

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

### **Purpose**

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

### **Enrolment**

2. The enrolment rates at the end of April 2001 were 83% for employers, 92% for relevant employees and 95% for self-employed persons (“SEPs”).

### **The Industry Schemes**

3. For the catering and construction industries, about 10 420 employers, 146 090 employees and 21 270 SEPs have joined the Industry Schemes. The enrolment numbers, though less than expected when the scheme was conceptualised, are nonetheless not small. Enrolment has still been growing steadily at about 9% per month for employers, 15% for employees and 9% for SEPs.

4. Participation in the Industry Schemes continued to be influenced by the changing operational characteristics of the catering and construction industries in recent years. In the catering sector, many employees are now employed on monthly terms hence have participated in the master trust schemes instead. In the construction industry, the multiple layers of sub-contracting, the mobile work places and the changing status of the workforce, either as employer, employee or SEP, are still materially affecting the rate of participation. In future, the implementation of the recommendations on the Works Bureau’s Construction Industry Review Committee, including worker registration and reduction in layers of sub-contracting, will have a positive effect on strengthening enrolment in the Industry Schemes.

5. The two service providers operating the Industry Schemes remain very much committed in their duties, and have been making positive measures in attracting enrolment, and in overcoming teething difficulties in scheme administration, caused by employers and casual employees being unfamiliar with procedures.

6. The statutory Industry Schemes Committee (“ISC”) continues to hold quarterly meetings to advise MPFA on aspects of monitoring the development of the Industry Schemes. With representatives from employers’ associations and workers’ unions, the ISC has made positive recommendations on enforcement and education which have helped enhance compliance by employers and employee alike.

7. MPFA will sustain its rapport with employers' and workers' associations, in overcoming any technical issues in implementing the Industry Schemes.

### **Complaint Handling**

#### *Complaints received by MPFA*

8. In April 2001, 624 complaints were received. Out of the total 2 011 complaints received since last December, 65% were employment-related. The breakdown of all the complaints is as follows:

<u>Nature</u>	<u>%</u>
(A) Complaints concerning scheme members:	
➤ Wrongful reduction of wages / benefits	12
➤ Involuntary change from employee to SEP	4
➤ Non-enrolment in MPF Schemes	18
➤ Default contribution	23
➤ Others (e.g. dismissal; no pay records)	8
(B) Complaints against trustees, intermediaries, ORSO etc	35
<u>Total</u>	<u>100</u>

9. A large portion of the complaints against trustees was related to their failure to provide updated enrolment / contribution information to scheme members. Some of the failures were caused by incomplete or inaccurate information provided by employers themselves, resulting in delays in updating information by trustees, while other delays were due to the backlog in processing contribution payments by trustees, because of the heavy volume of work. MPFA has urged trustees to deploy extra resources to clear the backlogs and provide prompt answers to scheme members' enquiries and complaints.

#### *Complaints Received by the Labour Department*

10. From December 2000 to April 2001, the LD received 33 MPF-related complaints. The breakdown is as follows:

<u>Nature</u>	<u>%</u>
➤ Dismissal allegedly due to MPF	33
➤ Wrongful deduction of wages or other employment benefits	31
➤ Variation of wages or other employment benefits	18
➤ Wrongful deduction of MPF contribution from termination payment	9
➤ Employee forced to change into self-employed person	9
<u>Total</u>	<u>100</u>

11. Of these, 17 cases were resolved after conciliation or advice given, 10 were referred to the Labour Tribunal/ Minor Employment Claims Adjudication Board for adjudication (7 of the cases have since been concluded), 1 case where the employer

was insolvent was referred to the Legal Aid Department and the Protection of Wages on Insolvency Fund, and 5 cases were being followed-up (e.g. conciliation meeting has been scheduled, awaiting the employee's decision on whether to lodge claim for conciliation, or awaiting the employee's decision on whether to further pursue the case at the Labour Tribunal/ Minor Employment Claims Adjudication Board after conciliation).

## **Enforcement**

12. Apart from investigations of complaints received, MPFA has proactively conducted 5 300 inspections up to the end of April 2001. In April 2001, MPFA stepped up inspections of commercial and industrial premises, in addition to retail and catering establishments and construction sites.

13. Up to the end of April 2001, 17 applications for summons (involving 13 employers) have been forwarded to the Police in preparation for prosecution.

## **Default Contributions**

14. In April 2001, MPFA received about 13 000 reports from trustees on default contributions by employers. It is possible that a substantive number had been caused unintentionally and in fact had arisen because of the teething problems (e.g. miscalculation of relevant income by employers, delays in inputting contribution data by trustee due to workload) in scheme administration encountered by both employers and trustees. MPFA has issued a reminder in early May 2001 to those employers concerned. As a follow-up action, MPFA inspectors were deployed to visit them so as to ascertain more precisely the causes for the default. The information collected will facilitate the formulation of an effective enforcement strategy for the longer term.

## **Education and Publicity**

15. MPFA organised workshops for intermediaries and human resources management professionals throughout April. "MPF Information Stations" set up at District Offices continued to provide information about the MPF to members of the public. In collaboration with two major political parties, MPFA has also launched a series of "meet-the-public" sessions at their regional offices to answer public enquiries about MPF.

## **Members to Note**

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