

Press Release

[For immediate release]

65% of HR Practitioners Support Eventually Abolishing MPF Offsetting for Severance and Long-Service Payments

[18 April 2016 – Hong Kong] In order to understand the current practice and views of Hong Kong employers on MPF offsetting arrangement for severance and long-service payments, Hong Kong Institute of Human Resource Management (HKIHRM) conducted an online survey from 21 January to 26 February polling 338 members who were HR practitioners responsible for developing and implementing the HR policy of their organisations. It was found that **65% of the Institute's members were in favour of eventually abolishing the MPF offsetting mechanism for making severance and long-service payments to employees.** Details of the findings are as follows:

Current Retirement Protection Schemes in Place for Employees

99% of the respondents reported that their organisations provided MPF schemes for employees while 41% of the respondents reported that their organisations provided both MPF scheme and other employer-sponsored retirement schemes (e.g. Occupational Retirement Schemes and Pension Plans) to their employees. (Chart 1)

47% of the respondents reported that their organisations capped the mandatory employer's MPF contribution at 5 percent for all employees while 24% of the respondents reported that their organisations offered more than the 5 percent mandatory employer's contribution for all employees. 29% of the respondents reported that their companies offered 5 percent of the employer's MPF contribution to some employees and other employees would get a higher percentage. (Chart 2) In terms of company size, large companies with over 500 employees recorded the highest percentage (41%) in offering employer's MPF contribution in various percentages, with the 5 percent mandatory employer's contribution as the starting level. In terms of management category, multinationals tended to be more generous in the employer's MPF contribution, with 31% of them paying more than the mandatory 5 percent to all their employees.

Employers' Stance on Abolition of MPF Offsetting

The findings revealed a **close tie between employers who supported (20%) and opposed (23%) abolishing MPF offsetting for severance and long-service payments** while 56% of employers held no particular view on this issue. (Chart 3)

For top three reasons given by companies that supported abolition of MPF offsetting, **85% agreed that they wanted to provide their staff with better retirement protection**, followed by being perceived as a caring and considerate employer (75%) and wanting to provide redundant staff with more protection during unemployment (72%). (Chart 4)

For top three reasons given by companies that opposed abolition of MPF offsetting, **78% cited the**

increased cost for staff dismissal/redundancy as a key reason, followed by those holding the view that employers should not be obliged to make double payments (73%) (* double payments here refer to the MPF employer's mandatory contribution, together with severance or long-service payment made by an employer to employees) and that employers might be forced to hire staff on short-term contracts (30%). (Chart 5)

Alternatives to Abolition of MPF Offsetting from Employers' Perspective

When asked about what alternatives can be considered over abolition of MPF offsetting, a higher percentage of companies held the view that employers should be offered tax credits (53%) and partial offsetting of certain percentage of employers' mandatory contribution (52%). Another 34% of companies regarded progressively reducing proportion of offsetting amounts over a number of years as an alternative (Chart 6).

HR Practitioners' Professional Stance on Abolition of MPF Offsetting

The survey also asked about HR practitioners' professional stance on the abolition of MPF offsetting for severance and long-service payments. The findings revealed that **almost two-thirds (65%) of HR practitioners supported eventually abolishing MPF offsetting for severance and long-service payments while only less than one-third (23%) were against it** (Chart 7).

For top three reasons given by HR practitioners who supported abolition of MPF offsetting, **92% cited having better retirement protection for employees as a major reason**, followed by 69% who expressed that their organisations would be perceived as a caring and considerate employer, with another 69% reflecting that the abolition would offer more protection for redundant staff during unemployment. (Chart 8)

For top three reasons given by HR practitioners who opposed abolition of MPF offsetting, 73% argued that employers should not be obliged to make double payments as a key reason, followed by reasons such as increased costs of staff dismissal/redundancy (63%) and employers being forced to hire staff on short-term contract (45%). (Chart 9)

Alternatives to Abolition of MPF Offsetting from HR Practitioners' Perspective

45% of the polled HR participants expressed that offering tax credits to organisations could be an alternative to abolition of MPF offsetting while 42% proposed that partial offsetting of a certain percentage of employers' MPF mandatory contribution could be an option. Other suggestions including partial offsetting of certain percentage of employers' non-mandatory MPF contribution (21%) and progressive reduction in proportion of offsetting amounts over a number of years (21%) were given as alternative solutions. (Chart 10)

Conclusion

The survey findings revealed that there was no prevailing trend for Hong Kong employers to support or oppose abolishing MPF offsetting for severance and long-service payments. A large majority of Hong Kong employers (56%) do not have a particular stance and keep an open mind to this issue. The survey also tapped into the professional views of HR practitioners on the issue. The results showed that a majority of Hong Kong HR practitioners (65%) supported eventually abolishing MPF offsetting. One key observation was that providing staff with better retirement protection was rated by both organisations (85%) and HR practitioners (92%) as the top reason to support abolition of MPF offsetting.

Julita Leung, Chairperson of HKIHRM's Employment-Related Hong Kong Legislation and

Issues Committee says: “To safeguard employees’ retirement protection, the Institute supports eventually abolishing MPF offsetting for severance and long-service payments, which should be implemented by phases with due consideration of various stakeholders’ concerns. To facilitate the transition, the Institute proposes exploring alternative arrangements such as tax credits to employers and partial MPF offsetting using the employer’s voluntary contribution.”

She adds that employees should have proper retirement protection under any circumstance and should receive proper compensation due to loss of office.

“As the leading professional body in human resource management in Hong Kong, we will continue to promote to HR practitioners about the rightful and ethical use of severance and long-service payments to ensure good employment practice,” Julita Leung emphasises.

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<https://drive.google.com/folderview?id=0By7fYRr2310RWV9GS0hXbE0zNUU&usp=sharing>

Caption: Julita Leung, Chairperson of HKIHRM’s Employment-Related Hong Kong Legislation and Issues Committee.

Please click the link below for the charts:

<https://drive.google.com/folderview?id=0By7fYRr2310RY0N4aW5HejdvclE&usp=sharing>

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About HKIHRM

As the most representative professional human resource institute in Hong Kong, the Hong Kong Institute of Human Resource Management (HKIHRM), a non-profit making organisation, has more than 5,500 members, with about 600 of whom are corporate members. Founded in February 1977, the Institute aims at developing, maintaining and enhancing professional standards in HR management, and increasing the perceived value and influence of the HR profession. The Institute organises a wide range of professional activities such as multi-level training programmes, conferences and an award programme, and provides services such as conducting surveys and publishing a professional journal. The Institute is commissioned by the Government of the HKSAR as the professional writer to develop and produce the Specification of Competency Standards for the Human Resource Management sector under Hong Kong Qualifications Framework. The HKIHRM is a member of the Asia Pacific Federation of Human Resource Management which is one of the continental federations under the World Federation of People Management Associations. For more information, please visit our website at <http://www.hkihrm.org>.