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22 November 2011

Clerk to Bills Committee on  
Protection of Wages on Insolvency (Amendment) Bill 2011  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
Central  
Hong Kong

Dear Sirs,

**Protection of Wages on Insolvency (Amendment) Bill 2011**

The Employers' Federation of Hong Kong, established in 1947, is committed to promoting harmonious employment relations for contributing to business success and the prosperity of Hong Kong. We thus support the proposed amendments stipulated in the Protection of Wages on Insolvency (Amendment) Bill 2011, which expand the scope of the Fund to provide better protection to employees concerned.

The Federation wishes to reiterate that the purpose of the Protection of Wage on Insolvency Fund is to provide immediate relief, in the form of ex-gratia payments, to employees with arrears of wages due to the insolvency of a company. It is not and should not be treated as a full remedy, requiring good employers at large to pay compensation for individual bad employers. Given that the Fund is purely funded by a HK\$450 annually on every business registration certificate, the effective use of the Fund is crucial in maintaining its long-term financial sustainability. The guiding principle of gradual and progressive approach to any improvement of the Fund's coverage should thus be strictly observed.

Since the establishment of the Fund in 1985, the coverage of the Fund has been progressively expanded to the current maximum payment of HK\$278,500, including 4 months' wages up to HK\$36,000, 1 month's wages in lieu of notice up to HK\$22,500, and severance payment up to

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HK\$50,000 plus 50% of the remainder of the entitlement. The Bill is, from the Federation's point of view, another acceptable expansion of the scope, i.e. to include pay for untaken annual leave and untaken statutory holidays, with a cap of HK\$10,500. While it would inevitably incur additional payouts from the Fund, the possible impact is manageable. The uncertain economic outlook and investment return of the Fund must be borne in mind.

The proposed expansion of the coverage of the Fund was first initiated in 2008 and has been back and forth, and discussed in detail on different platforms. For employees with arrears of wages to benefit without further delay, the Federation is of the view that the present proposal should be maintained for early introduction into LegCo. Any further changes, expansion or reduction due to difficult economic times would cause disappointment of eligible employees, and should be deliberated at a future review of the Fund.

As a strong advocate for good employment practices, the Federation supports progressive enhancement of employee protection. We would thus like to see the passage of the Bill as it is, as early as possible.

Yours sincerely,



Louis Pong  
CEO