

Government responds to media enquiries on Employment Support Scheme

The Government spokesman responded today (August 23) to media enquiries in respect of the Employment Support Scheme (ESS):

Just as those applying for the first tranche of the ESS, employers applying for the second tranche of the ESS can choose any one month from December 2019 to March 2020 as "specified month". The amount of wage subsidies will be calculated based on 50 per cent of the actual wages paid to each employee in the "specified month", with a wage cap at \$18,000 per month. The maximum wage subsidy per employee is \$9,000 per month. The amount of wages paid in "specified month" and the information on MPF contributions only serves as the basis for calculating the wage subsidies instead of the maximum subsidies that the employers can use for paying wages for each employee. We have retained some flexibility when designing the ESS, including that employers are not required to maintain the original salary level (e.g. in "specified month") of individual employees. Otherwise, some employers, especially those in industries hard hit by the epidemic, may choose to close down.

Moreover, all employers applying for the second tranche of wage subsidies have to make the same undertakings as those applying for the first tranche did: (i) during the subsidy period (September to November), all the wage subsidies received must be used for paying employees' wages in the same month. In other words, the subsidy cannot be used for other purposes or used for paying wages in other months. Otherwise, the concerned employers have to return the subsidies received in full or in part; and (ii) the number of paid employees in any one month during the subsidy period (September to November) should not be less than the total number of employees in March 2020 (regardless of whether they were paid or not) ("committed headcount of paid employees"). Otherwise, employers have to pay a penalty to the Government. If employees are on (or are required to take) no-pay leave for a whole month during the subsidy period, they are not regarded as paid employees, so they are not counted towards "committed headcount of paid employees".

In order to strengthen the deterrence against employers significantly laying off their employees and having no intention to rehire employees to fill the vacancies, we have added a new penalty clause in the second tranche of the ESS. If the ESS Secretariat considers that the magnitude of redundancies made by the employers during the subsidy period (i.e. from September to November 2020) was substantial, and the employers fail to prove their intention to hire new employees to replace those being laid off and/or re-employ those who have been laid off, or there are no reasonable explanations provided for the redundancies made, the Government reserves the right to claw back the second tranche of wage subsidies disbursed to the employers (in full or in part).

Moreover, if employers receiving the first tranche of wage subsidies made redundancies in their respective companies/organisations during the subsidy period (i.e. from June to August 2020) and the ESS Secretariat considers that the magnitude of redundancies was substantial, and the employers fail to prove their intention to hire new employees to replace those being laid off and/or re-employ those who have been laid off, or there are no reasonable explanations provided for the redundancies made, the Government reserves the right to reject the concerned employers' applications for the second tranche of wage subsidies.

The spokesman said, "The ESS Secretariat will examine whether the employers complied with the promises in the first tranche and determine if it is necessary to exercise to the above power".

Applications for the second tranche of the ESS will be accepted from 7am on August 31 to 11.59pm on September 13. Eligible employers, regardless of whether they applied for the first tranche, can submit their applications through the ESS website (www.ess.gov.hk) during the said period. Self-employed persons (SEPs) with MPF "self-employed person" accounts as of March 31 can also submit applications during the same period if they have not received the subsidy in the first tranche of the ESS.

In addition, the ESS Secretariat has notified a further batch of successful applicants that disbursement of wage subsidies will commence next week. About 400 employers and about 900 SEPs were involved. The total wage subsidies amount to about \$100 million. To date, the wage subsidies disbursed in the first tranche amount to about \$44 billion, covering around 149 000 employers with a total committed paid headcount of about 1.9 million.