

**Motion Debate on “Urging enterprises to fulfill their social responsibility”
at Legislative Council Meeting on 20 May 2009**

Progress Report

Purpose

At its meeting on 20 May 2009, the Legislative Council (LegCo) passed a motion on “Urging enterprises to fulfill their social responsibility” and urged the Government to take measures to encourage enterprises to fulfill their social responsibility for safeguarding the interests of employees and minority shareholders. This paper briefs Members on the progress of the relevant measures taken by the Government.

Promotion of Good People Management Practices

2. In the area of employment under corporate social responsibility, employers should maintain effective communication with their employees, understand their employees’ individual and family needs and provide a family-friendly working environment, with due recognition that employees are the most valuable assets of the company and that wage reduction and retrenchment should be considered only as the last resort, etc. To help create a favourable environment for enterprises to fulfill their social responsibility, the Labour Department (LD) has been encouraging employers to adopt “employee-oriented” good people management practices through various promotional activities and channels. Major publicity and promotional activities recently undertaken by LD include –

- (a) Organising roving exhibitions: LD organises roving exhibitions in different locations throughout the territory to introduce main provisions of the Employment Ordinance (Chapter 57) and good people management practices and answer relevant enquiries on the spot. Each exhibition is held on a Saturday and Sunday consecutively with related publications and souvenirs distributed on site. In 2009, exhibitions were organised in February, June and July respectively at Tin Shui Wai, Ma On Shan and Lam Tin. Over 12 000 visitors were recorded. We will continue to hold roving exhibitions at different locations in the second half of 2009.
- (b) Promoting family-friendly employment practices: LD will produce a video to step up promotion on family-friendly employment practices. Through showcasing real examples, the video introduces different types of family-friendly employment practices, their practical implementation, points to note and the benefits of such practices to employers and employees, with a view to dispelling the common misconceptions of the general public about such practices. The video will be screened on different channels and during LD’s promotional activities. It will also be widely distributed to employer associations, trade unions, employers, employees, managerial personnel of enterprises and human resources practitioners, etc.
- (c) Activities of the Tripartite Committees and Human Resources Managers

Clubs: LD has been actively promoting labour management cooperation and good people management practices at industry level through meetings and promotional activities of the Tripartite Committees. Furthermore, LD introduces and commends good people management measures of various enterprises through interactive activities organised for members of the Human Resources Managers Clubs, including experience sharing sessions and workshops.

Employment and Training Programmes

3. In view of the rising unemployment brought about by the financial tsunami, the Government has enhanced and integrated various employment and training programmes to help the vulnerable –

- (a) Youth Pre-employment Training Programme (YPTP) and the Youth Work Experience and Training Scheme (YWETS): The two programmes will be integrated to provide both pre-employment and on-the-job training. The enhanced “through-train” programme will provide seamless and comprehensive youth training and employment support. The revamped YPTP and YWETS will adopt year-round enrolment of trainees in place of the current two phases of recruitment per annum; extend the provision of personalised career guidance and counselling services by registered social workers for an additional 12 months for trainees who have secured employment; and organise more tailor-made and value-added training-cum-employment projects in collaboration with employers and training bodies.
- (b) Work Orientation and Placement Scheme (WOPS): WOPS encourages employers to offer employment to people with disabilities through provision of financial incentive and pre-employment training. The Government has enhanced WOPS by increasing the financial incentive to a rate up to \$4,000 per month and extending the subsidy period by three months up to a maximum period of six months. WOPS, at the same time, encourages employers to appoint a mentor to help the disabled employee settle smoothly into his new job.
- (c) Employment Programme for the Middle-aged (EPM): To encourage employers to take on unemployed middle-aged job seekers aged 40 or above and offer them on-the-job training, LD has relaxed the eligibility criteria of job seekers in respect of the period of unemployment from “three months or more” to “one month or more”; allowed the admission of job seekers with different educational background and skill levels on a flexible basis; increased the allowance payable to eligible employers from \$1,500 to \$2,000 per employee per month; and extended the subsidy period for deserving cases (in which the employers are willing to offer a comprehensive training programme lasting for over three months) by three months up to a maximum period of six months.

4. To address the employment needs of recent university graduates amidst the

current economic climate, LD has launched an Internship Programme for University Graduates to provide opportunities for interested graduates to work as interns and receive training in local and Mainland enterprises for six to 12 months. For local internships, graduates receive internship training in their capacity as employees. During the period of internship, an employer is eligible to receive from the Government a training subsidy of HK\$2,000 per intern per month. Mainland internships are not premised on an employment relationship. Interns on the Mainland are entitled to a living allowance of HK\$3,000 per month and, depending on circumstances, an accommodation allowance of HK\$1,500 per month from the HKSAR Government. The Programme has commenced receiving training positions from interested enterprises and organisations since 10 June 2009. The training positions approved will be open to interested university graduates for application from 1 August 2009.

5. Moreover, the Employees Retraining Board (ERB), the Vocational Training Council (VTC) and the Skills Upgrading Scheme (SUS) endeavour to provide suitable training for local employees to assist them in acquiring new or enhanced skills so that they can adjust to changes in the economic environment. ERB provides a wide range of training courses and related placement services under the Manpower Development Scheme. They include, among others, tailor-made courses which aim to ease the pressure of employers in recruiting employees on the one hand, and help trainees enter the labour market on the other. As the largest vocational education and training provider in Hong Kong, VTC also seeks to enhance the skills level and professional knowledge of employees by providing customised corporate training courses and services for businesses through its member institution “Institute of Professional Education and Knowledge”. SUS, which mainly targets in-service elementary workers, currently covers 26 industries. Since its inception in 2001, SUS has provided more than 250 000 training places for in-service workers to assist them in upgrading their skills.

6. The Social Welfare Department (SWD) also launched the On the Job Training Programme (OJT) for Persons with Disabilities (PWDs) in 2001. OJT enhances the employability and job opportunities of PWDs through individual counseling, job matching, job attachment, provision of wage subsidy to employers and post-placement support. SWD further launched the Sunnyway in 2005 for young persons aged between 15 and 25 with disabilities or early signs of mental illness. Participants of Sunnyway receive 180-hour employment training in addition to the service components of OJT. As at March 2009, a total of 743 places are offered under these two programmes.

Protection of employees’ rights and benefits through monitoring, conciliation and enforcement

7. All along, LD is committed to building rapport with enterprises, giving professional advice to human resources personnel on good people management practices, and fostering effective communication between employers and employees. Mindful of the need for early intervention in the current austere operating environment, LD also keeps selected sectors and establishments under close vigilance with a view to forestalling and detecting at an early stage cases of wage arrears,

underpayment of wages or evasion of other statutory payments. We also continue to appeal to employers to hold constructive dialogue with their staff when important decisions affecting staff interests are to be made, and in handling retrenchment, if at all unavoidable, with consideration and sensitivity. Through proactive communication with enterprises and early intervention, LD has successfully forestalled and defused a number of potential labour disputes before they erupt into full-blown conflicts.

8. LD has also put in place an effective mechanism to provide free consultation and voluntary conciliation services to assist employers and employees in reaching amicable agreement wherever necessary. In 2008, the total number of labour disputes and claims handled by LD was 20 743, the lowest since 1998. With the onset of the financial tsunami in September 2008 which left few economies around the world unaffected, the economy of Hong Kong experienced a severe setback, resulting in more business closures, insolvencies/bankruptcies and redundancies. In the first six months of 2009, the number of labour disputes and claims handled by LD was 11 233, up 12% as compared with the same period of 2008. However, the successful rate of conciliation in the period maintains at a high level of over 70%. According to our experience, effective conciliation is conducive to helping employees obtain their entitlements, preventing industrial actions from taking place, reducing the scale of retrenchment intended by some enterprises and facilitating employers and employees to arrive at remuneration package agreeable to both parties.

9. On the enforcement front, LD will continue to conduct proactive workplace inspections to check employers' compliance with the labour laws in providing employees with their statutory entitlements. In addition, LD has set up a hotline for employees to report cases of exploitation of statutory rights and benefits, and conducts in-depth investigation into the complaints received. Where there is sufficient evidence, LD will take out prosecution against the employers who have breached the law.

Supporting Hong Kong Enterprises

10. To continue to strengthen our support for Hong Kong enterprises, the Government has extended the application period for the Special Loan Guarantee Scheme (SpGS) introduced in December last year to end 2009, and implemented the following enhancement measures to the SpGS since 15 June 2009 :

- (a) increasing the loan guarantee ratio from 70% to 80% for new loans to be approved;
- (b) increasing the maximum amount of loan that each enterprise may obtain from \$6 million to \$12 million. Within this ceiling, the amount of loan that may be used for revolving credit facilities is increased from \$3 million to \$6 million; and
- (c) extending the maximum guarantee period from 36 months to 60 months.

11. Furthermore, the Government has increased the total commitment under the SME Loan Guarantee Scheme from \$12.6 billion to \$20 billion to sustain its operation. As at 24 July 2009, the Trade and Industry Department has approved 15,185 loan applications under the two schemes, involving a total loan amount of around \$33.8 billion. Around 10,600 enterprises employing more than 186,000 people have benefited from the two schemes.

Protection of Minority Shareholders' Interests

12. The Government will continue to implement measures with a view to strengthening corporate governance and protection of the interests of minority shareholders and investors. The Financial Services and the Treasury Bureau (FSTB) is in the course of rewriting the Companies Ordinance. Some of the reform proposals aim to enhance the transparency of corporate decision making and strengthen the disclosure of company information. These proposals include -

- (a) requiring public companies and large private companies to prepare, as part of the directors' report, a business review which is more analytical and forward-looking. The business review should include information other than financial performance of the companies, for instance, whether the business of a company will have impact on the environment, and information on any employee related matters that would affect the company's operation;
- (b) requiring listed companies incorporated in Hong Kong to prepare a separate directors' remuneration report which discloses various types of benefits given to the individual directors, including the basic salary, fees, housing and other allowances, benefits in kind, pension contributions, bonuses, compensation for loss of office and long-term incentive schemes including share options. The same requirements will also be applicable to those unlisted companies where members representing not less than 5% of the issued share capital or total voting rights have so requested. Similar disclosure requirements applicable to all listed companies have been incorporated into the Listing Rules;
- (c) formulating more stringent rules to govern issues involving directors' conflict of interests, such as those relating to directors' self-dealing and directors' connected transactions. The approval of disinterested shareholders will be required in the case of public companies; and
- (d) codifying directors' duty of care, skill and diligence into the statute to provide clearer guidance for directors.

13. Furthermore, the FSTB will also review the requirement of "head-count" test relating to the conduct of members' schemes of arrangement by a company including that for privatization (i.e. to obtain consent from more than half of the shareholders present and voting either in person or by proxy on the scheme of arrangement or compromise). It will put forward several options for reform.

14. The above proposals will be incorporated into the consultation paper on the draft Companies Bill which will be issued for public consultation by the end of this year.

15. Moreover, the Government will continue to implement the Corporate Governance Action Plan which was drawn up collectively by the Government, the Securities and Futures Commission and the Hong Kong Stock Exchange (HKEx). The HKEx is also keeping the Code on Corporate Governance Practices in the Listing Rules under review. Apart from these, the Administration supports the development of a continuous disclosure culture among listed companies. One of the means is to oblige timely disclosure of price sensitive information. In this regard, FSTB intends to consult the public on the draft statutory provisions by the end of 2009.

Conclusion

16. The Government will, through various channels, continue to encourage enterprises to fulfill social responsibility in order to protect the interests of employees and minority shareholders.

Labour and Welfare Bureau
Financial Services and the Treasury Bureau
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