

立法會

Legislative Council

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Panel on Financial Affairs and Panel on Manpower

**Minutes of joint meeting
held on Tuesday, 18 March 2014, at 3:30 pm
in Conference Room 2 of the Legislative Council Complex**

Members present : Members of the Panel on Manpower

Hon LEE Cheuk-yan (Chairman)
Hon WONG Kwok-kin, BBS (Deputy Chairman)
* Hon Albert HO Chun-yan
Hon LEUNG Yiu-chung
Hon Tommy CHEUNG Yu-yan, SBS, JP
* Hon CHAN Kin-por, BBS, JP
Hon CHEUNG Kwok-che
Hon IP Kwok-him, GBS, JP
Hon LEUNG Kwok-hung
Hon CHAN Yuen-han, SBS, JP
Hon LEUNG Che-cheung, BBS, MH, JP
Dr Hon KWOK Ka-ki
Hon KWOK Wai-keung
* Hon SIN Chung-kai, SBS, JP
Hon POON Siu-ping, BBS, MH
Hon TANG Ka-piu
Dr Hon CHIANG Lai-wan, JP
Hon CHUNG Kwok-pan

Members of the Panel on Financial Affairs

Hon Starry LEE Wai-king, JP (Chairman)
Hon Christopher CHEUNG Wah-fung, JP (Deputy Chairman)
Hon Abraham SHEK Lai-him, GBS, JP
Hon WONG Kwok-hing, BBS, MH
Hon Jeffrey LAM Kin-fung, GBS, JP

Hon Andrew LEUNG Kwan-yuen, GBS, JP
Hon WONG Ting-kwong, SBS, JP
Hon Ronny TONG Ka-wah, SC
Hon Mrs Regina IP LAU Suk-ye, GBS, JP
Hon NG Leung-sing, SBS, JP
Hon Kenneth LEUNG
Hon Dennis KWOK

**Members
absent** : Member of the Panel on Manpower

Dr Hon LEUNG Ka-lau

Members of the Panel on Financial Affairs

Hon James TO Kun-sun
Hon CHAN Kam-lam, SBS, JP
Hon James TIEN Pei-chun, GBS, JP

(* Also member of the Panel on Financial Affairs)

**Public Officers
attending** : Item II

Mr Eddie CHEUNG Kwok-choi
Deputy Secretary for Financial Services &
the Treasury (Financial Services)

Miss Emmy WONG Kwok-ling
Principal Assistant Secretary for Financial Services &
the Treasury (Financial Services)

Mr Byron NG Kwok-keung, JP
Deputy Commissioner for Labour
(Labour Administration)

Mr Charles HUI Pak-kwan
Assistant Commissioner for Labour
(Labour Relations)

**Attendance
by invitation** : Item II

Session 1

Right of People's Livelihood & Legal Association
Hong Kong

Mr Tim LEE
President

Federation of Hong Kong Industries

Mr Stanley LAU
Chairman

Individual

Mr Holden CHOW
Islands District Council member

The Democratic Party

Mr Richard TSOI Yiu-cheong
Vice-Chairman

The Hong Kong Electronic Industries Association

Professor CHAN Kei-biu, MH
Honorary Chairman

Councillors' Workers Association

Mr LEE Wing-fung
Chairman

Environmental Services Contractors Alliance (Hong Kong)

Miss Catherine YAN
Convenor

Civic Party

Mr Jacky YAU
District Developer

Democratic Alliance for the Betterment and Progress
of Hong Kong

Mr Mike LEUNG
Financial Affairs Deputy Spokesperson

The Hong Kong Federation of Trade Unions Rights &
Benefits Committee

Mr IP Wai-ming
Deputy Director

Hong Kong Confederation of Trade Unions

Mr NG Koon-kwan
Organizing Secretary

League of Social Democrats

Ms CHAN Po-ying
Executive Committee Member

The Hong Kong General Chamber of Small and
Medium Business

Mr Eric NG Ka-wing
President

The Hong Kong Guest Houses Association

Mr David LEUNG Tai-wai
Chairman

Hong Kong General Chamber of Commerce

Mr Watson CHAN
Senior Director, Policy & China Business

Catering and Hotels Industries Employees General Union

Mr MA Kim-wah
Executive Committee Member

The Federation of Hong Kong & Kowloon Labour Unions

Mr KO Chun-kit
Labour Rights Officer

The Hong Kong General Union of Security &
Property Management Industry Employees

Mr CHUNG Man-bun
Vice Chairman

HK Environment Services, Logistics & Cleaning
Employees Association

Mr LAM Lung-wai
Director

Session 2

The Hong Kong Metals Manufacturers Association

Mr Alex LEUNG
Vice-Chairman

Motor Transport Workers General Union

Mr YUEN Cheung-fung
Deputy Right & Interest Executive

Eating Establishment Employees General Union

Mr WONG Pit-man
Head Secretary

Labour Party

Mr KEUNG Kwok-wai
Community Officer

Hong Kong Intellectual Property Association Limited

Mr KONG Ping-to
Consultant

Catholic Diocese of Hong Kong Diocesan Pastoral Centre
for Workers (NT)

Mr Augustine YU Siu-po
Acting Centre Supervisor

Northern District Employment Concern Group

Ms Venny KWOK
Convener

Smart & Beauty House

Mr CHOW King
Member

New Territories Evangelical Ambassador

Mr Simon TAM
Member

North District Outsourcing Cleaning Workers Concern
Group

Miss LAU Hoi-man
Member

Shek Wu Hui Housing Problem Concern Group

Mr CHONG Sheung-wai
Member

Jan Cheong Sing Hardware

Mr CHING Yue-kwok
Manager

The Federation of Hong Kong Watch Trades &
Industries Ltd.

Mr Geoffrey KAO
Chairman

Hong Kong Buildings Management And Security
Workers General Union

Ms YU Mei-wan
Committee

Chamber of Security Industry

Mr William CHEUNG WL
Emeritus Chairman cum Spokesman

Hong Kong Small and Medium Enterprises Association

Mr Stephen KWOK Chun-pong
President

Hong Kong Business Community Joint Conference

Mr Ricky LAM
Representative

Neighbourhood and Worker's Service Centre

Mr WONG Yun-tat
Community Affairs Officer

**Clerk in
attendance** : Miss Betty MA
Chief Council Secretary (2) 1

**Staff in
attendance** : Ms Rita LAI
Senior Council Secretary (2) 1

Miss Kay CHU
Council Secretary (2) 1

Ms Kiwi NG
Legislative Assistant (2) 1

Miss Lulu YEUNG
Clerical Assistant (2) 1

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I. Election of Chairman

Mr LEE Cheuk-yan was elected Chairman of the joint meeting.

II. The arrangement of offsetting severance payments and long service payments against Mandatory Provident Fund accrued benefits

(LC Paper Nos. CB(2)1034/13-14(01) and (02))

2. Deputy Secretary for Financial Services & the Treasury (Financial Services) ("DS(FS&T)") and Deputy Commissioner for Labour (Labour Administration) ("DC(LA)") briefly took members through the existing arrangement of offsetting severance payments ("SP") and long service payments ("LSP") against Mandatory Provident Fund ("MPF") accrued benefits arising from an employer's contribution (hereinafter referred to as "the offsetting arrangement"), and its background, as set out in the Administration's paper.

3. Members noted the background brief entitled "The arrangement of offsetting severance payments and long service payments against Mandatory Provident Fund accrued benefits" prepared by the Legislative Council ("LegCo") Secretariat.

Views of deputations

4. At the invitation of the Chairman, representatives of 36 organisations and an individual presented their views on the subject of offsetting arrangement.

5. Mr Tim LEE presented the views of Right of People's Livelihood & Legal Association, Hong Kong as detailed in its submission [LC Paper No. CB(2)1113/13-14(01)].

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6. Mr Stanley LAU presented the views of Federation of Hong Kong Industries ("FHKI") as detailed in its submission [LC Paper No. CB(2)1070/13-14(01)].

7. Mr Holden CHOW, Islands District Council member opposed to abolishing the offsetting arrangement. Drawing members' attention to the difficulties faced by the small and medium enterprises ("SMEs") in running business and the fact that the total amount of the MPF accrued benefits used to offset SP and LSP during the period from July 2001 to June 2013 was some \$20.7 billion, Mr CHOW was concerned that the financial burden and the impact on the operation difficulties of SMEs would further aggravate if the offsetting arrangement was to be abolished.

8. Mr Richard TSOI of the Democratic Party said that the Democratic Party had called on the Government to abolish the offsetting arrangement. With respect to the different objectives of MPF, SP and LSP, Mr TSOI considered it unreasonable and unacceptable to use the offsetting arrangement to meet employees' statutory entitlements to SP or LSP under the Employment Ordinance (Cap. 57) ("EO"). Such arrangement had significantly reduced the amount of the MPF accrued benefits and thereby failing to safeguard employees' retirement life.

9. Professor CHAN Kei-biu presented the views of The Hong Kong Electronic Industries Association as detailed in its submission [LC Paper No. CB(2)1113/13-14(02)].

10. Mr LEE Wing-fung of Councillors' Workers Association ("CWA") urged for the abolition of the offsetting arrangement in order to reinforce retirement protection. Mr LEE cited that assistants of councillors were usually under contract employment which tied in with the tenure of individual councillors, and therefore they would receive SP/LSP when the employment contract came to an end. Under the offsetting arrangement, assistants of councillors could hardly accumulate MPF accrued benefits as they had been used for offsetting SP/LSP. Mr LEE appealed to the Government to set aside recurrent funding dedicated for SP/LSP payable to councillors' employees concerned.

11. Miss Catherine YAN presented the views of Environmental Services Contractors Alliance (Hong Kong) as detailed in its submission [LC Paper No. CB(2)1070/13-14(02)].

12. Mr Jacky YAU presented the views of Civic Party as detailed in its submission [LC Paper No. CB(2)1082/13-14(01)].

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13. Mr Mike LEUNG of Democratic Alliance for the Betterment and Progress of Hong Kong said that while abolishing the offsetting arrangement could help strengthen the retirement protection for employees under the MPF system, there was concern about increasing the financial burden of employers. Having regard to the complexities of the subject, Mr LEUNG expressed support for a review on the offsetting arrangement and an in-depth study by the Labour Advisory Board ("LAB") on the relevant mechanism such that a consensus could be reached among employers, employees and the Government. In addition, he called on the Government to implement Full Portability of MPF benefits so as to lower the MPF management fees and thereby enhancing the MPF system and enhancing the retirement protection for scheme members.

14. Mr IP Wai-ming presented the views of The Hong Kong Federation of Trade Unions Rights & Benefits Committee as detailed in its submission [LC Paper No. CB(2)1133/13-14(01)].

15. Mr NG Koon-kwan presented the views of Hong Kong Confederation of Trade Unions as detailed in its submission [LC Paper No. CB(2)1082/13-14(02)].

16. Ms CHAN Po-ying of League of Social Democrats strongly urged for abolishing the offsetting arrangement. Given the low investment return rate of MPF and the fact that the MPF system could hardly provide sufficient retirement protection, Ms CHAN called on the Government to set up a committee to study the subject and make legislative amendments as appropriate within one year. Moreover, the Government should take the lead in abolishing the offsetting arrangement for non-civil service contract ("NCSC") employees.

17. Mr Eric NG presented the views of The Hong Kong General Chamber of Small and Medium Business ("HKGCSMB") as detailed in its submission [LC Paper No. CB(2)1034/13-14(03)].

18. Mr David LEUNG of The Hong Kong Guest Houses Association ("HKGHA") said that having regard to the financial burden on employers and employees in making contributions to MPF, both employer and employee members of HKGHA objected to the implementation of the MPF system. That said, a majority of HKGHA members preferred to maintaining the status quo given the MPF system had already been in operation for a number of years.

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19. Mr Watson CHAN presented the views of Hong Kong General Chamber of Commerce as detailed in its submission [LC Paper No. CB(2)1034/13-14(04)].

20. Mr MA Kim-wah presented the views of Catering and Hotels Industries Employees General Union as detailed in its submission [LC Paper No. CB(2)1034/13-14(05)].

21. Mr KO Chun-kit presented the views of The Federation of Hong Kong & Kowloon Labour Unions as detailed in its submission [LC Paper No. CB(2)1082/13-14(03)].

22. Mr CHUNG Man-bun presented the views of The Hong Kong General Union of Security & Property Management Industry Employees as detailed in its submission [LC Paper No. CB(2)1113/13-14(03)].

23. Mr LAM Lung-wai presented the views of HK Environment Services, Logistics & Cleaning Employees Association as detailed in its submission [LC Paper No. CB(2)1113/13-14(04)].

24. Mr Alex LEUNG presented the views of The Hong Kong Metals Manufacturers Association as detailed in its submission [LC Paper No. CB(2)1049/13-14(02)].

25. Mr YUEN Cheung-fung presented the views of Motor Transport Workers General Union as detailed in its submission [LC Paper No. CB(2)1133/13-14(02)].

26. Mr WONG Pit-man presented the views of Eating Establishment Employees General Union as detailed in its submission [LC Paper No. CB(2)1133/13-14(03)].

27. Mr KEUNG Kwok-wai presented the views of Labour Party as detailed in its submission [LC Paper No. CB(2)1192/13-14(01)].

28. Mr KONG Ping-to presented the views of Hong Kong Intellectual Property Association Limited as detailed in its submission [LC Paper No. CB(2)1070/13-14(03)].

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29. Mr Augustine YU of Catholic Diocese of Hong Kong Diocesan Pastoral Centre for Workers (NT) said that a vast number of grassroots employees, in particular the low-paid contract workers, were very concerned about the insufficient protection for their retirement life as a result of the offsetting arrangement. They were worried that they would need to resort to the social security system after retirement. In anticipation of the likely increasing burden on the social security system, Mr YU called on the Government to address the issue as soon as practicable.

30. Ms Venny KWOK of Northern District Employment Concern Group said that as a result of outsourcing the Government services, most of the Government service workers were on contract term and their MPF accrued benefits were repeatedly used for offsetting SP/LSP upon expiry of the contracts. Therefore, they had difficulties in accumulating retirement savings and had grave concern about their retirement life. Ms KWOK was of the view that the Government should examine the offsetting mechanism without further delay.

31. Mr CHOW King of Smart & Beauty House said that a great number of elder persons led a difficult retirement life because of lack of savings to make ends meet. This was because their accrued benefits under the MPF system had been greatly reduced because of the offsetting arrangement. The Government should address the problem so as to ensure that the elderly could lead a dignified and financially-secured life in their twilight years.

32. Mr Simon TAM of New Territories Evangelical Ambassador expressed disappointment that the 2014 Policy Address did not mention the Government's plan to progressively reduce the proportion of the MPF accrued benefits arising from employers' contribution that could be used to offset SP or LSP, as stated in the Chief Executive ("CE")'s election manifesto. Mr TAM was concerned that given a considerable number of grassroots employees were under contract employment, their MPF accrued benefits were offset time and again upon completion of employment contracts. Under such circumstances, the amount of their MPF accrued benefits was significantly reduced and could hardly protect their retirement life. Mr TAM held the view that the offsetting arrangement should be abolished and the Government should in the long run implement a retirement protection scheme.

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33. Miss LAU Hoi-man of North District Outsourcing Cleaning Workers Concern Group expressed the view that the cleaning workers and security guards engaged by outsourced service contractors were victims of the offsetting arrangement. Given that these workers' MPF accrued benefits were repeatedly used for offsetting SP/LSP whenever the service contracts came to an end and there was a change of service contractors, it was difficult for these workers to save up for their retirement life. Miss LAU called on the Government to abolish the offsetting arrangement as soon as practicable.

34. Mr CHONG Sheung-wai of Shek Wu Hui Housing Problem Concern Group highlighted to members that a majority of the elderly were living in sub-divided units in Shek Wu Hui and they could hardly lead a dignified retirement life. It was understood that despite many of them had worked for many years, they were unable to accumulate retirement savings because of the offsetting arrangement. Given that SP and LSP were meant to help alleviate an employee's short-term financial hardship caused by loss of employment, which was different from the retirement protection purpose of the MPF accrued benefits, Mr CHONG held the view that the offsetting arrangement should be abolished. Moreover, in view of the ageing population and a vast number of the elderly would soon commence their retirement life, the Government should seriously consider abolishing the offsetting arrangement.

35. Mr CHING Yue-kwok presented the views of Jan Cheong Sing Hardware as detailed in its submission [LC Paper No. CB(2)1070/13-14(04)].

36. Mr Geoffrey KAO of The Federation of Hong Kong Watch Trades & Industries Ltd. considered that the MPF system had operated smoothly and employers had undertaken the responsibility to provide their employees with SP/LSP or retirement protection benefits. In his view, the abolition of the offsetting arrangement alone could not improve the retirement protection of employees.

37. Ms YU Mei-wan presented the views of Hong Kong Buildings Management And Security Workers General Union as detailed in its submission [LC Paper No. CB(2)1133/13-14(04)].

38. Mr William CHEUNG presented the views of Chamber of Security Industry ("CSI") as detailed in its submission [LC Paper No. CB(2)1113/13-14(05)].

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39. Mr Stephen KWOK of Hong Kong Small and Medium Enterprises Association ("HKSMEA") objected to abolishing the offsetting arrangement. Mr KWOK drew members' attention to the background and objectives of introducing SP and LSP when there was no mandatory retirement protection schemes. In effect, the long-established offsetting arrangement had existed before the inception of the MPF system. Should the offsetting arrangement be abolished, he envisaged that it would be difficult for SMEs to survive in the light the need to maintain a substantial cash flow for paying SP and/or LSP to employees concerned.

40. Mr Ricky LAM presented the views of Hong Kong Business Community Joint Conference as detailed in its submission [LC Paper No. CB(2)1056/13-14(01)].

41. Mr WONG Yun-tat of Neighbourhood and Worker's Service Centre considered that the offsetting arrangement was a compromise to gain the support of employer groups for the implementation of the MPF system in 2000. However, given the offsetting arrangement, coupled with the high fund management fees and administration costs, employees' MPF accrued benefits had been considerably eroded and could hardly provide retirement protection for the elderly. Apart from abolishing the offsetting arrangement, Mr WONG suggested that the Government should consider abolishing the MPF system and implement a universal retirement protection scheme.

42. Members noted that the following seven organizations not attending the meeting had provided the Panel with written submissions -

- (a) Hong Kong & Kowloon Plastic Products Merchants United Association Ltd.;
- (b) Hong Kong No MPF;
- (c) Catholic Diocese of HK Diocesan Pastoral Centre for Workers (Kowloon);
- (d) The Chinese Manufacturers' Association of Hong Kong;
- (e) The Chinese General Chamber of Commerce;
- (f) Service Industry General Union; and
- (g) Employers' Federation of Hong Kong.

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43. In response to the views of the deputations, DS(FS&T) advised that the offsetting arrangement was a complex issue with wide read-across implications. The Government was aware of the different concerns of the community over the subject, which involved the interests of various stakeholders, affecting both retirement protection of employees and operating costs of employers, in particular SMEs. Notwithstanding that the MPF system had been in operation for just over 13 years, the Mandatory Provident Fund Schemes Authority ("MPFA") and the Government had been pursuing various measures since its inception in December 2000 to press for the reduction of fees of MPF funds by enhancing market transparency and increasing market competition. In addition, to facilitate greater scope for fee reduction and to enhance the investment choice framework of the MPF system, the Government and MPFA were studying a number of specific reform measures, for example, the proposal of launching in each MPF scheme a "core fund" as the default fund, which would be subject to fee control and based on long-term investment strategy. Upon completion of the relevant study, a public consultation would be conducted on the proposal later this year.

44. DC(LA) added that the Government was aware of the divergent views and different concerns of the community over the offsetting arrangement. It would continue to listen to the views of different sectors and examine the issue in a holistic and prudent manner.

45. With respect to the request for a review on the offsetting arrangement by LAB as put forth by some deputations, Mr WONG Kwok-hing pointed out that given the equal number of representatives from the employer and employee groups sitting on LAB, the decision of the LAB Chairman i.e. Commissioner for Labour would be crucial and thus the Government's stance on the subject was imperative. In his view, it was incumbent upon the Government to address the drawback of the offsetting arrangement. On the understanding that the Government had engaged some 16 000 NCSC staff and the MPF accrued benefits arising from the contributions from the Government as employers were used for offsetting SP/LSP payable to the NCSC staff, he held the view that the Government should take the lead in abolishing the offsetting arrangement so as to set a good example for employers in the private sector. Mr WONG further expressed the view that the Government should give due consideration to earmarking additional funding for paying SP and LSP to workers engaged by government service contractors.

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46. Mr WONG Kwok-hing also expressed support for CWA's suggestion of setting aside dedicated recurrent funding for LSP/SP for councillors' staff. The Chairman considered that the matter could be followed up by the LegCo Subcommittee on Members' Remuneration and Operating Expenses Reimbursement.

47. Mr POON Siu-ping invited views from deputations regarding the plan to reduce the portions of accrued benefits from employer's contribution that could be used by the employer to offset LSP and SP in a progressive manner as stated in the CE's election manifesto. Mr Stanley LAU of FHKI responded that it had also been emphasised in the CE's election manifesto that the Government would strive to create a favourable business environment for SMEs, and therefore a business impact assessment should be conducted before the introduction of any changes to the existing mechanism. Mr LAU added that to his understanding, employers would not object to conducting a comprehensive review on the MPF system, which was echoed by Mr Eric NG of HKGCSMB.

48. Mr POON Siu-ping further asked whether any deputations had conducted an impact assessment on the business environment of SMEs if the offsetting arrangement was to be abolished. In reply, Mr Eric NG of HKGCSMB said that while an impact assessment of the abolition of the offsetting arrangement on the business environment of SMEs might not be readily available, it was understood that a majority of SMEs encountered varying degrees of operation difficulties.

49. Mr LEUNG Che-cheung concurred with the view expressed by Mr David LEUNG of HKGHA. He was concerned that employers would only retain employees with less than five years' service so as to evade the statutory obligations under EO to pay LSP to employees concerned if the offsetting arrangement was abolished. Responding to Mr LEUNG Che-cheung's enquiry about FHKI's stance on the implementation of a universal retirement protection scheme, Mr Stanley LAU of FHKI responded that FHKI had not yet discussed in detail the relevant subject. He reiterated that consideration could be given to conducting a comprehensive review on the MPF system.

50. Mr Tommy CHEUNG cautioned that a substantial increase in employees' benefits would go beyond employers' affordability and result in business closure eventually. From a wider perspective, it would undermine the business environment and jeopardize Hong Kong's competitiveness and economy in the long run. Mr CHEUNG said that the

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catering industry strongly objected to the abolition of the offsetting arrangement in the light of the anticipated increase in the operating costs. Pointing out that the employer groups had agreed to support the implementation of the MPF system on the understanding that the law would permit the offsetting between MPF accrued benefits and SP/LSP, Mr CHEUNG held the view that abolition of the offsetting arrangement would undermine the Government's credibility and it would also increase employers' financial burden and impact significantly on the business environment of SMEs in particular. Instead, the Government should provide welfare assistance to the needy elderly if the level of MPF accrued benefits was not sufficient for employees' retirement protection.

51. Mr Albert HO said that the Democratic Party was in support of abolishing the offsetting arrangement, given that SP and LSP were employees' statutory entitlements under EO while the MPF accrued benefits were retirement savings. Given the deficiencies of the MPF system which had been implemented for a number of years and the divergent views on making changes to the MPF system, Mr HO was of the view that the Government should consider implementing a universal retirement protection scheme with tripartite contributions so as to address the community's concerns about retirement protection. Mr Stanley LAU of FHKI pointed out that issues relating to the introduction of retirement protection scheme should be further discussed when specific proposals were put forth by the Government.

52. Dr CHIANG Lai-wan considered that both employers and employees could benefit from the offsetting mechanism, as it would help reduce employers' financial burden on business operation and ensure employees' entitlement to SP or LSP in case of dismissal or redundancy. Dr CHIANG was concerned about employers' affordability if the offsetting arrangement was to be abolished. In response to Dr CHIANG's invitation of view, Mr William CHEUNG of CSI estimated that there would be an increase of 7.62% in the contract prices for outsourced government services, if the offsetting arrangement was abolished.

53. Miss CHAN Yuen-han expressed concern that as a result of the inefficacy of the MPF system in protecting scheme members' retirement life, a considerable number of grassroots workers would have to rely on welfare assistance when they retired. Miss CHAN was deeply concerned about how the problem of insufficient protection for retirement life could be addressed. Mr KWOK Wai-keung shared a similar concern.

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54. Mr William CHEUNG of CSI and Mr Stephen KWOK of HKSMEA pointed out that before the MPF system came into operation in 2000, employers were allowed under EO to use the accrued benefits derived from their contributions to occupational retirement schemes for employees to offset SP/LSP. Mr CHUNG Kwok-pun shared a similar view.

55. Miss CHAN Yuen-han highlighted to members the different purposes of the MPF accrued benefits and SP/LSP. While the MPF accrued benefits were retirement savings, SP sought to provide compensation to employees who were dismissed owing to redundancy or other reasons after having served the same employer for a certain period of time so as to help alleviate an employee's short-term financial hardship caused by loss of employment.

(Members agreed to extend the meeting by 20 minutes.)

56. Mr POON Siu-ping noted with concern that LAB had exchanged views on the subject of offsetting arrangement at its meeting in December 2013, with employer and employee representatives holding widely divergent views. In his view, the functions of the MPF system and SP/LSP were different and the Government's stance on the subject was decisive. Mr KWOK Wai-keung echoed a similar view. Mr POON was concerned how the Government would take forward the matter and whether there was a concrete work plan and implementation timetable for the abolition of the offsetting mechanism. Mr POON and the Chairman further enquired which government bureau would spearhead the relevant work and how it would be proceeded with.

57. Responding to members' concerns, DS(FS&T) and DC(LA) reiterated that the offsetting arrangement was a complex issue. The matter would be handled jointly by the Financial Services and the Treasury Bureau ("FSTB") and the Labour and Welfare Bureau ("LWB"), as the MPF Schemes Ordinance was under the policy purview of FSTB and LWB was responsible for safeguarding employees' statutory entitlements to SP and LSP under EO. The Government would continue to listen to the views of the stakeholders on the subject. Mr POON Siu-ping, however, remained concerned about the little progress made so far in respect of abolishing the offsetting mechanism. In his view, the Government should work out an option for further deliberation of LAB.

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58. Mr CHUNG Kwok-pun considered it unfair to hold employers responsible for providing retirement protection for their employees, which was, in his view, the responsibility of the Government. That said, the Government should introduce measures to refine the MPF system including reducing the fund management fees and administration cost so as to enhance the system for the purpose of providing better protection for retirement life.

59. Mr LEUNG Kwok-hung held the view that a review should be conducted on the offsetting arrangement given that it had been implemented for a number of years. In the light of the deficiency of the the MPF system in safeguarding the retirement life of the employed population, Mr LEUNG was of the view that the Government should implement a universal retirement protection scheme. He also suggested that large enterprises should be required to pay an additional profit tax of 1.5% for the purpose of setting up a dedicated fund for paying SP and LSP to employees concerned.

60. Mr KWOK Wai-keung was of the view that the Labour Department ("LD") should safeguard employees' entitlements to SP and LSP under EO, which served different purposes from that of the MPF accrued benefits. On the understanding that a considerable number of employees were engaged under short-term contracts and that their MPF accrued benefits had been repeatedly used for offsetting SP and LSP, Mr KWOK was concerned that the remaining MPF accrued benefits could hardly protect the retirement life of these workers.

61. Dr KWOK Ka-ki considered that the MPF system was imperative for supporting the livelihood of the employed population during their retirement life, regardless of its deficiency in various aspects. Dr KWOK was concerned that since the inception of the MPF system, the total amount of MPF accrued benefits used to offset SP and LSP amounted to some \$20 billion, which were mostly derived from grassroots workers' MPF accrued benefits. In his view, CE should honour his pledge in his election manifesto to progressively reduce the proportion of accrued benefits from employers' contribution that could be applied for the offsetting arrangement. In the light of the deputations' views over the drawback of the offsetting arrangement, Dr KWOK was gravely concerned about how the Government could address the divergent views of employers and employees on the abolition of the offsetting mechanism and whether there was an implementation timetable.

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62. In response to members' concerns, DC(LA) stressed that LWB and LD were committed to safeguarding employees' entitlements to SP and LSP under EO, irrespective of whether the employers would use the MPF accrued benefits to offset SP/LSP. He reiterated that the Government was aware of the different concerns of the community over the offsetting arrangement. It would continue to listen to the views of different sectors and examine the issue in a holistic and careful manner and take into account employers' affordability, in particular that of SMEs as well as retirement protection for employees.

63. The Chairman took the view that the MPF accrued benefits was not adequate in providing protection for retirement life, which should not be used to offset SP and LSP. Expressing disappointment about the lack of a timetable to reduce the proportion of accrued benefits from employers' contribution that could be applied for the offsetting arrangement, the Chairman strongly urged the Government to actively follow up the matter and make appropriate improvements.

64. There being no other business, the meeting ended at 6:20 pm.

Council Business Division 2
Legislative Council Secretariat
5 August 2014