

# Government responds to media enquiries on Employment Support Scheme

The Government spokesman responded today (August 19) to media enquiries in respect of the Employment Support Scheme:

## (1) Complaints on breaches and the handling method

Under the Employment Support Scheme (ESS), all employers who have received the first tranche of wage subsidies have made two undertakings: (i) the number of paid employees in any one month during the subsidy period (June to August) should not be less than the total number of employees (regardless of whether they are paid or not) in March 2020; otherwise employers have to pay a penalty to the Government; and (ii) all the wage subsidies received must be used for paying employees' wages but not for other purposes.

To ensure that the employers who have received subsidies will comply with the above terms, the ESS Processing Agent has required the Mandatory Provident Fund (MPF) trustees to provide employers' MPF record certificates for June and July before August 31, so as to check whether employers have spent all wage subsidies of a particular month to pay wages of employees, and whether the total number of paid employees has reached the total number of employees in March (i.e. "committed headcount of paid employees").

"Employees who are on (or are required to take) no-pay leave are not regarded as 'paid employees', so they are not counted towards 'committed headcount of paid employees'", the spokesman reminded the employers again.

In addition, the ESS Processing Agent is adopting a risk-based approach (for example, if complaints and reports are received) based on the characteristics of employers (for example, the number of employees etc.) to conduct sample on-site checking of employers. So far the Processing Agent has carried out sample checking at 241 employers' organisations, including 36 employers with zero "committed headcount of paid employees". It will carry out sample checking of another over 60 employers which are considered high risk in the coming week.

Apart from taking investigation actions proactively, the monitoring by the public and employees are of paramount importance. Since June 22, the ESS Secretariat (the Secretariat) has uploaded by batches the lists of employers who have received wage subsidies, and so far information about the subsidies of 137 500 employers has been uploaded. As at August 18, the Secretariat has received a total of 407 reports or complaints. These cases involve primarily unreasonable staff reduction and/or dismissal of employees before/during the subsidy period, late payment of wages or pay cuts, and suspected company closure or change of operators.

"We attach high importance to every single report and complaint. The

Secretariat and Processing Agent are following up and investigating the cases. The Review Panel set up by the Policy Innovation and Co-ordination Office (PICO) will examine the investigation report on each of the cases. Informants will be notified of the relevant result after the completion of investigation," the spokesman said.

Apart from the above, the Secretariat so far has referred 52 reports or complaint cases to the Labour Department. Labour Department has taken follow-up action immediately and has received 12 claims related to employment rights and benefits, mainly involving underpayment of terminal payments, disputes on wages and unilateral change of contract terms by the employers. Among the 12 claims, the employers and employees of four claims reached a settlement after the reconciliation of the Labour Department; legal arbitration of another six cases has to be sought through the Labour Tribunal; the remaining two cases are being processed. If information shows that the employers may have breached the Employment Ordinance, the Labour Department will carry out investigation. If there is sufficient evidence, the employers will be prosecuted, in order to combat crimes breaching the Employment Ordinance.

## (2) New arrangements under the second tranche of the ESS

Taking into consideration that some employers have not provided to the MPF trustees information about the wages or voluntary contribution of employees aged 65 or above who have MPF accounts in the past and hence not being able to apply for wage subsidies in respect of those employees under the first tranche of the ESS, we have relaxed the requirements under the second tranche: if the MPF record certificates show the employment of employees aged 65 or above, the Secretariat will provide a monthly wage subsidy of \$5,000 per employee. In setting this subsidy amount, we have made reference to the average wage subsidy amount in the "specified month" of the 15 700 employees aged 65 or above who are eligible for wage subsidy under the first tranche. However, if the MPF record certificates show the wages or voluntary contribution of the employees aged 65 or above, the Processing Agent will continue to calculate the wage subsidy based on 50% of the relevant wages or 10 times of the voluntary contribution, with the maximum capped at \$9,000 and the minimum being \$5,000. This is a very generous arrangement for employees aged 65 or above. Making an estimate with reference to the application figures of the first tranche, the employers who have employees aged 65 or above but have not got subsidies for them (involving 6 350 employees) will be able to receive wage subsidies of \$15,000 (September to November) for each of such employee under tranche 2 of the ESS. For the employers who received a monthly subsidy less than \$5,000 per employee for those employees aged 65 or above under the first tranche, they will receive \$5,000 subsidy per employee under the second tranche.

Having considered the public's views on the first tranche of the ESS, we will require the major property management companies who apply for wage subsidies of the second tranche to undertake to give back at least 80% of the wage subsidies to owners/owners' associations.

"We note that the public in general welcome this proposal, and are grateful to have the positive response of the Hong Kong Association of Property Management Companies and some major property management companies, who agree to the objective of the proposal and will discuss with owners/owners' association how to make better use of the sum given back," the spokesman said.

Concerning the additional undertakings by the two major chained supermarkets, Wellcome and PARKnSHOP, to give back to customers and donate to Non-government Organisations (NGOs) and the underprivileged during the subsidy period of the second tranche (September to November 2020), the spokesman emphasised that the Government will listen carefully to the public's views about the implementation of the relevant undertakings. PICO has invited relevant organisations to discuss the preliminary thought of implementing the undertakings next week, and will require them to submit a proposal on how to give back to customers and donate to NGOs at the same time when making an application for the second tranche of the ESS.

### (3) Effectiveness of the support measures by the Government

The seasonally adjusted unemployment rate for May – July 2020 announced by the Census and Statistics Department today is 6.1%, representing a slight decrease of 0.1% compared with that of April – June, whereas the underemployment rate is 3.5%, representing a decrease of 0.2% compared with April – June. We are of the view that the first tranche of the ESS in general fulfills its original purpose, i.e. preventing the worsening of the unemployment and substantial redundancies.

To reduce the impact of the epidemic on various industries, in the past half year, the SAR Government implemented numerous measures to support the economy and provide relief to citizens through the 2020-21 Budget and two rounds of Anti-epidemic Fund (including the ESS), amounting to a total of HK\$280 billion, or 10% of our gross domestic product. This will provide cushion to the economic downturn by about 5 percentage points.

The Chief Executive, Mrs Carrie Lam, also announced yesterday that the Government will launch the third round of the Anti-epidemic Fund to support industries hard hit by the epidemic. However, although employers are receiving subsidies under the ESS to preserve the jobs of their staff, it is still difficult for them to continue their operation because the third wave of outbreak remains severe and employers are unable to pay rent. If a substantial number of employers need to close their operation and dismiss their employees because they cannot pay rent or fulfil other obligations under the lease, the purpose of implementing the ESS to preserve jobs will not be achieved, and the speedy recovery of the economy cannot be facilitated after the epidemic stabilises. As a result, the Chief Executive yesterday appealed to all property owners in Hong Kong again to offer assistance to tenants by providing rent relief and/or management fees waiver, stopping enforcement actions (for example, termination of lease, re-entry action or taking legal actions) if tenants cannot pay rent timely or fulfil other obligations under the lease.

"The economy of Hong Kong will only recover speedily when the epidemic stabilises. As such, the community as a whole should continue to fight the virus together, maintain social distancing and reduce the frequency of going out. We encourage citizens to co-operate with the Centre for Health Protection, assist in the tracing of close contacts, and participate proactively in the Universal Community Testing Programme, so as to identify the asymptomatic infection cases and cut the community transmission chain as early as possible, and safeguard the health of members of the public and their family members (in particular the elderly)," the spokesman said.