

**EMPLOYMENT SUPPORT SCHEME
(ESS)
TRANCHE 2**

18-8-2020

Objective

To maintain employment during the pandemic by providing time-limited financial support to employers to retain their employees, who will otherwise be made redundant

Wage subsidy period

Wage subsidy for 6 months in two tranches

- 1st tranche: paying wages in June, July and August 2020
- 2nd tranche: paying wages in September, October and November 2020

Two required undertakings

- Not to implement redundancies during the subsidy period; and
- To spend all the government wage subsidies on paying wages to their employees

Design Characteristics

- Administrative procedures are simple to ensure that subsidy can be disbursed as quickly as possible
- Flexibility is maintained to cater for the needs of different businesses and to avoid affecting commercial operations
- Employers may choose a month with greater number of employees and higher wage expenses as the "specified month", so as to maximise the wage subsidies to be received. This would enable employers to retain existing employees, pay wages to employees on no-pay leave, or even re-hire employees or hire new employees

ESS TRANCHE 1

The Highlights

Major Milestones

Date	Milestones
8 April	The Chief Executive (CE)'s announcement of the launch of the ESS
18 April	Legislative Council's approval for an injection of \$120.5 billion into the Anti-epidemic Fund. \$81 billion out of the approved sum (plus additional provision for administrative and contingency cost) is directed to the ESS

Major Milestones

Date	Milestones
12 May	CE's announcement of four improvement measures: <ol style="list-style-type: none"> 1. Employers may apply for wage subsidies for employees aged 65 or above who have Mandatory Provident Fund (MPF) accounts 2. Employers may apply for wage subsidies for "regular employees" under the MPF Industry Schemes (tailor-made for the construction industry and catering industry) if they have made MPF contributions for them 3. Self-employed persons (SEPs) who have not made MPF contributions may apply for a one-off subsidy of \$7,500 (SEPs are required to set up an MPF SEP account on or before 31 March 2020) 4. "Specified month" can be any one month between December 2019 and March 2020 (i.e. December 2019 added as an option)

Major Milestones

Date	Milestones
25 May – 14 June	Applications opened for employers and SEPs for wage subsidy in the first tranche/one-off subsidy
12 June	Disbursement of the first batch of subsidies
17 August	Disbursement of subsidies in nine batches to 99% of eligible employers/SEPs

Applications from employers

Statistics

Applications received	: 168 799
Applications approved	: 148 500 (88% of applications received)
Applications rejected	: 18 300 (11% of applications received)
Applications being processed	: 1 790 (1% of applications received)

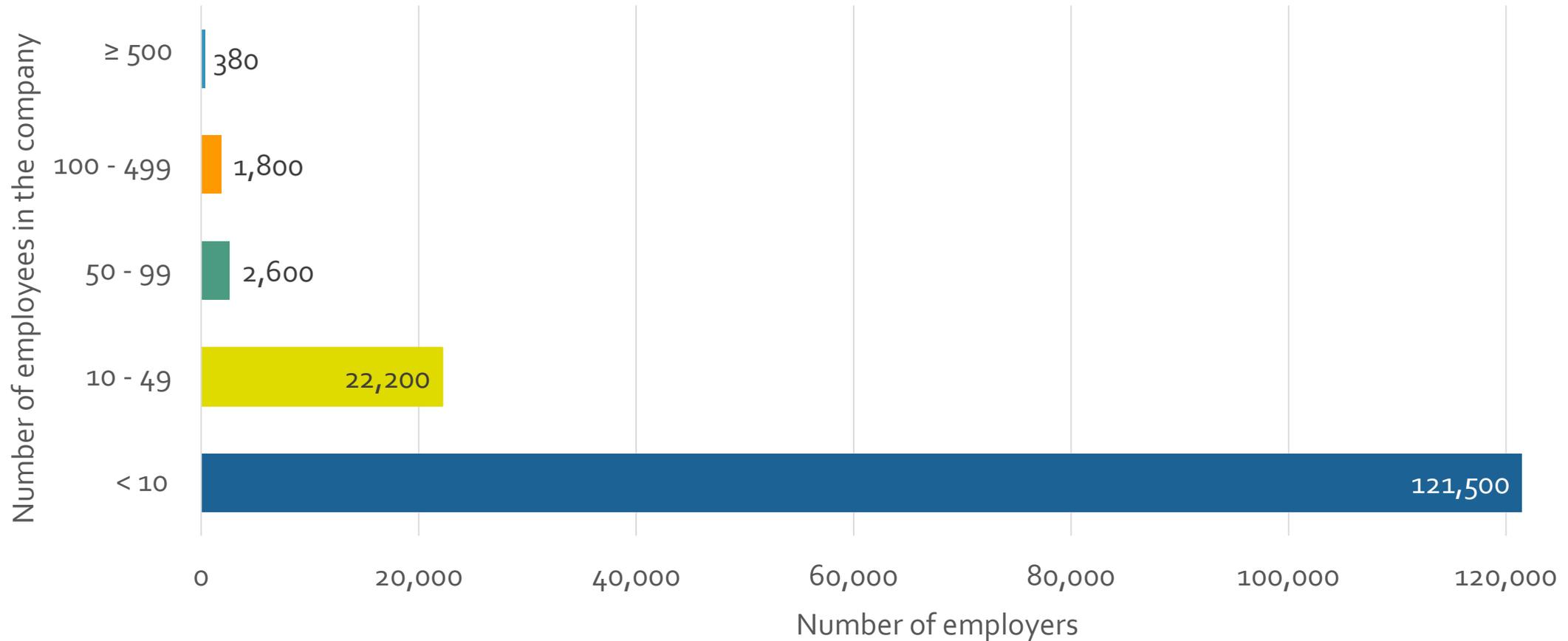
Applications from employers

Reasons for rejection

- Without eligible MPF accounts (e.g. accounts set up on or after 1 April 2020 or terminated before 31 March 2020)
- Zero wage subsidy (e.g. employers had made no MPF contributions for their employees in the “specified month”)
- Duplicated applications
- Incomplete or inaccurate information
- The company has been closed or wound up

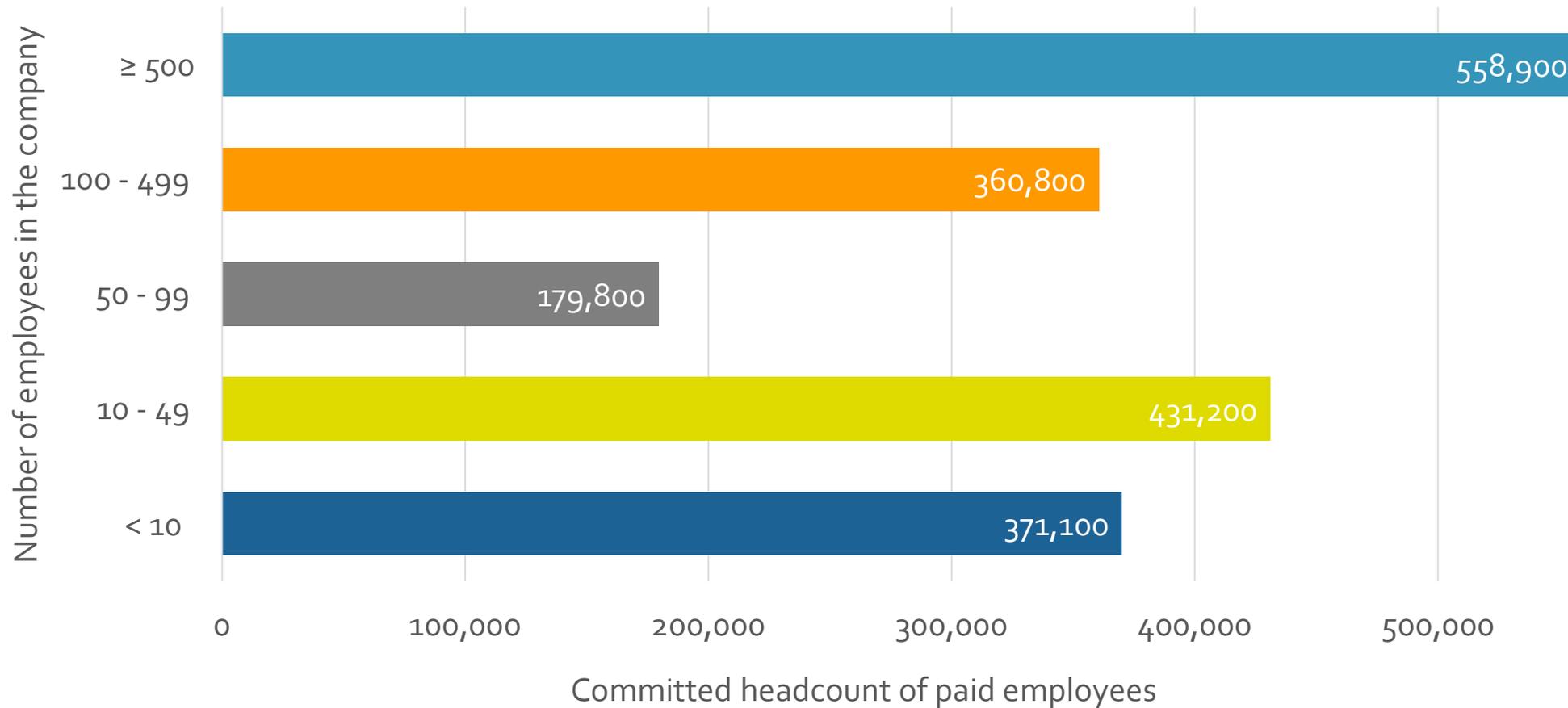
Employer applications

Number of successful employer applicants: **148 500**



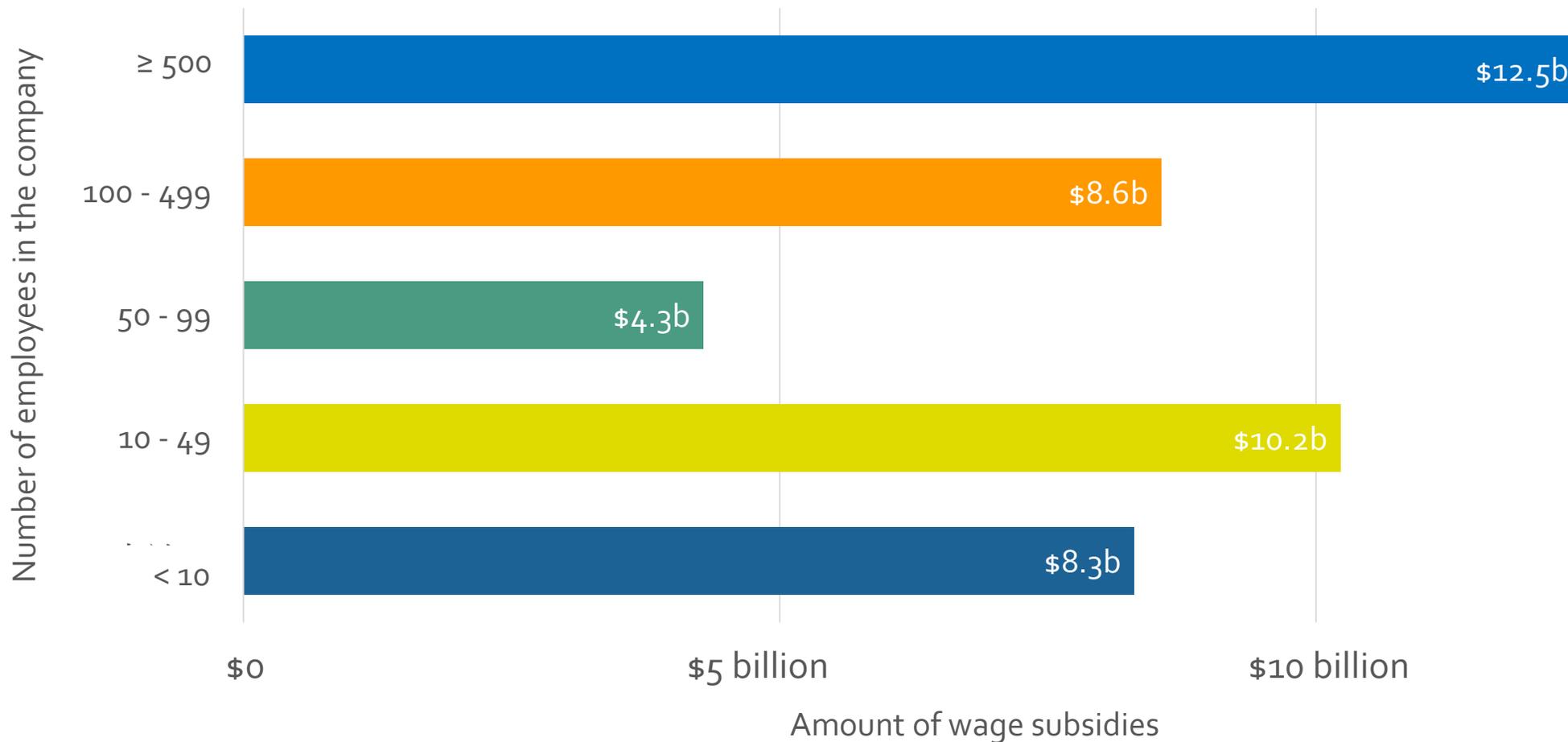
Employer applications

Committed headcount of paid employees: **1.9 million**



Employer applications

Total wage subsidies approved: **\$43.9 billion**



Employer applications Statistics (by number of employees)

Number of employees	Number of employers		Wage subsidy		Committed headcount of paid employees		Average wage subsidy per employee
		Percentage		Percentage		Percentage	
<10	121 500	82%	\$8.3b	19%	370 100	19%	\$22,400
10 - 49	22 200	15%	\$10.2b	23%	431 200	23%	\$23,700
50 - 99	2 600	2%	\$4.3b	10%	179 800	9%	\$23,900
100 - 499	1 800	1%	\$8.6b	20%	360 800	19%	\$23,700
≥ 500	380	0%	\$12.5b	28%	558 900	29%	\$22,300
Total	148 500	100%	\$43.9b	100%	1 900 800	100%	\$23,100

Employer applications

Auditing and on-site checking

During and after vetting of applications:

- The ESS Processing Agent will vet and check all the information submitted by the employers (including name of the applicant, information about business registration and bank account, and MPF contribution records, etc.)
- The Processing Agent will conduct on-site checking at employers' organisations (including employers who have set up MPF-exempted ORSO schemes and employers with zero "committed headcount of paid employees")
- On-site checking has been done at 216 employers' organisations and will continue (on-site checking will be conducted this week at over 50 employers' organisations with zero "committed headcount of paid employees")

Employer applications

Monitoring by the public

Since 22 June, we have uploaded the following in batches onto the dedicated ESS website:

- Name list of employers who have received wage subsidies
- The amount of subsidies received
- Committed headcount of paid employees

Name lists of **137 500** employers and the relevant information have been uploaded in seven batches

Should an employer be found to have abused or violated the conditions of the ESS, the employees concerned or members of the public can make a report to the ESS Secretariat

Employer applications Monitoring by the public

Up to **16 August**, a total of **387** reports have been received (less than **0.3%** of approved applications)

The cases involve primarily:

- staff reduction and/or dismissal of employees before/during subsidy period
- late payment of wages or pay cuts
- requesting employees to prolong their no pay leave
- company closed or change of operator
- employers are unlikely to be able to achieve the committed headcount of paid employees

Employer applications

Monitoring by the public

The Secretariat and Processing Agent are following up proactively on each and every report and complaint, including conducting on-site investigations at employer's organisations

The Policy Innovation and Co-ordination Office has set up a Review Panel to examine the investigation report on each of the cases

As at 16 August, the investigations of **136** cases have been completed and the complainants have been informed of the investigation results

Another **251** cases are being investigated by the Processing Agent, and the number of reports/complaints referred to the Labour Department, the Customs and Excise Department and the Mandatory Provident Fund Schemes Authority are **52, 1 and 5** respectively

Employer applications

Active Monitoring

Apart from public monitoring, the Processing Agent has requested the MPF trustees to provide all employers' MPF record certificates (covering June to August), which will show information about the wages that they have paid to employees during the subsidy period and the actual number of paid employees

If an employer is found to fail his/her undertakings, the Government will, in accordance with penalty mechanism, claw back the wage subsidies / request a penalty to be paid to the Government

Having considered the impact of the Covid-19, we will accept certificates to be provided by MPF trustees which cover employers' MPF contributions for June and July 2020 that have been settled on or before 31 August 2020

SEP applications

Statistics

Applications received	:	259 600
Applications approved	:	116 000 (45% of applications received)
Applications rejected	:	141 300 (54% of applications received)
Applications being processed	:	2 300 (1% of applications received)

Total approved sum: \$870 million

SEP applications

Reasons for rejection

- Applicants do not have “MPF SEP accounts” (e.g. application submitted in the capacity of an employee, or based on a “personal account” opened by an employee after departure)
- Duplicated applications
- MPF SEP accounts have been terminated on or before 31 March 2020 / set up on or after 1 April 2020

ESS TRANCHE 2

The Salient Points

No change to eligibility

Employers

With the exception of ineligible employers, employers who have participated in MPF schemes or who have set up ORSO schemes, regardless of industries, are eligible

Relevant accounts should have been set up on or before 31 March 2020 (i.e. cannot be backdated to that date or any earlier dates)

No change to eligibility

SEPs

Should have set up an “MPF SEP account” on or before 31 March 2020 (i.e. cannot be backdated to that date or any earlier dates), and that account has not been terminated as of 31 March 2020

SEPs who have received subsidies in the first tranche of ESS are not eligible

An MPF account opened in the capacity of an “employee” or a “personal MPF account” in any form is not eligible

Eligible SEPs who submit an application will receive a one-off subsidy of \$7,500

No change to the calculation method of wage subsidies

Can choose any one month from December 2019 to March 2020 as the “specified month”

The amount of subsidies for September, October and November 2020 will be calculated based on 50% of the actual wages in the “specified month”, with a wage cap at \$18,000 per month. The maximum wage subsidy per employee is \$9,000 per month

No change to the calculation method of wage subsidies

A snapshot of employers' MPF contribution data for December 2019 to March 2020 was taken on 7 May 2020, which will be used for calculating wage subsidies. No changes to the information will be allowed for the purpose of applying for ESS subsidies

Employers may only apply for wage subsidies in respect of employees for whom default mandatory contributions (excluding surcharge) have been settled on or before 7 May 2020

Changes under tranche 2

- (a) Employers who have received wage subsidies in the first tranche of the ESS may **choose another month as the “specified month”** when making an application under the second tranche

Changes under tranche 2

(b) More employees aged 65 or above who have MPF accounts will be benefited

Arrangement under tranche 1:

If information on the wages of employees aged 65 or above is shown on the employer's MPF record certificate:

- the amount of wage subsidies will be calculated based on 50% of the actual wages paid to the relevant employees in the “specified month”, with a wage cap at \$18,000 per month per employee. The maximum wage subsidy per employee is \$9,000 per month

If information on the voluntary MPF contribution for employees aged 65 or above is shown on the employer's MPF record certificate:

- the amount of wage subsidies will be calculated by multiplying the amount of employers' voluntary contributions for the relevant employees in the “specified month” by 10 times, with a cap at \$9,000 per month per employee

Changes under tranche 2

(b) More employees aged 65 or above who have MPF accounts will be benefited (cont)

Improvements under tranche 2:

If information on the employment of employees aged 65 or above (but not their wages nor MPF voluntary contributions made for them by the employer) is shown on the employer's MPF record certificate:

- the amount of wage subsidies will be calculated based on the number of such employees aged 65 or above engaged in the "specified month", with a subsidy of \$5,000 per employee per month

If the amount of wage subsidy for any of the employees aged 65 or above calculated based on 50% of the actual wages or 10 times of the voluntary MPF contributions is below \$5,000 per month:

- the employers may receive a wage subsidy of \$5,000 for each of such employee per month

Employers must spend all the received subsidies (\$5,000 x 3 months) to pay the wages for employees aged 65 or above

No change to the required undertakings (for general employers)

The respective number of paid employees (excluding those on no-pay leave) in September, October and November 2020 should not be less than the total number of paid and unpaid employees in March 2020 (i.e. the “committed headcount of paid employees”)

To spend all the wage subsidies for a particular month from the Government on paying wages to the employees for the same month in September, October and November 2020

Additional undertakings by major property management companies

Major property management companies which will receive wage subsidies in the second tranche should undertake to give back at least 80% of the amount equivalent to their ESS wage subsidies to the owners/owners' associations, for example:

- Offering time-limited waiver or reduction in management fees
- Subject to the owners/owners' associations' consent, depositing the relevant sum to the management accounts for future use

Additional undertakings by the two major chained supermarkets

ParknShop and Wellcome should undertake to:

- provide cash coupons/more discounts to customers and NGOs during the wage subsidy period of the second tranche (September to November 2020)

No change to the calculation method of penalty

(A) Claw back:

If an employer fails to use all the subsidies received for a particular month to pay the wages of his/her employees in the same month during the subsidy period (i.e. September, October and November 2020), the Government will claw back the unspent balance of the subsidies

**Subsidies received
for a particular
month**

(\$)

-

**Actual payroll expenses
for a particular month**

(\$)

No change to the calculation method of penalty

(B) Penalty:

If the total number of paid employees in any one month of the subsidy period is less than the “committed headcount of paid employees”, the employer will have to pay a penalty to the Government

$$\begin{array}{ccccc}
 \text{Subsidies} & & & & \\
 \text{received for a} & & & & \\
 \text{particular month} & \times & \text{Headcount reduction} & \times & \text{Penalty percentage} \\
 \text{(\$)} & & \text{percentage for a} & & \text{(\%)} \\
 & & \text{particular month} & & \\
 & & \text{(\%)} & &
 \end{array}$$

$$\text{Headcount reduction percentage for a particular month (\%)} = \frac{\text{Committed headcount of paid employees} - \text{Total no. of paid employees in a particular month}}{\text{Committed headcount of paid employees}} \times 100\%$$

Committed headcount of paid employees	Penalty Percentage
<10	10%
10 - 49	20%
50 - 99	40%
100 - 499	60%
≥ 500	80%

Newly imposed penalty

To deter employers from making substantial redundancies, the following conditions will be added to the Terms and Conditions of the second tranche of the ESS:

(a) Applicable to employers who have received subsidies under the first tranche and participate in the second tranche

- The Government reserves the right to reject an employer's application for the second tranche of wage subsidies if the Secretariat considers that the magnitude of redundancies made by the employer in its company/organisation during the subsidy period of the first tranche (i.e. from June to August 2020) was substantial, and the employer fails to prove its intention to employ persons to replace those being laid off and/or re-employ those who have been laid off, or there is no reasonable explanations provided for the "redundancies made" by it

Newly imposed penalty

(b) Applicable to all employers who apply for subsidies under the second tranche

- The Government reserves the right to claw back the second tranche of wage subsidies disbursed to an employer (in full or in part) if the Secretariat considers that the magnitude of redundancies made by the employer in its company/organisation during the subsidy period of the second tranche (i.e. from September to November 2020) was substantial, and the employer concerned fails to prove its intention to employ persons to replace those being laid off and/or re-employ those who have been laid off, or there is no reasonable explanations provided for the "redundancies made" by it

Newly imposed penalty

To penalise the employers who have directly or indirectly violated the objective of retaining employment or acted contrary to public interest, the following conditions will be added to the Terms and Conditions of the second tranche of the ESS:

(a) Applicable to employers who have received the first tranche of subsidies and participate in the second tranche

- The Government reserves the right to reject an employer's application for the second tranche of wage subsidies or, if the subsidies have been disbursed, require the employer to return the subsidies received (in full or in part) within a specified period, if the Secretariat considers that the employer has, during the subsidy period of the first tranche (i.e. from June to August 2020), engaged in conduct which directly or indirectly violates the objective of retaining employment under ESS, or is contrary to public interest

Newly imposed penalty

(b) Applicable to all employers who apply for subsidies under the second tranche

- The Government reserves the right to require an employer to return the second tranche of wage subsidies received (in full or in part) within a specified period if the Secretariat considers that the employer has, during the subsidy period of the second tranche (i.e. from September to November 2020), engaged in conduct which directly or indirectly violates the objective of retaining employment under ESS, or is contrary to public interest

Application arrangements for the second tranche

Employers and SEPs can submit online application (www.ess.gov.hk) from 7am on 31 August to 11:59pm on 13 September

Employers who have applied for the first tranche of wage subsidies (regardless of the application result), must submit a new application for the second tranche of wage subsidies

Application arrangements for the second tranche

Employers who have received wage subsidies in the first tranche

Should use the application number, password and mobile phone number of the contact person for the first tranche to logon to the application webpage to apply for the second tranche. The application webpage will automatically display information submitted for the first tranche of application

SEPs who have received the one-off lump-sum subsidy in the first tranche cannot make application again in the second tranche.

Application arrangements for the second tranche

For employers and SEPs applying for the second tranche only: new requirements to upload documents

In addition to the scanned copies of the applicant's bank statement, applicants should also upload the following scanned copies:

- Employers: Business Registration Certificates and any documents issued by the MPF trustees which show all the MPF Schemes participated by the applicant
- SEPs: any document issued by the MPF trustees related to the "MPF SEP account" of the applicant

Subsidy disbursement arrangements for the second tranche

- Most eligible employers who have provided accurate information are expected to receive wage subsidies in three to four weeks after submission of application
- For employers whose applications involve ORSO schemes, or with some of their employees whose wages are fully funded by the Government and have received notification in writing by relevant government departments, their applications may require longer processing time
- **If employers have violated the undertakings within the subsidy period of the first tranche of wage subsidies, they will have to return to the Government the unspent balance of wage subsidies and/or pay a penalty to the Government. The relevant amount will be deducted from the wage subsidies of the second tranche to be disbursed to these employers (if applications are approved)**

Auditing and monitoring mechanisms of the second tranche

- Will continue with the auditing and monitoring mechanisms of the first tranche of ESS
- The Secretariat, after disbursing the subsidies, will continue to upload onto the ESS website the list of employers who have received subsidies under the second tranche of ESS, the amount of wage subsidies received and the “committed headcount of paid employees”
- Should an employer be found to have abused or violated the conditions of ESS, the employees concerned or members of the public may report to the authorities. The Secretariat and Processing Agent will continue to take follow-up actions proactively on all reports and complaint cases

Enquiry

ESS website www.ess.gov.hk (to be updated at 6 pm on 18 August)

Hotline: 1836-122

- Before or after application period: Monday to Friday, 9 am to 6 pm
- During application period:

31 August to 9 September	Monday to Sunday (including public holidays), 9 am - 6 pm
10 September to 12 September	9 am to 8 pm
13 September	9 am to 0:30 am the next day

Email: enquiry@employmentsupport.hk

Help desks

Starting from 31 August, call the hotline to make an appointment with the help desks:

- Room 1701, AT Tower, 180 Electric Road, North Point
- Room 2507, Prosperity Center, 25 Chong Yip Street, Kwun Tong
- Room 1206, Chinachem Tsuen Wan Plaza, 455 Castle Peak Road, Tsuen Wan

Service hours of the help desks:

- During application period:

31 August to 9 September	Monday to Sunday (including public holidays), 9 am to 6 pm
10 to 12 September	9 am to 8 pm
13 September	9 am to 10 pm

- After the application period: Monday to Friday, 9 am to 6 pm

Thank you