

# All but the Govt say CPF dead

THE idea of a central provident fund has been nipped in the bud. And few, except the Government, would challenge this conclusion.

While the Government had always claimed it had no preconceived notions on the subject, and that the final decision rested with the Executive Council, both employers and employees — the two most concerned and directly affected parties — were convinced the battle was over.

The employers considered the idea of a compulsory central provident fund (CPF) to be dead, while the employees realised the chances of a CPF were growing dim.

Exco is expected to deliver its verdict in September when a report is drawn up by the Education and Manpower Branch, together with the findings of two working groups.

But preliminary findings of the branch were that people should not be forced to save money, sources close to the branch told *The Standard*.

"We feel it is perhaps not very acceptable to force people to contribute to private provident funds."

"The Government is not really in a position to force people to contribute to one particular section of community, or the business sector," the source said.

Instead the branch is trying to find ways to encourage companies to set up voluntary private provident fund schemes.

Improving the long service payment scheme is one way.

This was first indicated by the Secretary for Education and Manpower during the Legco adjournment debate. He said the long service payment had already provided a significant incentive to the setting up of company schemes, since the employer's liability might be offset against contribution to any payment from an approved provident fund or retirement scheme.

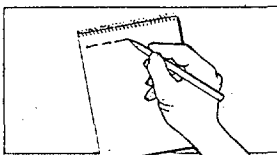
The recently agreed improvement to the long service payment, which allows elderly workers to benefit from the scheme, actually falls in line with the Government's thinking.

Apart from the long service payment scheme, the branch has successfully solved the problem of transferability of funds among companies when workers change job — another measure which seeks to increase the appeal of private funds.

"We have consulted people in the trade and found there should be no problem in standardising the format and rules of all provident fund schemes," the source said.

But it is understood that the branch has ruled out offering a tax-incentive to workers for their contributions to these funds.

Many workers did not earn enough to be taxed and would therefore not benefit from such



**ON THE BEAT**  
Labour

Employers and employees representatives have been locked in a battle over the question of the establishment of a central provident fund, CPF. In today's *On The Beat* staff reporter KRIS CHAN examines the issue in detail.

a measure, the branch felt.

"But if such a measure is introduced, the loss of revenue to the Government is expected to be tremendous," the source said.

Another measure to improve the desirability of private provident funds is to straighten out controls, which in fact is what the Government intends to do.

A working group has been formed under the Monetary Affairs Branch to look into the matter.

## The fund's recent past and future

### LOOKING BACK:

• July 1 — Legislative Councillor Mr Szeto Wah proposed an amendment to the bill to allow workers to claim a month's salary or \$2,000, whichever was smaller, as payment in lieu of notice from the Protection of Wages on Insolvency Fund. After a heated debate, the motion was defeated. Claims can only be made for seven days' wages.

• July 6 — The Labour Advisory Board agreed in principle to extend the long service payment scheme to elderly workers who retire.

• July 7 — Two major industrial accidents occurred, killing three workers and seriously injuring another. The first accident was in Western District, where two workers fell from an eight-storey scaffolding and died. The other was at a Junk Bay construction site, where a trailer derailed and hit two workers in a tunnel. One worker died on the scene and the other was seriously injured.

### LOOKING AHEAD:

• September — A report on the central provident fund, prepared by the Education and Manpower Branch, is expected to be submitted to the Executive Council for decision.