



G2014 – 014

13 March 2014

Clerk to Panel on Manpower
Legislative Council Secretariat
Legislative Council Complex
1 Legislative Council Road
Central, Hong Kong

Dear Sirs,

The arrangement of offsetting severance payments and long service payments
against Mandatory Provident Fund and Occupational Retirement Scheme accrued benefits

The Employers' Federation of Hong Kong would like to submit its views on the above topic.

The arrangement under which employers are able to reduce their long service and severance pay by reference to that part of accrued retirement benefits derived from employer contributions is an established principal of the Hong Kong work place. Such offsetting arrangement has been in place for many decades. It was designed initially as an incentive to employers to provide retirement schemes for their employees. When the MPF was established the offsetting concept continued to be reflected in the relevant legislation. This was not something that just happened, it was part of a detailed and deliberate process. Any suggestion now that this offsetting arrangement should be removed should be very carefully considered and the financial impact should be thoroughly investigated.

We envisage in particular that SMEs (which are at the heart of the business community in Hong Kong) will be hardest hit by such a fundamental change in policy.

In addition to the policy and financial issues, the Federation would urge the administration to consider the substantial amount of new regulation which has been introduced into the workplace recently. This includes new discrimination legislation, revised data privacy and

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employment legislation, minimum wage legislation and the impending paternity leave legislation. Whilst individually these changes may not appear substantial, when taken together the total cost of implementing systems to comply with the entirety of the new regulations is not immaterial. It does impact Hong Kong's competitiveness.

As a public advocate for good employment practices, the Federation supports the progressive improvement of retirement protection for our employees. At the same time, we consider it imperative to strike a balance between improving employee protection and sustainable development of our economy.

Yours sincerely,



Mr Louis Pong
CEO