



香港人力資源管理學會

Hong Kong Institute of Human Resource Management

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By email and post

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Ms Joyce Cheung Chung-sze
Senior Economist (Policy & Project Co-ordination Unit)
Chief Secretary for Administration's Private Office
25/F, Central Government Offices
2 Tim Mei Avenue, Tamar
Hong Kong

Dear Ms Cheung,

HKIHRM's Views on MPF Offsetting in Response to 2017 Policy Address

We are pleased to submit the views of members of Hong Kong Institute of Human Resource Management (HKIHRM) on MPF offsetting and employment-related issues addressed in the 2017 Policy Address for your consideration.

As the leading HR professional body in Hong Kong, we urge the Government to adopt a holistic approach to address the MPF offsetting issue by aligning with other employment-related policies and ordinances. We also advocate that adequate protection for employees' compensation is fundamental, and any mechanism or arrangement to achieve this purpose should be fair and reasonable to employees and employers and can be sustainable in the long run, with the Government's appropriate policy support and key involvement. Our views and recommendations on MPF offsetting and employee retirement protection are elaborated in more detail in the enclosed document, and I hope that you will find them useful.

Yours sincerely,

David Li
President
Hong Kong Institute of Human Resource Management
Encl.

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HKIHRM's Views on MPF Offsetting in Response to 2017 Policy Address

1. The Institute advocates that employees should have proper retirement protection under any circumstances; employees should also receive proper compensation due to loss of office.
2. The Institute continues to promote good employment practice including the appropriate use of severance and long service payments.
3. The Institute opines that the primary consideration of any offsetting arrangement to MPF or ORSO schemes should depend on whether the scheme in place, be it contributory or non-contributory, is able to provide adequate protection for employees after retirement.
4. To adopt a holistic approach to address the offsetting issue by aligning with other employment-related policies and ordinances. A holistic approach helps to avoid creating additional administrative and compliance-related workload, policy gaps or duplications, and conflicts which hurt the harmonious relationship between employers and employees.
5. Below are the Institute's views regarding employee's protection needs and what are being offered by various schemes.
 - a. Long-term retirement protection is currently covered by both long service payment and MPF schemes. Long service payment and MPF schemes also provide benefits to eligible employees in situations when an employee dies, certified as permanently unfit for work and resigns over 65 due to old age. To avoid duplicated coverage and at the same time, allowing offsetting, the Institute suggests revisiting the exiting schemes in addressing these long-term protection needs.
 - b. Employees may be under short-term financial pressure under below conditions:
 - i. due to loss of office as a result of redundancy and involuntary termination, which is currently covered by severance payment. Hence, the Institute supports abolishment of the offsetting arrangement of severance payment which reduces eventual retirement accrued fund.
 - ii. loss of office due to involuntary termination, which is currently covered by long service payment. These

employees should continue to be protected in some form without any offsetting of their compensation.

Based on the above-mentioned circumstances, the Institute suggests a synchronised approach to protect employees, taking full consideration of each scheme's functions and avoiding overlapping of benefits offered by various schemes.

6. To ensure adequate protection for employees, any new mechanism proposed to determine the amount of severance payment should not be less favourable than what the existing mechanism provides (i.e. severance payment equals to two-thirds of average monthly pay times the employee's service years if the employee has fulfilled the service eligibility as stipulated in the Employment Ordinance).
7. The Institute proposes establishment of a central fund by the Government, with an initial injection of the HK\$6 billion subsidy proposed in the 2017 Policy Address as seed money, to provide temporary relief for employees who need financial assistance in the short term due to redundancies. However, this temporary financial assistance should be paid back, and being paid out with a reasonable cap of the amount similar to the current practice as stipulated in the Employment Ordinance. It is also important to ensure a tripartite consensus among employers, employees and the Government is achieved, that, for the fund's sustainability, employers will make regular contributions based on an agreed fraction of employees' salaries.

Notes: The Labour Advisory Board (consisting of employer as well as union representatives) call for an injection of HK\$ 10 billion.