

Employment Support Scheme



What is the Employment Support Scheme (ESS)?



HKSAR Government will provide wage subsidies to eligible employers to retain employees. The subsidy will be for a period of 6 months from June to November 2020. The subsidy is calculated based on 50% of wages paid to employees in a month, capped at HK\$18,000 per month (i.e., the monthly subsidy is capped at HK\$9,000 per employee).



All private sector employers that have been making Mandatory Provident Fund contributions or set up an Occupational Retirement Scheme for the employees are eligible.



Employers must undertake to spend the money paying wages and not to implement redundancies during the subsidy period.



Applications are expected to be due early June – start preparing now.



Payment will be made to employers in two tranches, with the first payout expected to be in June 2020

Initial insights



Initiating the dialogue

- Employers are actively discussing the subsidy and how to proceed
- There is a decision to be made by senior management or the Board whether to seek Government support, considering perception and reputation issues and proposed actions under business continuity measures.
- HR, finance and legal teams should be prepared to support this decision making with analysis of the impact, including compatibility of the required undertakings with head count forecasts.



Financial assessment

- Financial modelling is required. This may be a substantial boost to your cash flow – For every 100 eligible employees, the subsidy is HK\$900,000 per month, or HK\$5.4 million in total over the 6 months.
- Determining the number of eligible employees and the correct amount to claim.
- Ensuring support is not overclaimed.



Operations

- Review business plans and business continuity actions. These could affect your eligibility or the amount of subsidy.
- Consider whether applying for the support offered will require changes to your plans
- Implement processes to monitor and manage headcount on an on-going basis to ensure the scheme requirements continue to be met.



Stakeholder management

- Communications to stakeholders including employees, shareholders and public



Summary of what we know about the ESS at this point



Objective of the ESS

- Provide financial support to employers to retain their employees who will otherwise be made redundant



Eligibility

- Broadly, all private sector employers who have been making MPF contributions or set up ORSO schemes for employees



Subsidy

- 50% of actual wages paid in one of the months from January to March 2020, capped at wages of \$18,000 per month, for 6 months
- The employer can choose which month from January to March 2020 to calculate the subsidy



Requirements

- The employer must undertake not to implement redundancies during the subsidy period. The government may consider / review the headcount figure to gauge if there are any redundancies
- The employer undertakes to spend the subsidy on paying wages to employees



Clawback and penalties

- Clawback of the subsidy and penalties if the number of employees on payroll within the MPF scheme and/or ORSO scheme reduces
- There can be more serious consequences (e.g., criminal liability) for cases where the employer is deceiving the government, e.g., laying off employees and replace headcount with friends and family members.



Application

- Application forms / process will be available and announced in due course



Payment

- 1st tranche of payment: Excepted to be paid in June which will include the subsidy for June to August 2020
- 2nd tranche of payment: Excepted to be paid in September which will include the subsidy for September to November 2020
- The payment mechanism will be announced in due course

Please contact any member of our team below if you have any questions or would like our support.

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