

LegCo Panel on Manpower

Implementation of the Mandatory Provident Fund System Progress report as at the end of September 2004

Purpose

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

Enrolment

2. The enrolment position as at the end of September 2004 is as follows:

	Number of Participants*			Enrolment Rate		
	As at 30.9.2004	As at 31.8.2004	Change	As at 30.9.2004	As at 31.8.2004	Change
Employers	223 200	221 900	+ 1 300	97.7%	97.9%	- 0.2%
Employees	1 799 500	1 784 600	+ 14 900	95.8%	95.9%	- 0.1%
Self-employed persons (SEPs)	295 600	295 800	- 200	79.4%	81.4%	- 2.0%

* to the nearest 100

3. The number of enrolled employers has increased by 1 300 to 223 200; but the corresponding enrolment rate decreased by 0.2% to 97.7%. This is because the universe of employers had increased substantially by 1 600 as the economy continued to improve. The number of enrolled employees increased by 14 900, but the universe of relevant employees had increased more, by 18 200, due to a reduced unemployment rate. This resulted in a net decrease of 0.1% in the enrolment rate. The number of enrolled SEPs decreased marginally by 200. However, because of a substantial increase in the universe of SEP by 8 800 to 372 000, the enrolment rate of SEP dropped by 2% to 79.4%. At the end of September 2004, 14 200 employers, 285 100 employees and 22 600 SEPs were registered under the Industry Schemes¹.

¹ Double registration of employers and employees under the Industry Schemes is allowed on operational grounds. After discounting double entries, the net number of registered employers and employees under the Industry Schemes is 13 700 and 237 200 respectively.

Complaint Handling

Complaints received by the MPFA

4. Of the total 746 complaints received by the Mandatory Provident Fund Schemes Authority (MPFA) in September 2004, 96% concerned scheme members and 483 employers were involved. The breakdown is as follows:

<u>Nature of complaints received in September 2004</u>	<u>% *</u>
(A) Complaints concerning scheme members:	
➤ Wrongful reduction of wages / benefits	4
➤ Involuntary change from employee to SEP	0
➤ Non-enrolment in MPF Schemes	21
➤ Default contribution	87
➤ Others (e.g. dismissal; no pay records)	6
(B) Complaints against trustees, intermediaries, ORSO etc	5

* *Multiple selection allowed.*

Complaints received by the Labour Department (LD)

5. In September 2004, the LD received 24 MPF-related complaints, all of which were related to alleged wrongful deduction of wages.

6. Of a total of 208 complaints received from 1 January 2004 to the end of September 2004:

- 80 cases were resolved after conciliation or advice given;
- 70 cases were referred to the Labour Tribunal/Minor Employment Claims Adjudication Board for adjudication;
- 22 cases where the employers were insolvent were referred to the Legal Aid Department, the Official Receiver's Office and the Protection of Wages on Insolvency Fund;
- 11 cases where the employees had lodged claims with the LD were awaiting conciliation;
- 19 cases were awaiting the employees' decision on whether to lodge claims with the LD for conciliation; and

- 6 cases were awaiting the employees' decision on whether to lodge claims at the Labour Tribunal/Minor Employment Claims Adjudication Board after conciliation.

Enforcement

7. The enforcement actions taken in September 2004 are summarized below:

Enforcement action in September 2004	Number of Cases
A. <u>Prosecution</u> Number of summonses applied	74
- <i>Non-enrolment of employees</i>	1
- <i>Non-enrolment (Employee / SEP dispute)</i>	0
- <i>Default contribution</i>	73
- <i>False statement</i>	0
B. <u>Contribution Surcharge</u> ⁽¹⁾ Number of Notices issued to employers	25 400
C. <u>Submission to the Small Claims Tribunal</u>	
- Number of cases submitted	92
- Number of employees involved	123
D. <u>Submission to the District Court</u>	
- Number of cases submitted	7
- Number of employees involved	128
E. <u>Submission to liquidators / receivers</u>	
- Number of cases submitted	21
F. <u>Proactive Inspections</u>	
- Number of employment establishments visited	435

Note (1): The surcharge is @5% flat rate. In addition, about 100 notices at 15% or 20% p.a. were also issued to cover defaulting periods before the legislative amendments which brought in the 5% surcharge flat rate in February 2003.

8. In September, the Authority has successfully prosecuted an employer for default contribution. In that case, the employer understated the relevant income of an employee, by treating a substantial proportion of it as housing allowance so as to evade MPF mandatory contributions. The employer pleaded guilty and was fined a total of \$12,000 for 8 offences.

Education and Publicity

9. Community outreach activities continued to be a major part of the MPFA's public education programme during the month of September 2004. A total of 56 talks have been held for secondary schools, youth organizations and management professionals.

10. On the media front, a total of 19 articles have been published in the MPFA columns in eight Chinese newspapers, covering topics on MPF investment and member protection.

11. For MPF investment education, emphasis has been placed on the features and risks of Capital Preservation Fund (CPF). In addition to article contribution, two radio interviews have been given on Commercial Radio and RTHK, and a press release has been issued on the positive return of CPF and the features of CPF.

12. Meanwhile, a mini publicity campaign for the self-employed persons (SEPs) was kicked off in early September 2004. A leaflet was published and distributed to SEPs to enhance understanding of their obligations and rights under the MPF System.

13. Members are invited to note the contents of this paper.

Mandatory Provident Fund Schemes Authority
6 October 2004