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(Translation)

**ASSOCIATION FOR THE RIGHTS
OF INDUSTRIAL ACCIDENT VICTIMS**

18 January 2001

To: Legislative Council Panel on Manpower

**Request for the establishment of
a centralized employees' compensation fund**

The Association for the Rights of Industrial Accident Victims (ARIAV) is an organization comprising people injured at work, family members of deceased employees in industrial accidents and people suffering from occupational diseases. ARIVA seeks to fight for the rights and interests for the workers and promote industrial safety.

Noting that the Panel will discuss the employees' compensation system today, we decide to joint hands with a group of injured workers and family members of deceased employees in industrial accidents to put forward a submission, in a bid to oppose any proposals to reduce compensation for work-related injuries. We also request that a centralized employees' compensation fund be set up.

According to the Hong Kong Federation of Insurers, the amounts of compensation have been increasing in recent years, causing heavy losses to the insurance industry. It therefore proposes that legislative amendments be introduced to impose restrictions on the levels and methods of compensation, so as to lessen the burden of the trade. However, the Employees' Compensation Ordinance has not been amended over the years and the levels of compensation payable to employees injured at work have remained unchanged. We believe that inadequate measures for and supervision on occupational safety are the actual causes for the rise in the amounts of compensation. The figures provided by the Labour Department show that the numbers of reported cases of occupational accidents in the past two years, ie.1998 and 1999, have both exceeded 70 000 (with 77 198 cases in 1998 and 71 009 cases in 1999), meaning around 200 cases per day in average. These appalling figures indicate that the root of the problems actually lies in the inadequacy of occupational safety measures and supervision. Furthermore, the number of serious occupational

accidents which involved substantial amounts of compensation is on the rise (there were 6 846 cases which involved sick leave of more than 60 days in 1997, and 7 538 such cases in 1998). Poor working environment and malfunctioning of dangerous machines are to blame for causing these accidents. It is obvious that insufficient occupational safety measures have resulted in the growing amounts of compensation for work-related injuries and workers are bearing the brunt. It is grossly absurd and ridiculous to exploit the injured workers to maintain the operation of the trade.

Since improvements in occupational safety is the ultimate solution to minimize industrial accidents, ARIAV suggests that the insurance industry should step up supervision on the implementation of occupational safety measures by employers.

We would like to reiterate that the existing employees' compensation system has failed to protect the working class as a whole. Instead, it has brought about unnecessary distress to the injured employees and family members of workers who died in the course of employment. With regard to the existing employees' compensation system, we would like to make the following suggestions:

1. "Periodical payments of compensation" payable to workers injured at work should be revised from 4/5 to full wages, to enable them to meet daily and medical expenses incurred while taking sick leave to recuperate from the injuries.
2. The existing restriction on compensation for work-related injuries payable for a maximum of two-year sick leave be removed and replaced by a period of sick leave granted upon medical advice.
3. The ceiling of \$21,000 as the basis for calculating compensation for permanent disability be lifted and replaced by using the actual salary of the workers as a basis for calculation.
4. The method of using age bands as a basis for calculating compensation for permanent disability be removed and replaced by using retirement age as the standardized basis for calculation.
5. For cases of occupational deaths, the compensation period should be calculated as up to the time when the children of the deceased have reached 18.
6. "A centralized employees' compensation fund" be set up to provide better protection for victims of occupational accidents.

The "centralized employees' compensation fund" is a centralized insurance system. It seeks to transfer the duties currently undertaken by different private insurance companies, such as the underwriting of labour

insurance, management of insurance levies and payment of compensation, to a centralized fund. A centralized compensation system has the following merits:

1. A centralized fund can levy different premiums in accordance with the risks involved in different trades, so that the labour insurance premiums and occupational safety are pegged directly.
2. A centralized fund organization can monitor more effectively whether employers have taken out labour insurance for their employees and provide workers with better protection.
3. Payments of compensation payable from a centralized fund can substantially reduce the intermediary commission and administration expenses, which will in turn lessen the employers' burden.
4. The resultant savings from the reduction in intermediary and administration expenses can be used for implementing a comprehensive occupational rehabilitation programme to enable the injured workers and their family members to reintegrate into society.
5. Centralized operation can improve the existing procedures for handling compensation and avoid the current practice of insurance companies deliberately delaying payments of compensation.

Employees' compensation is an essential societal protection and every worker is entitled to the right. As public interest is involved, employees' compensation should be organized and operated by the Government on a centralized basis instead of having it privatized and let private organizations determine the rights and interests of workers. The purpose of employees' compensation is to offer protection to injured workers and family members of the deceased to enable them to tide over difficulties and reintegrate into society. The issue of reducing compensation for work-related injuries has indicated the brewing of an imminent crisis. As compensation for work-related injuries has been undertaken by private insurance companies, the insurance companies will wield their axes at the workers as soon as they suffer losses. This is like putting the cart before the horse. As such, employees' compensation can never take any effects.

In replying to questions at the Legislative Council meeting earlier, the Government already stated clearly that the unsatisfactory operation of the insurance industry had led to the rise in the amounts of compensation for work-related injuries. This shows that the Government is also aware of the existing problem caused by the privatized labour compensation. We therefore hope that the Panel will review the existing policies on employees' compensation expeditiously and propose the introduction of a centralized employees' compensation fund. By doing so, the intimidation of the insurance industry can

be avoided and the system be overhauled to enhance the labour rights and interests of workers.

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