are earning wages very close to the minimum rate. As this is a new law, this research would contribute to the Hong Kong Government that it would have more useful information for developing its labor strategies and policies and it would be an indicator for the guardng industry to plan the Marketing and Human Resources strategies.
Declaration

I declare that this thesis that has not been submitted in any form for another degree or diploma at any university or other institution of tertiary education. Information derived from the published or unpublished task of others has been properly acknowledged in the texts and references lists.

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Mr. Hon, Kim Tak

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Although many western and even some developing countries established Minimum Wage laws over a hundred years ago, Hong Kong only implemented its new Minimum Wage Ordinance in May 2011 (Price and Ho, 2011). Many industries have been affected, especially low-skilled ones such as cleaning, security guard services, etc. This external force (Serio, 2006) is pushing security companies to change their company strategies, structures, human resource policies and operations models to suit the market. The purpose of this research is to evaluate the impact of security companies’ employment packages set after the implementation of the Minimum Wage Ordinance in Hong Kong. Although there have been some negative impacts, such as a rise in unemployment (Ni, Wang and Yao, 2011) and low-skilled and elderly people being forced out of the labour market, there are also many advantages. Most security companies have benefited from obtaining more shares in the market as they have been forced to enhance their qualitative services.

The research seeks to answer the following questions:

- What are the current common employment packages of security companies in Hong Kong?

- What have been the impacts of employment packages on security companies after the implementation of the Minimum Wage Ordinance in Hong Kong?

- Does the size of the firm affect the impact of the employment package?
How have security companies coped with the changes since the implementation of the Minimum Wage Ordinance?

What have been the expectations of employees since the implementation of the Minimum Wage Ordinance?

The research identifies the arguments for and against a minimum wage (Appendix 1) in Hong Kong. The research could be useful to the field of Human Resource Management, which provides concepts of motivation, payment structure and communication for this topic (Slangen, 2011) (Edwards and Gilman 2006). As this is a new law, the research on this topic is also new and should be followed by other works to provide the Hong Kong Labour Department with more data and useful information for developing its future strategies and policies. As this research is specific to the security guard industry, it could assist the industry in planning its marketing and human resource strategies in Hong Kong. The research should also be useful for labour unions, the private sector and NGOs (Lemos, 2004). As the security service is a small industry in Hong Kong, this study is one of the pilot research works on the topic. The strengths and weaknesses of data collection methods are analysed in order to justify the one used in the research. Limitations of the study (Breakwell et al., 2007) are discussed so as to provide a clear picture of possible further research.

1.2 Background of the Topic

Minimum Wage has been a core element of public policy for more than a century. Australia and New Zealand established a minimum wage in 1896 and 1899, respectively, primarily with the intention to prevent employers from hiring children or apprentices at no pay (Metcalf, 1999). The idea of a minimum wage then spread to the United Kingdom in 1909 and nearly one-third of US states during the next two decades. In 1938, the US Congress passed a federal Minimum Wage law as part of the Fair Labour Standards Act (Neumark and Wascher,
Since that time, a minimum wage has been introduced to other industrialized countries and some developing countries. As a result, by the 2000s, a minimum wage existed in over one hundred countries or areas throughout the world (Saget, 2008).

The concept of a minimum wage was originally proposed to ensure that women and children were receiving a fair wage for their work. However, it was later extended to help individuals or families achieve self-sufficiency. As a result, coverage of Minimum Wage laws was extended to men and to workers in most low-paid occupations (Neumark and Wascher, 2008).

Countries or areas having implemented Minimum Wage laws accept this policy as right and proper. On the other hand, other countries argue whether the minimum wage is effective for businesses and communities (Saget, 2008). Although overwhelmingly popular with the public in the United States, the minimum wage has been, from the time of its introduction, highly controversial in the political arena (Neumark and Wascher, 2008). From the very beginning of the discussion of minimum wage, economists were in doubt whether this policy would cause a loss in jobs. Many economists also argued that it would not reduce poverty. Policy debates for and against minimum wage will continue (Erdil and Yetkiner, 2001). People from different cultures, economic systems, political systems and business environments may have different points of view regarding minimum wage.

After protesting, demonstrating, lobbying and arguing with the government for many years, the labour unions succeeded in pushing the Hong Kong Government to table the Minimum Wage Bill in the Hong Kong Legislative Council. Therefore, the Minimum Wage Bill is not only an economic and labor issue, but also a political issue (Wong 2014). It was finally passed on 17 July 2010 and implemented on 1 May 2011. For those organizations paying most of their employees above the minimum rate already, there were only few changes
necessary. However, those paying the majority of employees less than the minimum rate have been forced to increase wages to comply with the Minimum Wage Ordinance. The first minimum wage was set at $28 per hour although the labour unions asked for $33 per hour. The policy affects 273,800 employees out of a total of 2.7 million employees in Hong Kong (Appendix 2). Most of these low-income employees are from the food service industry, retail trade, estates management and security and cleaning services. This research is to evaluate the impacts of employee packages, which normally include basic salary, performance allowance, travel allowance, year-end bonus, annual leave and medical benefits (Egan, 2008), on security companies after the implementation of the Minimum Wage Ordinance in Hong Kong. The wages of guards were far behind the minimum wage rate (Neumark and Wascher, 2010) before the Ordinance’s implementation in Hong Kong. The research also examines whether the majority of security guard companies signed new contracts with their guards after the Ordinance, to release the legal liability. In addition, it analyses whether the size of the company affects the employee package. Two categories of security companies, those employing more than 500 guards and those with fewer than 500, are examined for comparative analysis.

A study of the International Labour Organization is a must to understand the history of Minimum Wage development in the world. The primary goal of the International Labour Organization today is to promote opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity (http://www.ilo.org/global/about-the-ilo/lang--en/index.htm). Labour Unions suggest that the implementation of a minimum wage reduces the poverty rate. However, other sources argue that minimum wage has no effect on poverty rate (Sabia and Burkhauser, 2010).

As this Minimum Wage Ordinance is a new law in Hong Kong, the Hong Kong Government and Labour Unions may not have any research in this area. The research in this dissertation may benefit both parties, providing them with more
information to develop their own strategies. The research may also benefit security companies, helping them to understand the market situation in order to develop their own marketing strategies. It is also beneficial for other low-skilled industries, such as restaurants, estates management and cleaning, as they may require a similar model on which to base their adaptation to the Ordinance.

1.3 Key Issues from the Literature

The impact of minimum wage on employment and the average wage has been an important area of research and a source of considerable academic disagreement in recent years (Price and Ho, 2011). Price and Ho (2011) compare the minimum wage legislation in Hong Kong with that of other Western jurisdictions and seek to identify what the former can learn from these international experiences in setting a Statutory Minimum Wage (SMW). They argue that these experiences provide a good platform for implementing a broadly similar regime in Hong Kong. It is suggested that Hong Kong, as a developed area, is different from developing countries. Few developed areas like Hong Kong have created a minimum wage law after having developed their economies for so many years.

Without experience in implementing an SMW (Feldmann, 2005) and in the absence of adequate evidence in Hong Kong, assessment of the impact of SMW (SMW) has its inherent limitations. There are possible impacts on employees, businesses, output prices as well as inflation (Cuong, 2011). It is suggested that SMW would have several impacts, namely a knock-on effect, reduction in guaranteed year-end bonus, reduction in meal benefits and impact on profit conditions (Simon and Kaestner, 2004). In particular, SMW has an essential impact on the low income sectors (Thornley, 2006), such as the cleaning and security guard industries. It is argued that these sectors would be more affected by SMW as they employ more employees with lower wages than do other industries.
Employees earning wages below the SMW benefit from an increase in wages to the statutory level. Those already earning wages above the statutory minimum rate may also benefit from a knock-on effect (Anderson, 2009) in the pay hierarchy. Employees with wage rates at the bottom segment of the wage distribution would experience greater increases in wage rates and would more likely be employed in low pay sectors, such as security and cleaning. The majority of these employees possess low education levels, are female, aged 55 and above and work part-time.

According to Maslow’s Needs Theory (Philippe, 2009), a wage increase is great motivation (Ibironke et al., 2011) for those having wages lower than the statutory minimum. On the other hand, these employees face being laid off through company downsizing (Chen, Lai and Chen, 2012) and employment restructuring (Cooke, 2006) through reduced working hours. The organizations might reduce fringe benefits and bonus payments, particularly as these items are usually not included in the remuneration package (Buck, 2003). It is argued that employees in security services receive lower pay than any other sector, even the low pay sectors. Moreover, the security sector has a high share of staff costs in total operating costs (Easton and Goodale, 2005). This involves Reward Management (Armstrong, 2009) one theory among many which organizations should clearly apply to handling the implementation of a minimum wage in Hong Kong. Normally, according to the law of supply and demand, supply exceeds the demand, pay levels go down and demand exceeds the supply, pay goes up. After the implementation of SMW, the government forces wages up for the low pay sector. As the supply remains, there will be less demand in the market. It is suggested that organizations are willing to pay more than the market rate as the management in these organizations believes that this level of high pay could produce benefit in an increase of productivity. The high pay could attract high quality candidates, motivate good performance, help employees to be treated fairly and reduce turnover rate. This is the Efficiency Wage Theory (Armstrong,
2009). According to these theories, organizations can motivate employees and gain their engagement and commitment. Organizations can also retain and attract high quality employees and develop good relationships between the company and employees as part of the company culture. These theories should also drive the Hong Kong Government and Security Companies to analyze the impacts of the implementation of the Minimum Wage Ordinance in Hong Kong so that the senior management can develop some strategies to minimize the negative impacts. This research aims to search out the impacts by interviewing senior management officers and employees from security companies and applying these theories to minimize the negative impacts.

Firms, especially those involved in low pay sectors, should be affected by SMW as a high share of their total operating costs is spent on wages. They can contain the increased wage costs by reducing profits and reduce manpower by downsizing (Iverson and Zatzick, 2011) or closing down some branches under ‘manpower streamlining’ (Anyim, Mba and Ekwoaba, 2012). In the long run, firms with higher efficiency and higher innovation would be more likely to benefit from the implementation of a minimum wage through increase in market share (Guyon and Petiot, 2011). Some employers offset part of the additional wage bills by reducing the non-guaranteed year-end payment/bonus, meal benefits, training benefits, medical benefits and other benefits in kind of low-paid employees (Bayo-Moriones and Larraza-Kintana, 2009). Although some employers may reduce benefits which are only part of the Total Reward, they may apply non-financial rewards to retain and recognize employees. Total Reward is quantifiable and traditional elements, such as variable pay, wages and benefits. Total Reward also suggests that organizations provide more intangible non-cash elements and intrinsic motivation like career opportunities, scope to achieve and exercise responsibility, learning and development (Armstrong, 2009). It is to discuss Industrial Relation prior to analyzing the topic of Minimum Wage because it could provide valuable background information of how and why other countries have developed this kind of law to prevent low-skill, low paid and less competitive
workers from being paid under reasonable wages. Burgess et al (2014) suggest that the workplace not only provides money but also purpose, status, and friendship, allowing people to develop new skills, both technical and social. Line managers manage industrial relations on a day-to-day basis and the fact that they seek to obtain the best from their staff has implications for innovation, productivity, quality and reliability (Bowden and Barry 2015).

According to Lee (2011), minimum wage implementation would undermine domestic and international competitiveness, erode purchasing power, and might even reduce aggregate demand. It is suggested that to mitigate minimum wage impacts, organizations could transfer the additional wage costs to their clients or customers through increase in price (Yuan and Han, 2011). However, it is uncertain that clients or customers would accept the increase. Organizations therefore would generally find it difficult to raise prices in a highly competitive market. Firms with high manpower reliance and low profitability may be forced to adopt a price-raising strategy (Seyoum, 2011). Whilst knowing a full cost transfer (Pfeiffer, Schiller and Wagner, 2011) scenario is unrealistic, firms may find it inevitable that they increase the output prices. In particular, the impact is estimated to be higher in the case of low-paid employees (Bayo-Moriones and Larraza-Kintana, 2009), like security guards. It is suggested the impact on inflation is limited. However, some economists argue that the impact is great (Cuong, 2011). Since the labour market and economy continue to evolve, business researchers find minimum wage is good topic to analyze the precise responses of firms and the exact impact on employees.

Price and Ho (2011) suggest that Hong Kong is the world’s freest economy with the least labour market regulation. Hong Kong’s economic development is based on the provision of public goods, low tax rate, free enterprise and private property rights. In the labour market, the government has never formally regularized industrial relations, nor legally recognized the status of trade unions, so it has provided minimum labour protection without setting the wage level and other
terms of employment (Brown and Goldacre, 2007). After the handover, the new administration continued this laissez-faire development model, and carried over the international status of the world’s freest economy. Although Hong Kong developed its own Minimum Wage Law in 2011, it is argued that Hong Kong has worked on Salary Protection Movement for many years to protect low income laborers.

Using data from 2000 to 2005, Ni et al. (2011) suggest that the impact of the minimum wage on employment in China is not significantly negative. They argue that the central and western regions experience few significantly positive effects, which is consistent with the theory in the monopsony model. Lemos (2004) argues that the minimum wage policy affects employment directly and indirectly in Latin America. However, the paper only discusses developing countries in Latin America, and there is a lack of evidence to compare with developed countries or areas.

Simon and Kaestner (2004) suggest that minimum wage has had no discernible effect on fringe benefits and there is no evidence that binding increases in the minimum wage cause an offsetting decline in the provision of fringe benefits or quality of working conditions. Moreover, William, Adam-Smith and Norris (2004) suggest that the low-pay sector would be significantly disrupted by Minimum Wage (Purushotham, 2009). Pay rates are not the only outcome of managerial decisions and the former can be influenced by various social and economic processes. On the other hand, Heyes and Gray (2004) argue that a firm’s pay and training practices are affected by the introduction of a minimum wage and subsequent changes in the level at which it is set. They add that the pay is determined in small firms and there are various factors that influence wage offers. The majority of security companies in Hong Kong are small. It is argued that one of the gaps is security companies in Hong Kong would reduce fringe benefits to offset cost increases resulting from the minimum wage. The other gap is that few labour benefits are mandated by law in Hong Kong. However, many other
benefits are mandated by law in certain Western countries, i.e. medical insurance and pension benefits. It is also argued that security companies, which are paying more than the minimum rate, would have different strategies from those paying less than the minimum rate before the implementation of Minimum Wage. This research determines how these security companies have changed their Human Resource Management strategies for the implementation of Minimum Wage in Hong Kong. The objective of this work as a whole is to understand the impacts of the basic salary and fringe benefits on security companies after the implementation of the Minimum Wage Ordinance in Hong Kong. The research questions are as follows:

1. How did those security companies paying above minimum wage prior to implementation of the Minimum Wage Ordinance change the basic salaries of their security guards?

2. How did those security companies paying below minimum wage prior to implementation of the Minimum Wage Ordinance change the basic salaries of their security guards?

3. How did those security companies paying above minimum wage prior to implementation of the Minimum Wage Ordinance change the fringe benefits of their security guards?

4. How did those security companies paying below minimum wage prior to implementation of the Minimum Wage Ordinance change the fringe benefits of their security guards?

5. What are the changes in human resource management policy for security companies after the implementation of the Minimum Wage Ordinance in Hong Kong?
1.4 Research Methods

There are two major research methodologies, namely quantitative methodology and qualitative methodology. Quantitative methodology, as a research strategy, emphasizes quantification in the collection and analysis of data (Bryman and Bell, 2011). The qualitative methods and techniques are used as important phenomena or processes of a social or behavioral nature, which quantitative methods cannot measure. There are some common contrasts between quantitative and qualitative research, such as objectivity and subjectivity (Appendix 3). Although there are many differences between quantitative methodology and qualitative methodology, there are also some similarities (Appendix 4).

This research employs qualitative research methodology (Ostrower, 1998 and Delattre et al., 2009) using case studies with in-depth interviews (DiCicco-Bloom and Crabtree, 2006) of security companies in Hong Kong. The aim is to obtain in-depth information on high-level management personnel and employees for the research topic. Purposive sampling is selected in order to collect information from senior personnel and employees who represent their companies to describe the impacts of the employee package after the implementation of the Minimum Wage Ordinance in Hong Kong. Six security companies from the industry are selected as the sample size so as to fulfill the requirement of analytical generalization in terms of data credibility.

In-depth interview (Sekaran and Bougie, 2011) design is adopted for this research as the topic deals with a complicated situation and there is little data available. Senior or top management personnel, such as the General Manager, Director and Human Resource Manager are interviewed to collect information on business strategy or human resource policy. Employees are also interviewed to understand the real impacts of the Ordinance on workers. Moreover, open-ended questions (Bryman and Bell, 2011) are used during the interview to gain
information for investigation on this research. Participants are selected by purposive sampling through the database of the Security and Guarding Services Industry Authority of the Hong Kong Government Webpage (http://www.sb.gov.hk/eng/links/sgsia/list.htm).

1.5 Data Analysis

Qualitative content analysis is used for subjective interpretation of the data collected. The data is analysed systematically to identify the themes and patterns (Hsieh and Shannon, 2005) and to classify large amounts of data and put it into categories with similar meanings (Weber, 1990). It is also used to describe a phenomenon and is collected from interviews with open-ended questions. The purpose of this approach is to understand the meaning of information under study by discerning themes for commonalities and uniqueness (Armsworth and Stronck, 1999). In this research, the senior management interviews are conducted primarily in English with Cantonese as a supplement, if required, and in Cantonese for employees. After the content analysis is performed, the findings are developed based on identified key themes. There are some limitations of the research. Two common criticisms for the qualitative research method are lack of generalization and lack of rigor (Yin, 1984). However, it is argued that it is more cost efficient and less time consuming (Beins, 2009).

1.6 Ethical and Safety Implications

Approval from the University Ethics Committee is required as the research involves human participants. The researcher must have high integrity in handling data since there is some sensitive business information from the participant companies. The researcher should also be very careful in collecting, processing and analysing the data to avoid any leakage of information to unauthorized persons. Furthermore, the researcher must obtain written approval from the organization and the interviewees prior to conducting the interviews. It is also
common practice for the researcher to seek approval from the interviewee in order to record the interview. The researcher should declare the information is only used for this research and never elsewhere unless the interviewee gives approval.

1.7 Structure of the Thesis

The thesis consists of five chapters with the headings of Introduction, Literature Review, Research Methodologies, Findings and Analysis and Discussion and Conclusions. The outline is shown in the following figure:

Chapter 1 provides an overview of the background to the research topic. It includes a discussion of the literature gaps, research questions, research
methodologies, ethical and safety implications of the research, the benefits and limitations of the research as well as a brief introduction to the other chapters.

Chapter 2 reviews relevant literature from various sources to understand the development of minimum wage throughout the world, the critical arguments for and against minimum wage, the application of minimum wage in Hong Kong and the impacts of minimum wage on low-skilled labour. It also reviews some theories of human resource management.

Chapter 3 evaluates various research methodologies with justification for using qualitative methodology. A case study approach with in-depth interview and purposive sampling design are used for this research. The research design, data collection and analysis methods are discussed in this chapter.

Chapter 4 summarizes the research findings and analyses of the survey results. The data from individual security companies is analysed and interpreted.

Chapter 5 discusses and concludes the research problems, theories and findings. It also presents the benefits and limitations of this research and provides recommendations for further research opportunities.

1.8 Limitations and Contributions of the Study

As the new law in Hong Kong was implemented in 1 May 2011, there is little data available for analysis. Also, the impact of minimum wage on security companies may not be so obvious because of the short period of implementation. To find top management of security companies willing to complete the questionnaires was not easy as they are busy handling big changes in their companies’ internal and external environments (Punnett and Shenkar, 1996). Some security companies agreed to answer the questionnaire; however, there is no guarantee the information is accurate or useful. For this research, the questionnaires are in
English as top management of security companies is generally competent in the language. As the Minimum Wage Ordinance is new, this study only covers certain areas of impact. It does not cover the impact of age and seniority in this industry. Also, it does not cover the unions’ views of Minimum Wage. Further research could be conducted to cover untouched topics as the above areas and the impacts on other industries or on macroeconomic in Hong Kong. Also, the Hong Kong Government and Labour Unions have not yet produced much research in this area. This work may benefit both parties, providing them with more information to develop their own strategies. The research may also benefit security companies in their understanding of the market situation so as to develop their marketing strategies. It also offers an implementation model for other low-skilled industries, such as restaurants, estates management and cleaning, helping them adapt to the Ordinance.

1.9 Conclusion

This research intends to understand the impact of the new minimum wage law in Hong Kong, particularly the effect on employment packages of security companies. Many key works in the literature are reviewed so as to obtain information on other countries and the impact of minimum wage implementation on their employment issues. The research employs qualitative research methodology using case studies with in-depth interviews of security companies in Hong Kong. Six security companies from the industry were selected as the sample size so as to fulfil the requirement of analytical generalization in terms of data credibility. Ethical and safety applications were submitted to the university prior to commencing the interviews. The research timetable and resources required have been completed. The limitations of the study have been analysed to outline the possibilities for further research.
CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

This chapter reviews relevant literatures on key issues of Human Resource Management (HRM) (Castrogiovanni and Kidwell, 2010) and minimum wage (Addison and Ozturk, 2012). Minimum Wage (MW) has been debated in Hong Kong for a long time. Those for MW argue that this is an instrument to protect workers from falling below an acceptable level of pay and to encourage employment and enhance harmony in the community. Those with the opposite view point out that MW will undermine the flexibility of the labour market (Addison and Ozturk, 2012), jeopardize the employment opportunities (Selvam, 2013) of vulnerable workers and compromise the economic freedom and competitiveness of Hong Kong.

The notion of the minimum wage law and its effects on an economy has always been a controversial issue of debate. This is largely because of the negative effects supposed to arise from a compulsory wage floor on employment (Witney, 1967) (Giuliano, 2013). However, minimum wage legislation has been implemented in almost every modern industrial society, safeguarding the wage standards of the general labour force, especially low-skilled workers receiving low pay. Low pay happens because of workers’ weak bargaining positions and workers’ productivity. Also, it is dependent upon a society’s wider definition of acceptable subsistence levels. The perceptions of ‘low wage’ and ‘poverty’ are not absolute but conditional upon community perception of the various appropriate items which people in society accept as the basic quality of life (Armstrong, 2012). Thus, a minimum wage level is actually a social wage or a socially acceptable wage level (Wedderburn, 1991) (Carson, 2013). Prior to implementing the Minimum Wage Ordinance, Hong Kong was a free wage and labour economy in which the market forces and wage levels were determined.
almost entirely by private sector decisions, given the absence of a minimum wage legal norm for governing the ‘floor’ standards. In 1997, during the recession resulting from the East Asian financial crisis, this public consciousness about urban poverty led to a policy debate as to whether Hong Kong should introduce a minimum wage level (Addison and Ozturk, 2012).

The free wage and economy argument (Chen, 2009) has been common in the mainstream business community in Hong Kong, although an enforceable minimum wage law has drawn attention to older workers, low-skilled workers and new immigrants who were earning low pay with little protection by law. It was suggested that in accordance with the labor and employment conditions, a minimum wage law should be implemented in Hong Kong. Nevertheless, the government stayed away from the proposal since wages were on an upward trend made possible by the booming economy (Turner et al., 1970) (Zheng and Kahn, 2008). There were also two polar opinions from labor unions. Some were in fear that any establishment of a minimum wage floor by law might draw an arbitrary ceiling on wage levels which could stop the upward adjustments by the market. Other unions suggested that a minimum wage floor could protect low-skilled workers, elderly workers, women and new immigrants from being unable to earn a reasonable income. Academic discussions about the benefits and disadvantages of a minimum wage law for an economy and the wellbeing of its people reflect a number of core policy concerns. Heilbroner (1994) points out that there are two impacts of minimum wages: raising earnings for those who are employed, but causing other people to lose their jobs. However, Card and Krueger (2000) found that an increase in New Jersey’s minimum wage in 1992 pushed employment up.

MW was implemented in Hong Kong on 1 May 2011. The initial MW was set at the level of HKD $28 per hour. Without experience in implementing MW (Feldmann, 2005) and in the absence of evidence in Hong Kong, assessment of the impact of MW has its inherent limitations. There are possible impacts on
output prices, businesses, employees and inflation (Cuong, 2011). In 2006, the Hong Kong Government introduced the Wage Protection Movement (WPM) and invited cleaning and security companies to join this program voluntarily. Since there was no evidence of effectiveness for the voluntary WPM, in 2008, the Minimum Wage Ordinance was introduced in the government’s Policy Address. In setting a minimum wage level, it is important to strike a balance between protecting the interests of workers so as to enable them to have a minimum standard of living and on the other hand minimizing the negative impact on the level of joblessness (Altindag and Mocan, 2010) or the development of the economy (Price and Ho, 2011). The literature review also deals with some theories of HRM and motivation as well as those of minimum wage.

2.2 Relevant Theories of HRM

Minimum wage is one of the economic policies that ensures remuneration (Bullinger and Menrad, 2002) on a fair level for an employee investing skills, energy and time in a job. The purpose of wage in a strictly motivational sense (Metallidou and Vlachou, 2007) is to enable employees to meet their needs for shelter, clothing and food through Maslow’s theory (Chai and Moneta, 2012). From a more basic motivational standpoint, “Wage” must first of all be sufficient to motivate people to even work at all (Engdahl and Keating, 1989). Motivation is definitely one of the most important topics of HRM. Therefore, prior to investigating the employment package (Perloff 1991) (Purushotham 2009) and minimum wage, it is necessary to first review HRM in general as employment package is one of the key topics of HRM (Armstrong, 2012). Boxall et al. (2007) define HRM as an integrated, coherent and strategic approach to the wellbeing, development and employment of the people working in organizations and all activities associated with the management of employment relationships (Wears and Fisher, 2012) in the firm. Watson (2010) further offers that HRM is the managerial utilization of the committed, efforts, capabilities and knowledge behaviours to coordinate human activities in the enterprise so as to keep the
latter running. Storey (1989) suggests that HRM can be divided into hard and soft. The basic requirement of HRM to serve the corporate strategy and achieve corporate aims by means of a high-performance workforce can be approached in these two ways (Storey, 1989).

2.2.1 Hard and Soft HRM

Hard HRM emphasizes the quantitative, calculative and business-strategic aspects (Cooke and Saini, 2010) of managing human resources in as rational a way as for any other economic factor. To gain competitive advantage with a workforce, whether it involves full or part time, temporary or contract staff, all staff members have to be developed and pay attention to human behavioural aspects (Marsh and Gibb, 2011). This is characterized as soft HRM. It is argued that the two are not mutually exclusive (Foot and Hook, 2011). Nevertheless, the soft version traces its roots to the human relations school; it emphasizes communication, motivation and leadership (Armstrong, 2012).

2.2.2 Arguments of HRM

Although most of comments in the literature are favorable to HRM, some professionals argue that HRM strategies may not benefit small organizations (Adams et al., 2012) as they are unable to invest sufficient resources in HRM. In addition, Shaw et al. (2013) suggest that there is a negative relationship between the investment in HRM and voluntary turnover rates. It is also argued that many organizations are providing rather attractive packages to recruit experienced workers from the labor market instead of investing in human resources directly. As experienced and trained workers can be easily drawn away by other organizations, organizations may have no incentive to invest in their human resources (Mohammed et al., 2013).
2.2.3 Comparative HRM: European Vs US Views

Brewster (2007) suggests that the US-style HRM has been widely accepted around the world but also widely criticized. It is argued that there is a different approach to HRM developed in other countries. US-style HRM is criticized in that there are differences in features such as more limited individualism (Elliott et al., 2012), a greater role for the State, and different patterns of consultation and of ownership. Brewster (2007) argues that it is clear that organizations in other countries are increasing the amount of communication and consultation in which they involve their employees (Brewster, 2007). Individual and representational communications are very crucial for growing organizations (Morley, 1995) (Mishra et al., 2014). There has been an increase in using direct verbal and direct written mechanisms, potentially reflecting the necessity to enhance employee commitment (Bal et al, 2013) in order to achieve organizational achievement. Clearly, the HRM model may be a viable possibility for US organizations. It is arguable whether the model can or should be good for other countries or not. Different models of HRM have been offered by researchers in other countries (Brewster, 2007). The common practice is to adopt a multi-level view of the actors in the system (Black, 1999). Nowadays, line management is accepting more responsibility for HRM in organizations. However, it is not unproblematic (Brewster 2007). Strong evidence indicates that even with increasing line management responsibility, the situation appears to have changed little. Countries with many line managers involved in HRM, such as Denmark, are willing to stay on one side of the scale while those with fewer, such as the UK, are willing to stay on the other side of the scale (Mohammed et al., 2013).

2.2.4 Motivation Theory of HRM Practice

Employees earning wage rates below the minimum wage benefit from an increase in wages to the statutory level. Those already earning wage rates above
the SMW may also benefit from a knock-on effect (Anderson James E., 2009) on the pay hierarchy. According to Maslow’s Needs Theory (Philippe, 2009), a wage increase is great motivation (Ibironke et al., 2011) for those earning less than the SMW. Therefore, it is important to examine the area of motivation so as to understand the impact of change in employment packages. It seems that people are motivated by unsatisfied needs (Petersson et al., 2003). Maslow’s needs hierarchy has been very popular not only in the study of psychology but also business. His Hierarchy of Need is a theory of motivation and theorizes that people have five specific needs as motivators (Mundhra and Jacob, 2011). They are (1) physiological needs; (2) safety and security needs; (3) social and belongingness needs; (4) ego, status and self-esteem needs; and (5) self-actualization needs (Brouwer, 2009). The theory suggests that unsatisfied needs stimulate behavior while satisfied needs are not motivators. Individuals must satisfy a lower level of need before moving upward and activating a new area of need (Berl et al., 1984). The theory has been criticized in that people may have their own priorities. Maslow indeed points out that the validity of a strictly ordered hierarchy is to be further elaborated by psychologists. Progress up the Hierarchy may not be steady. Some people may jump from the lower level to a higher level, skipping one or two levels in the middle.

Alderfer (1972) produced a more convincing and simpler Existence, Relatedness and Growth Needs theory identifying three primary categories of needs. Existence needs (Ryan and Deci, 2000) are those such as hunger and thirst, pay, fringe benefits and working conditions. Relatedness needs (Tong et al., 2009), which acknowledge that people are not transactions with their human influence, understanding, environment, confirmation and acceptance, are elements of the relatedness process. Growth needs (Blum, 2009) involve people in finding the opportunities ‘to be what they are most fully and to become what they can’. The needs model of motivation usefully emphasizes the significance of needs and goals as factors affecting motivation and how they function. However, needs theory ignores the important factor of expectations covered by expectancy theory.
(Radosevich, 2009). This means that it does not really explain how people make choices about their goals and behaviours.

### 2.2.5 Total Rewards in HRM

Total Rewards is another comprehensive motivation theory that includes financial and non-financial rewards for employees. Total rewards describe an approach that emphasizes considering all aspects of the work experience of value to employees, not just payment and employee benefits (Brenner, 2010). It aims to put the financial and non-financial elements (Chiang and Birtch, 2012) together as a cohesive whole. Todd et al. (2009) suggest that a total rewards approach recognizes that it is necessary to get financial rewards on the right track. However, it also appreciates the importance of providing people with a comfortable work environment and the opportunity to develop their skills and careers as rewarding (Todd et al., 2009).

Financial rewards are tangible recognition that people have done well and should be valued more highly when they do better. Financial rewards can also be used to highlight key performance (Sousa et al., 2010) areas. However, the argument is that people should be rewarded in accordance with the value of their contribution, but it may not stand alone. The evidence that incentives improve performance is conflicting (Armstrong, 2012); they work in some circumstances but not in others. Typical performance-related payment may not provide a direct incentive since some employees do not meet the demanding requirements. The main purpose of performance-related payment is to recognize the level of contribution. Nevertheless, it is very difficult to make fair and consistent assessments of performance (Weber and Rynes, 1991) (Hogue et al., 2011). These kinds of payments sometimes demotivate (Carr et al., 2010) more people than they motivate. Questions are raised regarding whether everyone should be paid the same rate in a job no matter how well they perform and if they should be paid according to length of service or simply for being there. The balance of the
argument is in favour of some schemes for relating pay to contribution (Boxall et al., 2007). Involving staff in the development and monitoring of contribution pay schemes (Allcock, 2012) can be a great help.

2.2.6 Non-financial Rewards Theory

Non-financial rewards are the needs of people who have different degrees of autonomy, recognition, personal growth, responsibility, achievement and influence. These people pay more attention to intangible rewards regarding learning and development, performance management, recognition, work-life balance (Kumar and Chakraborty, 2013), quality of working life, work environment and the work itself. Non-financial rewards could either be extrinsic or intrinsic, associated with job challenge (Piccoli et al., 2013) and interest and feelings that the work is worthwhile.

It is misleading to rely on money as the sole motivator. It is suggested that money can motivate some people all of the time and all people some of the time. However, it cannot be defined as motivating all people all of the time. Money has to be reinforced by non-financial rewards, especially those that provide intrinsic motivation (Grant and Berry, 2011). When motivation is achieved by both financial and non-financial reward, it can be more powerful and both can be mutually reinforcing. A mix of financial and non-financial reward systems should be designed to provide employees with all kinds of motivators in accordance with an organization’s needs (Armstrong, 2012). This is the essence of the total rewards philosophy.

2.3 Hong Kong HRM Practice

From the 1980s to 1997, Hong Kong companies began to require more skilled human resource specialists. They had to oversee thousands of workers in the region of Greater China as their business expanded into the Mainland, and more
sophisticated HRM practices (Alfes et al., 2012) were needed to address the long-term sustainability of businesses in Hong Kong. Thus, HRM activities were becoming more important in Hong Kong, although they still held a limited strategic role in organizations. Kamoche (2003) suggests that before 1997 in Hong Kong, during the region’s economic rapid growth, many companies had not invested sufficient resources in HRM, which was not yet well organized.

After 1997, HRM practices were deployed with greater strategic significance (Hendry and Seidl, 2003). Chiu and Levin (2003) suggest that before 1997, the government did not have good HRM practice, but instead relied only on personnel management. They add that the government changed the practice of HRM in 1999 by modeling on the private sector, especially firms in the US or Europe. More companies have now adopted strategic HRM practices than are still using traditional personnel management (PM) practices. Human resource (HR) departments also use information technology to deliver their services. The above illustrate a gradual shift in Hong Kong’s HRM practices towards those used in the West as a result of the changing environment and business needs. HRM specialists (Brunetto et al., 2011) are more involved in strategic decision-making (Gary et al., 2012), determining explicit and formal procedures for business planning, and spending in order to introduce organization’s values to new employees. HR professionals (Brunetto et al., 2011) are increasingly asked into strategy discussions and play more of a strategic partner role.

However, practices of small and medium-sized companies may deviate. It can be argued that HR activities in these Hong Kong companies are still transactional. Also, there is room for improvement in the development of HR as a strategic business partner. Hong Kong’s HRM activities are more responsive to business and have become more strategic. On one hand, there is an increase in the number of HR specialists who demonstrate strategic HR roles and competencies (Abdullah et al., 2011) (Chiu and Levin, 2003), and an increase in the number of professional associations. The contributions of these professional associations
towards standards of professionalism in the field of HRM are substantial. On the other hand, many organizations are still practicing administrative activities (Gaertner et al., 1984) (Chiu and Levin 2003). The size of an organization is one explanation for this. It is not surprising that smaller organizations are less likely to use HRM and employ HR specialists than larger ones. In other words, professional HRM practices are inconsistently adopted (Tsui et al., 2009).

2.3.1 Minimum Wage Controversy in Hong Kong

In Hong Kong, the Minimum Wage Ordinance is new not only for the government but also for all employers and employees. Members of commerce and industry associations hold negative views on the implementation of the Minimum Wage Ordinance as they suggest that labor costs will rise and the power of market competition will fall, especially for small and midsize enterprises (SMEs) (Preuss and Persch, 2010). However, the Trade Unions hold positive views that employees can now earn decent wages instead of being below a reasonable standard of living. In accordance with minimum wage experience in other countries, there is no effect on the business of employers, especially for SMEs, on implementation of the minimum wage. However, employees are facing downsizing (Jeon and Shapiro, 2007) through staff layoffs (Chen, Lai and Chen, 2012) and employment restructuring (Cooke, 2006) through reduced working hours. Organizations might also reduce fringe benefits and bonus payments, particularly as these items are usually not included in the remuneration package (Buck et al., 2003). It is argued that SMEs would be more affected by SMW as they employ more employees with lower wages than other industries. Many argue that the minimum wage has a negative effect on employment. Increasing labor costs aggravates the existing excess labor market and decreases the international labor comparative advantage (Cheung and Liao, 2005). On the other hand, supporters argue that the minimum wage will not increase the unemployment rate. Instead, it can protect labor benefits and assist in the transition from labor-intensive industry to capital/technical-intensive industry (Liu
et al., 2006). Minimum Wage theories are reviewed below in order to build up a base for the argument of impact of employment in Hong Kong.

2.4 Minimum Wage theory—Neoclassical Model

The neoclassical model (Levin-Waldman, 1998) of the effects of minimum wage on employment is straightforward. It is simple in that there is only one type of labour. It assumes labor and product markets are competitive. Firms take wages, interest rates, and prices as given. All workers are covered by the minimum wage. Output is produced with a mix of labor and capital (Nawakitphaitoon, 2014). Sapsford et al. (1999) comment there are two economic effects. Firstly, leading to a decline in production, the price of output rises and the demand for it falls. Secondly, the higher wage rate causes firms to substitute capital for labor in the production process. As a result, the demand for labor falls. In general, for a given minimum wage increased, the decline in the demand for labor will be greater.

One obvious simplification in this model is that it assumes that all workers are covered by the minimum wage. Such an assumption is probably not too far removed from the current situation in developed countries. However, it may be more problematic for thinking about minimum wages in developing countries (Devereux, 2005), where coverage is often low and noncompliance high, and a minimum wage typically covers only a subset of the workforce. The basic idea is that employment in the covered sector falls when the minimum wage is set above the competitive wage (Levin-Waldman, 1998). Employment in the uncovered sector would decrease once minimum wage attracted workers. The effects of minimum wage are clearer for employment than for unemployment in accordance with the predictions from the model for these two-sector models. Welch (1976) suggests that workers would drop out of labor market or take a job in the uncovered sector if they could not find employment in the covered sector (Welch, 1976). In contrast, Gramlich et al. (1995) suggest workers would queue for jobs in that sector if they could not find employment in the covered sector. More
generally, whether an increase in the minimum wage leaves individuals unemployed or causes them to drop out of the labor force seems like a relatively minor distinction. Therefore, economists have tended to focus on the effects of the minimum wage on employment rather than on unemployment.

It is suggested that the neoclassical model could be used to relax the assumption of a homogenous labor force (Macpherson and Stewart, 1992). Once workers’ productivity leads them to be paid above the minimum wage, employers would allow substitution (Giuliano, 2013) from different types of labor. In the model, two skill groups, skilled and less-skilled labor, are substituted in production; a higher rate of minimum wage will lead to a reduction in the demand for low-skilled labor and an increase in the demand for skilled labor (Maxwell, 2008). Although total employment will still fall, the decline in low-skilled jobs is greater than the overall employment decline. Nevertheless, if low-skilled labor is complemented in production, the rise in skilled labor is large enough to offset the decline in low-skilled labor (Maxwell, 2008).

The neoclassical model’s prediction of a reduction in labor demand (Doran, 2013) applies to low-skilled workers whose wages are directly raised by the minimum wage. However, the effects on other workers will depend on the nature of the production process. The effect of the minimum wage on total employment (Shuifa et al., 2011) will generally be smaller than for low-skilled workers. There is no firm prediction for the neoclassical model on an industry-by-industry basis. Card and Krueger (1995) note that labor’s cost share in low-skilled industry is not especially high. If the cost share of minimum wage labor is lower in the low-skilled sector than in other restaurants, a minimum wage increase could shift demand toward fast food and hence increase labor demand in that industry. Although the controversy over studies of this industry, studies of a specific industry are probably not especially informative about the validity of the neoclassical model (Dinopoulos and Thompson, 1999).
In accordance with the neoclassical model, if there is an increase of hourly minimum wage, employers will add workers and shorten the average work week since the marginal cost (Beaud, 2011) of an additional hour rises relative to the marginal cost of hiring an additional employee. However, Michl (2000) argues that any scale effects associated with a reduction in output affect only the number of workers and the implications for employment are ambiguous. Strobl and Walsh (2007) also argue that the effects of the minimum wage on employment and average hours, as well on total hours, are ambiguous and may differ significantly across industries or occupations.

2.5 Minimum Wage theory—Monopsony Models

According to the neoclassical model, every single employer is assumed to take the market wage as given. All firms can hire as many workers as they want at current wage. A single firm is not large enough to determine the market wage for low-skilled employees although individual firms do have some market power over wages (Bellettini and Ceroni, 2008). The monopsonist constitutes the employers’ side of the labor market while the labor force consists of homogenous workers who are paid the same wage. As the firm is the only employer, it faces an upward-sloping labor supply curve and thus must pay a higher wage to attract more workers (McClure, 1994). In order to maximize profits (Levinthal and Wu, 2010), the monopsonist sets the wage at the point where the marginal cost of labor equals the marginal revenue product of labor. Robinson (1933) shows that when a firm has monopsony power in the labor market, a minimum wage can lead to an increase in employment. Intuitively, this happens since the minimum wage reduces the marginal cost of hiring an additional worker although it does raise the firm’s average cost. Increase of minimum wage raises employment up to the point at the wage that would obtain in a competitive labor market and any further rise in the minimum wage begins to reduce employment beyond that point, as in the neoclassical model (O'Donohue and Wickham, 2008).
Stigler (1946) argues that it is “very relevant to the question of a national minimum wage” as differences in the optimal minimum wage would vary across occupations, firms, and over time. The government would need to know the relevant labor supply and demand schedules for each firm in order to set the minimum wage at a level that would increase employment (Shuifa et al., 2011). The monopsony model is not generally viewed by economists as a sensible model of low-wage labor markets as most industries and geographic areas consist of numerous small firms (McClure, 1994). To make the monopsony model more applicable to a low-wage labor market, it is suggested that the model should be modified to make it more complicated, leading to implications in markets with a large number of employers (McClure, 1994). Wessels (1997) develops a model for the restaurant industry in which workers receive both an hourly wage and tips. Tips are shared among workers and thus the average tip received by a worker is inversely related to the number of workers. In order to hire more workers, the restaurant must offset the decline in average tip income by increasing the hourly wage paid to employees. This pay structure (Carlin et al., 2013) leads to a gap between the wage and the marginal cost of labor similar to the monopsony model. Therefore, an increase in the minimum wage will lead to an increase in employment (Bellettini and Ceroni, 2008).

On the other hand, Rebitzer and Taylor (1995) argue for the ‘efficiency wage’ model. Firms can pay a higher wage to induce greater effort and threaten to dismiss shirking employees (Muhlau and Lindenberg, 2003). Firms need to monitor that effort. The effectiveness of monitoring is assumed to be inversely related to establishment size so that shirking employees in a larger firm are less likely to be caught than they would be in a smaller firm. A firm that wishes to raise its level of employment must pay a higher wage to its existing workforce in order to discourage shirking. Rebitzer and Taylor (1995) suggest that imposing a minimum wage slightly above the equilibrium wage raises the cost of dismissal to the worker, so the firm can devote fewer resources to monitoring work effort. Bhaskar and To (1999) propose a model in which there is a large number of firms
competing for workers and each employer gains some monopsony power over workers. Bhaskar and To (1999) cite work schedules, geographic preferences, and job specification as potential sources of differences. The model demonstrates that a firm will need to raise its relative wage to attract additional workers. This leads to ‘monopsonistic competition’ (Kaas 2009) in the labor market and the marginal cost of labor curve lies above the labor supply schedule. Consequently, the equilibrium level of employment is less than it would be in a perfectly competitive labor market. Bhaskar and To (1999) emphasize that the higher minimum wage also reduces profits and causes firm exit. Thus, the change in employment at the industry level could be either positive or negative beyond the short run.

Burdett and Mortensen (1998) develop ‘dynamic monopsony’, in which workers do not have perfect information about the full range of potential job opportunities in the labor market. They receive a limited number of job offers from which to choose. As a result, any organization paying a relatively low wage tends to lose workers and finds it difficult to recruit new employees. An organization paying a relatively high wage has a lower quit rate (Mohanty, 2005) and finds it easier to attract new workers. Meanwhile, unemployed workers take a job only if they get a wage offer that exceeds their reservation wage. A minimum wage leads to an increase in the level of employment because the minimum wage raises the probability that some workers will receive a wage offer that exceeds their reservation wage (Mohanty, 2005).

2.6 Major Effects on Minimum Wage

2.6.1 Lagged Effects

Brown et al. (1982) suggest that ‘lagged’ adjustments to minimum wage increases are probably less plausible than lags are routinely assumed, because the higher turnover rates of minimum wage workers and minimum wage
increases are normally announced in advance of becoming effective. Card and Krueger (1995) also suggest that industries employing minimum wage workers could easily vary the levels of headcount so that any disemployment effects (Kliman, 1997) should be evident shortly after the minimum wage is raised. However, Hamermesh (1995) argues that although hiring and training costs may be less important for workers with normally high quit rates, firms could adjust non-labor inputs slowly so that the adjustment of other inputs, including labor, will slow down as well.

Baker et al., (1999) suggest that the alternative differencing operators and lagged minimum wages can be interpreted as applying different filters to the date. It is suggested that the longer lags correspond to filters that emphasize the low-frequency movements. There is a positive effect of the minimum wage on employment at high frequencies and a negative effect on employment at low frequencies (Baker et al., 1999). Neumark and Wascher (2010) point out that the minimum wage effect on employment should be discounted unless the evidence points to no effect in both the short run and the longer run. Indeed, this issue turns out to figure prominently in the assessment of the research literature, as the studies that fail to detect disemployment effects typically do not allow for a longer-run impact (Neumark and Wascher, 2010).

2.6.2 Aggregate Effects and Trend Differences

Card (1992) notes that in low-wage countries a large fraction of low-skilled workers are affected by the minimum wage increased. Also, a positive bias in the estimated employment effect is found where trend employment growth is faster. Rates of employment growth for well-educated adult men are also higher in low-wage countries than in high-wage countries (Alatas and Cameron, 2008). On the other hand, Deere et al. (1995)’s and Sapsford et al. (1999)’s studies highlight the potential importance of accounting for underlying trends that may bias the estimated effects of minimum wages. Of course, many other studies have been
done either by using an employment-to-population ratio as the dependent variable or by controlling for overall employment levels or for employment levels for groups not affected by minimum wages (Neumark, 2004). The minimum wages had significant effects which may well have occurred in some studies. However, it is not appropriate to make stronger statements about the existing body of research as a whole. In addition, most studies conducted since the above tend to find significant effects of minimum wages (Zavodny and Orrenius, 2008).

2.6.3 Effects of Hourly Paid Employment

It is suggested that to lower the employment effect, employers could adjust employees’ working hours. The predictions of the various theoretical models of the minimum wage typically refer to labor input rather than to employment. Card and Krueger (1995) suggest that in response to minimum wage increase, it seems unlikely that the rise in employment is accompanied by a decline in average hours. On the other hand, other works state that both hours of employment and the payroll data show a positive effect on employment and a negative effect on total hours (Alatas and Cameron, 2008). It seems that the effect of minimum wages on total hours is the most relevant to labor demand, although perhaps not necessarily the most important statistic from a policy perspective.

These results suggest that employers respond to a minimum wage increase by reducing both low-skilled workers employment and average hours of those workers who remain employed (Ni et al., 2011). However, Zavodny (2008) indicates that the question of how employers adjust average hours in response to a minimum wage increase is not yet resolved. In Hong Kong, security guards are hired in two shift patterns. One is an eight-hour shift with 3 shifts a day while the other is a twelve-hour shift with 2 shifts a day. As the operational cost for the eight-hour shift is higher than the twelve-hour shift, most security companies
apply the twelve-hour shift to save the overhead and headcount costs. Therefore, security companies could change their eight-hour shifts to twelve-hour shifts with the implementation of SMW. They may also simply cut all night shifts to random spot checks conducted by patrolling guards.

**2.6.4 Long Term Effects**

Estimates from Neumark and Wascher (2001) are similar to Card and Krueger’s meta-analysis, indicating that the decline in reported estimates is likely due to a weakening effect rather than to publication bias. The estimates of the employment effects for low-skilled workers are generally very low while in contrast, the evidence of disemployment effects is stronger. Thus, the evidence points to disemployment effects of minimum wages for low-skilled workers (Alatas and Cameron, 2008).

Singell and Terborg (2007) examine the effects of minimum wage increases on the low-skilled worker industries. The results indicate that increases in the minimum wage reduced employment, and the higher wages in this sector may explain the absence of a negative effect, although it is not clear why this factor would contribute to a positive effect. Therefore, generally, it is suggested that the minimum wage increases had an adverse effect on employment in the low-skilled workers (Ni et al., 2011). Low-skilled workers are typically the group studied because a large share of them work at or near the minimum wage, so that the effects of minimum wages are more likely to be evident for this group than for other groups (Lemos, 2004). It is suggested that there is no effect on the average earnings of low-skilled workers when the minimum wage increases. If there is a larger disemployment, increase of minimum wage would result in reduction in the average earnings of low-skilled workers. And of course, similar considerations apply to estimated effects of minimum wages on hours. The results indicate that workers whose wages are initially close to the minimum wage are most likely to be affected by changes in the wage floor (Ni et al., 2011).
2.7 Employment Effects on Low-Skilled Workers

Card (1992) and Katz and Krueger (1992) conduct studies on effects on low-skilled workers before and after an increase of minimum wage. The findings from their research range from disemployment effects similar to the earlier consensus (Neumark and Wascher, 1992) to no effect on employment to a positive effect of the minimum wage on employment (Card 1992) (Katz and Krueger, 1992). Card (1992) finds that low-skilled employment increases more rapidly, despite the minimum wage increase. Card (1992) concludes that the low-skilled employment results are inconsistent with the competitive model and might indicate the presence of monopsony power in the low-wage labor market (Daniel, 1990). Katz and Krueger (1992) suggest there is a large positive and statistically significant effect of the minimum wage on employment. Katz and Krueger (1992) conclude that their findings are inconsistent with the competitive model, but consistent with a model in which the employers of low-wage workers are assumed to have market power and act as monopsonistic buyers of labor (Daniel 1990). Card and Krueger conducted other research in 1994 in which the results consistently imply that the increase in minimum wage raised employment.

2.7.1 Effects on Low-Skilled Worker Employment: Case Studies

Several labor economists advocate the usefulness of the natural experiment approach to studying the economic effects of policy changes (Dunning, 2008). There is strong evidence supporting significant effects on the employment of low-skilled workers in the long run (Freeman, 1995). However, others are more critical of these works. Hamermesh (1995) argues that the evidence raised by labor economists cannot stand alone and might be fatally flawed, referring to the descriptions of these studies. When the labor economists estimate specifications for part-time and full-time employees separately, the evidence for part-time employment points to negative effects, while the evidence for full-time
employment points to positive effects. However, the only significant estimate is a negative effect for the absolute change in part-time employment. There are significant negative effects on employment from the second minimum wage change, but little evidence of any effect from the first minimum wage change (Hamermesh, 1995).

Card and Krueger (2000) point out that, in accordance with the neoclassical model, the effect of the higher wage floor on prices at low-wage-intensive establishments could induce greater consumer demand for output and an increase in employment. They add that the absence of an employment decline for low-skilled industry should not be viewed as a contradiction of that model. Sapsford et al. (1999) suggest that because they look at the entire restaurant industry, for which substitution in consumption between the outputs of subsectors of the industry is not problematic, their study can help to reconcile the findings and the state-level panel data studies of groups of low-skill workers (Sapsford et al., 1999). In general, it seems preferable to estimate minimum wage effects from a large set of increases, in order to avoid the undue influence of minimum wage increase in some small areas where the research is more like regional analyses without a large amount of data. Hoffman and Trace (2007) focus on low-skilled groups and restrict the attention on surrounding the minimum wage increase studied by Card and Krueger (1994).

2.7.2 Minimum Wage Variable in Low-Skilled Wages

An appropriate minimum wage variable should be positively correlated with changes in the relative and low-skilled wage (Neumark and Wascher, 1994). The minimum wage variable and thus correctly captures increases in the nominal minimum wage as increases in the relative price of low-skilled labor (Cukierman and Leiderman, 1984). Nonetheless, the relative minimum wage variable does constrain nominal increases in the minimum wage and increases in the adult wage to affect employment in opposite directions and it is valid to ask whether
this constraint is appropriate since it is not rejected by Neumark and Wascher (1994). However, Deere et al. (1995) and Burkhauser et al. (2000) find that increases in the minimum wage significantly reduced low-skilled employment rates, although the minimum wage effects in these specifications are more difficult to separate from other influences that vary over time.

2.8 International Evidence

There is a great deal of international evidence on the minimum wage question, from both industrialized and developing countries. Although both countries are very close to each other geographically, France and the United Kingdom have had rather different minimum wage systems. The system in France is premised on the concept of Living Wage (Baker, 1999) to make sure low-paid workers can retain a certain living standard and be able to enjoy the benefits of economic development. The United Kingdom, however, adopts the concept of Wage Floor (Brown et al., 1982) to forestall excessively low wages while taking into account the impact of minimum wage on the overall economy and employment. In order to understand more about these two systems, it is important to study the mechanism, timelines and considerations adopted in both France and the United Kingdom. Both are wealthy industrialized countries with negative impact on employment from the implementation of minimum wage. Low-skilled workers are suffering from job losses and unemployment rates have increased as a result of minimum wage being established. However, evidence suggests that there is no negative employment impact and not even any negative economic impact in developing countries (Chen, 2009). China adopts the concept of ‘living wage’ and set its own minimum wage in 1993. The minimum wage rate is reviewed at least once every two years. Brazil also adopts the concept of ‘living wage’ and established its own minimum wage in 1940 (Appendix 5).
2.9 Research Questions

Ni et al. (2011), using data from 2000 to 2005, suggest that the impact of the minimum wage on employment in China reveals that minimum wage has no significantly adverse effect on employment. Ni et al. (2011) argue that the central and western regions experience few significantly positive effects, which is consistent with the theory in the monopsony model. It would be best for Hong Kong to avoid adverse effects. Lemos (2004) argues that the minimum wage policy affects employment directly and indirectly in Latin America. However, this only refers to areas in Latin America which are developing countries. There is a lack of evidence in general to compare with developed countries or areas.

Simon and Kaestner (2004) suggest that minimum wage has had no discernible effect on fringe benefits and there is no evidence that binding increases in the minimum wage caused an offsetting decline in the provision of fringe benefits or quality of working conditions. Moreover, William, Adam-Smith and Norris (2004) believe that the low-paying sector would be significantly disrupted by a minimum wage (Purushotham, 2009). Pay rates are not the outcome of managerial decision making alone, but are influenced by broader economic and social processes. On the other hand, Heyes and Gray (2004) argue that a firm’s pay and training practices are affected by the introduction of the minimum wage and subsequent changes in the level at which it is set. They add that the pay is determined in small firms and by various factors that influence wage offers. The majority of security firms in Hong Kong are small. It is argued that one of the gaps is that security firms in Hong Kong would reduce fringe benefits to offset cost increases resulting from the minimum wage. Furthermore, the other gap is that few labour benefits are mandated by law in Hong Kong. However, many other benefits are mandated by law in many Western countries, i.e. medical insurance and pension benefits. The objective of this research is to find out the impact of the basic salary and fringe benefits of security companies after the
implementation of the Minimum Wage Ordinance in Hong Kong. The research questions are as follows:

1. How did those security companies paying above minimum wage prior to implementation of the Minimum Wage Ordinance change the basic salary of security guards?

2. How did those security guarding companies paying below Minimum Wage prior to implementation of the Minimum Wage Ordinance change the basic salary of security guards?

3. How did those security guarding companies paying above Minimum Wage prior to implementation of the Minimum Wage Ordinance change the fringe benefits of security guards?

4. How did those security guarding companies paying below Minimum Wage prior to implementation of the Minimum Wage Ordinance change the fringe benefits of security guards?

5. What are the changes of Human Resources Management Policy for security guarding companies after the implementation of the Minimum Wage Ordinance in Hong Kong?

2.10 Conclusion

The SMW has been in effect in Hong Kong since 1 May 2011. Prior to the implementation of SMW, there was great controversy not only between business people and trade unions but also between unions. It has been suggested that labor costs would increase for organizations once SMW was established. It was also feared that the inflation rate would increase. On the other hand, trade unions suggested that there would not be any effect on employment and low-skilled
workers could enjoy reasonable incomes. In order to look into the controversy, it is necessary to review the literature on HRM and Minimum Wage.

From the viewpoint of HRM, employees should be treated well so that they enjoy their jobs and make strong contributions to their employers. Otherwise, they will not have enough motivation to do good work. Therefore, it was important to review the idea of motivation in the literature as well. In most western countries, and especially in the USA, organizations believe that HRM can lead the company to manage employees well and benefit the organization. However, some other opinions state that many organizations do not allocate sufficient resources to HRM as they are facing heavy financial burdens in operations and administration. They would rather recruit new employees from the market than train up current employees, which may cost a lot. Wages are one of the very important elements of remuneration. Therefore, motivation, total reward and financial & non-financial rewards are reviewed to establish the needs of employees. Reviewing the literature on minimum wage enables the researcher to understand the effects of the latter on the economy and employment. As the research topic focuses on the low-skilled, low-paid security field in Hong Kong, there are some reviews of the effects on low-skilled workers when Minimum Wage is implemented.
CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology and design developed for this work. Justification for adopting the case study (Hynes, 2012) approach is also presented. The aim of methodology (Baruch and Holtom, 2008) is to describe approaches to kinds and paradigms of research while methods refer to techniques and procedures used in the process of data-gathering (Cohen et al., 2008). Two major research methods, namely quantitative and qualitative (Punnett and Shenkar, 1996), are discussed so as to justify the use of the latter rather than the former. The in-depth interview method is employed to provide rich descriptions of phenomena from the interviewees, leaving interpretation to the researcher. Moreover, this interview approach enables the latter to reconstruct perceptions of events and experiences related to business (DiCicco-Bloom and Crabtree, 2006). Open-ended questions are used to obtain a variety of answers to the research questions. The purposive sampling method is used to identify the most suitable respondents for the research. Finally, the chapter discusses the ethical issues involved in this research. Two categories of security companies, those paying guards above the minimum rate and those paying under, before the implementation of the Minimum Wage Ordinance, are examined for comparative analysis.

3.2 Conducting Research

Researchers conduct thousands of systematic, critical, objective and logical studies daily in organizations, government bodies and universities in order to identify, investigate and solve specific problems (Sekaran, 2003). In terms of business research, research provides the needed information that guides
managers, government officials and academic staff to make informed decisions to successfully deal with business problems. Research is done because there is an aspect of understanding of what goes on in organizations that is to some extent unresolved (Bryman and Bell, 2011 and Koller, 2008). Research can identify where problematic areas exist in organizations and suggest ways to resolve the problems through studies and by taking the necessary corrective measures. Research can enable a manager to minimize and solve organizational problems. It includes the processes of examination, inquiry, experimentation and investigation. These processes must be carried out logically, diligently, objectively, systematically and critically. Managers can handle a problematic situation by the expected end result of research or study. Beins (2009) argues that people doing research are curious and hope to reach goals through description, explanation, prediction and control. Research begins the process of learning about how psychological knowledge has emerged and even creates knowledge (Bein, 2009). Indeed, there are two kinds of research for different purposes. Basic research determines how certain problems occur in organizations and how they are resolved. Applied research solves problems faced by management that require a great deal of time for solution (Levy-Malmberg and Eriksson, 2010).

3.3 Research Methodology and Design

There are two major research methodologies, namely quantitative and qualitative. Quantitative methodology is construed as a research strategy that emphasizes quantification in the collection and analysis of data (Bryman and Bell, 2011). Quantitative methodology entails a deductive approach to the relationship between theory and research that the accent is to test those theories. The hypothesis and theory deduced from the methodology come first and later the drive to gather data (Appendix 6). Quantitative methodology stresses objectivity. The conclusions drawn through the interpretation of the results of data analysis should be objective, based on the facts of the findings derived from actual data
instead of on subjective or emotional values (Sekaran, 2003). Abusabha and Woelfel (2003) agree that statistical techniques are often used for analysing representative populations in order to draw conclusions. Quantitative methodology emphasises reliability and validity. Reliability refers to the consistency of a measure of a concept. When considering whether a measure is reliable, there are three prominent factors involved: stability, internal reliability and inter-observer consistency (Bryman and Bell, 2011). Validity refers to whether an indicator is devised to gauge a concept (Bryman and Bell, 2011).

Quantitative methodology also incorporates the practices and norms of the natural scientific model. This research methodology is decried by some phenomenologists who claim that quantitative researchers cannot differentiate social institutions and people from the world of nature. It is also argued that the measurement process possesses an artificial and spurious sense of precision and accuracy (Bryman and Bell, 2011).

3.4 Qualitative Methodology

Qualitative methods and techniques are important phenomena or processes of social or behavioral nature, which cannot be measured quantitatively. Qualitative methods enable the researcher to understand complex phenomena and the behaviors of persons as well as their symbols, values, beliefs, emotions and rituals (Gal and Ograjensek, 2010). Qualitative research is a strategy usually emphasizing words while quantitative research focuses on collecting and analyzing data. Qualitative methodology predominantly emphasizes an inductive approach to the relationship between theory and research, in which the emphasis is placed on the generation of theories (Bryman and Bell, 2011). Qualitative methodology is based on the understanding of the social world through an examination of the interpretation of that world by its participants. Moreover, Qualitative Methodology is an ontological position (Rooke et al, 2007).
Quantitative researchers always criticize qualitative researchers as being too subjective. They argue that the qualitative findings often rely on the interpretation of the research’s unsystematic views about what is significant and important (Bryman and Bell, 2011). In addition, qualitative results are criticized as difficult to replicate in other research (Rolfe, 2006). It is argued that the findings of qualitative research cannot be generalized to other settings. There is also a lack of transparency in qualitative research as the process of qualitative data analysis is frequently unclear (Bryman and Bell, 2011). There are some common contrasts between quantitative and qualitative research, such as objectivity and subjectivity (Appendix 3). Although there are many differences between quantitative and qualitative methodology, there are also many similarities (Appendix 4). Even though there are criticisms against qualitative methodology, there are advantages to using it for research. As open-ended questions are used in qualitative research, participants’ points of view can be obtained and may benefit research on human behaviour. Qualitative researchers use the defence that human experiences cannot be imitated and manipulated (Adler, 2011). Many interpretivist researchers argue that qualitative research methodology interprets the meanings of various forms of social actions and meanings that constitute a representational view of the world. Interpretivist researchers also argue that qualitative research methodology can help to better understand the research problem, as demonstrated by some types of medical research (Delin et al., 2012), when the qualitative research follows certain standards, criteria and guidelines.

### 3.5 Trustworthiness

To assess and establish the quality of qualitative research, it should provide an alternative to reliability and validity. Trustworthiness is (Sinkovics and Alfoldiis, 2012) the primary criteria for assessing a qualitative study. Trustworthiness is made up of four criteria: credibility, transferability, dependability and confirmability (Carcary, 2009). Credibility is to ensure the research is carried out according to the canons of good practice and the research findings are sent to
the social world according to the investigator’s understanding. Qualitative researchers should provide findings that are possible to transfer to other situations once the findings are referred to other researchers. Dependability refers to being parallel to reliability in quantitative research. To establish the merit of research in terms of this criterion of trustworthiness (Carcary, 2009), researchers should adopt an auditing approach. Confirmability is to ensure the researcher is acting in good faith.

It is suggested that reliability, validity and generalizability are different kinds of measures of the quality, rigour and wider potential of research, which are achieved according to certain methodological and disciplinary conventions and principles (Carcary, 2009). In quantitative research, many such criteria have been developed. Validity refers to measuring, identifying or observing what people are. It is argued that external reliability, by which is meant the degree to which a study can be replicated. This is not an easy criterion to appear in qualitative research as it is impossible to freeze a social setting and the circumstances of an initial study in order to make it replicable in the sense in which the term is usually employed (Morse et al., 2002). However, it is suggested that several strategies can be introduced so as to approach the requirements of external reliability. Qualitative research replicating ethnographic research needs to adopt a replication sees and hears will not be comparable to the original research (Wong and Wu, 2012). Seeking to develop criteria for assessing research, qualitative researchers employ terms of reliability and validity in very similar ways to quantitative researchers (Morse et al., 2002).

It is agreed by both quantitative and qualitative researchers that the subject matter of the social sciences does differ from the subject matter of the natural sciences (Fischer, 2011). A key difference is that the objects of analysis in the natural sciences cannot attribute meaning to events and to their environment. Qualitative researchers are much more inclined than quantitative researchers to provide a great deal of descriptive detail when reporting the fruits of their
research. Qualitative researchers are concerned with the explanation and why questions are frequently understated. Moreover, more critical or radical qualitative researchers are often concerned with understanding the political and economic interests that inform organizational actions, in order to enhance the possibilities for changing them (Moita and Paiva, 2013). Qualitative research is more concerned with understanding how events and patterns appeared over time as it pays more attention to social life in terms of processes. Therefore, qualitative research very often conveys a strong sense of change. Some qualitative researchers are disdainful of approaches to research that entail the imposition of predetermined formats on the social world (Raulik-Murphy et al., 2010). This kind of research is in the good position of seeing through the brains of the persons being studied. After all, it is to find the nature of social reality once a structured method of data collection is employed, as this is bound to be the product of an investigator’s ruminations about the object of enquiry (Weiss, 2007). Theories and concepts are normally inductively arrived from collected data for qualitative researchers.

3.6 Justification for Using Qualitative Methodology

Qualitative Methodology is used for this research since personal opinions are required (Ostrower, 1998 and Delattre et al., 2009). Unlike quantitative methodology, qualitative methodology is described as subjective (Quinton and Smallbone, 2006 and Breakwell et al., 2007). Qualitative methodology is considered to be a solution in investigating reasons and preferable when the investigation is oriented to determine motivation, perceptions or beliefs (Punnett and Shenkar, 1996). Qualitative methodology is more suitable to collect abstract constructs, such as perceptions, attitudes, values and beliefs (Santasier and Plack, 2007). Motivation, values and beliefs are analyzed in this research. Testing of established theories and frameworks is not the aim in this work; using a deductive approach is also not appropriate in this research and the latter is exploratory in nature.
3.7 Case Study Design

A case study design is applied for this research; the former supports the rationale of applying inductive reasoning when there is limited knowledge about the phenomena or research situation (Yin, 1984). Moreover, the case study approach can provide more in-depth information on and insights into a little-known phenomenon, thus allowing the researcher to probe the ‘how’ and ‘why’ research questions as well as to construct idiographic knowledge (Ellram, 1996). According to Yin (1984), there are three types of case study, namely the critical case, the unique case and the revelatory case. The critical case is where the researcher has a clear set of hypotheses and uses a case to test whether the hypotheses are valid or not. The unique case is where the observed case is extreme in nature and is commonly used in clinical studies. In the revelatory case the researcher has observed and analyzed a phenomenon that is previously unanswered by scientific investigation. The nature of this research is revelatory in the sense that the phenomenon of a new ordinance established in Hong Kong is observed so as to determine the impact of its implementation. Case study design is adopted for this research since the topic engages in a complicated situation with limited knowledge in the research area, requiring an intensive examination of the research setting (Bryman and Bell, 2011). As noted by Ellram (1996), case studies focus on holistic situations in real life settings and tend to have set boundaries of interest, such as an organization, a particular industry, or a particular type of operation. There are two main types of case study methods, namely single and multiple cases. A single case method is usually applied when an investigation is conducted into a critical, extreme or unique case that reveals an inaccessible phenomenon to test well-formulated theory. A multiple case study, which is akin to a multiple experiment study, allows for replication of the experiment and generates a richer and more developed framework. Multiple cases are usually adopted to replicate findings to generate similar or contrasting results with predictable and explainable reasons through replication of the
methodology. In most situations, six to ten cases are sufficient to provide compelling evidence to support or reject a set of initial propositions (Ellram, 1996). In this research, multiple cases are used as the case study method in order to provide evidence in supporting similar or contrasting perceptions of each research question by replications. Moreover, a case study usually uses multiple sources of data to provide triangulation of the findings in order to overcome the problem of validity. These multiple sources include but are not limited to the use of multiple informants, internal company memos, procedures or documents, direct observation, questionnaires and other data collection techniques (Ellram, 1996). Methodological triangulation refers to the use of multiple data sources to gain the most complete and detailed data possible on the observed phenomenon (Hall and Rist, 1999). In this research, in-depth interviews and content analysis of companies’ human resource policies are employed. In addition, the comparative design of this case study allows the findings from two sets of companies to be compared and contrasted.

3.8 Research Strategy and the Data Collection Methods

There are three common data collection methods, namely interview, observation and questionnaire. Interview (Gubrium and Holstein, 2002) is a useful data collection method, especially during the exploratory stages of research. It is important to train the interviewers with care in order to minimize interviewer bias (Cohen et al., 2008). It is also expensive if large numbers of people are going to be interviewed for the research. The main disadvantage of the face-to-face interview is geographical limitation and the biggest drawback of the telephone interview is that the respondent can terminate the interview without warning. Observational studies (Abusabha and Woelfel, 2003) are conducted to observe people in their natural work environment or in a lab setting, without asking questions. The advantages of observational studies are that they are free from respondent bias, and make it easy to note the effects of environmental influences and to observe certain groups of individuals. The disadvantages are they are
time consuming, expensive, cause observer bias, and need to use trained observers. Questionnaires are an efficient data-collection mechanism when the researcher knows exactly what is required and how to measure the variables of interest (Sekaran and Bougie, 2011). The main advantage of the questionnaire is that it is simple to understand and it costs little to gather data. Questionnaires provide data which are of a good enough quality both to test hypotheses and to make real-world policy suggestions (Bein, 2009). The cost advantage of questionnaires over interviews means that many more people can be sampled for a given budget than might otherwise be possible. Questionnaires can be administered personally, mailed to the respondents, or electronically distributed. The advantages and disadvantages of these methods are summarized in Appendix 7. Multi-methods (Koller, 2008) can be used in personally administrated, mailed and electronic questionnaires. Multi-methods may minimize the specific bias associated with each method. Furthermore, the advantages of each method can maximize reliability and validity of data collection. This research uses in-depth interview to collect data of personal views and feelings on the implementation of the Minimum Wage Ordinance.

3.9 Interview Structure

The interview is not only an academic research method, but also a form of questioning and answering in our daily lives. Parents question their children regarding their activities during their leisure time. Suspects are questioned about what they have done and where they have been, by police officers. Both are expected to provide answers instead of questions. The interviewer prepares a conversation so as to obtain the desired information and makes the contact, schedules the event, arranges a location and begins to question the interviewee or respondent, who is relatively passive (Opdenakker, 2006). It is suggested that an interview is conducted for the purpose of securing information that the interviewee knows or is interested in. The purpose may be to secure a life history, to corroborate evidence or to secure data that the informant possesses. It
requires the cooperation of the informant during the interview (Yusupov, 2009). It is argued that the purpose of an interview is not merely to obtain answers, but to learn what questions to ask and how to ask them (Knox and Burkard, 2009). The responses may not be adequately understood, and there may be problems of deception and distortion (Gubrium and Holstein, 2002). There are many different forms of interviews, which are mainly categorized into two major areas: quantitative research, which is a more objective research method, and qualitative research, which is more subjective (Bryman and Bell, 2011, Boeije, 2002, Hermanowicz, 2002).

3.9.1 Standardized and Unstructured Interviews

There are two major types of Interviews, standardized and qualitative. The standardized interview (Yusupov, 2009) provides fixed questions and even fixed selectable answers, which are easily analysed. It is relatively objective as interviewees are asked the same questions. Standardized interviews are often conducted by telephone (Irvine, 2011) as the questions are standard and face-to-face observation is not crucial for this method. There are some advantages of telephone interviews, such as being cost-effective, easy to supervise, interviewees are not affected by the facial and physical expressions of interviewers and data is easy to analyse. On the other hand, the qualitative interview is relatively complicated and subjective. The interviewees are asked open-ended questions and the data is difficult to analyse. Since most qualitative interviews are in the form of face-to-face interview (Irvine, 2011), the interviewer should bear in mind sensitivity to culture during the interview. As the qualitative interview needs a skilful interviewer to conduct it, training for the interviewer is very important. In accordance with the above findings, although there are some disadvantages to the interview method (Opdenakker, 2006), using either the standardized interview or qualitative Interview is one of the best research methods available.
A standardized interview, sometimes called a structured interview, is scheduled by the interviewer. All interviewees are given exactly the same questions and identical interview stimulus to make sure the replies can be aggregated. Often the interviewees are offered a fixed range of answers (Fallon, 2008, Samaan et al., 2010 and Bryman and Bell, 2011). It is common that one interviewer interviews several individual interviewees. Fallon (2008) suggests that questions involving personality, life events and personal experience should be asked by one interviewer instead of more than one to provide assurance to the interviewees that their privacy is well protected. It is noted that organizations usually assign one interviewer to perform interviewing duties in business research because of the considerable cost instead of protecting the privacy (Bryman and Bell, 2011). Organizations develop rules and regulations to prevent interviewers from abusing the privacy rights of interviewees.

The standardized interview uses standard questions and even sometimes provides selectable standard answers so that the data is easier to analyse than in the unstructured interview and other research methods. Interviewers do not require advanced skills to conduct standardized interviews. The standardized interview is more objective than the unstructured interview (Bryman and Bell, 2011). On the other hand, there are some limitations of the former. During a face-to-face standardized interview, the characteristics of the interviewer can have great impact on respondents' replies. This may involve research ethics in that the respondents may find the interview an extremely negative experience. Two very famous studies are classified as contravening ethical requirements. In Milgram’s (1963) electric shock experiments, the teachers and volunteers suffered from emotional and psychological problems afterwards. (Packer, 2008). In Zimbardo et al., (1973)’s prison studies, the participants suffered from severe depression and mental breakdown after the studies (Collins, 2000). Response bias may exist during the interview as respondents will answer questions in accordance with their own cultures and beliefs. Furthermore, using suitable, simple and clear
wording in the questions is very important to avoid any misunderstanding (Bryman and Bell, 2011).

Regarding the cost effectiveness of the interview method, it is not unusual for organizations to conduct telephone interviews. With this method, interviewers’ characteristics do not influence respondents’ replies. Compared with face-to-face interviews, telephone interviews are a relatively inexpensive and practical way to gather information and important information can be quickly obtained for assessment. In addition to lower costs and greater efficiency, telephone surveys may be particularly advantageous for gathering data on sensitive issues because respondents feel a greater degree of anonymity compared with face-to-face interviews (Irvine, 2011). Bryman and Bell (2011) support Irvine’s view that telephone interviews are easier to supervise than face-to-face ones. Moreover, as the interviewees do not see the interviewer’s facial expression, the former are not affected by the interviewer’s body language. However, Dyke (2009) claims that there are many disadvantages of the telephone interview. The sampling is limited to those having phone lines and who are willing to answer the calls and questions, making the response rate lower than for face-to-face interviews. The interviewees feel free to opt out at any stage of the interview, which may cause many incomplete interviews. Also, interviewers may face language barriers during the interview, such as different languages or language tone. Organizations have to spend large amounts on training and supervision of interviewers (Dyke, 2009). There are some other disadvantages in that the length of the telephone interview is much shorter than the face-to-face interview. There is no observation in the telephone interview. The quality of data from telephone interviews is inferior to that of comparable face-to-face interviews (Bryman and Bell, 2011).

3.9.2 Qualitative Interview

The qualitative interview emphasizes researchers asking questions and listening to answers from respondents. It is similar to the standardized interview but tends
to be more constructive and proactive. Interviewees are asked their ideas and interpretations instead of the facts or laws (Gubrium and Holstein, 2002). The form of question in the qualitative interview is more flexible than in the standardized, which is the main difference between these research methods. There are a few more minor differences such as the questions of the qualitative interview are more interesting and the answers are required to be richer than in the standardized interview (Bryman and Bell, 2011) (Table 3.1).

Table 3.1

<table>
<thead>
<tr>
<th>Differences Between Structured Interview and Qualitative Interview</th>
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<tr>
<td>Structured Interview</td>
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<tr>
<td>More structured</td>
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<tr>
<td>Less interesting</td>
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<tr>
<td>Discouraging</td>
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<tr>
<td>Fixed questions</td>
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<tr>
<td>No additional questions</td>
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<tr>
<td>Short answer</td>
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<td>Done in one session</td>
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<td>Short interview period</td>
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Created by Ricky Kim Tak Hon, 2011

There are two types of qualitative interview, named the unstructured interview and semi-structured interview. Unstructured interview means that the interviewer asks open-ended questions or even one question and then the interviewee is allowed to respond freely (Knox and Burkard, 2009; Bryman and Bell, 2011). Knox and Burkard (2009) describe the unstructured interview as more a friendly conversation than a data-gathering interview. However, it has been challenged whether interviewers can obtain real and serious answers under relaxed
circumstances. The semi-structured interview is when interviewers prepare open-ended questions based on the study’s central focus to obtain specific information; interviewers, however, remain open and flexible and may raise additional questions during the interview (Knox and Burkard, 2009; Bryman and Bell, 2011).

The majority of qualitative interviews are conducted face-to-face so that the interviewer is able to observe not only the verbal but also the non-verbal reaction of the interviewee. The interviewer can also ask additional questions to supplement some previous questions (Sturges and Hanrahan, 2004). Knox and Burkard (2009) raise the challenge that social bias and the negative impact of the facial expression of interviewers appear in the face-to-face interview. In addition, they claim that most interviewees are grateful for the opportunity to share personal stories and experiences over telephone interviews, according to their studies. On the other hand, they find that interviewees are less comfortable during face-to-face interviews. Sturges and Hanrahan (2004) disagree and state that for some sensitive topics, interviewees are more willing to show their feelings in telephone interviews than face-to-face. Difficult and sensitive medical interviews, on topics such as end-of-life issues, HIV risk or psychiatric diagnosis, should be conducted over the telephone in the very beginning stage and followed by professional counseling (Plakhotnik and Rocco, 2006). Moreover, Sturges and Hanrahan (2004) argue that for some social science research, interviewer safety is a concern, making the telephone interview more suitable than face-to-face. Culture is one of the most important factors for qualitative interviews as the data may be affected by misunderstanding the subject’s personal values and beliefs (Wallin and Ahlstrom, 2006).

3.9.3 In-depth Interview

The in-depth interview is a technique designed to try to view the full picture of the participant’s perspective regarding the research topic. The interviewer is considered the student while the interviewed person is considered the expert
during an in-depth interview (Milena et al., 2008). In general, participants are encouraged to talk about their deepest thoughts on a certain subject in a more relaxed and confidential environment where the in-depth interview can be one of the most effective qualitative methods for people to express their personal experiences, opinions and feelings. There are some advantages offered by the in-depth interview: it has a low cost and reveals valuable information difficult to obtain from quantitative research. During an in-depth interview, the interviewer has to build up a positive relationship with the interviewee and encourage the latter to express information in his/her own words. The interviewer can clarify unclear points and the interviewee can react by correcting the interviewer, if necessary. In-depth interviews are used to share understandings of particular topics.

This research is to evaluate the impacts of the employment package after the implementation of the Minimum Wage Ordinance in Hong Kong. The in-depth interview design is adopted for this research as the topic is a complicated situation with little background information, so that intensive examination of the research setting is required (Burch and Seggie, 2008). Unlike the quantitative interview, the in-depth interview tends to be more flexible so as to allow the interviewee to voice a perspective on the research topic (Spradlin, 2012). However, it is argued that the interviewer may have personal bias in interpreting the views of the interviewee (Maurer et al., 2008). To collect complicated and sensitive information, it is difficult to simply send out questionnaires or surveys using the quantitative method. In-depth information is required for the research to identify the business strategies and human resource policies of companies in a particular industry. Senior or top management, such as the General Manager, Director or Human Resources manager are interviewed to collect information on business strategy and human resource policy. Employees are also interviewed to collect information on ground floor views. Moreover, open-ended questions are used during the interview to gain information and the interviewer needs to be prepared to depart from the itinerary as digressions can sometimes be very
productive and reveal more of the interviewee’s interest and knowledge (DiCicco, 2006).

The in-depth interview section lasts from 90 to 120 minutes for each interviewee. The interviewer gives the interviewee a briefing on the purpose, background and overview of the research. The interviewer explains the details of the Minimum Wage Ordinance in Hong Kong. All interviewees are encouraged not only to answer the questions but also share their own opinions regarding the research topic. The final part of this in-depth interview is to check and verify the accuracy of the obtained information. The interviewer should also solicit more views from the interviewees on human resources management. All interviews are taped and interviewee consent is obtained.

The focus group is another qualitative method (Rodriguez et al., 2011) but is not appropriate for collecting information in this research because the key persons of the organization are only willing to share their own opinions on sensitive topics with the interviewer, and no-one else. Moreover, because of the tight schedules of these senior managers, it is not possible to arrange one appointment for all of them. Because of the main issues of confidentiality and schedule management, the in-depth interview is more suitable to adopt in this research than is the focus group. Therefore, the researcher contacts individual interviewees for individual appointments to discuss the research topic privately. The interviews are held after Ethics Approval (Hoecht, 2011) is granted by the university. They are conducted in conference rooms where privacy is definitely protected. The interviews are conducted in English with the support of Cantonese for senior or top management to give the interviewees a better understanding of the questions. However, the interviews are conducted completely in Cantonese for employees. Furthermore, it is a must to manage the appointments in a very flexible way to fit into the interviewees’ schedules.
3.10 Sampling Method

The quality of research is not only assessed by the appropriateness of methodology but also by the suitability of the sampling strategy (Cohen et al., 2008). Interviewees should share critical similarities and be fairly homogenous. In order to maximise the richness and depth of the data to address the research question, selecting in-depth interview participants is based on an iterative process referred to as purposeful sampling (Suri, 2011). Investigators try to maximise potential data through maximum variation sampling. The data are further enriched by performing preliminary analyses, carrying out some interviews and then selecting more respondents to fill in emerging questions.

There are two main types of sampling designs, namely probability sampling and non-probability sampling (Sekaran and Bougie, 2011). Probability sampling means that everybody in the population has an equal chance of participating in the research. Although probability sampling involves a high degree of generalization, it is very costly and difficult to define the population of interest. There are four types of probability sampling methods, namely simple random sampling, systematic sampling, stratified random sampling and cluster sampling. Simple random sampling refers to a process of sampling in research that specifies that each person in a population has the same chance of being included in a sample as every other person (Sekaran, 2003). Systematic sampling is a process of sampling in which an apparently unbiased but non-random sample is created, such as by creating a list of every element in the population and selecting every member from the population. (Sekaran and Bougie, 2011). Stratified random sampling refers to identifying groups where participants are chosen randomly from the groups. Cluster sampling means a process of sampling in which a number of groups are identified in a population, and then some clusters are randomly selected for participation in a research project. (Sekaran, 2003).
Non-probability sampling refers to the samples representing themselves or instances of themselves in a similar population rather than attempting to represent the whole population (Cohen et al., 2008). It is claimed to be non-representative. However, it is far less complicated to set up and less expensive (Quinton and Smallbone, 2006). There are four common types of non-probability samplings, namely convenience sampling, snowball sampling, quota sampling and purposive sampling. Convenience sampling means a non-random sampling technique that involves using whatever participants can conveniently be studied, and is also known as an accidental or a haphazard sample (Sekaran, 2003). Snowball sampling refers to a situation in which, under normal circumstances, persons are located and contacted with difficulty. Quota sampling refers to a non-random sampling technique in which subgroups, usually convenience samples, are identified and a specified number of individuals from each group are included in the research. Purposive sampling refers to a non-random sampling technique in which participants are selected for a study because of some desirable characteristics, like expertise in some area (Cohen et al., 2008).

This research focuses on security companies in Hong Kong. Six firms were selected to participate in the research. The companies are divided into two categories, those employing 500 employees or above and those with under 500. Also, the research analyses the difference between companies paying guard wages at more than the minimum rate and less than the minimum rate before the implementation of the Minimum Wage Ordinance. Three companies from each group were selected. According to Ellram (1996), it is usual to select six to ten cases for the in-depth interview in order to support or reject a set of initial propositions. Therefore, a total of six companies were selected based on this theoretical sampling concept. Purposive sampling is adopted in the research since all participants are from security companies in Hong Kong.

Participants are selected by purposive sampling through the database of the Security and Guarding Services Industry Authority of the Hong Kong Government.
webpage (http://www.sb.gov.hk/eng/links/sgsia/list.htm). One representative from senior management ranks was recruited from each company. Purposive sampling is adopted in this research as participants must be from a local security company. The key market players in the industry are identified as research targets (Chan and Issa, 2011). To identify the companies that fall within the research, six security companies were selected out of the total sample size (Table 3.2).

Table 3.2

<table>
<thead>
<tr>
<th>Type of Firm Size &amp; Firm Category</th>
<th>Number of Firms paying equal to or above Minimum Wage rate</th>
<th>Number of Firms paying less than Minimum Wage rate</th>
<th>Total number of Firms interviewed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medium to Small Size (Category I)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Large Size (Category II)</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
</tbody>
</table>

3.11 Data Analysis

Qualitative content analysis is used for subjective interpretation of the data collected. The data is analysed systematically to identify the themes and patterns (Hsieh and Shannon, 2005). This is also used to classify a large amount of data and put it into categories with similar meanings (Weber, 1990). In addition, the systematic analysis is used to describe a phenomenon and the data is collected
from interviews with open-ended questions. The purpose of this approach is to understand the meaning of information under study by discerning themes for commonalities and uniqueness (Armsworth and Stronck, 1999). In this research, the interviews of top managers are conducted primarily in English and supplementally in Cantonese, if required, and solely in Cantonese for employees. After the content analysis is performed, the findings are developed based on identified key themes. Data from six security companies would be categorised into various groups for analysis. The security companies are divided into two groups, large (500 employees or above) and small to medium (fewer than 500 employees). Then, all data to review the impacts on management, employment and individuals of each security company is to be analysed. Questions were organized into three categories. Officers representing management were asked to answer all categories while employees answered questions 1 to 7 of part 2 and all of part 3. Questions in part 1 are related to governance and management of the companies in response to the implementation of the Minimum Wage Ordinance. Questions in part 2 and part 3 deal with actual impacts on individuals (Appendix 8). Detailed case-study approach is allowed the use of qualitative techniques in order to gain in-depth knowledge (Kamoche, 2006).

3.12 Ethical Concerns

The research involves human participants and therefore approval from the university ethics committee is required. As the researcher can access some sensitive business information from the participant companies, the former must display high personal integrity in collecting, processing and analysing data (Doody et al., 2013). The researcher must seek written approval from the organization and the interviewees prior to conducting the interviews. In addition, the researcher seeks approval from each interviewee to record the interview. The researcher should declare the information is used only for this research and not used elsewhere unless the interviewee gives approval.
3.13 Conclusion

The research employs qualitative research methodology using in-depth interviews of security companies in Hong Kong. The aim is to obtain in-depth information on high level management personnel and security guards themselves for the research topic. Purposive sampling is selected in order to collect information from senior personnel who represent their companies’ views in describing the impacts of the employee package, as well as from employees who express the worker’s side, after the implementation of the Minimum Wage Ordinance in Hong Kong. Six security companies from the industry were selected as sample size in order to maintain analytical generalization in terms of data credibility.
CHAPTER 4
FINDINGS AND ANALYSIS

4.1 Introduction

This chapter summarizes the findings of all data obtained from the six company interviews in accordance with the research questions. Information is analysed by using qualitative analysis. The primary research is conducted with semi-structured (Bryman and Bell, 2011) but open-ended interviews (Gubrium and Holstein, 2002). Six security companies are included in this research with one senior officer representing management and four employees interviewed from each company in order to obtain their views on the implementation of the Minimum Wage Ordinance in Hong Kong. A brief overview of the interviewed security companies is given in Table 1. These security companies are divided into two categories, large (500 employees or above) and small to medium (fewer than 500 employees). There are six sections of findings followed by analysis of all data to review the impacts on management, employment and individuals in each security company. Questions were organized into three categories; officers representing management were asked to answer all categories while employees answered questions 1 to 7 of part 2 and all of part 3. Questions in part 1 are related to governance and management of the companies in response to the implementation of the Minimum Wage Ordinance. Questions in part 2 and part 3 deal with actual impacts on individuals (Appendix 8). The purpose of the research is to provide information on how the implementation of a minimum wage in Hong Kong affects one of the lowest-skilled industries, security services, especially in employee remuneration (Armstrong, 2012). It analyses the impacts on management and employees in large companies and small to medium companies. Two main areas are involved, namely the basic monthly wage and fringe benefits (Armstrong, 2012).
Prior to the implementation of the Ordinance, the government placed many advertisements in the media, such as newspapers, television, magazines, radio and the Internet to thoroughly inform citizens of the importance and impact of the Ordinance. The government also held many seminars for management of private and public organizations, especially for low-skilled and low-pay industries, such as security, cleaning and restaurant services (Warhurst et al., 2008). Prior to the implementation, there was also a great controversy over whether the meal break and weekly rest day (statutory holidays not included) should be paid or not as they are not mentioned in the Minimum Wage Ordinance or the Employment Ordinances, Chapter 57 of Hong Kong Law. Before the implementation of the Ordinance, normally, most security companies paid a monthly salary, which would include a basic wage and some allowances, such as post, travel and performance allowance. Most security companies also gave no other benefits to employees except those bound by law, such as paid annual leave and paid statutory holidays. There was no concept of an hourly rate in their normal practice. Therefore, most employers proposed that they would pay wages in accordance with the Minimum Wage Ordinance but that the non-working hours, meal break and weekly rest days should not be paid. However, almost all employees asked employers to pay these non-working hours as they were part of the employment contract (Foot and Hook, 2011).

Before the interviews, top managers of six security companies were contacted. Each company was asked to provide one person from upper management and four employees working as security guards. As soon as they agreed to contribute, they were sent the consent letters and some brief information on the research. Interviews were conducted from July to September 2013. In Hong Kong, few workers join trade unions and few companies have their own trade unions. Workers are not willing to join and make contribution to the trade union unless they have dispute with their company. Normally, Trade Unions are outside companies and developed by volunteers. Union leaders are unable to understand the situation of individual security company. Therefore, for this
research, which is to find out the impact of individual security company, it is not practical to interview union leaders. However, Unions’ views should be included in future research for further analysis.

4.2 Overview of Participating Companies

Table 3

<table>
<thead>
<tr>
<th>Security Company with 500 or more employees</th>
<th>Global Company</th>
<th>Local Company</th>
<th>Government contract</th>
<th>Commercial contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>✔️</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Company B</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Company C</td>
<td></td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Security Company with under 500 employees</td>
<td>Company D</td>
<td></td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Company E</td>
<td></td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
<tr>
<td>Company F</td>
<td></td>
<td>✔️</td>
<td></td>
<td>✔️</td>
</tr>
</tbody>
</table>

Created by Hon, Ricky Kim-tak, 2014

Company A is a large global security company with more than 3900 employees. It has been operating in Hong Kong since 1963 and running three kinds of businesses in security, namely guard services, cash-in-transit and security systems. It has been listed in the United Kingdom for many years and provides guard services not only for private but also for public organizations, such as the government, and many non-government organizations.

Company B is a large local security company with more than 1100 employees. It has been established in Hong Kong since 2000 for guard services, property management and consultancy services. It mainly provides guard and property management services to public organizations, such as government departments and the Housing Authority.
Company C is a large local security company with more than 520 employees. It commenced guard service operations in Hong Kong in 2005. It also provides security alarm monitoring services to private organizations, whose alarms are linked to the company’s control centre for monitoring. The majority of its guard services are for private organizations, especially in the retail industry.

Company D is a medium local security company with 350 employees. It started the business of guard services in 2011 and mostly provides guard services to private organizations, and some to the Housing Authority.

Company E is a small local security company with 105 employees and is a wholly owned subsidiary of a large listed company in Hong Kong. They have been solely providing guarding services to its parent company since 2000 without any business from other organizations.

Company F is a small local security company with 30 employees and is a wholly owned subsidiary of a large company in Hong Kong. It has been providing guard services solely to its parent company since 1952, without any business from other organizations.

4.3 Interview Responses from Company A

4.3.1 Responses from Management

The human resource manager, who has been with the company over 10 years, emphasized that the company was facing difficulties recruiting security guards. Prior to the implementation of the Minimum Wage Ordinance, they had the same problem but it has worsened because their remunerations have become less competitive in the market, i.e. the basic salary is not high and the company has provided basic medical coverage. However, as soon as the implementation of the Ordinance began, the remunerations of other security companies went up to
meet the requirements of the latter so the difference in remunerations between this large global company and these other companies was no longer significant. The HR manager added that guards have many similar options in the market, meaning that her company was now facing greater competition in the labor market and had to spend more resources in recruitment. She stated that nevertheless, as the overall safety circumstances in Hong Kong are very good and security service jobs here are not too hard or highly skilled, some employees from other low-pay and low-skilled industries are willing to turn to employment with security services. Other industries, such food services, are more physically demanding but pay the same wage as security guards. She stated that:

*The implementation of Minimum Wage Ordinance in Hong Kong is a loss-loss situation instead of win-win situation that [sic] both the company and guards are the losers. At this moment, no employer and [sic] employee gain advantage in the market.*

Sapsford et al., (1999) support the idea that the Minimum Wage law has negative impacts for both organizations and employees. The HR manager revealed that apart from the increase in wages to meet the requirements of the Minimum Wage Ordinance, the company faced other cost increases, such as insurance, advertisement and the Mandatory Provident Fund. The increase of these costs was greater than the increase in wages required by the Ordinance as the company had already been paying above the new statutory rate to some employees. Regarding new price setting for clients, she pointed out that the latter had raised concerns about the company increasing the price according to the minimum rate. In order to minimize the impact and misunderstanding of employees, the company did arrange seminars for management officers and then sent these officers to hold briefings with employees. The company also attached relevant information to the pay slips that were delivered to each employee monthly. The intention was to address all employee concerns by good communication since this firm is one of the largest and leading global security
companies in Hong Kong. She added that some employees, who were already earning above the minimum rate because of their greater abilities and education standards, raised the issue that the difference in wages between them and the frontline employees had been narrowed. She stated that eventually the former’s wages were also increased after some months, to reduce the impact on their morale. She suggested that there was little concern from foreign employees, who came from developing countries, as they were earning much more than they could earn in their home countries. Corte´s and Pan (2013) argue that low-skilled migrants are a good substitute for local low-skilled workers in the labor market. They value their jobs in Hong Kong and make very few complaints. On the other hand, local employees can easily obtain other jobs with similar wages in Hong Kong so feel free to voice their concerns. Differences in culture also mean that foreign employees are not so aggressive and are willing to obey orders while local employees put up more of a fight for their rights and benefits (Ang et al., 2003).

As a large global security company, it still provides paid meal breaks, as it did before the Ordinance. There has been no change in basic medical benefits. Nor has there been any change in the basic monthly salary; rather some upward adjustment in post allowance to meet the minimum wage rate. There has been no change in other benefits, such as training and staff welfare. The human resource manager revealed, however, that the premium for medical insurance has been increasing every year. She emphasized that before the implementation of the Ordinance, the company had analyzed the cost impact and estimated the budget accordingly. Therefore, there was a little negative impact on the profit margins at the moment. The turnover rate and productivity had remained unchanged.

She revealed that just as the implementation of Minimum Wage in Hong Kong was taking place, the company was planning on one hand to develop more new business, such as property management, and on the other hand to enact a cost
effectiveness plan. The HR manager stated that most employees were expecting an increase in wages even though some of them already earned more than minimum wage. The company had to enhance communication with employees to help them understand that company policy was to take care of each employee individually. Nevertheless, some junior employees were leaving as their expectations had not been met. This was indeed a big impact on labor costs for the company. The manager stated that as the Minimum Wage Ordinance had been implemented for only two years in Hong Kong, the company was at the observation stage of reviewing the progress of the market. It was company policy to spend more resources on the frontline employees as they were earning profits for the company. This would definitely increase labor costs in the future. As the increase in price was not great, most of the company’s customers accepted the additional cost. However, some customers cut their guard headcount to keep costs steady. The security company had to enhance communication with this type of customer.

4.3.2 Responses from Employees

Four employees were interviewed. With regard to remuneration, they pointed out that there had been no change in working hours, medical benefits, basic monthly wages or other benefits, which is consistent with the HR manager’s statements. None of the employees had any idea of the organization’s view of the minimum wage. They had little knowledge of the Ordinance, and what they had was gleaned from the media, i.e. television and newspapers. Most knew the rate and the date of implementation. Because of this knowledge, neither they nor their colleagues raised any issues about the minimum wage as their wages were already above the minimum rate, which is also consistent with the manager’s statements. Three out of four stated that there was no guidance provided by the company while one stated:
The company sends[sic] employees notices regarding the Minimum Wage Ordinance before the implementation of Minimum Wage Ordinance.

Brewster (2007) argues that employees should be involved when organizations are adjusting their communication and consultation strategies. Two interviewees from Company A stated that there was no expectation of receiving the minimum wage while the other two expected their wages would be increased. One interviewee added that recruitment was easier than before the implementation of the minimum wage as employees from other industries, such as food service workers, were now joining the security field. Another interviewee stated that he had asked to change his working hours (for personal reasons) from 12 to 9 hours a day and earned less than before.

4.3.3 Summary of Responses from Management and Employees

Company A is a large global security company that had already planned for the implementation of the Minimum Wage Ordinance. It spent more resources on communication with employees before the implementation of the Ordinance to try and reduce the turnover rate. As mentioned in chapter 2, Morley (1995) and Mishra et al., (2014) support the idea that individual and representational communications are very crucial for organizations' growth. The company had also already paid above the minimum rate to almost all employees before the implementation of the Minimum Wage Ordinance and offered medical benefits to all employees. There was no change in working hours, basic monthly wage, medical or other benefits. The company faced problems with recruitment, price increase to customers, increase of wages and of other costs, such as inflation, insurance premiums and overhead expenses. It has developed more new businesses such as property management and implemented a cost effectiveness plan.
4.4 Interview Responses from Company B

4.4.1 Responses from Management

The director of security, responsible for both Human Resources and Operations, was interviewed for Company B. The company mainly provides security services for the government (the Housing Authority and some other departments) and some commercial organizations. The director pointed out that the company was making a profit yearly. The major problem the company had been facing was recruitment of guards. It had spent additional funds on administration work to meet the requirements of not only the Minimum Wage Ordinance but also the Employment Ordinances. Also, after the implementation of the Minimum Wage Ordinance, the company needed to answer customers’ enquiries and requests regarding the Ordinance. As representative of the company, the director agreed with the implementation of the Ordinance in Hong Kong because the company was already in a good position to recruit employees from the labor market. However, the director added that the Ordinance created additional administration work for the company. This opinion has been discounted by Mohan et al., (2013) who argue that administration work is not the major issue for business. The director stated that employees raised no issues regarding the Ordinance and that there was no change in working hours, medical or other benefits. Prior to the implementation of the Ordinance, around 70% to 80% of employees were earning wages below the statutory rate. Their wages have now been increased to meet the statutory rate. The director emphasized that the minimum rate was also the maximum rate for recruiting guards at the very beginning of the implementation of Minimum Wage Ordinance. However, the company had to offer higher than the minimum rate to recruit employees after some months of the implementation. There were also increases in other wage-related benefits, such as statutory holidays, sick leave and Mandatory Provident Funds. There was a top-up policy for the government and a government-related contract meaning the company was compensated by the former for additional wage increase costs.
The company increased the price for commercial organizations as well but some of these reduced the number of guards hired, for example, in one case, from 17 guards to 15 guards, to maintain the same costs. The profit margin for Company B has decreased since the implementation of the Minimum Wage Ordinance and the turnover rate has increased. As wages increased, employees were asked to increase their productivity, so the whole company’s productivity has increased. Since the company mainly works with government contracts, it had already joined the wage protection movement (Bhattacharjee et al., 2009) which was the pre-minimum wage plan in which the company had to pay wages equal to the market average rate. Thus, the company found it easy to meet the requirements of the Ordinance. It listed all terms and conditions related to the minimum wage on the employment contracts so all employees had been informed of the main concerns surrounding the Ordinance. However, the director noted:

The employees are having [sic] little knowledge of the system and details of Minimum Wage Ordinance. They simply know the calculation of their wages and the rate is $28 per hour.

Armstrong (2012) argues that an organization should ensure that employees are offered good information and motivation through soft human resource management. The director of Company B stated that employees accepted the minimum wage rate instead of expecting more than the rate. The implementation of the Ordinance caused a big change in the calculation of wages and had an impact on the relationship between employer and employee. The company should maintain a very good relationship with employees to avoid any conflict in interpretation of the Minimum Wage Ordinance.

4.4.2 Responses from Employees

Four employees were interviewed to obtain their views on the implementation of the Minimum Wage Ordinance. One employee stated that the company’s view of
the minimum wage was to protect low-skilled employees and another one claimed ‘the company view of Minimum Wage is that it could retain employees’.

Brown et al., (1982) argue that high turnover rate is not unusual for low-skilled industries. Therefore, a tangible motivation, wage, can retain employees. All of the employees from Company B stated that they had little knowledge of the Minimum Wage Ordinance apart from knowing the minimum rate. All were on eight-hour shifts and there had been no change in working hours, so none of them had any complaints with the company in this sense. Three out of the four employees did have their wages raised after the implementation of the Ordinance while one remained at the same level, as his wage had been already higher than the minimum rate. The three employees expected their wages would again increase in the future while the other one had no expectations. None had medical or other benefits either before or after the implementation of the Minimum Wage Ordinance. None had any knowledge whether the company had any plan to address employees’ expectations. Two employees expressed concern that inflation was higher than the increase in wage while the other two stated that they took no action regarding the minimum wage. Two employees stated that the company had sent notices to all employees regarding the implementation of the Ordinance before the implementation date while the other two said they had no idea of this. One of the four employees expressed the opinion that supervisory staff should be paid more than the minimum rate as they bore more pressure while on duty.

4.4.3 Summary of Responses from Management and Employees

Company B is a large local security company. It agrees with the Minimum Wage Ordinance as it can provide a better package for employees. However, the company is facing the problem of additional administration work. It can easily handle the Minimum Wage Ordinance as it had already joined the wage protection movement years ago due to its work being mainly contracts from
government departments. It sent notices to all employees regarding the Minimum Wage Ordinance. There was no change to medical or other benefits after the implementation of Minimum Wage Ordinance. Some clients have agreed to the increase in price but have cut posts to maintain the overall total of the contracts. The profit margins have decreased while the turnover rate has become greater. The company has tried to maintain very good relationships with employees to avoid conflict. Employees express concern that the inflation rate is higher than the increase in wages. Three of four employees have had a raise while one was already earning above the minimum rate before the Ordinance. Employees have little knowledge of the Ordinance but know the minimum rate.

4.5 Interview Responses from Company C

4.5.1 Responses from Management

The general manager of the company was interviewed. He leads the Administration, Human Resources, Operations and Accounts Departments to run the business and reports to the Board of Directors of the company. The company focuses on the high-end market and therefore does not have contracts with the government, where the profit margin is the lowest in the market. The company has been serving some famous brand retail companies able to pay a high price for guard services, so Company C enjoys high profit margins. However, the company is still facing the problem of high turnover rate and difficulty with recruitment. The general manager stated that the implementation of the Minimum Wage Ordinance in Hong Kong was reasonable. He added that guards’ mindsets are ‘old style’ and they focus on making as much as possible with as little effort as possible. This mindset is not practical with the implementation of the Ordinance as the company can now recruit more competent guards. Prior to implementation of the Ordinance, the company already offered wages above the minimum. He added that the company also offered paid meal breaks to all guards. Lau et al. (2013) support the idea that it is good practice for employers to
offer employees paid meal breaks and even smoking breaks. After the implementation of the Ordinance, the company had to increase the wages of supervisory staff, a knock-on effect, to maintain the difference between the supervisory staff and frontline staff. The company discussed a price increase with customers and most did understand and support the increase not only for employees but also for supervisory staff. The increase in wage also keeps the turnover rate low and customers are happy to maintain guards who have been with them for some time. The general manager claimed:

*The company is offering all frontline employees one rest day a week on one hand to comply with the labor law and on the other hand to maintain good working morale of employees. It could also retain the employees and keep the turnover rate low.*

Kumar and Chakraborty (2013) argue that regarding non-financial reward, employees are motivated by intangible rewards in areas such as the work environment, quality of working life, work-life balance, recognition, learning and development. The general manager of Company C added that guards had little knowledge of the Minimum Wage Ordinance. They may only know the rate is $28 per hour. They were confused about the payment for meal breaks and the weekly rest day as there are no definite terms on this in the Minimum Wage Ordinance. In general, the security industry did not bear these payments, in order to maintain low labor costs, before the implementation of the Ordinance. He added that the company had already offered paid meal breaks but not a weekly rest day. He stated that the company had spent resources delivering briefings to guards prior to the implementation. Nevertheless, employees were asking for paid meal breaks, weekly rest days and even an increase in wages although their wages were already higher than the minimum rate prior to the implementation of the Minimum Wage Ordinance. The company usually arranged eight to ten hour shifts for guards so as to maintain the guards’ performance, since their jobs mostly require standing at the entrance of retail stores. The working hours
remained unchanged while the medical benefits also remained the same in that the company had previously offered basic medical coverage to all guards. Prior to the implementation of the Ordinance, the company had reviewed the guards’ payment structure. There was no change in the basic salary. He expressed that in industrial practice, the monthly payments include basic salary plus certain allowances, such as performance, post or travel allowance, which the company has discretionary power to adjust in the monthly payment. For example, if a guard has been found to arrive late or leave duty early, the performance allowance will be deducted. There was also no change in other benefits for guards.

Regarding profit margin for Company C, there was a downward trend in the first year of implementation of the Minimum Wage Ordinance. However, the profit margin returned to normal in the second year. There was no effect on the turnover rate for the company. On the other hand, productivity has increased since the company has received more referrals from current customers. The company provided training to project managers and officers according to the Minimum Wage Ordinance so that they could relay information to the employees. Employees had no expectations at the beginning of the Ordinance. However, there were some concerns about the knock-on effect of supervisory staff needing wages raised. The company researched market payments for supervisory staff so that the former could offer payments to compete in the current market. The company agreed that the Minimum Wage Ordinance is good for Hong Kong. The customers have been well educated by the company and government advertising regarding the Ordinance. Also, the company suggested that the recruitment of new guards was better than before as people were entering the industry from other fields where the job requirements were not as tough as in security.
4.5.2 Responses from Employees

Four employees were interviewed. All suggested that they had little knowledge of the Minimum Wage Ordinance but were very clear on the minimum rate, $28 per hour. Two of the four employees did notice that the company had reviewed the payment structure of guards prior to the implementation of the Ordinance to ensure the payment was already above the minimum rate, while the other two had no idea. All agreed that there was no change in working hours, medical benefits, basic monthly wage and other benefits. Two of the four emphasized that the supervisory staff had wages raised due to a knock-on effect. The company had to invest more resources in counselling the supervisory staff in order to retain them. These two employees also raised the issue that employees being paid an hourly rate or part-time employees had enjoyed a wage increase to meet the requirements of the Ordinance. However, the other monthly paid employees did not receive any increase as their wages were already above the minimum rate. All suggested that the company had offered briefing sessions for employees to enlarge their knowledge of the Ordinance. Two mentioned that staff had expected to have wages increased while the other two had no idea. One of the four employees stated, 'while the wage is increased, the price of products is increased at the same time. The increase of wage is less than the yearly inflation'.

Cuong (2011) argues that there are possible impacts on employees, businesses and output prices, as well as inflation, after establishing a minimum wage. One of the four employees stated that the company costs had increased. Nevertheless, the company could not increase prices immediately as the price was bound by contract. Gagnepain et al. (2013) suggest that contracts are often renegotiated as new information on market demand emerges. However, the new contracts or additional terms on the current contracts should be agreed on by parties involved.
4.5.3 Summary of Responses from Management and Employees

Company C is a medium size local security company. The company agrees the Minimum Wage Ordinance is good for Hong Kong. It is facing the problem of recruitment and high turnover rate. It had already paid employees above the minimum rate and held briefing sessions for all employees regarding the minimum wage prior to the implementation of the Minimum Wage Ordinance. The company pays meal breaks but not the weekly rest day. There is no change in working hours, medical benefits, monthly wage or other benefits. The company and some employees are concerned about the knock-on effect in which supervisory staff members feel that their wages should be increased as well in accordance with the minimum rate. The company provides counselling to supervisory staff regarding the knock-on effect to retain them as employees. The price was increased for customers and the profit margins decreased in the first year but returned to normal in the second year. The company has met the labor market price after doing much research in newspapers and other resources. Employees express that the inflation rate is higher than the increase in wages and all interviewed employees’ wages are already above the minimum rate. Employees are concerned about the knock-on effect, have little knowledge of the Minimum Wage Ordinance but are clear on the minimum rate.

4.6 Interview Responses from Company D

4.6.1 Responses from Management

The executive director, responsible for both Human Resources and Operations, was interviewed. The company provides security services to the government, commercial bodies and for some specific events. The company’s customers include property management companies, hotels and retail companies. The company is making a yearly profit and not facing any problems. The executive director stated, “So far so good” and that the impact of implementation of the
Minimum Wage Ordinance was not significant to the company. He added that around 90% of their customers have been well informed and agreed about adjustments on price in accordance with the minimum rate. Prior to the implementation of the Minimum Wage Ordinance, the company had already offered wages above the minimum. The implementation of the Ordinance has indeed affected the security field as security companies have had to pay more than the minimum rate to recruit suitable employees in the market. The employees were clear on the Minimum Wage Ordinance and getting wages above the minimum rate. Although they were receiving this, they still expected to have wages increased. There was no change in working hours, medical benefits, basic monthly wage or other benefits. According to the executive director:

*Most of our employees ask to change the employment status from permanent employment to part-time employment so as to earn higher hourly rate. They do understand that they would give up some benefits, such as paid annual leave and paid statutory leave. They are happy to gain more money monthly instead of having paid holidays.*

However, Hamermesh (1995) argues that there is a negative effect involved in the change to part-time from full-time employment. Cappelli and Keller (2013) also argue that employers typically treat part-time workers differently from full-time employees, e.g., there are no benefits or career advancement prospects. Company D found there was no change in setting price and productivity while there was a slightly upward change in the profit margin as the company was getting more business. There was no change in the turnover rate. Indeed, there was no impact on the company from the implementation of the Minimum Wage Ordinance. The company provided no guidelines for employees on the Ordinance and the latter had no expectations from the Ordinance as their wages were already above the minimum rate. The company merely had to comply with the Minimum Wage Ordinance. Since it already had stable manpower, it was
able to obtain more contracts. The company manages to satisfy the demand of customers in the market and keep a low overhead for better cost effectiveness.

4.6.2 Responses from Employees

Four employees were interviewed. All stated that there was no change in working hours, medical benefits, basic monthly wage or other benefits. One pointed out that the Minimum Wage Ordinance was complicated in that wages included basic wage, post, overtime and other allowances and companies needed to adjust all these to meet the requirements of the new law. Two of the four employees stated that the Minimum Wage Ordinance was not good for companies as the labor cost increased. One of the four employees stated that the increase of wage was not only for employees earning a wage below the minimum rate but also for employees earning above the minimum, as a knock-on effect. All voiced that they had little knowledge of the Minimum Wage Ordinance and most of the knowledge they had, came from the media. One expressed that some people working in other fields had now changed to security work as the job requirements were easier than in other fields, such as sales, restaurants and courier services, where the physical requirements were tough. This employee suggested that the turnover rate of the other fields would be higher than the security field. One of the four employees stated:

The implementation of Minimum Wage Ordinance is not good for well-educated employees as the difference of wages between well-educated employees and low-skilled employees become[sic] very little. Traditionally, well-educated people should be earning more than low-skilled people. This Ordinance is not good for well-educated employees. The office employees should have wages increased at the same time after the implementation of Minimum Wage.

Hytter (2007) supports the idea that it is very important for companies to know how to retain employees, especially those who are well educated, experienced
and contribute to the company’s competitive advantage. On the other hand, one of the four employees in Company D stated that low-skilled employees would lose their jobs or working hours due to the implementation of the Minimum Wage Ordinance. Two of the four employees pointed out that they had expected to have wages increased while the other two had no expectations. One of the four employees suggested that all employees were concerned about whether they would receive paid meal breaks. Another suggested that the increase in wage was good motivation for employees. Two of the four stated that the company had provided briefings for all employees while the other two claimed there was none.

4.6.3 Summary of Responses from Management and Employees

Company D is a small local security company. It had changed the payment pattern from permanent monthly payment to part-time daily payment prior to the implementation of the Minimum Wage Ordinance. With the change of payment pattern, the manpower of the company stabilized, enabling the company to develop more business. It was already paying above the minimum rate prior to the implementation of the Minimum Wage Ordinance. There is no change in working hours, medical benefits, monthly wage or other benefits. Some employees are concerned about the knock-on effect where supervisory staff members believe their wages should be increased as well in accordance with the minimum rate. The company tries to do everything to comply with the new law. Employees declare that more employees from other fields are entering the security field as the job requires less physical effort than many other industries. However, employees are concerned about the knock-on effect. They have little knowledge of the Ordinance and believe that it is not good for well-educated employees as they are earning more or less the same wage as low-skilled employees after the implementation. Some employees state that labor cost has increased due to the Minimum Wage Ordinance.
4.7 Interview Responses from Company E

4.7.1 Responses from Management

The director of the company, responsible for both Human Resources and Operations, was interviewed. He stated that the company was a subsidiary company wholly owned by a bank and provided guarding services to the bank only. Therefore, all clients are internal customers. There were two kinds of guarding services, namely bank branch guard and bank building guards. The company was making a profit yearly. The director stated that the company was facing the problems of aging employees and difficulties with recruitment, which are challenges not only for the field of security services but also for Hong Kong in general. The director suggested that the Minimum Wage Ordinance was good protection for low income employees and the cost of labor in the market would be more transparent than before, which may help the company to recruit quality employees. Prior to the Minimum Wage Ordinance, there was much discussion on the protection of low-skilled and low-income employees in Hong Kong society. The company had joined the Salary Protection Movement to meet the market average point before the new law. Prior to the implementation of the Minimum Wage Ordinance, the company had held meetings and seminars with the employees, who were well informed of the details of the new law. The director noted:

*It is very clear to[sic] communicate with all employees before the implementation of Minimum Wage Ordinance. All employees have already known[sic] the minimum rate. They are also very clear that they are paid for the meal-break and weekly rest day which is no change[sic] as soon as the new law.*

Michael (2008) states that employers have an obligation to provide their employees with paid meal break. The director of Company E noted that the working hours were changed from twelve to nine hour shifts with no deduction of
wage, meaning employees’ hourly rates had increased substantially. There was no change in medical or other benefits but the monthly wages were maintained or increased with working hours being reduced from twelve to nine hours a day. All internal customers agreed on an increase in price after the Minimum Wage Ordinance. The profit margins also increased because of the mutual agreement between the company and internal customers stating that the latter would pay more than the increase in wage. Some employees wanted to keep working twelve hour shifts to earn more money while most employees enjoyed the reduction in working hours with the same wages. Productivity has increased as daily working hours have decreased. The director commented that the company had a solid plan in place for the implementation of the Minimum Wage Ordinance. They had good communication with employees by holding meetings, training sessions and seminars. The company also had clear communication with their internal customers, who agreed to the increase in price. Because of the change in working hours, employees agreed to sign new contracts with the company. The director added that there was little effect on the company due to the Minimum Wage Ordinance. The company continues to increase the wage yearly according to the inflation rate. As the remuneration is better than the market average, the company can recruit good quality guards. He mentioned that prior to the new law, the wages for guard services were very low in Hong Kong. Since the new law, the wages have increased a lot, which attracts workers from other fields. He emphasized that employees can now enjoy a better work-life balance as the daily working hours have been reduced from twelve hours to nine hours and that working morale while on duty has also increased. Wang and Verma (2012) suggest that the implementation of work-life balance programs can symbolize employers’ concern for employees and positively influence employees’ perceptions of organizational support.
4.7.2 Responses from Employees

Four employees were interviewed. All pointed out that there was no change in medical or other benefits. Two of the four employees mentioned that their working hours had been changed from twelve to nine hour shifts without reduction in wage while the other two’s shifts remained unchanged as they were working with other companies when the Ordinance took effect. All stated that their monthly wages had increased. All claimed they had little knowledge of the Minimum Wage Ordinance apart from knowing that the minimum rate was $28 per hour. None raised any issues regarding the Minimum Wage Ordinance. All pointed out that there were no specific guidelines for the Ordinance from the company. One suggested that the new law affected the elderly as they may now have less of a competitive advantage in the market, especially in the security services industry. All stated that they had no idea of the company’s strategies for handling the Minimum Wage Ordinance. One stated that the Ordinance would cause greater inflation than before. This employee also said that he had expected to have his wage increased even though it had already been higher than the minimum rate.

4.7.3 Summary of Responses from Management and Employees

Company E is a small local security company. The company is a subsidiary company of a bank, providing guard services to the bank, and has no other clients. Prior to the implementation of the Minimum Wage Ordinance, the company had already joined the salary protection movement, so its wages were already above the market rate. The company views the Minimum Wage Ordinance as being good for the security field as it can attract more quality workers to join the field. The company changed its working hours from twelve hour shifts (2 shifts a day) to nine hour shifts (3 shifts a day) without reduction of the basic monthly wage. This change provides a better work-life balance to guards. Saksvik-Lehouillier et al. (2012) claim that studies have shown that shift
work and night work can have major negative effects on sleep and alertness, health and in terms of increased risk of accident rates and safety. Some indicators of shift work are regular use of sleep medication and changes in behaviour such as increased aggression and sensitivity. Company E had no change in medical benefits, monthly wage or other benefits. The company held meetings, training sessions and seminars for supervisors and employees to present the details of the Minimum Wage Ordinance. The company increased the cost of services for its internal various customers and now makes more profit as the price is marked up more than the minimum wage rate. Some employees are concerned about a knock-on effect. No interviewed employees had any idea of the company policy for the Minimum Wage Ordinance and they have little knowledge of the Ordinance. Employees are concerned that inflation is greater than the increased wage and about labor cost increases due to the Ordinance.

4.8 Interview Responses from Company F

4.8.1 Responses from Management

The housing manager, responsible for operations, was interviewed. He stated that although the guard services were outsourced, his company managed the operations, recruitment and all administration. He added that since the implementation of the Minimum Wage Ordinance, the contract payments had increased in accordance with the minimum rate. He expressed that the wages for direct employees had also increased to meet the requirements of the Ordinance but the range of increase was small. He suggested that the employees should have a good knowledge of the Ordinance as there were many promotions and advertisements from the government before its implementation. He added that there was nothing to be raised from the employees. The manager said that:
There is no change on [sic] working hours, medical benefit and other benefits. However, the monthly wages are increased to meet the requirement of Minimum Wage Ordinance.

Buck et al. (2003) argue that organizations might reduce fringe benefits and bonus payments, particularly as these items are usually not included in the monthly remuneration package. The manager said that there was also no change in price, profit margin or turnover rate for Company F, and pointed out that payment for the outsourcing tender had increased according to the minimum rate and the company did not provide specific guidance to staff. The company had asked the guarding service provider to meet the requirements of the Minimum Wage Ordinance. For direct employees and the guard service provider, the company has adjusted payments to meet the requirements of the Ordinance. It planned to increase the wage again in the near future to meet the new minimum rate. Prior to the implementation of the Ordinance, the wages paid by the company were competitive in the market so the employees were stable. As soon as the implementation of the Ordinance took place, this kind of advantage was reduced so employees were beginning to look for new opportunities in the labor market. This impact had been mentioned to the board of directors, who agreed to increase wages in order to retain employees.

4.8.2 Responses from Employees

Four employees were interviewed. All stated that their wages had been increased to meet the requirement of the Minimum Wage Ordinance. All expressed that there was no change in working hours, medical or other benefits. Three of the four employees pointed out that they had little knowledge of the Ordinance while the other one suggested that he had good knowledge of it. Three of the four employees suggested that there was no change in turnover rate while the other one stated that the turnover rate had increased. All employees stated that there were no guidelines provided by the company with regard to the
Minimum Wage Ordinance. Two of the four employees expected their wages to be increased to offset inflation while the other two had no expectation of this. All employees suggested that they had no idea of the company’s policy for the Ordinance. One of the four employees stated:

*The Minimum Wage could boost the working morale as the wage was increased to offset the inflation. It is fair to the employees that the employers have to pay not only the market wages but also meet the minimum rate.*

One expected that the wage increase could offset transportation expenses, meal expenses and inflation. Borum (1980) argues that although workers received large pay gains, sometimes prices rose at an even higher rate and their purchasing power fell. After adjustment to the inflation rate, the actual wage would be decreased although workers gained a wage increase. One employee in Company F thought that the Minimum Wage Ordinance was good for low income employees as their wages would rise but it was not good for employers due to the increase in labor costs.

**4.8.3 Summary of Responses from Management and Employees**

Company F is a small local security company. The company is a subsidiary company of a property development company, providing guard services to an estate. It has no other clients. Prior to the implementation of the Minimum Wage Ordinance, its wages were below the minimum rate. There has been no change in working hours, medical or other benefits. The government provided many promotions and advertisements for the Minimum Wage Ordinance so the company did little to inform employees of the details of the Ordinance. The company has had no changes in the price, profit margins or turnover rate. Prior to the implementation of the Ordinance, the company had the advantage of providing a competitive wage in the market but this advantage disappeared after the Minimum Wage Ordinance. All interviewed employees had no idea of the
company policy for the Minimum Wage Ordinance and little knowledge of the Ordinance. All employees stated that there were no guidelines from the company on the Ordinance and were concerned about inflation. One employee suggested that the increase in wage boosted the morale of employees while another employee stated that the Minimum Wage Ordinance is good for employees but not for employers as the cost of labor has increased.

4.9 Analysis of Responses to Part 1 Questions

This section is a summary of responses to Part 1 of the questionnaire (Appendix 10) from the six security companies. As these questions deal with general information on the company and some specific information on management, they were answered by the managerial representatives of the companies. These six companies were established from 1952 to 2011. Three of them employ 500 or above while the other three have under than 500 employees. One of the purposes of this research is to find how security companies handle issues of human resource management during and after the implementation of the Minimum Wage Ordinance. Findings reveal that large, medium to small security companies all made some changes in human resource management policies to address the implementation of the Minimum Wage Ordinance. As this is a new law in Hong Kong, it seems that all interviewed companies planned their business and human resource strategies well before the implementation of the Ordinance so as to retain employees and comply with the law’s requirements. Two of the companies only provide guard services to their parent companies, by which they are wholly owned. It is suggested that neither company faces real competition in the market. Therefore, it was easy for them to increase the price for their parent companies and continue to make a profit, leaving their margins unchanged. On the other hand, the other interviewed companies have to negotiate with clients for price increases and find it hard to maintain profits and keep profit margins unchanged. Three out of the four companies mainly provide guard services to commercial or private organizations while one company deals
mainly with government departments and the Housing Authority. Working mainly with the government makes it easy for the company to increase prices as there is a term top-up policy on the government contracts stating that if wages are affected by law, the government will compensate for the difference. All interviewed companies, whether large, medium or small, suggested that they face challenges of increased costs, such as wages, administration, or other costs after the implementation of the Minimum Wage Ordinance. However, findings reveal that all interviewed companies were making profits before and after the implementation of the Minimum Wage Ordinance. This is because they were all well prepared and arranged business and human resource management strategies for this new law. It is argued that whatever clients the companies have, such as the government, commercial organizations or both, they are able to make a profit. Therefore, all interviewed companies were able to increase wages and continue to motivate employees. In accordance with the findings, large and small to medium security companies are still encountering major difficulties in recruitment and a high turnover rate. One company claimed to face no problems and another is up against an increase of maintenance expenses. The other four companies are facing the same problem with recruitment, meaning there is a high turnover rate in this field. This type of problem did not just appear after the implementation of the Minimum Wage Ordinance but was in evidence before it. Tanova and Holtom (2008) argue that the turnover decision is not only about the individual’s attitude towards work or about the actual opportunities in the labour market, but also job embeddedness. Although, from a business point of view, all companies reveal that wages or costs, such as administration and outsourced contract payments, increased with the implementation of the Minimum Wage Ordinance, three of the six companies suggest that they still agree with the Ordinance. Appendix 9 provides a summary of the analysis of findings of Part 1 questions with reference to research questions.
4.10 Analysis of Responses to Part 2 Questions

Both management and employees were asked to respond to questions in Part 2 of the questionnaire. The management representatives answered all questions while the employees were only required to respond to questions 1 to 7.

4.10.1 Management Perspective

With regard to Human Resource Management, this research is to find out how the interviewed companies changed their remunerations after the implementation of the Minimum Wage Ordinance. Three companies increased most employees' wages to meet the requirements of the Ordinance. Two companies stated that their employees were offered wages above the minimum rate before the implementation of the Ordinance, however, they still gave a small increase to these employees. It seems that most Hong Kong companies are willing to comply with the laws of Hong Kong. One company revealed that on one hand it shortened the daily working hours from twelve to nine hours without changing the wage rate and on the other hand increased the wages for those below the minimum rate. All six companies appeared to have their own strategies in order to comply with the requirements of the Ordinance. Nevertheless, it is argued that, in general, some companies reduced certain benefits or increased working hours to offset the increase in wage. However, all interviewed companies wanted to retain employees by making no changes in benefits or working hours. Three companies mentioned that their employees had good knowledge of the Minimum Wage Ordinance while the other three companies said that employees had little knowledge of the Ordinance but as least knew the minimum hourly rate is $28 per hour.

Regarding communication with employees on the Minimum Wage Ordinance, it seems that there is no difference between the large companies and the small to medium category. Three companies' employees asked to have wages increased
even though some employees were earning wages above the minimum rate. Two companies’ employees made no requests while the other company’s employees said that they already had the meal break and weekly rest day paid. All companies stated that there had been no change in medical or other benefits. It is suggested that traditionally, the relationship between employers and employees in Hong Kong is very good in that companies would keep providing certain benefits unless the macro economy is bad or the company does not make a profit. Five companies stated that there was no change in working hours while one company said that the daily working hours were changed from twelve to nine hours. Two companies stated that the basic monthly wages of employees remained unchanged as their wages had been above the minimum rate before the Ordinance’s implementation. Two companies said that the basic monthly wages of employees were increased. One company maintained the basic monthly wages with the post allowance increased so as to meet the minimum rate. Another company reduced the daily working hours from twelve to nine, meaning the hourly rate increased a lot to meet the requirements of the Ordinance. Four companies stated that the price charged to their clients increased while the other two companies noted it remained unchanged. Two companies revealed that there was no change in their profit margins, while two other companies said their profit margins had slightly increased. The other two companies stated that profit margins had decreased with one emphasizing that the margins resumed after two years, confirming the Levinthal and Wu (2010) argument that profit margins will gradually increase as the relative demand grows further. Four companies revealed that the turnover rates were higher as soon as the implementation of the Minimum Wage Ordinance began, while two companies revealed that there was no change in the turnover rate. Normally, security is one of the highest turnover rate industries in Hong Kong. Therefore, it is argued that there is no difference between the category of large companies and that of small to medium companies. Three companies experienced a productivity increase while the other three companies had no change in
productivity. Appendix 10 is the summary of the analysis of findings of part 2 questions (management) against research questions.

4.10.2 Employees Perspective

Twenty-four employees were interviewed. Sixteen revealed that they had no idea of the company’s view of the Minimum Wage Ordinance. Two employees stated that the company had re-organized its payment structure to meet the minimum rate prior to the implementation of the Minimum Wage Ordinance. Rubery et al. (1997) support the idea that payment structure is changed from time to time in order to meet the human resource strategy and marketing strategy. One employee stated that the minimum rate could protect low-skilled employees and another that it could retain employees. Two employees stated that the Ordinance is not good for companies as labor cost increased. One suggested the Ordinance is complicated while another mentioned a knock-on effect has appeared. One of the twenty-four employees mentioned that she had a good knowledge of the Ordinance while the rest said they had little knowledge of it, though most of them knew the minimum rate was $28 per hour. Employees from large companies had better communication with their companies than those from small to medium companies. It is argued that large companies are willing to invest more resources in communication with employees. Two out of twenty-four employees mentioned that supervisory staff wages should be increased as a knock-on effect while the rest, twenty two employees, raised no issues with the Ordinance. All twenty-four interviewed employees stated that there was no change in medical or other benefits after the implementation of the Ordinance. Two interviewed employees stated that the daily working hours had been changed from twelve to nine hours while the other twenty-two stated that there was no change in working hours. It seems that all companies are trying to keep good relationships with employees by maintaining benefits as well as increasing wages. Eleven interviewed employees, eight from small to medium companies and three from large companies, stated their monthly wages increased after the implementation of the
Minimum Wage Ordinance. Nevertheless, thirteen interviewed employees, nine from large companies and five from medium to small companies, stated that their monthly wages remained unchanged after the implementation. Most large companies had already paid above the minimum rate while most medium to small companies paid below the minimum rate before the Ordinance. Appendix 11 is the summary of the analysis of findings of Part 2 Questions (employees) against research questions.

4.11 Analysis of Responses to Part 3 Questions

4.11.1 Management Perspective

All companies asked their clients for an increase in price in accordance with the increase of wages to meet the minimum rate and they all mentioned that almost all clients agreed to an increase. A few clients accepted the increased price but reduced the guard posts to maintain the total cost unchanged. Apart from the directly-affected companies, all other companies fully accepted the implementation of the Minimum Wage Ordinance. Also, the increase in wage was not high and these security companies have good communications with their own clients. Therefore, in the commercial society of Hong Kong, there is little objection to a reasonable price increase. All companies have their own business or human resource management strategies to deal with the issues of the Minimum Wage Ordinance. From a business point of view, all companies had good communication with their clients regarding the increase in price due to setting the minimum rate. One company stated that the it restructured the payment pattern from monthly wage to daily wage and turned full time employment to part time employment. Another noted that it changed the daily working hours from twelve to nine hours without reducing the wage. These two medium to small companies renewed contracts with their employees to reflect the change of payment pattern and working hours. It is argued that because the number of employees in these two companies was small, they could easily renew
the contracts. It is harder for large companies, who employ thousands, to renew contracts with all employees. One company mainly works on government contracts, and could automatically increase its price in accordance with the top-up terms of the contracts. Another company states that it commenced developing new business after the implementation and conducted a cost effectiveness plan internally. Four companies held meetings, seminars and training sessions for employees to give them more information on the Ordinance. They emphasized that good communication is needed to reduce the impact of the implementation of the Minimum Wage Ordinance. Mishra (2014) supports the idea that internal communication is important for building a culture of transparency between management and employees, and it can engage employees in the organization’s priorities. The other two companies had no specific strategy to communicate with employees on the Ordinance and they agreed that the government did a lot of promotion and advertising for the Ordinance. Four companies claimed that there were no pre-implementation expectations from employees. Two companies mentioned that employees expected a wage increase; these two did indeed increase wages to respond to employees’ expectations. It is suggested that these companies value their employees and tried to fulfil their requirements in order to retain them, as the turnover rate in this industry is high. Four companies emphasized that they complied with the law to increase wages in accordance with the requirements. Two companies stated that they enhanced communication and relationships with employees to respond to their requests. Appendix 12 is the summary of the analysis of findings of Part 3 Questions (management) against research questions.

4.11.2 Employees Perspective

Nine employees stated that their companies gave them some information on the Minimum Wage Ordinance through briefings, seminars, training sessions or sending notices. Fifteen employees stated that their companies gave them no specific guidelines for the Ordinance. It is suggested that large companies are
willing to invest more resources in communicating with employees than are medium to small companies. These large companies rely on Human Resource Management strategies to retain and motivate employees. All interviewed employees state that they took no action on the Ordinance. It is suggested that the relationship between employers and employees is traditionally good in that all interviewed employees trusted employers to comply with the new law. However, some of them were concerned about inflation, knock-on effects and the circumstances of the labor market. Nine interviewed employees opined that they and their colleagues had no expectations of the Ordinance while fifteen stated that they and their colleagues expected a wage increase. Three interviewed employees said that they had little idea of their company’s plan to work with the employees’ expectations while the remaining twenty-one had no idea of the company’s plan. This suggests that, no matter whether they work for large or medium to small companies, low-skilled and grassroots employees do not care about company policy and would rather pay more attention to wages. Three employees were concerned about a knock-on effect. Four employees believed that inflation would increase. Two stated the recruitment of employees would be easier after the implementation of the Ordinance. Three employees stated that this ordinance is not good for employers while three stated that it is good for employees. Some employees expressed worry that low-skilled employees would lose their jobs. A number emphasized that they are not paid for meal breaks and would search for better offers in the labor market after the implementation of the Minimum Wage Ordinance. Appendix 13 is the summary of the analysis of findings of Part 3 Questions (employees) against research questions.

4.12 Conclusion

This chapter explores the views of management as well as the employees of security companies regarding implementation of the Minimum Wage Ordinance in Hong Kong. This is a new law introduced in Hong Kong in 2011, and the government, employers and employees now have to do their best to work on a
big change in payment patterns although most of the developed world implemented this kind of law many years ago. In view of the findings from the management side, although all companies reveal that there are some impacts on their finances, human resources, operations or administration, all companies, no matter what size, state that they are complying with the requirements of the Minimum Wage Ordinance. All companies were well prepared for this new Ordinance before the implemented date. Most companies increased the wages of employees to meet the minimum rate and one even reduced the daily working hours without adjusting the monthly wage. Another company changed the employment status of employees from full time to part time and from monthly to hourly wage. On one hand, this employer was able to maintain the labor cost unchanged, and on the other hand, the employees' hourly rate increased since they gave up their right to enjoy paid Statutory Holidays and annual leave as per their new status as part time employees. However, all companies raised the issue that they had to face the problem of a knock-on effect because they were asked to increase the wages of employees who were already earning above the minimum rate. Most companies increased the wages of these employees while one company held more teambuilding and communication activities to retain them. Some companies provided medical or other benefits to employees prior to the implementation of the Minimum Wage Ordinance while the others provided none. As soon as the implementation of the Ordinance began, all companies interviewed retained these benefits unchanged. All six companies recruited more quality guards by providing employees with better remuneration than others in the labor market. Most companies had good communication with their employees regarding this new law before its implementation. Some revealed that they did little in this area as they believed the government had provided enough promotions and advertisements in the media. Furthermore, the government held many seminars and briefings for human resources personnel to elaborate on the details of the Minimum Wage Ordinance. All companies commented that their clients were willing to pay a higher price to meet the increase of their employees' wages in accordance with the Ordinance. Most companies mentioned that they
were facing the problem of recruitment and high turnover rate before and after the implementation of the Ordinance. However, most stated that there are many new employees joining the security industry from other low-skilled industries. Lerman and Ratcliffe (2001) argue that the main reason low-skilled labourers change jobs is to seek higher payment.

In view of the findings from the employee side, all interviewed employees stated that there had been no change in medical or other benefits. Almost all employees stated that they had little knowledge of the Minimum Wage Ordinance but know the minimum rate is $28 and they raised no issues with their companies regarding the Ordinance. Most employees claimed that they had no idea of their company’s view of the Ordinance and their companies gave them no guidelines for the Ordinance. Most employees expected their wages to be increased. Some were concerned with the knock-on effect, inflation, low-skilled employees losing jobs and payment of meal breaks and weekly rest days. Almost half of the interviewed employees stated that their wages increased while the rest stated that they remained unchanged as they were already above the minimum rate.

There are many consistencies between answers from management and employees. All companies appear to respect the law although they have to spend more resources on labor cost. On the other hand, virtually no employees made claims to their companies regarding the Minimum Wage Ordinance. The answers do not indicate any strong conflict between management and employees, which indicates the relationship between employers and employees is very good in Hong Kong. The following chapter, Chapter 5, discusses the findings and presents the conclusion of research questions, limitations of the research, contribution of the research, future research and recommendations.
CHAPTER 5
DISCUSSION AND CONCLUSION

5.1 Introduction

The Minimum Wage Ordinance has been implemented in Hong Kong for only three years. The structural impact on individual sectors, the local labor market and long-term economic development in Hong Kong has not fully emerged. A detailed and accurate analysis for the impacts on the labor market, employers, employees and economic development in Hong Kong could be conducted through observations over a longer period of time. However, the impact on low-skilled workers and low paid sectors, in particular, can be easily observed since the implementation of the Minimum Wage Ordinance. Those sectors hiring more low-paid employees are more susceptible to the impact of the Ordinance. In accordance with the findings of the 2011 Annual Earning and Hours Survey by the Census and Statistics Department of the Hong Kong Government, security services is one of the four lowest paying sectors in Hong Kong (Hong Kong Minimum Wage Commission). This research is to discover the impacts on management and employees in security services after the implementation of the Minimum Wage Ordinance.

The previous chapter laid out the findings and analysis of interviews of both the management representatives and employees of six security guard companies. This chapter discusses the findings of the interview data in order to provide some insights into the research subject. The research questions are discussed with reference to the literature review so as to establish whether the theories can fit into the practical context of the security industry in Hong Kong. This discussion aims to evaluate the appropriateness of applying these theories to practice in business. It is followed by recommendations that give some insights into the management of the security industry. In addition, it covers the limitations and
contributions of this study and gives recommendations for further research. There is an overall conclusion of the study at the end of the chapter.

5.2 Common Employment Packages of Security Companies Prior to Implementation of Minimum Wage Ordinance

Security service is a relatively small industry in Hong Kong, employing around 33,000 persons, 1.2% of the total employees in Hong Kong (Hong Kong Census and Statistics Department, 2012). Before 1996, the Watchmen Ordinance regulated those performing security guard duties in Hong Kong. In 1996, the Hong Kong Government implemented a new law, the Security and Guarding Services Ordinance, to replace the Watchmen Ordinance. All security guards must obtain a licence: they have to attend at least 16 hours of formal training, pass the examination and have no criminal record. For a number of reasons, security guards have long been earning almost the lowest wages in the community. Firstly, as the job of ‘caretaker’ was traditionally treated as nearly the lowest class in the community in the past, they are still not paid reasonably. Secondly, most guards are low-skilled and possess little education. Thirdly, there are very low requirements by law to obtain a licence; guards are only required to attend 16 hours of training. Fourthly, there is a very low crime rate in Hong Kong (the rate in New York is four times that of Hong Kong according to Hong Kong Police Force and the USA, FBI 2011), so most people don’t feel the need for security services. Many companies, such as construction, warehouse, logistics and manufacturing companies, hire guards to fulfil the requirements of insurance contracts. However, high-risk companies hire many internal or external guards to protect their property and employees. These companies include banks, jewellery companies, department stores, shopping centres, large companies and buildings. Since most employees of security companies are grassroots employees, their attendance rate is lower than in other industries. Security companies have established a relatively complicated monthly payment for grassroots employees to motivate the latter to report for duty punctually and attend scheduled duties. It
is very common that the monthly payments are divided into several parts, namely basic salary, performance allowance, travel allowance, post allowance and other allowances. Once the guards report for each scheduled shift without tardiness or premature departure, they are given allowances with the basic salary. Otherwise, there would be deductions from the allowances if they report sickness, lateness or premature leave. Some security companies offer allowances for almost half of the basic salary. This means the allowances are almost one third of the take-home payment. This kind of payment arrangement is not uncommon for short term and insecure jobs. Foot and Hook (2011) support the notion that wage refers to weekly pay and hourly rate of pay, with deductions for lateness or absence. As the allowances are a large proportion of guards' take-home pay, this research analyses how security companies have handled these or other allowances since the Ordinance’s implementation. It has been suggested that security companies have changed the payment pattern from monthly payment to hourly payment so as to fit into the implementation of the Ordinance. The impacts are discussed at the next section.

5.3 The Impacts on Employment Packages of Security Companies after Implementation of Minimum Wage Ordinance in Hong Kong

Alatas and Cameron (2008) suggest that many research works indicate there is a negative impact on employment with the increase of minimum wage. Almost all this research has been done on wealthy developed nations or areas; given that Hong Kong is a developed area, it follows that the impact here will also be negative. In accordance with the standard neo-classical model, it is assumed that a minimum wage set above the market wage would decrease the quantity of labor demanded by firms and total employment would decrease (Alatas and Cameron, 2008). Buck (2003) supports the idea that organizations might reduce fringe benefits and bonus payments, particularly as these items are usually not included in the remuneration package. However, the findings of this research reveal that, from both the interviewed management and the employees, there
has been no change in medical or other benefits. In general, most security companies do not provide medical or other benefits to employees so as to maintain labor costs at a low level. Nevertheless, some security companies provide minimum medical and other benefits, such as discretionary bonus or paid meal breaks and paid rest days. Two of the six interviewed companies provided medical benefits, paid meal breaks and paid rest days prior to the implementation of the Minimum Wage Ordinance and still provide these benefits after the implementation of the Ordinance. Arulampalam (2004) holds a similar view in that there is no impact of minimum wage on training and other benefits. Fairis and Pedace (2004) suggest that there is no evidence that minimum wage reduces average hours of training or the percentage of the workforce receiving training. It is suggested that in Hong Kong, security companies have taken more positive actions than negative actions towards employees because of a number of reasons, since the implementation of the Ordinance began. Firstly, implementing the Ordinance during times of favourable macroeconomic conditions helps relieve the pressures on employment and corporate profits and encourages more people to join the labor market (Hui, 2013). Following the notable expansion of 6.8% in 2010, the economy in Hong Kong experienced another year of further growth in 2011. For 2011 as a whole, real GDP expanded by 4.9%, higher than the average growth of 4.5% of the past decade (Hong Kong Census and Statistics Department, 2012). Secondly, all interviewed companies were making profits before and after the implementation of the Ordinance. Thirdly, regarding the labor market, the unemployment rate has remained low since the implementation of the Ordinance. In 2011, the labor market remained virtually in a state of full employment, during which the unemployment rate was 3.6% in the second quarter and even fell to 3.2% in the third quarter (Hong Kong Census and Statistics Department, 2012). Fourthly, the turnover rate of most interviewed companies remained high but was the same before and after the implementation of the Ordinance. Fifthly, most interviewed companies were facing the same recruitment difficulties before and after the implementation of the Ordinance. For these reasons, security companies have taken positive actions rather than
negative actions against employees, to recruit and retain quality employees from the market after the implementation of the Minimum Wage Ordinance. The findings contribute to the goal of Human Resource Management in most companies of creating a positive employment relationship between management and employees as well as a climate of mutual trust, instead of creating conflict (Armstrong, 2012).

As the government announced the date of the Minimum Wage Ordinance implementation far in advance, most public and private organizations established business plans and strategies to cope with this change. Most companies had already budgeted for an increase in wages prior to the implementation of the Ordinance. Also, some companies changed their payment structure from monthly to hourly payments before the implementation so that employees could have a clearer picture of their payment in accordance with the Minimum Wage Ordinance. In general, prior to the implementation of the Ordinance, many employers and employees did not have a clear concept of hourly payment and most security companies paid employees on a monthly basis. Some companies have kept the basic wage unchanged, however, they have adjusted allowances so as to make the total monthly payment meet the requirements of the Ordinance. Foot and Hook (2011) argue that in accordance with Human Resources Management, it is very common for the wage payment system to include some allowances for grassroots workers. Todd et al. (2009) also suggest that grassroots workers are motivated by this kind of allowance, financial reward, where they are asked to perform their duties to certain standard to gain the reward.

Prior to the implementation of the Minimum Wage Ordinance, most employers held such negative views of the implementation that employees were facing downsizing (Jeon and Shapiro, 2007) through the laying off of staff (Chen, Lai and Chen, 2012) and restructuring employment (Cooke, 2006) through reduced working hours. Stewart and Swaffield (2008) also suggest that the introduction of
the minimum wage leads to a reduction in the paid working hours of both male and female low-wage workers. In accordance with the neoclassical theory, minimum wage increases have a negative effect on labour demand, including the working hours (Couch, 2001). However, Belman and Wolfson (2010) argue that the minimum wage increase effect on working hours is far less certain and is typically non-significant. Furthermore, Giuliano (2013) supports the analysis that increases in the relative wages of teenagers lead to significant increases in the relative employment of teenagers, especially younger and more affluent teenagers. The findings of this research reveal that with regard to working hours, only one company reduced these hours from twelve to nine hours; however, with no wage reduction that means the hourly rate increased a lot. There was no change in working hours for the other five companies, as confirmed by the interviewed employees. In addition, neither the interviewed management nor employees mentioned any downsizing or laying-off. Instead, most of the interviewed companies now face difficulties in recruiting employees, a fact supported by some interviewed employees. Regarding the findings on implementation of a minimum wage in Hong Kong, it is suggested that the neoclassical theory does not apply to the security industry. On the other hand, the findings are supported by Card (1992) and Katz and Krueger (1992), in that there is a positive effect of the minimum wage on low-skilled employment.

### 5.4 Employment Packages in Different Firms Sizes

Three large security companies, employing 500 or above employees, and three medium to small security companies, employing fewer than 500 employees, were invited to participate in this research. This classification is according to the “Security and Guarding Services Industry Authority” in Hong Kong. Although some companies, large or small to medium, offer medical benefits, creating extra labor costs, none of the interviewed companies made changes in this kind of benefit. As is normal practice in the field, the majority of security companies do not offer this sort of benefit. This is because the yearly premium for medical
insurance is high, as the average age of employees in the field is higher than in other fields. That the sick leave rate in this field is one of the highest among all industries in Hong Kong is another reason for the expensive premiums for medical insurance. In addition, this type of benefit is not bound by the Employment Ordinance in Hong Kong so companies are not required to offer this benefit by law. This finding is supported by the literature review in Chapter 2, stating that large companies are able to invest sufficient resources in Human Resource Management to support the organization in achieving its objectives and retain talented and skilled employees, while small companies have limited resources for this (Adams et al., 2012). However, in this finding, large and medium to small companies are willing to invest resources in Human Resource Management.

Regarding other benefits, there is no difference between the large security guarding companies and the medium to small companies. Only one large and one medium to small company provide employees with other benefits, in the form of periodical training to maintain the quality of performance. This kind of Human Resource Management strategy is supported by Giancola (2013), who expresses the idea that an employee benefit plan is a critical point to retain and motivate employees. Employers do offer benefits in accordance with the Employment Ordinance, such as annual leave, maternity leave, statutory leave, weekly rest day, Mandatory Provident Fund and Long Service Payment. Bunnell (2008) supports the findings that employers are willing to sponsor employees' benefit plans to meet the legal requirements, including all employee leave laws. However, Bernhardt et al. (2013) argue that some employers, across low-wage industries and occupations, very commonly violate labor laws so as to keep the labor cost low. To sum up the findings, there is no difference between large and medium to small security companies when it comes to providing guards with benefits.
5.5 How Security Companies Cope with after Implementation of Minimum Wage Ordinance

Giuliano (2013) suggests that as an adjustment to the Minimum Wage law, corporations have increased wages of employees in accordance with the minimum rate. In order to comply with the requirements of the Minimum Wage Ordinance, companies have taken necessary steps to meet the requirements of the Ordinance accordingly. Most of the grassroots workers enjoyed an increase in wages as soon as the Ordinance was implemented. The average monthly employment earnings of overall full time employees achieved a year on year growth of 5.4% for the whole year of 2011. The average monthly employment earnings of full time employees in the lowest decile group rose by 10.7% (Hong Kong Census and Statistics Department, 2012). The finding of increased wages is consistent with the interviewed employees’ versions of the situation. Almost half of the interviewed employees’ wages have been increased while the rest suggest that their wages have remained steady as they were already above the minimum rate before the implementation of the Minimum Wage Ordinance. It is suggested that Hong Kong companies were able to meet the law’s requirements by increasing wages rather than downsizing or laying-off (Chan et al., 2001). This finding contributes to the traditional Hong Kong labor phenomenon in which companies have always taken the necessary action to maintain good relationships with employees instead of only considering cost saving.

One company changed most of its grassroots workers from the status of full time employment to part time. The employees of the company are happy with this arrangement as the part time hourly rate is higher than full time hourly rate, although they do have to give up their right to paid annual and paid statutory leave. On the whole, the percentage of part time employees increased from 16.2% in September 2010 to 19.4% in September 2011, slightly up by 3.2 percentage points (Hong Kong Census and Statistics Department, 2012). This company explained that as the hourly rate and the job flexibility are increased,
the employees were more than happy to accept this offer despite the changes. Russo (2012) opines that part-time workers are no less satisfied with their lives and jobs than are their full-time colleagues and part-time workers are happy as they are complying with the behavioural prescription from the identity to which they adhere. However, Giannikis and Mihail (2011) argue that not surprisingly, there is lower satisfaction with pay and job-security for part-time compared to full-time employees. Foot and Hook (2011) also argue that organisations traditionally expect short-term relationships with wage-earners and part-time workers who are less likely to have other benefits and there is less job security for the latter than for salaried employees.

Most security companies interviewed who increased their prices due to the implementation of the Minimum Wage Ordinance faced few problems with this as their customers accepted the increase as a requirement of the Ordinance. However, one company had a few contracts terminated and a few customers did not accept the price increase and at the same time reduced their guard posts to maintain the same total fee. It is suggested that Hong Kong’s economic growth in 2011 was good enough not only for the security companies to bear some costs of the wage increase but also for the other companies to bear the costs of the increase in service price. Tamai (2009) states that there is no negative impact of a minimum wage during positive economic growth (Hui, 2013). Moreover, the government had communicated with commercial organizations well in advance by holding seminars, training sessions and meetings. It also did a great deal of promotion and advertising using multi-media to promote the Minimum Wage Ordinance before its implementation. Therefore, most companies had planned their business strategies well. Regarding the profit margin, all interviewed companies claimed they are making a profit. The main reason for their continued profit is that the economic growth of Hong Kong in 2011 was good enough that this kind of change did not affect business. According to the monopsony model, the profit margin would decline due to an increase in minimum wage. However, the findings here show that in a developed area with good economic growth, the
profit margin will not change despite the implementation of a new minimum wage (Chao and Yu, 2014).

The turnover rate remained high both before and after the implementation of the Minimum Wage Ordinance. It is suggested that the turnover rate of low-skilled or low wage workers is higher than that of skilful and high paid workers. Schreurs et al. (2013) state that their findings are of the positive effects of low pay-level satisfaction on turnover intention. However, Miller et al. (2001) argues that there is still a dispute whether “high fixed pay is associated with lower turnover”. The high turnover rate is the norm in the security industry in Hong Kong. Most interviewed companies reveal that they increased their prices to offset the increased wage. This is supported by the standard competitive model, which shows that introducing a minimum wage results in an increase in prices. However, from the pure monopsony model, an increase in the minimum wage could result in prices falling. The findings in this research fit the standard competitive model.

5.6 Expectations of Employees after Implementation of Minimum Wage Ordinance

Regarding the knock-on effect, most companies maintained the wage rate of supervisory employees while two companies indicated that they either increased their wages by a small percentage or increased teambuilding activities for employees so as to retain their employment. Kamoche (2003) suggests that rewarding and training offer opportunities for managers to reconfigure their HR strategies not only to enhance managerial control and efficiency gains but also to realize a better ‘fit’ with business strategy via a corporate vision in line with contemporary HR thinking. Most companies adopt a business strategy to keep labor cost on a suitable and acceptable level. As, according to this research, the wages of grassroots workers increased while most of the other wages remained static, the difference in wages between these two groups was reduced.
According to the Hong Kong Census and Statistics Department (2012), the difference in hourly wage between lower-paid and higher-paid employees narrowed after implementation of the Ordinance. Anderson (2009) argues that those already earning wage rates above the SMW may also benefit from a knock-on effect in the pay hierarchy. The findings in this research could contribute to the motivation and financial reward theories stating that in order to retain quality employees, an organization must increase the wages of supervisory employees. It also contributes to the pay range design theory which states that the wage of supervisory employees should be at market rates and the pay differentials between frontline workers and supervisory employees should be on the basis of job nature and responsibility (Armstrong, 2012). However, some supervisory employees will still try to find better offers in the market since they believe that the wages of mid- to low- level supervisors will be increased more in certain other security companies as a knock on effect. It is suggested this phenomenon may push the turnover rate higher than will the implementation of the Minimum Wage Ordinance.

5.7 Changes in HRM Policy for Security Companies after Implementation of Minimum Wage Ordinance

With regard to the difficulty of recruitment, most companies have recruited more inexperienced guards from other fields since the implementation of the Minimum Wage Ordinance. This is because these employees were earning the same hourly rate in a less favorable working environment in the other industries, such as food services, care homes and cleaning services. Therefore, most of the security companies adjusted their recruitment strategy to accept employees without experience. Boyd et al. (2011) believe that there is no evidence to support the idea that career-switchers appear more effective than their peers without prior experience. Furthermore, career-switchers may be less stable than the latter. However, they may spend more on basic and on-the- job training. As soon as the implementation of Minimum Wage Ordinance began, companies had
to create more promotions and advertisements to attract suitable employees or offer wages higher above the minimum rate. It is normal practice in Human Resource Management to establish a recruitment policy in which once a vacancy exits, the organization places advertisements in newspapers, on the radio, television or Internet or with agencies.

Most companies have enhanced communication with employees by holding seminars, briefings, training sessions and sending internal notices to employees to enlarge their knowledge of the Minimum Wage Ordinance. The companies tried to build up better relationships with employees in order to retain their employment (Iyer and Israel, 2012). The majority of employees had little knowledge of the Minimum Wage Ordinance but they were very clear that the minimum rate is $28 per hour. Maintaining good communication within the organization is good human resource management for retaining employees and encouraging employees to make more contributions to the organization. Iyer and Israel (2012) reveal that their research found that communication satisfaction plays a very crucial role in achieving employee engagement in organizations. It becomes even more significant and relevant in the context of global crisis wherein organizations focus on employee engagement, employee retention and motivation. The results indicate that organization communication satisfaction has a positive impact on employee engagement and retention. In order to motivate employees, especially grassroots workers, organizations should invest more resources in Human Resources Management. Milliman et al. (2009) suggest that organizations often limit spending on human resource (HR) practices for those employees who work for relatively low wages with little or no benefits or advancement opportunities. Milliman et al. (2009) further explains that in turn, these employees become less committed to the organization, thereby reinforcing this “cycle of failure.” Research results indicate that there was a significant reduction in both employee turnover and operating expenses during the first three years of a program of motivation. Motivation is one of the ways to turn low wage workers from a “Cycle of Failure” to a “Cycle of Success”. One large
interviewed company on one hand spent more resources on teambuilding activities for office and supervisory staff members and on the other hand increased the post allowance for grassroots workers as soon as the implementation of Minimum Wage Ordinance took place. It is clear that the company was applying the theory of motivation, a human resource strategy, to manage employees so as to meet the business strategy and growth. Foot and Hook (2011) suggest that according to Maslow's theory, grassroots workers’ needs would be at the bottom of the pyramid (physical and safety needs) while office staff members’ needs would be second from the top (esteem and belonging). Historically, the aims of reward were to attract, retain and motivate staff. Salaries were what attracted them to an organisation, benefits kept them there, while bonuses and incentive schemes motivated them. However, it is not always so simple as many young people may also be attracted to an organisation and stay with it because of the opportunities for learning and talent development that it provides: they may choose to work as volunteers in a non-profit organisation because the organisation’s values and corporate and social responsibility policy are in line with their own values. Other perhaps slightly older workers may be attracted to an organisation providing other benefits such as excellent holidays, better pension provision or opportunities for more flexibility in their work week, while those regarded as knowledge workers may want to achieve success in their chosen area and to achieve recognition for their successes. Since all organisations have different strategic objectives and employ different mixes of generations of workers and of part time and full time workers, it is important to ensure that the pay and reward strategy chosen helps attract, motivate, engage and retain their workers so that they can achieve their strategic objectives (Foot and Hook, 2011).

5.8 Limitations and Contributions of the Research

As the new law in Hong Kong was implemented on 1 May 2011, there is not yet much data to be analyzed. Also, the impact of minimum wage on security
companies is not so obvious because of the short period of implementation. To get top management of security companies to answer the questions was challenging as they were busy handling big changes in their internal and external environments (Punnett and Shenkar, 1996). Some security companies did agree to answer the questions; however, there is no guarantee the information is accurate or useful. Prior to the research, written consent had to be sent to the organization for approval of participation. Therefore, the research is limited to the few organizations which agreed to participate in it, which may not be good in terms of generalization. As the Ordinance is new in Hong Kong, this study may not cover many of the areas involved. Nevertheless this exploratory research has provided some insights for key decision makers in considering how to handle the new law, the Minimum Wage Ordinance.

There are 260 security companies in Hong Kong (Hong Kong Census and Statistics Department, 2012). Due to the constraints of resources, time and experience, only six companies were interviewed. More companies would have provided more accurate data for analysis. In addition, other stakeholders, such as the middle management of security companies and the customers and vendors of these companies, should be involved for in-depth analysis of the impacts on the operations, administration and management on these companies. Middle management of a company, as the bridge between employees and top management, may have a different view from employees and top management. Customers could also provide their views of the services or products, enabling the company to review its operations and human resource strategies to improve its services and products. This would give a full picture of the weaknesses and strengths of the company, which could then design a better strategic business plan.

The research may benefit both corporations and the government and provide them with more information to develop their own strategies. It may also provide security companies with a better understanding of the market situation in order to
develop their marketing strategies. It is also good for other low-skilled industries, such as restaurants, estates management and cleaning as they may have a model to adapt for implementation of the Minimum Wage Ordinance.

The contribution of the research is also to develop a model for the use of government and academics. Furthermore, the model could contribute to Human Resource Management theory and minimum wage theory. The new Minimum Wage Ordinance was introduced to Hong Kong as a developed region where there is little impact of such a law on the security industry. The research suggests that low-skilled workers do enjoy increased wages while supervisory employees have experienced a knock-on effect to have wages increased as well. It also suggests that there has been no change in medical and other benefits. There was no downsizing or laying-off, instead, there is still quite a serious turnover rate and difficulty with recruitment. In order to retain employees, management has enhanced communication with employees and invested more in Human Resource Management. Hong Kong management has traditionally maintained a harmonic environment with employees. On the other hand, employees had little expectation or knowledge of the Minimum Wage Ordinance. Moreover, employees have good relationships with and trust in their organizations. The unemployment rate and inflation did not increase after the implementation of the Minimum Wage Ordinance due to the rapid growth of Hong Kong’s economy.

There is little difference between large security companies and medium to small companies in coping with the impact of the Ordinance. However, large companies seem willing to invest more resources in Human Resource Management than medium to small companies. Security companies are willing to recruit more inexperienced employees than before the implementation of the Ordinance. In addition, these companies are recruiting more part-time employees than before the implementation. This model could support the importance of Human Resource Management for security companies in Hong Kong. It could also prove that the implementation of minimum wage does not affect the macroeconomy in Hong Kong. However, further research should be conducted
regarding the changes in world economy, Mainland Chinese economy and local economy.

5.9 Recommendations and Further Research

There is nothing new about using incentives to motivate workers. Dessler (2005) suggests that financial rewards could push worker productivity higher than some predetermined standard. Nevertheless, it may not be true all the time for all employees, especially for those on the management level. It is argued that extrinsic motivators such as incentive payments can have an immediate and powerful effect. These extrinsic motivators are likely to have a deeper and longer-term effect for both management and general staff members. Most of the employees working in the field of security services are grassroots, low-skilled and low-income workers whose main motivator should be extrinsic rewards. This is a highly tangible form of recognition and an effective means of helping these workers to feel that they are valued. Therefore, implementation of the Minimum Wage Ordinance recognizes the contribution of such workers to society. This research has suggested that there is little impact of the implementation of the Minimum Wage Ordinance on these workers. It has also suggested that there is little impact of the implementation on management, which has taken the necessary actions in Human Resources Management so as to handle the change.

The second minimum rate was implemented in May 2013, meaning that there will be more data for analysis. Further research should be conducted after the rate increase to assess the impact of the new rate on the economic situation, government policy, management strategy and unemployment rate. Research could also be conducted when the economy shows a downward trend in order to assess the difference between positive economic growth and negative economic growth under minimum wage.
Traditionally, the relationship between employers and employees in Hong Kong has been good. Indeed, there are fewer powerful labor unions in Hong Kong to ask employers for more benefits. Also, there is less legal protection for employees in Hong Kong than in other developed countries. Traditionally, employees are not willing to fight against employers for benefits; instead, they are more willing to discuss such issues. This harmonic relationship is perhaps the main reason for the smooth acceptance of this big change without any disturbance of companies’ operations.

Further research could be conducted to cover untouched areas such as the operations, administration and marketing strategies of security companies. The Minimum Wage Ordinance should also be investigated to determine how age and seniority in the industry are impacted. Also, in future research, the Unions’ views ought to be included for further analysis. This kind of research should be conducted on other low-skilled and low wage industries, such as cleaning, care homes and restaurants. The government, labor unions, economists, employers and employees could then have a full picture of the impact on these low-skilled and low wage industries. As this is a new law in Hong Kong, the Hong Kong Government and Labour Unions may not yet have any research in this area.

**5.10 Conclusion**

The findings reveal that all interviewed companies were well prepared to deal with changes involved in the implementation of the Minimum Wage Ordinance. In addition, all companies are willing to comply with the requirements of the new law although they all applied different business and human resource strategies. For those employees earning wages less than the minimum rate, the companies increased the wages to meet the requirements of the Minimum Wage Ordinance. For those employees earning wages above the minimum rate, some companies were willing to increase their wages as well to retain employees. There was no change in medical or other benefits although most of the companies did not
provide this kind of benefit prior to the implementation of the Ordinance. Most of the interviewed companies enhanced their communication with employees to retain them and minimize the impact of the change. The research suggests that the relationship between employees and employers in Hong Kong is very good. It demonstrates the traditional phenomenon of a harmonic relationship between employers and employees in Hong Kong. As the economy was growing when the Ordinance was implemented, there was no pressure for the interviewed companies to increase prices to maintain profit margins. All stated that they made a profit during this period. Some theorists believe that setting up a minimum wage would push inflation upward. However, no such phenomenon has appeared in Hong Kong and the Composite Consumer Price Index went down from 5.2% in the first quarter of 2012 to 4.2% in the second quarter. The Consumer Price Index (A) likewise fell from 4.6% in the first quarter to 3.7% in the second quarter of 2012. Inflation eased as domestic cost pressures gradually receded and the economy moderated (Hong Kong Census and Statistics Department, 2012).

From the employees’ side, most experienced wage increases while some others were already making wages above the minimum rate. Some employees did not receive increases but their working hours were decreased without deduction of wages, meaning the hourly rate increased significantly. Most employees were concerned about whether the increased wages could offset the inflation rate or not. Some were concerned about the knock-on effect and whether those already receiving wages above the minimum rate would have their wages increased or not. However, no employees took action against their companies demanding an increase in wages. A few workers felt they could find better offers in the market so as to obtain better employee packages.

It is suggested that the implementation of the Minimum Wage Ordinance happened at a good time of rapid economic growth in Hong Kong, where most of the negative effects were offset or even overridden by economic growth. It has
also been noted that the minimum rate was not set too high for most low wage industries. Indeed, most employees in these industries were already earning wages very close to the minimum rate. Therefore, the increase may have had little effect on low wage industries.
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# Appendix 1

## Arguments in favour of Minimum Wage Laws

<table>
<thead>
<tr>
<th>Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increases the standard of living for the poorest and most vulnerable class in society and raises average</td>
<td>Excludes low cost competitors from labor markets and generates various industrial-economic inefficiencies</td>
</tr>
<tr>
<td>Motivates and encourages employees to work harder</td>
<td>Hurts small business more than large business</td>
</tr>
<tr>
<td>Stimulates consumption, by putting more money in the hands of low-income people</td>
<td>Reduces quantity demand of workers, either through reduction working hours or reduction of posts</td>
</tr>
<tr>
<td>Increases the morale of those who earn more than before</td>
<td>May cause inflation as businesses try to compensate by raising the prices of goods</td>
</tr>
<tr>
<td>Decreases the cost of government social welfare programs because of increasing incomes for the lowest-paid</td>
<td>Workers may become less Productive</td>
</tr>
<tr>
<td>Encourages people to join the workforce rather than earning money from illegal activities</td>
<td>Some un-skilled or low-skilled groups may be forced out of the market</td>
</tr>
<tr>
<td>Encourages efficiency and automation of industry</td>
<td>The cost for the workers earning more than minimum wage is also raised</td>
</tr>
<tr>
<td>Removes low paying jobs, forcing workers to train for, and move to, higher paying jobs</td>
<td>Is less effective than other methods at reducing poverty and is more damaging to businesses than those other methods</td>
</tr>
<tr>
<td>Increases technological development. Costly technology that increases business efficiency is more appealing as the price of labour increases</td>
<td>Discourages further education among the poor by enticing people to enter the job market</td>
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</table>

### Number of Employees Analyzed by Selected Hourly Wage Level, Q2 2010

<table>
<thead>
<tr>
<th>Hourly wage (HK$)</th>
<th>Number of employees earning less than the specified hourly wage</th>
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<tbody>
<tr>
<td>$20</td>
<td>22,500</td>
</tr>
<tr>
<td>$21</td>
<td>41,500</td>
</tr>
<tr>
<td>$22</td>
<td>58,600</td>
</tr>
<tr>
<td>$23</td>
<td>81,000</td>
</tr>
<tr>
<td>$24</td>
<td>109,700</td>
</tr>
<tr>
<td>$25</td>
<td>140,600</td>
</tr>
<tr>
<td>$26</td>
<td>196,000</td>
</tr>
<tr>
<td>$27</td>
<td>233,100</td>
</tr>
<tr>
<td>$28</td>
<td>273,800</td>
</tr>
<tr>
<td>$29</td>
<td>335,700</td>
</tr>
<tr>
<td>$30</td>
<td>351,500</td>
</tr>
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<td>$31</td>
<td>390,300</td>
</tr>
<tr>
<td>$32</td>
<td>422,800</td>
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<tr>
<td>$33</td>
<td>468,100</td>
</tr>
<tr>
<td>$34</td>
<td>489,800</td>
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<tr>
<td>$35</td>
<td>534,000</td>
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*(Hong Kong Government Statistic 2011)*
### Some Common Contrasts Between Quantitative and Qualitative research

<table>
<thead>
<tr>
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<th>Qualitative</th>
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<tbody>
<tr>
<td>Numbers</td>
<td>Words</td>
</tr>
<tr>
<td>Point of view of researcher</td>
<td>Points of view of participants</td>
</tr>
<tr>
<td>Researcher distant</td>
<td>Researcher close</td>
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<tr>
<td>Theory testing</td>
<td>Theory emergent</td>
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<tr>
<td>Static</td>
<td>Process</td>
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<td>Structured</td>
<td>Unstructured</td>
</tr>
<tr>
<td>Generalization</td>
<td>Contextual understanding</td>
</tr>
<tr>
<td>Hard, reliable data</td>
<td>Rich, deep data</td>
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<tr>
<td>Macro</td>
<td>Micro</td>
</tr>
<tr>
<td>Behaviour</td>
<td>Meaning</td>
</tr>
<tr>
<td>Artificial settings</td>
<td>Natural settings</td>
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Bryman and Bell 2011, pp. 410
### Some Similarities between quantitative and qualitative research

<table>
<thead>
<tr>
<th>Similarity</th>
<th>Description</th>
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<tbody>
<tr>
<td>Both are concerned with data reduction</td>
<td></td>
</tr>
<tr>
<td>Both are concerned with answering research questions</td>
<td></td>
</tr>
<tr>
<td>Both are concerned with relating data analysis to the research literature</td>
<td></td>
</tr>
<tr>
<td>Both are concerned with variation</td>
<td></td>
</tr>
<tr>
<td>Both treat frequency as a springboard for analysis</td>
<td></td>
</tr>
<tr>
<td>Both seek to ensure that deliberate distortion does not occur</td>
<td></td>
</tr>
<tr>
<td>Both argue for the importance of transparency</td>
<td></td>
</tr>
<tr>
<td>Both must address the question of error</td>
<td></td>
</tr>
<tr>
<td>Both should be appropriate to the research questions</td>
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</table>

Created by Hon, Ricky Kim-tak 2011
<table>
<thead>
<tr>
<th>Country</th>
<th>Year of establishing SMW system</th>
<th>Concept</th>
<th>Authority for determining SMW rate</th>
<th>Criteria for determining and reviewing the SMW rate</th>
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<tr>
<td>United Kingdom</td>
<td>1999</td>
<td>Minimum wage is a ‘wage floor’ not a ‘living wage’</td>
<td>Government</td>
<td>1) Pay differentials</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2) Business costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3) Competitiveness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4) Inflation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5) Employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6) Economic conditions</td>
</tr>
<tr>
<td>France</td>
<td>1970</td>
<td>Minimum wage is a ‘living wage’ that ensures low-paid workers can enjoy a certain living standard and have a share in economic development</td>
<td>The Council of Ministers</td>
<td>1) The needs of workers and their Families</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2) The overall wages and income levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3) Consumer Price Index</td>
</tr>
<tr>
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<td></td>
<td></td>
<td>4) Economic conditions</td>
</tr>
<tr>
<td>Brazil</td>
<td>1940</td>
<td>Minimum wage is a ‘living wage’ from a social policy designed to protect the worker's living standard into an instrument for stabilization policy</td>
<td>Government</td>
<td>1) Stabilization policy</td>
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<td></td>
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<td>2) Inflation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3) Impact on public deficit</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4) Economic conditions</td>
</tr>
<tr>
<td>China</td>
<td>1993</td>
<td>Minimum wage is built on the ‘living wage’ concept and is an important means to protect the basic living of workers and their family members so as to ensure workers can have reasonable remuneration</td>
<td>Government</td>
<td>1) Minimum cost of living for a worker and the average number of his/her dependents</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>2) Average wage levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3) Labour productivity</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4) Employment situation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5) Economic development differentials among regions</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>2011</td>
<td>Minimum wage is built on the ‘wage floor’ concept to ensure low-skilled workers earn a reasonable hourly wage</td>
<td>Government</td>
<td>1) Pay differentials</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2) Business costs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3) Competitiveness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4) Inflation</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5) Employment</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>6) Economic conditions</td>
</tr>
</tbody>
</table>

Created by Hon, Ricky Kim-tak 2014
The Process of Deduction

Theory

Hypothesis

Data Collection

Findings

Hypotheses confirmed or rejected

Revision of theory

Bryman and Bell 2011, pp. 11
### Advantages and disadvantages of interviews and questionnaires

<table>
<thead>
<tr>
<th>Mode of data collection</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
</table>
| **Personal or face-to-face interviews** | Can establish rapport and motivate respondents.  
Can clarify the questions, clear doubts, add new questions.  
Can read nonverbal cues.  
Can use visual aids to clarify points.  
Rich data can be obtained.  
CAPI can be used and responses entered in a portable computer. | Takes personal time.  
Costs more when a wide geographic region is covered.  
Respondents may be concerned about confidentiality of information given.  
Interviewers need to be trained.  
Can introduce interviewer bias.  
Respondents can terminate the interview at any time. |
| **Telephone interviews** | Less costly and speedier than personal interviews.  
Can reach a wide geographic area.  
Greater anonymity than personal interviews.  
Can be done using CATI. | Nonverbal cues cannot be read.  
Interviews have to be kept short.  
Obsolete telephone numbers could be contacted, and unlisted ones omitted from the sample. |
| **Personally administered questionnaires** | Can establish rapport and motivate respondent.  
Doubts can be clarified.  
Less expensive when administered to groups of respondents.  
Almost 100% response rate ensured.  
Anonymity of respondent is high. | Organizations may be reluctant to give up company time for the survey with groups of employees assembled for the purpose. |
| **Mail questionnaires** | Anonymity is high.  
Wide geographic regions can be reached  
Token gifts can be enclosed to seek compliance.  
Respondent can take more time to respond at convenience. Can be administered electronically, if desired. | Response rate is almost always low. A 30% rate is quite acceptable.  
Cannot clarify questions  
Follow-up procedures for nonresponses are necessary. |
| **Electronic questionnaires** | Easy to administer.  
Can reach globally.  
Very inexpensive.  
Fast delivery.  
Respondents can answer at their convenience as in the mail questionnaire. | Computer literacy is a must.  
Respondents must have access to the facility.  
Respondent must be willing to complete the survey. |

From Sekaran and Bougie 2011, pp. 212
Appendix 8

Guiding questions:

Part 1 – General
1. How would you describe your company?
   - When established
   - Number of employees
   - Main services in the market
   - Customer base
   - Structure of the company
2. How is your company performing in general or in terms of revenues and profits?
3. Any particular issues your organization is facing at the moment?
4. In your opinion, how significant is the implementation of Minimum Wage Ordinance in Hong Kong?

Part 2 – Views and impact of the Minimum Wage Ordinance
1. What is your organization view of the Minimum Wage Ordinance?
2. How do you describe your staff knowledge of the Minimum Wage Ordinance?
3. Are there any issues raised by your staff that the implementation of Minimum Wage Ordinance?
4. How does the Minimum Wage Ordinance affect the employee working hours?
5. How does the Minimum Wage Ordinance affect the employee medical benefit?
6. How does the Minimum Wage Ordinance affect the employee basic monthly wage?
7. How does the Minimum Wage Ordinance affect the employee other benefit?
8. What is the change of setting price?
9. What is the change of the profit margins
10. What is the change of staff turnover rate after the implementation of Minimum Wage Ordinance?
11. What is the change of productivity of your company?

Part 3 – Coping strategies
1. How do you deal with the issues mentioned above?
2. What specific guidance regarding Minimum Wage Ordinance did your company provide your employees?
3. What is your staff’s future expectation of the Minimum Wage Ordinance?
4. Does your organization have any plans to work with their expectations?
5. What is your company plan to deal with Minimum Wage Ordinance?

Closing notes for the researcher:
• Ask the interviewee if there is anything else they would like to add before turning off the tape-recorders.
• Thank the participant again for the voluntary participation and his/her sharing.
• Record the ending time and turn off the tape-recorders.
• Outline the next steps in the research briefly and ask for review of transcription when ready.
• Indicate the timeframe of the availability of the research report and offer a copy of the Summary of the research findings to the interviewee if so required.
• Ask if the participant does not want to be named in the acknowledgement.
• Close the interview politely and leave the interviewee’s office.

Created by Hon, Ricky Kim Tak 2013
### Part 1 Questions

<table>
<thead>
<tr>
<th>Company</th>
<th>Established in</th>
<th>No. of Employees</th>
<th>Main Clients</th>
<th>Profit</th>
<th>Facing Major Problems</th>
<th>Other Challenges</th>
<th>Agreed MWO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company A</td>
<td>1963</td>
<td>3900</td>
<td>Government / Commercial Organizations</td>
<td>✓</td>
<td>Recruitment and High turnover rate</td>
<td>Wages &amp; other costs increased</td>
<td>✓</td>
</tr>
<tr>
<td>Company B</td>
<td>2000</td>
<td>1100</td>
<td>Government</td>
<td>✓</td>
<td>Recruitment and High turnover rate</td>
<td>Administration cost, wages and other cost increased</td>
<td>X</td>
</tr>
<tr>
<td>Company C</td>
<td>2005</td>
<td>520</td>
<td>Commercial Organizations</td>
<td>✓</td>
<td>Recruitment and High turnover rate</td>
<td>Wages &amp; other costs increased</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Medium to Small Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td>2011</td>
<td>350</td>
<td>Government / Commercial Organizations</td>
<td>✓</td>
<td>No problem</td>
<td>Wages &amp; other costs increased</td>
<td>X</td>
</tr>
<tr>
<td>Company E</td>
<td>2000</td>
<td>103</td>
<td>Parent company</td>
<td>✓</td>
<td>Recruitment and High turnover rate</td>
<td>Wages &amp; other costs increased</td>
<td>✓</td>
</tr>
<tr>
<td>Company F</td>
<td>1952</td>
<td>30</td>
<td>Parent company</td>
<td>✓</td>
<td>Maintenance</td>
<td>Outsourced contract payment increased</td>
<td>X</td>
</tr>
</tbody>
</table>

**Remarks:** MWO = Minimum Wage Ordinance

Created by Hon, Ricky Kim Tak 2014
## Part 2 Questions (Management)

<table>
<thead>
<tr>
<th>Company</th>
<th>Basic Wages after MWO</th>
<th>Medical benefits</th>
<th>Other benefits</th>
<th>Working hours</th>
<th>Communication with employees for MWO</th>
<th>Price for MWO</th>
<th>Turnover after MWO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company A</td>
<td>Maintained</td>
<td>No Change</td>
<td>Post allowance increased to meet MWO</td>
<td>No Change</td>
<td>Good</td>
<td>Increased</td>
<td>Increased</td>
</tr>
<tr>
<td>Company B</td>
<td>Increased</td>
<td>No Change</td>
<td>No change</td>
<td>No Change</td>
<td>Little</td>
<td>Increased</td>
<td>Increased</td>
</tr>
<tr>
<td>Company C</td>
<td>Maintained as already above</td>
<td>No Change</td>
<td>No change</td>
<td>No Change</td>
<td>Little</td>
<td>Increased</td>
<td>No</td>
</tr>
<tr>
<td><strong>Medium to Small Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td>Maintained as already above</td>
<td>No Change</td>
<td>No change</td>
<td>No Change</td>
<td>Little</td>
<td>Maintained</td>
<td>No</td>
</tr>
<tr>
<td>Company E</td>
<td>Maintained and shortened working hours</td>
<td>No Change</td>
<td>No change</td>
<td>Changed from 12 hours-shift to 9 hours-shift</td>
<td>Very good</td>
<td>Increased</td>
<td>Increased</td>
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<tr>
<td>Company F</td>
<td>Increased</td>
<td>No Change</td>
<td>No change</td>
<td>No Change</td>
<td>Little</td>
<td>Maintained</td>
<td>Increased</td>
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</table>

*Remarks:* MWO = Minimum Wage Ordinance

Created by Hon, Ricky Kim Tak 2014
### Part 2 Questions (Employees)

<table>
<thead>
<tr>
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<th>Wages after MWO</th>
<th>Medical benefits after MWO</th>
<th>Other benefits after MWO</th>
<th>Working hours after MWO</th>
<th>Communication with Company for MWO</th>
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<td><strong>Large Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company A</td>
<td>All: Maintained</td>
<td>No Change</td>
<td>No Change</td>
<td>No Change</td>
<td>One: Good Three: Little</td>
</tr>
<tr>
<td>Company B</td>
<td>Three: Increased One: Maintained</td>
<td>No Change</td>
<td>No Change</td>
<td>No Change</td>
<td>Two: Good Two: Little</td>
</tr>
<tr>
<td>Company C</td>
<td>All: Maintained</td>
<td>No Change</td>
<td>No Change</td>
<td>No Change</td>
<td>All: Good</td>
</tr>
<tr>
<td><strong>Medium to Small Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td>All: Maintained</td>
<td>No Change</td>
<td>No Change</td>
<td>No Change</td>
<td>All: Little</td>
</tr>
<tr>
<td>Company E</td>
<td>All: Increased</td>
<td>No Change</td>
<td>No Change</td>
<td>Two: Changed from 12 hours-shift to 9 hours-shift Two: No changed</td>
<td>All: Little</td>
</tr>
<tr>
<td>Company F</td>
<td>All increased</td>
<td>No Change</td>
<td>No Change</td>
<td>No Change</td>
<td>One: Good Three: Little</td>
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</table>

**Remarks:** MWO = Minimum Wage Ordinance

Created by Hon, Ricky Kim Tak 2014
Part 3 Questions (Management)

<table>
<thead>
<tr>
<th></th>
<th>Price increased after MWO</th>
<th>Communication with Clients after MWO</th>
<th>Changed employment contract</th>
<th>Expectation from employees</th>
<th>Business strategies from MWO</th>
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</thead>
<tbody>
<tr>
<td>Large Companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company A</td>
<td>✓</td>
<td>Good</td>
<td>No</td>
<td>Wage increased</td>
<td>Enhance communication with employees and develop new market</td>
</tr>
<tr>
<td>Company B</td>
<td>✓</td>
<td>Good</td>
<td>No</td>
<td>No</td>
<td>Enhance communication with employees</td>
</tr>
<tr>
<td>Company C</td>
<td>✓</td>
<td>Good</td>
<td>No</td>
<td>No</td>
<td>Enhance communication with employees</td>
</tr>
<tr>
<td>Medium to Small Companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td>✓</td>
<td>Good</td>
<td>A lot of employees change from full time to part time</td>
<td>No</td>
<td>Change full time employment to part-time employment</td>
</tr>
<tr>
<td>Company E</td>
<td>✓</td>
<td>Good</td>
<td>All employees from 12-hours shift to 9-hours shift</td>
<td>Wage increased</td>
<td>Enhance communication with employees and reduce the daily working hours</td>
</tr>
<tr>
<td>Company F</td>
<td>✓</td>
<td>Good</td>
<td>No</td>
<td>No</td>
<td>No specific strategy</td>
</tr>
</tbody>
</table>

Remarks: MWO = Minimum Wage Ordinance

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### Appendix 13

#### Part 3 Questions (Employees)

<table>
<thead>
<tr>
<th>Company</th>
<th>Guidelines for MWO from employers</th>
<th>Knowledge of Company plan for MWO</th>
<th>Expectation of MWO</th>
<th>Actions after MWO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company A</td>
<td>One: ✓ Three: X</td>
<td>All: No idea</td>
<td>One: Wage increased Three: No</td>
<td>All: No</td>
</tr>
<tr>
<td>Company B</td>
<td>Two: ✓ Two: X</td>
<td>All: No idea</td>
<td>Three: Wage increased One: No</td>
<td>All: No</td>
</tr>
<tr>
<td>Company C</td>
<td>All: ✓</td>
<td>One: Little idea Three: No idea</td>
<td>Two: Wage increased Two: No</td>
<td>All: No</td>
</tr>
<tr>
<td><strong>Medium to Small Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company D</td>
<td>Two: ✓ Two: X</td>
<td>Once: Little idea Three: No idea</td>
<td>Two: Wage increased Two: No</td>
<td>All: No</td>
</tr>
<tr>
<td>Company E</td>
<td>All: X</td>
<td>Once: Little idea Three: No idea</td>
<td>All: Wage increased</td>
<td>All: No</td>
</tr>
<tr>
<td>Company F</td>
<td>All: X</td>
<td>All: No idea</td>
<td>One: Wage increased Three: No</td>
<td>All: No</td>
</tr>
</tbody>
</table>

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