

**LegCo Panel on Manpower
(For Meeting on 21 December 1999)**

**Result of the review of the provisions
on sickness allowance under the Employment Ordinance**

Introduction

This paper informs Members of the result of a review of the provisions on sickness allowance under the Employment Ordinance (EO) conducted by the Labour Department, which recommends preserving the status quo.

Background

Existing provisions on sickness allowance

2. The provisions on sickness allowance were first introduced into the EO in 1973. Under the then provisions, an employee was entitled to sickness allowance if he took not less than 4 consecutive days of sickness days. The rate of sickness allowance was then prescribed at one half of the normal daily wages and the maximum number of paid sickness days was 24. Thereafter, the provisions have been reviewed regularly. In 1977, the maximum number of sickness days was increased from 24 to 36 and then to 120 in 1983. The rate of sickness allowance was raised from one half to two-thirds of normal wages in 1977 and further increased to four-fifths of normal wages in 1996.

Result of the review

3. The Labour Department has conducted a review of the existing provisions on sickness, in particular the qualifying period for and the rate of

sickness allowance. The review has concluded that there is no need to make any change to the existing provisions on sickness allowance.

Qualification for sickness allowance

4. Under the existing provisions, an employee has to take a minimum of four consecutive days of sick leave to qualify for sickness allowance. After careful consideration, it is considered not appropriate to change this requirement for the following reasons:

- (a) The requirement of a minimum period of sick leave before qualifying for cash benefits for sickness is common among other economies, including those operating social insurance systems. As shown in the table at the Appendix, Hong Kong is broadly comparable with other countries/territories in this respect.
- (b) To reduce the qualifying period will increase employers' liability in paying sickness allowance, hence the labour cost. This will have a dampening effect on business in the present economic environment and will adversely affect the overall employment opportunities of the workforce.
- (c) An employee's need for financial assistance during short-term sick leave is relatively small. Given that sickness allowance is payable for sick leave taken for four consecutive days or more, the present provisions already ensure that the livelihood of employees will not be adversely affected if they suffer from a prolonged period of illness. There is no pressing need for change.
- (d) Unlike incapacity to work caused by work-related injury, absence from work owing to employee's illness is not employment related or attributable to the employer's fault. There is the need therefore to maintain an equitable balance between the interests

of employers and employees when apportioning the financial burden arising out of an employee's illness.

Rate of Sickness Allowance

5. The rate of sickness allowance is at present set at four-fifths of normal wages. After careful consideration, it is considered appropriate to maintain the current rate for the following reasons:

- (a) The table at the Appendix shows that the existing protection in terms of the rate of cash sickness benefits in Hong Kong compares favourably with neighbouring countries/territories such as Japan and Taiwan as well as developed countries like France and the United States.
- (b) Sickness allowance at the rate of four-fifths of normal wages is consistent with the rate of maternity leave pay under the EO and that of periodical payments under the Employees' Compensation Ordinance.
- (c) The present rate of sickness allowance was last raised in November 1996. Further adjustment will increase employers' liability and the cost of doing business. It is not appropriate at this time of economic difficulties.

Views of the Labour Advisory Board (LAB)

6. We have submitted the result of review to the LAB. At its meeting held on 30 November 1999, the majority of LAB Members accepted the recommendation of the review.

Education and Manpower Bureau
December 1999

Appendix**Cash Sickness Benefits in Other Countries / Territories**

Country / Territory	Type of Scheme	Rate of Cash Sickness Benefits	Minimum No. of Sickness Days to be Taken to Qualify for Sickness Benefits
New Zealand	Dual social assistance and universal	income-tested; also depends on family condition	1 to 10 weeks, determined by previous income and family circumstances
Australia	Dual social assistance and universal	means-tested ; also depends on family condition	8
United States	Social insurance	53% - 75% (different for different states)	8
China	Employer-provided programs based on central government guidelines	60% - 100%; according to length of service	No information
France	Social insurance	50%; 66.7% after 30 days if 3 or more children	4
Japan	Employee health insurance	60%	4
The Philippines	Social insurance	90%	4

Country / Territory	Type of Scheme	Rate of Cash Sickness Benefits	Minimum No. of Sickness Days to be Taken to Qualify for Sickness Benefits
Singapore	Employers' liability	100% (up to 14 days per year or 60 days if hospitalised)	1
Taiwan	Social insurance	50%	4
United Kingdom	Social insurance	<p>Statutory sick pay (for employees with average weekly earning of £ 66 or more): £ 59.55 a week</p> <p>Incapacity benefit (for employees not eligible for Statutory sick pay): £ 50.35 a week for the first 28 weeks and £ 59.55 a week from the 29th to 52nd week</p>	4

Note : The above information reflects the position as at 1998.