

Government responds to media enquiries on Employment Support Scheme

In response to media enquiries on Employment Support Scheme (ESS) regarding individual circumstances that, if the wage subsidy per head is more than \$9,000 as calculated by dividing the total wage subsidies received by the number of "committed headcount", whether the ESS Secretariat (the Secretariat) will claw back the "additional" amount of subsidies, a Government spokesman today (June 23) clarified that, the ESS does not require employers to use the wage subsidies to subsidise at maximum \$9,000 or half of the wages of each employee. Therefore, should the employer spend all the wage subsidies on paying wages to the employees and not make redundancies during the subsidy period, the Secretariat will not need to claw back wage subsidies from the relevant employers.

As a matter of fact, under the first tranche of ESS, employers applying for ESS can choose any one month from December 2019 to March 2020 as "specified month" having regard to the circumstances of their enterprises. 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 (i.e. the maximum wage subsidy per employee at \$9,000 per month). It should be noted that this 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, nor that the employers have to spend the wage subsidy on each employee on a reimbursement basis.

Considering that in March 2020, the outbreak of epidemic was more severe than the previous few months, quite a number of enterprises being affected by the epidemic had already reduced the number of employees. The number of employees and staff expenses in March 2020 were lower than that during December 2019 to February 2020. The objective underpinning the design of the ESS is to allow flexibility for employers to, having regard to the circumstances of their businesses, choose a particular month with greater number of employees and higher staff expenses as the "specified month", so as to maximise the amount of wage subsidies to be received. This enables employers to retain existing employees, to provide at least half of the wages for employees who have been put on no-pay leave, re-hire employees or even hire new employees having regard to their businesses. This is consistent with the objectives of the ESS. That said, if the employer cannot use the entire subsidy amount on paying wages in any one month from June to August 2020, the employer will have to return the unspent amount to the Government.

On the other hand, employers who have received the wage subsidies of the first tranche of ESS must undertake not to make any redundancies during the subsidy period, that is to make sure the number of employees on the payroll in any one month of the subsidy period from June to August 2020 will not be less than the total number of employees in March 2020 (regardless of whether

they were paid or not), or they will have to pay a penalty to the Government.