

**LegCo Panel on Manpower
(Meeting to be held on 19 April 2001)**

**Implementation of the Mandatory Provident Fund System
Progress report as at the end of March 2001**

Purpose

This paper updates Members on the progress of implementing the Mandatory Provident Fund (“MPF”) System.

Enrolment

2. At the end of March 2001, about 82% of the employers, 91% of the relevant employees and 93% of the self employed persons (SEPs) have joined an MPF scheme. For the Industry Schemes, about 10,000 employers, 136,700 employees and 20,800 SEPs have participated.

3. Together with the employees who are already covered by existing occupational retirement schemes or statutory pension plans, 82% of the workforce in Hong Kong has retirement scheme protection. The remaining 18% includes people aged below 18 or above 65, domestic employees and self-employed hawkers who are not required by law to join any retirement scheme, and people who have yet to join the MPF scheme.

4. Enrolment of workers in the Industry Schemes remains low, though it has continued to increase at a rate of about 250 per week. The low enrolment rate may be due to a combination of factors. Some of the special features of the catering and construction industries, which had required the establishment of the Industry Schemes in the mid-1990s, may have changed. For example, there are now fewer workers employed and paid on a daily basis. The multiple sub-contracting practice in the construction industry has become more flexible and allows the status of certain workers to change between employer (contractor), employee or self-employed from time to time as circumstances require. Furthermore, some providers of Master Trust Schemes are also keen to serve the catering industry and the construction industry even if some employees of their schemes are paid daily. These changes may have led many employers and self-employed persons to enrol in Master Trust Schemes instead of Industry Schemes. In any event, the MPFA will continue to encourage enrolment and participation through education and enforcement.

Complaint Handling

Complaints received by MPFA

5. Up to the end of March, out of the 1,374 complaints received, 66% were employer-related. The breakdown of all the complaints is as follows:

Nature	<u>%</u>
(A) Complaints concerning scheme members:	
➤ Reduction of wages	16
➤ Involuntary change from employee to SEP	6
➤ Non-enrolment in MPF Schemes	20
➤ Default contribution	18
➤ Others (e.g. dismissal by employer)	6
(B) Complaints against trustees, intermediaries, ORSO etc	34
<u>Total</u>	<u>100</u>

6. Upon investigation by the MPFA, it is found that “reduction of wages” (16%) includes cases in which wages were cut due to poor financial performance of the employers. Of the complaints about non-enrolment (20%), many had been rectified by employers after action taken by the MPFA, and the complaints were withdrawn subsequently.

Complaints received by the Labour Department (“LD”)

7. From December 2000 to March 2001, the LD received 27 MPF-related complaints. The breakdown is as follows:

<u>Nature</u>	<u>%</u>
➤ Dismissal allegedly due to MPF	37
➤ Wrongful deduction of wages or other employment benefits	26
➤ Variation of wages or other employment benefits	19
➤ Wrongful deduction of MPF contribution from termination payment	11
➤ Employee forced to change into self-employed person	7
<u>Total</u>	<u>100</u>

8. Of these, 16 cases were resolved after conciliation or advice given, 9 were referred to the Labour Tribunal/ Minor Employment Claims Adjudication Board for adjudication (4 of the cases have since been concluded), and 2 cases were being followed-up, i.e. a conciliation meeting has been scheduled, or awaiting the employee’s decision on whether to lodge claim for conciliation.

Enforcement

9. Apart from investigation of complaints received, the MPFA has proactively conducted 4,040 inspections on mainly retail and catering establishments and construction sites.

10. Up to the end of March 2001, 12 cases involving alleged MPF-related offences have been forwarded to the Police in preparation for prosecution.

Default Contributions

11. Analysis of “default contribution” complaints (18%) shows that many of these complaints had been made as a result of misunderstanding on the part of the employees who had not received confirmation on the payment of contributions from the trustees, while in fact the payment had been made but due to delays in scheme administration caused by discrepancies in contribution calculations or simply the inability of the scheme administrators to handle the large number of accounts during the initial phase of contributions, confirmation was not yet available at the time.

12. In March, the MPFA received some 18,000 reports from trustees about suspected default in payment of mandatory contributions. It is likely that a substantial number of these reports belong to the category of cases referred to in para. 11 above. As the operation of the MPF System involves a large number of people who have had no or little prior experience with any retirement scheme, administrative hiccups at the initial months are unavoidable and a certain degree of toleration should be allowed. The MPFA have so far adopted a pragmatic and flexible approach towards such problems and delays. However, while reasonable allowance is being given to the employers concerned, any deliberate default in contributions reported will be treated seriously and rigorously.

Education and Publicity

13. The MPFA's out-reaching publicity and education programmes were sustained throughout March in the form of talks to target groups, workshops for employers and employees, meetings with Area Committees and Mutual Aid Committees, and setting up of MPF Information Stations at District Offices. In addition, as of 31 March 2001, 43 workshops have been organised for human resources professionals and MPF intermediaries who work on the frontline in the delivery of MPF services to the working population.

Members to Note

14. Members are requested to note the contents of this paper.