

CE welcomes LegCo's passage of amendment bill on abolishing "offsetting" arrangement under Mandatory Provident Fund

The Chief Executive, Mrs Carrie Lam, welcomed the passage of the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Bill 2022 by the Legislative Council (LegCo) today (June 9), referring to the passage as a significant milestone in enhancing retirement protection of employees. She thanked employers and employees for striving to build a consensus on abolishing the "offsetting" arrangement over the years. She also thanked the Labour and Welfare Bureau and the Labour Department for their perseverance in resolving this thorny issue.

Mrs Lam said, "Given the rapid ageing of Hong Kong's population, the issue of retirement protection has become more imminent. As early as when I served as the Chief Secretary for Administration and the Chairperson of the Commission on Poverty, I championed the need to strengthen the Mandatory Provident Fund (MPF) as one of the key pillars of Hong Kong's retirement protection system, under which the community must duly address the 'offsetting' arrangement."

Under the Mandatory Provident Fund Schemes Ordinance passed in 1995, employers could use the accrued benefits of their mandatory contributions under the MPF System to offset, under specific circumstances, the expenses for severance payment and long-service payment shouldered by them. This would no doubt hamper the retirement protection accorded by the MPF to employees, especially the grassroots. During the implementation of the MPF Schemes over the years, the amount of contributions depleted as a result of the "offsetting" arrangement has been rising. The labour sector has requested that the "offsetting" arrangement be abolished as soon as possible, whereas the business sector has been concerned that abolishing the "offsetting" arrangement would increase the burden on employers and thus affect the business environment.

"The previous-term Government conducted extensive consultations and made recommendations with a view to narrowing differences when it came to abolishing the 'offsetting' arrangement. When I ran for office as the fifth-term Chief Executive in 2017, I promised in my manifesto that we would listen to the views of both the labour sector and the business sector, especially small and medium-sized enterprises, in order to reach a consensus on abolishing the 'offsetting' arrangement under the MPF System. After assuming office, I proposed in March 2018 a preliminary idea of key points on abolishing the 'offsetting' arrangement, and formally announced in the 2018 Policy Address an enhanced package to significantly increase the subsidy for employers, with the subsidy period extended from 10 years as proposed by the

previous-term Government to 25 years, and the financial commitment of the entire government subsidy scheme thus increased from \$7.9 billion as proposed by the previous-term Government to \$29.3 billion (in 2016 prices)," Mrs Lam said.

In the course of formulating the enhanced package and after announcement, the Labour and Welfare Bureau and the Labour Department have had frequent discussions with stakeholders including the Labour Advisory Board (LAB), key chambers of commerce, employers' associations, labour unions, political parties, and relevant panels of the LegCo. Taking account of the business sector's views, the 2021 Policy Address Supplement in October last year announced the refinement of the government subsidy scheme while maintaining generally the same amount of the Government's financial commitment (\$33.2 billion in 2021 prices) and the 25-year subsidy period, so as to focus more on supporting micro, small and medium-sized enterprises and provide more targeted assistance to help employers adapt to the policy change upon abolishment of the "offsetting" arrangement. The Government considers that these measures have addressed the concerns of the business sector while duly resolving the problem of the "offsetting" arrangement that has plagued the labour sector for years, and also create the necessary conditions for the full portability of the MPF.

Mrs Lam expressed her heartfelt gratitude to all sectors of the community, especially the LAB and relevant employers' and employees' organisations, for upholding a mutual understanding coupled with rational deliberation over the years and offering valuable views on the proposed abolishment of the "offsetting" arrangement. Their efforts have facilitated the LegCo's smooth passage of the Bill, which is hailed as a major achievement of the current-term Government in enhancing the retirement protection system of Hong Kong.

The Government will press ahead with the ancillary arrangements for abolishing the "offsetting" arrangement, including setting up the government funding programme, following up in the next legislative session on a Designated Savings Accounts Scheme for employers to cope with future financial needs, and conducting extensive publicity with easy-to-understand information to help employers grasp the abolition of the "offsetting" arrangement and related ancillary measures. Following the full implementation of the eMPF Platform, which is being developed by the Mandatory Provident Fund Schemes Authority, the Government expects that the "offsetting" arrangement could be formally abolished in 2025.