

## Transcript of remarks by SLW on abolition of MPF "offsetting"

Following is the transcript of remarks by the Secretary for Labour and Welfare, Dr Law Chi-kwong, on the abolition of using employers' mandatory contributions under the Mandatory Provident Fund (MPF) System to offset severance payment and long service payment, after officiating at the Citi-HKCSS Community Intern Program 2018 Recognition Ceremony this afternoon (October 29):

Reporter: Secretary, it seems there are a lot of different scenarios, situations and very complicated calculations with regards to how businesses will bear extra cost and how the Government can compensate or subsidise the businesses when we scrap the MPF "offsetting" mechanism. So is there a healthy discussion because it seems that there are still a lot of misunderstandings. They are saying that you said this number, while you are saying that their calculations may not work for everyone. So when can we see an agreement or is there going to be an agreement when the Government introduces the proposal to the LegCo for lawmakers to vet? My second question is: Some businesses are still proposing that they want a fund pool instead of having subsidies. Is this completely off the table?

Secretary for Labour and Welfare: Let's go back to the last question first. The Government has considered all possible alternatives that have been expressed and suggested to the Government. In fact, all these options, most of them were actually mentioned before this administration, that is, in the last administration.

The "fund pool" idea sounds attractive for those particularly who do not really understand what possibly the impact would be for their own business. But then if you look at all these kinds of "fund pool" arrangements, it has particularly a moral hazard and that moral hazard would be unfavourable to those who are doing business in a proper manner and fair to their own employees. Therefore, this is basically out of the question for the Government to set a system to encourage moral hazards in such a way which is unfair to business. Your first question?

Reporter: The calculation, numbers.

Secretary for Labour and Welfare: I do think that the Government has a duty, at least I as the Secretary for Labour and Welfare, has the duty to explain to the community, in particular the business community, the details of the proposal and the implication in abolishing the MPF "offsetting" mechanism. I guess, a lot of business people having the MPF "offset", they have actually forgotten what the long service payment and severance payment are really meant for, and who will be eligible. Who will not be eligible? And the implication of such abolition of the "offsetting" mechanism will mean to them. Therefore, I do see a need for me, at least, and my colleagues to try to explain to the community and the business as far as possible. That is what

we are going to do in the future. In fact, we will try to solicit support from other professional bodies, too, so as to help them ease their mind. Because if they do not believe in the Government, they have to believe in other professionals. So that is what we are going to do. Thanks.

(Please also refer to the Chinese portion of the transcript.)