

25 Oct. 1988

Bosses set to oppose long service pay

By Kris Chan

EMPLOYERS are set to block a proposed full-scale relaxation of the long service payment (LSP) scheme which seeks to remove discriminatory treatment of younger workers.

But they will agree to shorten the qualifying length of service for younger workers as a compromise, sources from the employers' side told *The Standard* yesterday.

The employers' representatives are expected to spell out their position in next Monday's Labour Advisory Board (LAB) meeting, the sources said.

They said a government proposal to increase the amount of long service payment to which younger workers are entitled would likely be rejected by the employers.

The LSP scheme was introduced two years ago to compensate workers who have served an employer for a continuous period in case they are terminated for reasons other than summary dismissal or redundancy.

But union leaders have long criticised the scheme as discriminatory against younger workers who have to put in longer years before qualifying for LSP and receive only a discounted amount.

Under the scheme, workers aged below 41 have to perform a 10-year continuous service under a single employer before they are entitled to the payment, whereas those 45 and older require only five years of service.

While qualified workers aged 40 or above are entitled to the

full payment, those 36 years or older but less than 40 years are only entitled to 75 percent, while those below 36 years get only 50 percent.

The payment is calculated at the rate of two-thirds of a qualified worker's last full month's wages for every year of service, subject to a maximum of 12 months' wages.

In a paper to be discussed in Monday's LAB meeting, the Labour Department has proposed to remove the "discriminatory" treatment of younger workers.

Under the proposal, the qualifying length of service for employees below the age of 45 will be progressively reduced by one year annually so that in five years' time, all employees would need only five years' of service to qualify for LSP.

The rate of payment for employees below 40 will also be progressively increased annually by 25 percent of the rate for employees aged 40 and above so that they will be entitled to a 100 percent payment in two years' time.

The proposed changes were made as the nature of the scheme changed, the Labour Department said.

When the LSP scheme was first conceived, it was considered that elderly people were likely to face greater difficulty in finding new jobs after being dismissed and therefore needed more protection.

However, it is now considered that the LSP scheme should be a scheme to compensate long-serving employees without any age distinction," the paper said.

But the sources from the employers' side said they would oppose a full-scale relaxation.

The employers' representatives favour a more gradual improvement in the scheme and were therefore expected to support only the proposed reduction in the qualifying years of service, they said.

"It would be too hasty to relax both restrictions all at once," the source added.

“It is now considered that the long service payment scheme should be a scheme to compensate long-serving employees without any age distinction.”

— A paragraph in a paper to be discussed in Monday's Labour Advisory Board meeting.