

## **LegCo Panel on Manpower**

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

#### **Purpose**

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

#### **Enrolment**

2. As at the end of May 2001, the enrolment rate for employers was 85%, an increase of 2.4% over the rate for April, while that for employees increased by 1.1% to 93%. The enrolment of self-employed persons (SEPs) was 90%<sup>1</sup>

#### **Industry Schemes**

3. About 10 700 employers, 156 000 employees and 22 200 SEPs have signed up with the Industries Schemes. The number of employees having joined the Industry Schemes has already exceeded the target volume projected by the service providers for the first year of implementation.

4. At a meeting of the Industry Schemes Committee (ISC) in May, a union proposed to centralise MPF contribution for construction workers through advance deduction of 5% of the labour costs in each works contract, to be administered by a proposed construction authority. In discussing this proposal, the ISC noted that many casual employees were engaged in decoration and maintenance works which were not covered in the works contracts, hence not all the employees would benefit from the proposal. It was further noted that the proposed construction authority has yet to be set up. As the Industry Schemes have only been implemented for 6 months, it is considered that fundamental changes to the scheme are not appropriate at this stage.

#### **Complaint Handling**

##### *Complaints received by MPFA*

5. Of the total 2 857 complaints received up to the end of May 2001, 848 were received in May 2001. Like the past few months, more than two-thirds of the complaints in May were employment-related. The breakdown of all the complaints is as follows:

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<sup>1</sup> According to the Census & Statistics Department's General Household Survey Report in respect of Q1 2001, the number of SEP has increased, and the "universe" of SEP under the MPF system has grown by 27,000. As a result, although the number of enrolled SEP has continued to increase, the enrolment rate has decreased.

<u>Nature</u>	<u>% *</u>
(A) Complaints concerning scheme members:	
➤ Wrongful reduction of wages / benefits	12
➤ Involuntary change from employee to SEP	3
➤ Non-enrolment in MPF Schemes	19
➤ Default contribution	32
➤ Others (e.g. dismissal; no pay records)	11
(B) Complaints against trustees, intermediaries, ORSO etc	38

\* The sum of the % exceeds 100% because multiple selection of complaint category is allowed.

6. The number of complaints relating to scheme administration of trustees is reducing, from 26% in April to 17% in May. The improvement reflects the build-up of experience by trustees in processing cases, and the Authority's close monitoring of the trustee's performance in clearing backlog and providing timely replies to scheme members' enquiries. As regards the complaints against employers, those on default contributions increased. Many were in fact technical breaches, due to wrong data entries and delays, and many employers were able to rectify the mistakes shortly after being alerted by trustees, or visited by our inspectors.

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

7. From December 2000 to May 2001, the LD received 37 MPF-related complaints. The breakdown is as follows:

<u>Nature</u>	<u>%</u>
➤ Wrongful deduction of wages or other employment benefits	38
➤ Dismissal allegedly due to MPF	30
➤ Variation of wages or other employment benefits	16
➤ Wrongful deduction of MPF contribution from termination payment	8
➤ Employee forced to change into self-employed person	8
<u>Total</u>	<u>100%</u>

8. Of these, 22 cases were resolved after conciliation or advice given, 13 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 1 case was awaiting the employee's decision on whether to lodge claim for conciliation.

## **Enforcement**

9. Apart from investigations of complaints received, the MPFA has also proactively conducted 6 100 inspections up to the end of May 2001.

10. Up to the end of May 2001, a total of 21 applications for summonses (involving 14 employers) were forwarded to the Police for prosecution. On 21 May 2001, two such cases were heard in the magistrate's court. In the first case, the employer pleaded guilty for failing to enrol an employee into a MPF scheme and was fined \$5,000. In the second case, the defendant pleaded not guilty and the case was adjourned for trial later.

## **Default Contributions**

11. In May, the MPFA received about 17 800 reports from trustees on default contributions by employers. Many of the reports involved technical breaches, such as late contribution and calculation errors. The MPFA is monitoring the situation closely and will work out a suitable enforcement strategy.

## **Education and Publicity**

12. The MPFA's education and publicity programmes will continue to emphasise on investment education this year. The MPFA participated in the "Money World Asia 2001" exhibition on 25 May 2001 in order to raise public understanding of fund investment.

13. Starting from 19 May 2001, the MPFA has launched a series of television and radio programmes on investment-related knowledge. To complement them, roving exhibitions were held at MTR stations. A new booklet titled "Getting Started in Funds and MPF", published jointly by the MPFA and the Securities and Futures Commission, is being distributed to the public through various channels.

14. In addition, the MPFA continued to collaborate with political parties, professional bodies, and the Government in organising out-reach programmes at the district for the local public.

## **Members to Note**

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

## **Mandatory Provident Fund Schemes Authority**

June 2001