

立法會
Legislative Council

LC Paper No. CB(2)2222/13-14
(These minutes have been seen
by the Administration)

Ref : CB2/PL/MP

Panel on Manpower

Minutes of meeting
held on Thursday, 17 July 2014, at 10:45 am
in Conference Room 3 of the Legislative Council Complex

- Members present** : Hon LEE Cheuk-yan (Chairman)
Hon WONG Kwok-kin, SBS (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 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, JP
Dr Hon CHIANG Lai-wan, JP
Hon CHUNG Kwok-pan
- Members absent** : Dr Hon LEUNG Ka-lau
Hon IP Kwok-him, GBS, JP

Public Officers attending : Item III

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

Mrs Tonia LEUNG SO Suk-ching, JP
Assistant Commissioner for Labour
(Employment Services)

Miss Maria LAU
Assistant Director (Social Security)
Social Welfare Department

Ms Nerissa WONG Pui-han
Senior Labour Officer (Employment Services)
(One-stop Services)
Labour Department

Ms Fanny PANG
Deputy Executive Director
(Business Development and Communications)
Employees Retraining Board

Ms Alice CHEUNG
Senior Manager (Service Schemes)
Employees Retraining Board

Item IV

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

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

Ms Melody LUK Wai-ling
Chief Labour Officer (Labour Relations)
Labour Department

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

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

Ms Kiwi NG
Legislative Assistant (2) 1

Action

I. Confirmation of minutes of previous meeting
(LC Paper No. CB(2)2017/13-14)

The minutes of the meeting held on 15 April 2014 were confirmed.

II. Information paper(s) issued since the last meeting
(LC Paper No. CB(2)1849/13-14(01))

2. Members noted that a letter dated 11 June 2014 from Mr KWOK Wai-keung requesting discussion of his proposed Members' Bill entitled "Minimum Wage (Amendment) Bill 2014" had been issued since the last meeting. The Chairman added that as agreed at the last meeting, the subject had been included in the Panel's "List of outstanding items for discussion".

3. The Chairman informed members that Miss CHAN Yuen-han had earlier written in urging the Administration to provide an interim report on the work progress of the Standard Working Hours Committee ("SWHC"). At the invitation of the Chairman, Deputy Commissioner for Labour (Labour Administration) ("DC for L(LA)") advised that amidst a series of consultation forums up to end-July 2014, SWHC considered it more appropriate for the Government to further report its work progress after September/October 2014 when the commissioned consultant had processed the major public views received during the consultation period. After discussion, the Chairman suggested and members agreed that the major views collected during the public consultation on working hours as well as the Government's timetable and roadmap for legislating for SWH could be discussed at a Panel meeting around September/October 2014 after receiving the Government's response. DC for L(LA) said that the Government would convey members' views to SWHC for consideration.

Action

III. Review on the effectiveness of the Employment in One-stop at Tin Shui Wai

(LC Paper Nos. CB(2)2019/13-14(01) and (02))

4. DC for L(LA) briefed members on the findings of the review on the effectiveness of the Employment in One-stop ("EOS") in Tin Shui Wai, details of which were set out in the Government's paper.

5. Members noted the background brief entitled "One-stop employment and training centre in Tin Shui Wai" prepared by the Legislative Council ("LegCo") Secretariat.

Location of EOS

6. Mr LEUNG Che-cheung, Mr KWOK Wai-keung and Miss CHAN Yuen-han expressed support for the establishment of EOS which aimed at strengthening employment support for vulnerable groups in Tin Shui Wai by streamlining, integrating and enhancing the employment and training or retraining services provided by the Labour Department ("LD"), Social Welfare Department ("SWD") and Employees Retraining Board ("ERB"). Mr LEUNG and Miss CHAN, however, were concerned about the remote location of EOS and that job seekers in Yuen Long District might have difficulties in accessing it. Mr LEUNG was of the view that the Administration should enhance its publicity efforts in raising job seekers' awareness of the employment support and services at EOS.

7. In response to members' concerns, DC for L(LA) advised that Yuen Long District had a population of about 600 000 people and about half of them lived in Tin Shui Wai, and a large number of Comprehensive Social Security Assistance ("CSSA") recipients were residing in Tin Shui Wai. The location of EOS was considered appropriate as it was in proximity to the target users and was easily accessible by various public transportation means from Yuen Long Town and Tuen Mun. Moreover, because of the availability of sufficient space with a total floor area of 1 082 square metres at the Tin Ching Amenity and Community Building for the provision of various services and facilities, EOS was established therein.

Action

8. DC for L(LA) further advised that the Government would strengthen its promotional efforts about the new mode of operation and services at EOS. As a matter of fact, LD had conducted a series of promotional activities to extensively publicise the employment support and services and facilities at EOS, including publishing leaflets and posters for wide distribution to residents in Tin Shui Wai and neighbouring areas and display at various locations; advertising on LD's webpage and public transports and in newspapers and publications of target organisations; and displaying roadside banners for outdoor publicity. In 2012 and 2013, 40 visits to EOS had been organised with an attendance of over 700 people, and a total number of 129 057 visitors were recorded. DC for L(LA) added that job-seekers could also obtain the latest vacancy information through the Interactive Employment Service ("iES") website as well as vacancy search terminals located in job centres of LD and make applications to employers direct. Job seekers could further make use of iES mobile applications to browse job vacancy information through smart phones or mobile communication devices.

9. Miss CHAN Yuen-han, however, remained concerned about the inaccessible location of EOS. Miss CHAN took the view that the Administration should conduct a user survey on the effectiveness of employment support and services at EOS and consider whether it was necessary to relocate the centre and change the mode of operation. DC for L(LA) responded that it was not easy to identify other suitable premises in Yuen Long District with sufficient space for provision of a variety of services and facilities similar to those available at EOS. Nevertheless, the Government would explore how EOS mode of operation could be extended to other areas/districts as appropriate.

Performance of basic services

Job referrals

10. In respect of a total of 28 875 vacancies offered at the job fairs organised by EOS and 17 531 job referrals made in 2012 and 2013, Mr KWOK Wai-keung noted with concern that only 3 562 placements were secured through referral services by EOS. Mr KWOK considered that the success rate of around 20% was on the low side and sought explanation for such situation. Dr KWOK Ka-ki and Mr Albert HO raised similar concerns. Dr KWOK was of the view that the performance was neither satisfactory nor cost effective. Mr HO, on the other hand, asked whether the Administration had conducted analysis of the reasons for the unsuccessful cases.

Action

11. DC for L(LA) explained that over 90% of the vacancies advertised through LD were open for direct application by job seekers. Job seekers who had found work through direct application were not required to report their placement positions to EOS. Therefore, only information on placements through job referrals by EOS was available.

12. In response to the Chairman's enquiry, Assistant Commissioner for Labour (Employment Services) ("AC for L(ES)") elaborated on the job referral services by EOS, which included arrangements for interviews and follow-up service for successful cases. AC for L(ES), however, stressed that while LD would provide job seekers with vacancy information and personalised employment advisory service, they were in general encouraged to find jobs on their own accord and arrange job interviews with employers direct where appropriate, so that they could acquire more real-life job hunting experiences.

Job fairs

13. With respect to the organisation of 132 job fairs by EOS in 2012 and 2013, which attracted 395 participating employers and 9 101 attending job seekers, Mr POON Siu-ping and Mr LEUNG Che-cheung considered the performance not entirely satisfactory. Mr POON sought information on the number of attending job seekers who had successfully secured employment together with the work types involved.

14. DC for L(LA) explained that the main objectives of job fairs were to facilitate the flow of vacancy information, and to provide an effective and convenient platform for employers to recruit staff and for job seekers to find jobs. Job seekers could submit applications and attend job interviews on the spot. Yet, as offers for employment were usually made afterwards and job seekers who had found work were not required to report their placement positions to EOS, information on these placements could not be captured.

15. With respect to the Chairman's follow-up enquiry about whether LD would be notified by employers who had recruited job seekers attending job fairs, AC for L(ES) said that as employers normally adopted various means and channels concurrently for recruiting employees, there were practical difficulties in capturing the exact number of vacancies filled through LD's job fairs which were frequently organised.

Action

Performance of case management and employment support services

Number of participants

16. Mr LEUNG Che-cheung and Mr POON Siu-ping expressed concern that out of 1 682 participants of case management and employment support services ("participants") at EOS in 2012 and 2013, 1 592 (94.6%) were unemployed able-bodied CSSA recipients referred by SWD, and that only 5.4% of the job seekers received the services on a voluntary basis.

17. DC for L(LA) explained that the objective of setting up EOS in Tin Shui Wai on a pilot basis aimed at strengthening the collaboration between LD and SWD with a view to enhancing employment support for job seekers with special employment difficulties in the district. It was therefore understandable that the majority of participants were unemployed able-bodied CSSA recipients referred by SWD. Owing to the stable economy and buoyant job market in the recent years, job seekers in general found it relatively easy to find suitable employment. This explained why the number of participants receiving case management services on a voluntary basis was on the low side. The Government therefore recommended that EOS be continued in Tin Shui Wai under the same mode of operation with a view to providing quality employment and recruitment services in the district. The Government would continue to monitor the operation of EOS and collect more data to review its effectiveness after another two years of operations, before deciding on the way forward.

18. Mr LEUNG Che-cheung noted with concern that among the 1 682 participants, 1 022 of them were aged over 40 with relatively low education attainment. Mr LEUNG enquired about the proportion of these job seekers who could leave the CSSA net and successfully enter the labour market. Mr KWOK Wai-keung also enquired whether the Administration would consider enhancing its efforts in canvassing job vacancies suitable for these middle-aged job seekers.

19. In reply, DC for L(LA) reiterated that the setting up of EOS in Tin Shui Wai on a pilot basis aimed at enhancing employment support for vulnerable groups in the district. Job seekers with employment difficulties such as middle-aged and low education attainment were service targets of EOS. LD would continue with the publicity efforts in publicising the employment support and services for various age groups

Action

at EOS. DC for L(LA) further advised that LD had strived to liaise with employers to offer vacancies suitable for the participants referred by SWD so as to match with the profile of the job seekers. He pointed out that more than 500 placements of middle-aged job seekers were recorded under the Employment Programme for the Middle-aged in 2012 and 2013 at EOS.

Employment secured

20. Mr POON Siu-ping noted with concern that only 419 out of a total of 1 592 unemployed able-bodied CSSA recipients (i.e. around 26.3%) had secured full-time employment after receiving the case management and employment support services in 2012 and 2013. Mr POON and Dr KWOK Ka-ki considered such performance far from satisfactory. Mr POON enquired about the measures to be taken by the Administration to improve the situation.

21. DC for L(LA) advised that having regard to the fact that 70% of the participants received education level of Form Three or below and 70% of them had been on CSSA for more than five years, their job search skills and work motivation were relatively low. That said, among the unemployed able-bodied CSSA recipients referred by SWD and who had secured full-time employment, 52.5% had changed to low-earning CSSA cases and 47.5% had left the CSSA net. This indicated that the services were to a certain extent effective in helping participants find work and become self-reliant.

22. In response to the Chairman's follow-up enquiry, DC for L(LA) advised that of the 974 participants at EOS and who had secured employment, 555 had secured part-time employment.

23. Expressing concern about those job seekers who failed to secure employment after having received the case management and employment support services, Mr Albert HO enquired whether the Administration had conducted analysis for such unsuccessful cases. In response, DC for L(LA) said that 708 participants, representing 42%, had not been able to secure employment. The main reasons were low education attainment (34% of participants received education level of Primary Six or below), lack of appropriate skills, unwillingness to receive training or retraining, and lack of work motivation. Notably, 34% of participants i.e. around some 500 people, had received CSSA for more than 10 years and 33% for five to 10 years. It was relatively difficult for these CSSA recipients to re-enter the labour market.

Action

Staffing resources

24. In response to the enquiry of Dr KWOK Ka-ki and the Chairman, DC for L(LA) advised that each participant was provided with case management and employment support services for a basic service period of 12 months. Based on the needs assessment results, case managers would offer the participants with customised services to cater for their individual needs, which included counselling on employment and emotional issues, provision of latest labour market information, job matching services, referral to training and other welfare services. Case management services were provided by 10 registered social workers from non-governmental organisations operating at EOS to the participants. EOS had an establishment of 21 LD staff, and the estimated operating expenditure for EOS in 2014-2015 was about \$9.6 million.

25. The Chairman cast doubt on the effectiveness of the case management services given that there were only 10 registered social workers providing such services and that around 400 participants had secured full-time employment in 2012 and 2013. DC for L(LA) responded that to a certain extent job seekers had shown improvements after having received the case management and employment support services at EOS and that a number of participants had returned to mainstream full-time schooling. Moreover, there were a total of 46 non-CSSA participants who had been placed, and 39 of them had secured full-time employment.

Target participants of employment support and services

26. Dr CHIANG Lai-wan expressed concern that there were a number of hidden adults, or even elderly, with employment difficulties in the community. She asked whether and how the Administration would provide assistance to these people through the employment support and services at EOS. Dr CHIANG further said that to her understanding, a considerable number of females in the district were willing to take up part-time or casual jobs in the vicinity of their residence, if they were released from the need to take care of their family members. In the light of manpower shortage in various specific industries, Dr CHIANG enquired whether the Administration would consider providing subsidised child care or elderly care services so as to facilitate these females to join the labour force in the district.

Action

27. DC for L (LA) responded that EOS, similar to other job centres of LD, provided comprehensive employment services to assist job seekers, including females who needed to take care of their families, to find suitable employment such as part-time/casual jobs. Job seekers could make use of various job search facilities including iES website to register for employment services and browse up-to-date information on employment and vacancies for part-time/casual jobs. LD had set up a dedicated webpage on part-time vacancies at the iES website to facilitate job seekers in finding suitable jobs.

28. Deputy Executive Director (Business Development and Communications) of ERB ("DED/ERB") added that ERB had since 2009 rebranded the "Integrated Scheme for Local Domestic Helpers" as the "Smart Living Scheme" ("SLS"), which was a one-stop job matching and referral platform for home, health and care services to increase the employment opportunities for graduates of relevant ERB training courses. The free referral services included general household services, elderly care and support for attending medical appointments. As a matter of fact, almost all the trainees registered with the scheme were females.

29. In response to Dr CHIANG Lai-wan's enquiry about the effectiveness of SLS, DED/ERB advised that there were around 50 000 job vacancy registrations each year whereas the number of trainees registered as Smart Helpers under SLS ranged from 16 000 to 20 000. There was a total of 11 Smart Living - Regional Service Centres in different districts. Upon receiving job vacancies from employers, the centres would contact the employers to further understand their needs, and provide matching and referral services as appropriate. To reduce the travelling expenses incurred in working across districts, it was the aim of SLS that the Smart Helpers could find jobs in the vicinity of their residence. The Chairman, however, pointed out that while there was a high demand for labour on Hong Kong Island, females residing in other areas were not willing to work across districts because of the high travelling costs.

30. Dr KWOK Ka-ki was concerned about the employment assistance for job seekers with special needs in Tin Shui Wai. In response, DC for L(LA) advised that LD's Selective Placement Division had an office in the New Territories to provide free recruitment service to employers and free employment services to job seekers with disabilities, including those with chronic illness, intellectual disability and ex-mental illness. Some of these job seekers would seek employment assistance at EOS.

Action

31. In response to the Chairman's concern about the provision of employment support and services for the ethnic minorities, DC for L(LA) said that the Government would enhance its efforts in this regard and give due consideration to the language barrier encountered by the ethnic minorities.

Extension of service model

32. Mr KWOK Wai-keung enquired whether the Administration had analysed whether job seekers from other districts had visited EOS so as to better understand the need for extending the new service model to other districts. DC for L(LA) responded that over 90% of the job seekers at EOS were residents of Tin Shui Wai according to findings of a survey conducted during the first year of operation.

33. Mr CHUNG Kwok-pun noted with concern that there was a territory-wide manpower shortage in specific trades and industries, such as the retail and catering industries. Given the service targets of EOS were mainly residents in Tin Shui Wai and that the travelling expenditure incurred in working across districts was high, Mr CHUNG was concerned how the Administration would address the needs for employment support and services of job seekers in other districts as well as the territory-wide manpower shortage.

34. DC for L(LA) advised that LD provided comprehensive and free employment services through a network of 12 job centres, two industry-based recruitment centres, a Telephone Employment Service Centre, a Job Vacancy Processing Centre, iES website and the vacancy search terminals installed at various locations across the territory to help job seekers. Moreover, the new job centre at Tung Chung would commence operation soon. In respect of whether the EOS service model should be expanded to other districts, DC for L(LA) reiterated that the Government would continue to monitor the operation of EOS and collect more data to review its effectiveness after another two years of operations, before deciding on the way forward.

Other issues

35. Expressing concern about the effectiveness of the employment support and services provided at EOS, Mr CHUNG Kwok-pun enquired whether the operation of EOS had brought about positive impact on lowering the unemployment rate in Tin Shui Wai.

Action

36. DC for L(LA) responded that the overall unemployment rate in Hong Kong in 2013 was 3.4% and that for Yuen Long District was 4.2%, which was the highest among 18 districts and having the highest number of unemployed persons. In 2012 and 2013, the number of placements through job referrals by EOS was 3 562 and a total of 974 participants had secured employment after having received the case management and employment support services. To a certain extent, it had helped mitigate the unemployment problem. DC for L(LA) reiterated that a majority of job seekers who had found work through direct application were not required to report their placement positions to EOS.

37. The Chairman was of the view that it was difficult to assess the effectiveness of EOS in improving the unemployment situation in Tin Shui Wai given that its enhanced targeted assistance was provided mainly for the unemployed able-bodied CSSA recipients referred from SWD. Also, job seekers could apply for jobs directly and did not necessarily make use of the referral services at EOS.

38. Mr LEUNG Kwok-hung, Dr KWOK Ka-ki and Mr Albert HO were of the view that the problem of high unemployment rate in Tin Shui Wai was attributed to the lack of proper town planning. Mr LEUNG pointed out that the primary land use in Tin Shui Wai was almost residential area, residents in the district had to incur huge transport expenses to work across districts which constituted a financial burden on the low-income employees. To address the problem, in his view, it was incumbent upon the Government to raise the Statutory Minimum Wage ("SMW") rate and set SWH, so as to provide work incentive to residents in the district to join the workforce. Mr HO held the view that the Government should consider addressing the high unemployment rate in Tin Shui Wai by setting up or relocating government facilities to the district so as to create more job opportunities.

39. DC for L(LA) said that various government bureaux and departments had been working in collaboration to provide comprehensive employment support and training services to the job seekers in Tin Shui Wai on all fronts to help them seek employment. Moreover, the business sector had been encouraged to set up business in the area. Notably, the Telebet Centre cum Volunteer and Training Centre was established by the Hong Kong Jockey Club in Tin Heng Estate in Tin Shui Wai which had created a considerable number of employment opportunities and provided volunteer and training services to the residents. DC for L(LA) stressed that the Government was committed to canvassing more job opportunities

Action

in the vicinity of Tin Shui Wai in the coming years and provide transport subsidy for home-workplace commuting under the Work Incentive Transport Subsidy Scheme as appropriate.

40. The Chairman echoed the importance of proper town planning in addressing the employment situation in Tin Shui Wai. He recalled that the Government had proposed to promote the economic activities in Tin Shui Wai through setting up social enterprises and launching an Integrated Elderly Community Project by the Hong Kong Housing Society several years ago, thereby creating more employment opportunities. Expressing disappointment that the proposals had not been taken forward, the Chairman said that members might wish to follow up the unemployment problem arising from the town planning for Tin Shui Wai at the next session. The Chairman further said that a visit to EOS could be arranged to enable members to better understand the operation if members so wished.

IV. Severance payment and long service payment ceilings
(LC Paper Nos. CB(2)2019/13-14(03) and (04))

41. At the invitation of the Chairman, DC for L(LA) briefed members on the ceilings for calculating severance payment ("SP") and long service payment ("LSP") under the existing Employment Ordinance (Cap. 57) ("EO") and the relevant background, details of which were set out in the Government's paper.

42. Members noted the information note entitled "Severance payment and long service payment" prepared by the LegCo Secretariat.

Whether the SP and LSP ceilings and wage caps should be adjusted

43. With respect to the Government's stance of not proposing changes to the current statutory payment ceilings applicable to SP and LSP, Mr CHUNG Kwok-pun considered it appropriate. He drew members' attention to the unpromising economic situation in Hong Kong, including the substantial reduction of the value and volume of the retail sales in the past few months, the reduction in the number of visitors to Hong Kong under the Individual Visit Scheme as well as the possible impact of the Occupy Central movement on business environment, employment, and operation of the small and medium size enterprises ("SMEs").

Action

44. Mr Tommy CHEUNG shared a similar view and was in support of the Government's stance of maintaining the current statutory payment ceilings applicable to SP and LSP. Mr CHEUNG considered it unfair to employers, in particular those of SMEs, if the relevant ceilings were further adjusted upwards given that the labour rights and benefits had been progressively enhanced over the past two to three decades, including the introduction of the Mandatory Provident Fund ("MPF") system in 2000, which had imposed a heavy financial burden on employers.

45. Mr CHAN Kin-por was of the view that due consideration should be given to the impact on businesses in the deliberation on whether the payment ceilings for SP and LSP and the current monthly wage caps for calculating SP and LSP (hereinafter referred to as "wage caps") should be adjusted upwards, having regard to the fact that over 98% of the enterprises in Hong Kong were SMEs and their affordability should therefore be taken into consideration. Mr CHAN, however, was concerned that there was a lack of statistical data in support of the Administration's decision on not changing the current payment ceilings applicable to SP and LSP and the wage caps. He enquired whether the Administration had collected information on the total amount of SP and LSP paid by SMEs to their employees per annum owing to cessation of business or scaling down of operations after offsetting SP and/or LSP against the MPF accrued benefits arising from employers' contribution (hereinafter referred to as "the offsetting arrangement") as well as the amount of SP and LSP needed not to be paid to the concerned employees because their monthly income had exceeded the current wage caps at \$22,500 in the past years. Mr POON Siu-ping and Miss CHAN Yuen-han raised similar concerns. Mr POON asked about the number of cases involved.

46. The Chairman pointed out that with the MPF system in place, around 85% of the total employed population was presently covered under the MPF schemes, Occupational Retirement Schemes Ordinance schemes, or statutory pension or provident fund schemes (such as those for civil servants or public school teachers). As the maximum level of relevant monthly income for MPF contributions had been raised from \$25,000 to \$30,000 since 1 June 2014, the wage caps should be raised to over \$30,000 in the light of the wage increase over the years. Under the offsetting arrangement, employers could use the MPF accrued benefits to offset the increased amount of SP and LSP. Therefore, it would not have imposed additional burden on employers if the wage caps were to be raised up to \$30,000.

Action

47. Mr CHUNG Kwok-pun, on the other hand, held the view that the increase in employers' mandatory contributions to their employees' MPF accounts would not necessarily be used in total for the offsetting purpose. The proposed increase in SP and LSP ceilings and wage caps would have created additional financial burden on employers.

48. Responding to members' concerns, DC for L(LA) made the following points -

- (a) as individual employers were not required to report to LD the amount of SP and LSP paid to their employees, except for those cases conciliated by LD, LD did not have information on the overall amount of SP and LSP paid after offsetting with MPF;
- (b) according to the General Household Survey of the Census and Statistics Department for the first quarter of 2014, the median monthly employment earning was \$13,000. The current monthly wage cap of \$22,500 as laid down in EO was still above the monthly wages of most employees and it was estimated that it should be able to cater for around 77% of employees; and
- (c) while the MPF accrued benefits were for retirement purposes, SP and LSP 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 the employee's short-term financial hardship caused by loss of employment. The purposes of MPF and SP/LSP, in particular for employees with relatively short service, were different.

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49. At the request of the Chairman and Mr CHAN Kin-por, DC for L(LA) agreed to explore after the meeting whether the information as requested by Mr CHAN in paragraph 45 above was available.

Level of wage caps

50. Mr POON Siu-ping and Mr TANG Ka-piu sought information on the relevant background for setting the wage caps at \$22,500. In response, DC for L(LA) elaborated on how a wage ceiling was first set in 1968 when introducing EO which was then applicable only to manual workers and those non-manual workers with a monthly earning of \$1,500 or

Action

below. The wage ceiling was later revised a number of times and became \$11,500 in 1987. With the removal of the distinction between manual and non-manual workers covered by EO in 1990, a monthly wage cap of \$15,000 was set for calculating SP or LSP. Having regard to the wage increase over the years, the wage cap was subsequently raised to \$22,500 in June 1995. The maximum amount of SP or LSP payable to an employee was increased gradually from \$210,000 in 1995 to \$390,000 in 2004.

51. Mr POON Siu-ping further enquired about the criteria that had been adopted in determining the maximum amount of SP and LSP payable to an employee. Mr SIN Chung-kai held the view that the Government should adopt a scientific approach in setting the wage cap, such that it should be adjusted upwards or downwards according to a formula with reference to certain indicators, for instance the SMW rate or the median monthly employment earning of a specified percentage of employees while taking into account the affordability of employers.

52. In response to members' concerns, DC for L(LA) said that labour rights and benefits had been enhanced in a progressive manner in the past two to three decades. For example, to ensure that employees could obtain a reasonable level of compensation, the employee compensation system was reviewed every two years with reference to the inflation rate and the wage index, and whenever necessary, the relevant laws were amended, so as to keep up with the social and economic development. DC for L(LA) advised that at the time of introduction of SP and LSP in 1974 and 1986 respectively, there was no mandatory retirement protection scheme. The MPF Schemes Ordinance ("MPFSO") was passed by LegCo in 1995, and the MPF system was implemented in December 2000. In the light of the objective of the MPF system in providing retirement protection for the working population, which was to a certain extent similar to LSP which aimed at providing compensation to older employees who were dismissed by reason other than redundancy after serving the same employer for a long period of time, and the fact that the wage caps at \$22,500 should be able to cater for the majority of the cases as mentioned earlier, the Government considered the wage caps at their present level appropriate.

53. The Chairman and Mr TANG Ka-piu maintained the view that it was unreasonable and unacceptable that the ceilings applicable for calculating SP and LSP had remained unchanged at \$22,500 since June 1995. They expressed grave concern and disappointment at the Administration's reluctance to make adjustments over the years. Pointing out that there was a mechanism in place for the adjustment of the relevant

Action

maximum monthly income for making mandatory contributions to MPF, Mr TANG saw no reason why similar mechanism could not be introduced for adjusting the wage caps. Citing an example of an employee having a monthly wage of \$25,000 would receive some \$30,000 as SP if he/she was made redundant upon completion of two years' service, which was in effect his/her employer's mandatory contributions to his/her MPF account under the offsetting arrangement, Mr TANG highlighted to members that under such circumstances it would be meaningless for employees with monthly wage exceeding \$25,000 to claim SP from their employers as the amount of SP received was actually their MPF entitlements. He envisaged that such situation would further aggravate in view of the wage increase at times of inflation.

54. Mr LEUNG Che-cheung was of the view that the justifications provided by the Administration for maintaining the current statutory payment ceilings applicable to SP and LSP and the relevant wage caps were not convincing. Mr LEUNG considered that the offsetting arrangement had complicated the issue, given that it would reduce the assistance rendered to help alleviate an employee's short-term financial hardship caused by loss of employment. Under such circumstances, he held the view that the Administration should conduct a review on the wage caps which had been maintained at \$22,500 for about 20 years.

55. DC for L(LA) stressed that wage change was not the only consideration factor in the deliberation on whether the wage caps should be adjusted. DC for L(LA) reiterated that at the time of introduction of LSP in 1986, there was no mandatory retirement protection scheme. It was introduced for compensating aged employees who were dismissed other than by reasons of redundancy after having served the same employer for a long period of time. LSP therefore served dual purposes of alleviating employees' short-term financial hardship caused by loss of employment as well as to a certain extent providing protection to their retirement life. Following the enactment of MPFSO in 1995 and the implementation of the MPF system in December 2000 which provided statutory retirement protection to the workforce, consideration should be given to whether to confine LSP to alleviating employees' short-term financial hardship only. DC for L(LA) added that the issues involved were complicated. Moreover, having regard to the coverage of the majority cases by the current wage caps, the Government considered that priority should be given to dealing with other more pressing labour issues.

Action

Offsetting arrangement

56. Miss CHAN Yuen-han was concerned that the offsetting arrangement had reduced significantly the amount of the employees' MPF accrued benefits, thereby undermining the efficacy of retirement protection for these employees under the MPF system. Miss CHAN held the view that it was incumbent upon the Government to address the issue by abolishing the offsetting arrangement which was considered unreasonable. The Chairman shared a similar view.

57. DC for L(LA) said that the Government was aware of the divergent views and concerns in the community on whether to abolish the offsetting arrangement. The Government 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. DC for L (LA), on the other hand, cited a case in which an employee might receive \$75,000 ($\$22,500 \times \frac{2}{3} \times 5$ years) as LSP if he/she was dismissed upon completion of five years' service and the dismissal was not attributed to redundancy or serious misconduct. He considered that, as a short-term relief of financial hardship caused by loss of employment, the current level of protection was appropriate and the wage caps could therefore be observed further for a period of time. He pointed out that should the wage caps and accordingly the amount of SP and LSP be increased, the retirement benefits of the employee concerned accrued under the MPF system would be further drained away under the offsetting arrangement.

(Members agreed to extend the meeting by 15 minutes.)

Discussion by the Labour Advisory Board ("LAB")

58. Having regard to the adjustments in the maximum level of relevant income for MPF contributions, and thereby increase in mandatory contributions from employers and employees as well as the SMW rate, Mr TANG Ka-piu held the view that the wage caps should be adjusted upwards in line with the wage increase over the years. He enquired whether the Administration would raise the subject for discussion by LAB.

Action

59. Casting doubt on whether the consensus of LAB would be a prerequisite for taking forward proposals to improve the labour rights and benefits, Mr LEUNG Kwok-hung called on the Government to implement a universal retirement protection scheme so as to safeguard the retirement life of the elderly. Mr LEUNG and the Chairman enquired whether employee members sitting on LAB could suggest to the Chairman of LAB i.e. Commissioner for Labour items for discussion.

60. DC for L(LA) advised that LAB had served all along as a very important platform for discussion by employers and employees on labour matters, including labour policy, legislation and rights. The Government constantly reviewed labour legislation in the light of the changing social circumstances and the pace of economic development to ensure that the relevant legislative provisions struck a reasonable balance between the interests of employers and employees, and that the statutory rights and benefits accorded to employees kept abreast of times. DC for L(LA) stressed that the Government respected both the employer and employee members sitting on LAB and did not rule out the possibility of holding discussion on the subject of payment ceilings of SP and LSP and the relevant wage caps at LAB. Yet, there were a number of labour issues currently that needed to be handled by LAB with priority.

Clerk

61. Mr CHEUNG Kwok-che suggested and members agreed that the Chairman should write to the Chairman of LAB requesting the subject on the current statutory payment ceilings applicable to SP and LSP to be discussed at a meeting of LAB as soon as practicable. At the request of the Chairman, DC for L(LA) undertook to also relay members' views to the Chairman of LAB for consideration.

Admin

62. There being no other business, the meeting ended at 12:53 pm.

Council Business Division 2
Legislative Council Secretariat
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