PERSONNEL MANAGEMENT CLUB

PM VOICE

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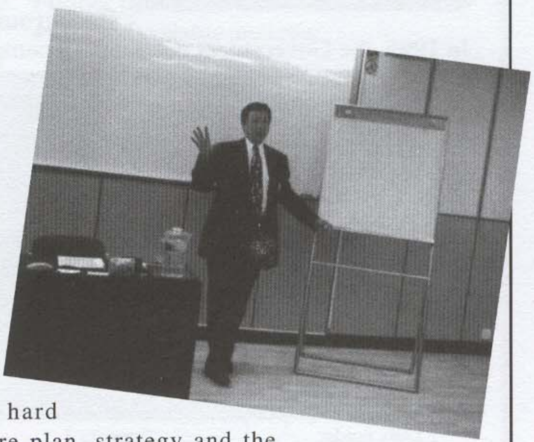
The Human Side of Restructuring



On 22 May 2002, your Club invited Dr. Timothy Leung, Chief Executive Officer of Wilson Banwell & Associates Asia Ltd., to lead an experience sharing session on "The Human Side of Restructuring".

Here below is the summary of the session.

Psychological feeling of employees in general

Restructuring can be said as a "trauma" to the employees in general - an individual has to face a sudden change where colleagues with whom s/he has been working closely all along will be leaving with short notice.

At time of restructuring, the shock comes with the news lasts for 2-3 days, but the impact on the organization may last from 6-8 weeks to as long as 3 years, depending on the handling of the aftermath by the management.

Generally speaking, there are 4 emotional responses of the employees, both leaving and staying, namely:

- Pain - associated with the departure of colleagues with whom an individual has been working closely together;
- Anger - arisen against the management for initiating the restructuring
- Feeling of self guilt - arisen out of the thinking "Why is not me who is leaving?"
- Depression - arisen out of the feeling of loss of energy and direction.

Work to be done by Management

Management has to change the mindset of the employees in general. However, the handling of those employees who are leaving and those employees who are going to stay should be different.

Handling those employees who are leaving is the first task in restructuring. It can be viewed as a show to those employees who are going to stay. Otherwise, those 'star performers' will be the first to go.

When dealing with the leaving employees, the management being the decision maker should take the lead to deliver the bad news. Individual consultation by consultants to those leaving is always advisable. The consultation, which consists of counseling and coaching, should be done immediately after the delivery of the bad news to ease the shock and stress of those being affected.

While for those employees who are going to stay, the management should communicate clearly the rationale of the restructuring, supported by hard facts, the future plan, strategy and the implementation schedule. Certain kind of recognition, even non-monetary (e.g., praise letters) should be sold to 'star performers' so as to lure them to stay.

Role of HR

HR should play the role of stability factor at time of organizational restructuring, where employees can turn to for confidence. HR professionals should therefore behave sincerely when dealing with employees.

In addition, HR professionals should also communicate to the employees that career planning is always the responsibility of the employees themselves, and not that of the HR, though HR will be responsible for the succession planning of the organization.

Corporate health and success factors

Finally, Dr. Leung shared with the participants the findings of a research he had done in the USA. The research reveals that the success of an organization depends on the personal health and the personality traits of the employees working in it.

There are 3 kinds of personal health, namely:

- Physical health
- Financial health
- Emotional health

Moreover, there are 5 success factors of an organization, which relate to the personality traits of its employees, namely:

- Sense of competitiveness
- Teamwork spirit
- Sense of proactiveness
- Resilience
- Self discipline

In conclusion, Dr. Leung advised that whether or not an employee would survive in an organization at times of turmoil depends on whether s/he pass the tests of personal healthiness and personality traits. HR can help the employees create asset within themselves through training and development.

Safety Management System

On 27 June 2002, your Club invited Mr. Yu Pak Kuen, Senior Consultant of Occupational Safety and Health Council (OSHC), to be the guest speaker for an evening talk on "How to establish a Safety Management System under the Factories and Industrial Undertakings (Safety Management) Regulation?"

Here below is the highlight of the talk.

Background

In 1995, the Government conducted a comprehensive review of industrial safety with a view to mapping out Hong Kong's long-term safety strategies. The outcome of the review is that it is essential for the enterprises to implement a self-regulatory safety management system in order to achieve high standards of safety and health at work. Therefore, the Factories and Industrial Undertakings (Safety Management) Regulation was introduced and was passed on 24 November 1999 and came into effect on 1 April 2002.

Under the Safety Management Regulation, a proprietor or contractor specified in Schedule 3 is required to develop, implement and maintain in respect of the relevant industrial undertaking a safety management system. Any person who contravenes this regulation will commit an offence and be liable on conviction to a maximum fine of $200,000 and to imprisonment for 6 months.

Proprietors and contractors who are required to have safety management system

	Aggregate number of workers working			
Duty holder	Category 1	Category 2	Category 3	Category 4
Contractor of construction work	1. ≧100 in a day in a single construction site; or 2. contract value ≧$100 million	1. ≧50 but <100 in a day in a single construction site	1. ≧100 in a day in 2 or more construction sites	1. ≧50 but >100 in a day in 2 or more construction sites
Proprietor of a shipyard business	3. ≧100 in a day in a single shipyard	2. ≧50 but <100 in a day in a single shipyard	2. ≧100 in a day in 2 or more shipyard	2. ≧50 but <100 in a day in 2 or more shipyards
Proprietor of a factory	4. ≧100 in a day in a single factory	3. ≧50 but <100 in a day in a single factory	3. ≧100 in a day in 2 or more factories	3. ≧50 but <100 in a day in 2 or more factories
Proprietor of a designated undertaking	5. ≧100 in a day in a single workplace	4. ≧50 but <100 in a day in a single workplace	4. ≧100 in a day in 2 or more workplaces	4. ≧50 but <100 in a day in 2 or more workplaces
Duties in respect of safety management system	Implement 14 elements in safety management system (Part*1, 2 and 3 of Appendix II)	Implement 8 elements in safety management system (Part 1 of Appendix II)	Implement 14 elements in safety management system (Part* 1, 2 and 3 of Appendix II)	Implement 8 elements in safety management system (Part 1 of Appendix II)

A basic safety management system (SMS)

Broadly speaking, an SMS is a planned, documented and verifiable method of managing hazards and associated risks. It is distinguished by a linked of program elements designed to reduce hazards and risks.

The Safety Management Regulation stipulates that there are 14 elements of a SMS, namely:

1. Safety policy
2. Safety organization
3. Safety training
4. In-house safety rules
5. Safety inspection
6. Program to provide suitable personal protective equipment
7. Cause findings and prevention of accidents/incidents
8. Emergency preparedness
9. Evaluation, selection and control of Sub-contractor
10. Safety committees
11. Risk assessment
12. Safety promotion
13. Process control
14. Occupational health

A proprietor or contractor having 50 but less than 100 workers is required to develop, implement and maintain an SMS which consists of the first 8 safety elements mentioned above and carry out review by internal safety auditor. A proprietor or contractor having 100 or more workers is required to develop, implement and maintain an SMS which consists of all the 14 elements mentioned above and carry out review once a year by registered safety auditor. However, in the first year of implementation, the SMS of those industrial undertakings having 100 or more workers needs to cover the first 10 elements only. The situation will be reviewed after one year.

The law requires a proprietor or contract to submit the audit report, plus action plan to the Labour Department. The first batch of companies to be inspected will be carried out 6 months after 1 April 2002.

Six steps approach

Basically, the 6-step SM model falls in line with the 'plan, do, check, act' model. The 6 steps are, as follows:

Step 1: Planning
- Initial status analysis
- Risk assessment

Step 2: Developing
- Safety policy
- Safety plan

Step 3: Organizing
- People and resources to accomplish objectives

Step 4: Implementing
- Carrying out the plans to achieve the desired objectives under control

Step 5: Measuring, auditing or reviewing
- Proactive monitoring of performance
- Reactive monitoring of performance
- Feedback loop to the planning stage
- Safety auditor or review officer
- Take actions on reports

Step 6: Further planning
- Periodic status analysis

Impact on HR

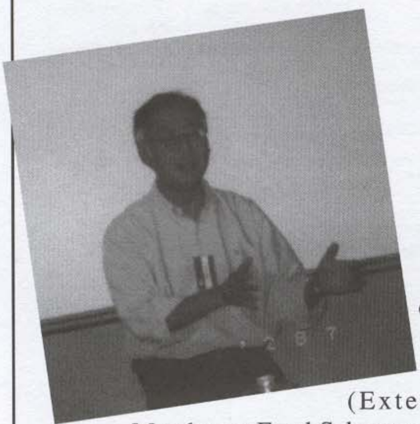
To the HR professionals, they are not expected to be safety professionals. It is the representatives of the insurance company who are safety professionals. Thus, HR professionals should try to get along with the claims representative in their respective companies.

Moreover, HR needs to look after the training, appointment of competent persons to look after office safety, fire drills and so on.

Also, HR may be the ones the safety auditor wants to interview during audit/review.

Finally, it is advisable for the HR to take the following actions:

- To find out the total cost of insurance by coverage
- To contact Labour Department and OSHC and find out what safety training programme they have for HR professionals who are new in the field
- To sit down with the management and the Safety Department (if any) to understand their safety plan(s) and safety programme.



The Mandatory Fund Schemes (Amendment) Bill 2002

On 7 August 2002, your Club invited Mr. Hessler Lee, Senior Manager (External Affairs) of the Mandatory Fund Schemes Authority to talk to us on the latest Mandatory Fund Schemes (Amendment) Bill 2002.

Here below is the extract of the presentation.

Introduction

The MPFS (Amendment) (No. 2) Ordinance 2002, gazetted on 19 July 2002, aims at:

- Enhancing the efficiency and effectiveness of the MPF system, and
- Streamlining the operational and technical processes in implementing the MPFS.

Main legislative amendments include the following:

- Adjustment of the Minimum Relevant Income Level
- Beefing up enforcement
- Simplification of the MPF Scheme administration
- New MPF investment products
- Technical amendments.

Adjustment of Minimum Relevant Income Level

Before amendment

- Maximum/Minimum Relevant Income Level: $20,000 / $4,000

Post-amendment (Effective on 1 February 2003)

- Review every 4 years
- Minimum Level: 50% of the median income
- Maximum Level: 90% Scheme Coverage
- Non-casual employees who are remunerated more frequent than monthly: the daily rate of $160 and $650 should be used. As a result, the Minimum Income Level for a weekly remunerated employee will be $1,120 ($160 x 7) and Maximum Income Level will be $4,550 ($650 x 7).
- Non-casual employees who are irregularly remunerated:
  - For complete calendar month: Follow the minimum/ maximum relevant income level (i.e., $5,000 and $20,000 respectively)

- For incomplete calendar month: Calculation of minimum/maximum relevant income level based on the daily rates of $160 and $650 respectively.
- Apply for contribution period commencing on or after 1 February 2003.

Beefing up enforcement

It relates to the rectification of non-enrolment and non-payment of mandatory contributions.

Before amendment:

- Prosecution should be commenced within 6 months of the commission of the offences
- An offender could not be prosecuted again if he failed to take rectification action after conviction.

Post-amendment:

- Prosecution time-bar to be changed from 6 months after the occurrence of the offence to 6 months after the discovery of the offence by, or coming to the notice of the MPFA.
- Failure to rectify the non-enrolment situation/non-payment of contribution after conviction is now a 'continuing offence'
- A daily fine can be imposed on the employers who fail to take rectification after the first conviction for non-enrolment.

Simplification of the 30-day contribution holiday

Before amendment:

- 30-day contribution holiday for employee (i.e., commence contributions on 31st day)
- Pro-rata of amount of relevant income and comparison with maximum and minimum relevant income levels

Post-amendment: (Effective on 1 February 2003)

- Relevant employees with monthly (or more frequent than monthly) payroll cycle:
  - Employee contributions for the first incomplete payroll cycle immediately following the 30-day contribution holiday will be waived.
- Relevant employees with less frequent than monthly payroll cycle (e.g., quarterly):
  - Employee contributions for the first incomplete calendar month immediately following the 30-day contribution holiday will be waived.

Simplification of MPF contribution remittance arrangements

Before amendment:

- Contribution by the 10th day after each contribution period
- More than one contribution in a calendar month for employees paid more frequently than monthly
- Different payroll cycles tend to be error-prone

Post amendment: (Effective on 1 February 2003)

- Contributions calculated and deducted for each payroll period
- Contributions for employees with payroll cycles more often than monthly can be remitted to the trustees within the first 10 days of the following month
- Daily maximum/minimum levels of relevant income to be $650 and $160 respectively

Simplification of MPF contribution remittance arrangements for employees ceasing employment

Before amendment:

- Contribution for an employee within 10 days of his cessation of employment
- Frequent contribution when more employees leaving

Post-amendment: (Effective on 1 February 2003)

- Employer could arrange for the last payment of the MPF contribution together with those of other employees
- Notify the trustee of the departure date of the employee concerned in the remittance statement

Technical and other amendments

1. Intra-group transfer

   Before amendment:
   - Employee may be enrolled in a new MPF Scheme provided or selected by the new employer.
   - As a new employee eligible for 30-day contribution holiday
   - Employee could transfer the contribution made by former employer to an MPF account of his choice
   - Practical difficulties in offsetting severance payment and/or long service payment

   Post-amendment: (Effective on 19 July 2002)
   - Previous employer's severance payment and/or long service payment liability is assumed by the new employer.
   - New employer may select to have the accrued benefits transferred to a scheme nominated by him
   - No employee's 30-day contribution holiday

2. Transfer of existing members between MPF exempted ORSO schemes

   Before amendment:
   - Loss of "existing member" status when transfer between "MPF exempted ORSO scheme" within a group
   - "New member" is subject to MMB requirements

   Post-amendment: (Effective on 19 July 2002)
   - retain "existing member" status under certain conditions upon transfer within a group of companies or from one scheme to another scheme

Implementation Time Table

Major Amendments	Effective Date	
	Upon gazettal on 19 July 2002	1 February 2003 (Intended)
• Non-enrolment/non-payment of contribution as a "continuing offence"		
• Imposition of a daily fine		
• Prosecution time bar		
• Handling of the interest income earned from monies-in-transit		
• Index-tracking Collective Investment Schemes (ITCIS) become permissible MPF investment		
• Adjustment of minimum relevant income level		
• Simplification of MPF contribution remittance arrangements		
• Simplification of the 30-day contribution holiday		
• Notification of changes in business names		
• Simplification of contribution arrangement for employee ceasing employment		
• Calculation of surcharge for default contribution		
• Publication of notices in search of lost members		
• Benefit payment on incapacitation		
• Intra-group transfer		
• Transfer of existing members between MPS Exempted ORSO Schemes		
• Serving notices or document by post		