

Employment Ordinance

at a Glance

This leaflet sets out in simple terms the main provisions of the Employment Ordinance (Cap. 57). It should be noted that the Ordinance itself remains the sole authority for the provisions of law explained. For details, please refer to the full text of the Ordinance or "A Concise Guide to the Employment Ordinance" published by the Labour Department.

Application

- Apart from certain exceptions, the Employment Ordinance is applicable to all employees.
- All employees covered by the Employment Ordinance, whether full time or part time and irrespective of their hours of work, are entitled to basic protection under the Ordinance such as payment of wages, restrictions on wage deductions and the granting of statutory holidays, etc.
- Employees are entitled to further benefits if they are employed under a continuous contract.

Continuous Contract

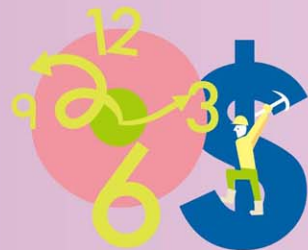
- An employee who has been employed continuously by the same employer for 4 weeks or more, with at least 18 hours worked in each week is regarded as being employed under a continuous contract.

Employment Contract

- A contract of employment is a written or verbal agreement on the employment conditions made between an employer and an employee. Any term of an employment contract which purports to extinguish or reduce the rights conferred upon the employee by the Employment Ordinance shall be void.

Wages

- Wages means all remuneration, earnings, allowances (including traveling allowances and attendance allowances, commission and overtime pay), tips and service charges payable to an employee in respect of work done or to be done, and capable of being expressed in terms of money. Overtime pay should be included in calculating an employee's entitlements if it is of a constant character or its monthly average over the past 12 months is not less than 20% of the average monthly wages of the employee during the same period.
- An employer is prohibited from deducting wages of his employees otherwise than in accordance with the Employment Ordinance.
- An employer should pay wages to his employee not later than 7 days after the end of the wage period or termination of employment. Otherwise he is required to pay interest on the outstanding wages.



- An employee may deem his employment to be terminated by his employer and is entitled to wages in lieu of notice and other termination payment if wages are not paid within 1 month after they become due.

⚠ An employer who contravenes the above provisions is liable to prosecution and, upon conviction, to a maximum penalty of (1) a fine of \$100,000 and imprisonment for 1 year for illegal deduction from wages; (2) a fine of \$350,000 and imprisonment for 3 years for failing to pay wages wilfully and without reasonable excuse when it becomes due; (3) a fine of \$10,000 for failing to pay interest on the outstanding amount of wages wilfully and without reasonable excuse.

Liability to Pay Wages of Sub-contractor's Employees

- The principal contractors, superior sub-contractors and superior nominated sub-contractors engaged in building and construction works are liable for the first 2 months' unpaid wages of an employee who is employed by the sub-contractor or nominated sub-contractor.
- If an employee employed by a sub-contractor or nominated sub-contractor is owed wages, he must serve a written notice to the principal contractor or the main nominated sub-contractor within 60 days (or an additional period of 90 days permitted by the Commissioner for Labour) after the wages become due. The employee should state the following in the notice:



1. the name and address of the employee;
2. the name and address of his employer;
3. the address of the place of employment of the employee;
4. the particulars of the work in respect of which the wages are due; and
5. the amount of wages due and the period to which they relate.

- The principal contractor, the superior sub-contractors and the superior nominated sub-contractors should pay wages to the employee within 30 days after receiving the notice. They may request every superior sub-contractor or superior nominated sub-contractor to the employee's employer to share out the liability.

Rest Day

- An employee employed under a continuous contract is entitled to not less than 1 rest day in every period of 7 days.
- With the consent of the employee, an employer may substitute another rest day for the original rest day. In such case, it must be within the same month before the original rest day or within 30 days after it.
- An employer must not compel an employee to work on a rest day except in the event of a breakdown of machinery or plant or other unforeseen emergency.
- An employee, except young persons under the age of 18 employed in industry, may work voluntarily on a rest day.
- Whether rest day is paid or not is to be agreed by employers and employees.
- ⚠ An employer who without reasonable excuse fails to grant rest days to his employees is liable to prosecution and, upon conviction, to a fine of \$50,000.
- ⚠ An employer who compels his employees to work on their rest days is liable to prosecution and, upon conviction, to a fine of \$50,000.

Statutory Holidays

- An employee, irrespective of his length of service, is entitled to the following 12 statutory holidays:

The first day of January
Lunar New Year's Day
The second day of Lunar New Year
The third day of Lunar New Year
Ching Ming Festival
Labour Day (1st May)
Tuen Ng Festival
Hong Kong SAR Establishment Day (1st July)
The day following the Chinese Mid-Autumn Festival
Chung Yeung Festival
National Day (1st October)
Chinese Winter Solstice Festival or Christmas Day (at the option of the employer)

- If the employer requires the employee to work on a statutory holiday, he should arrange an alternative holiday within 60 days before or after the statutory holiday. However, not less than 48 hours' prior notice should be given to the employee. If the employer and employee agree, any day within 30 days before or after the statutory or alternative holiday may be arranged as a substituted holiday.
- An employee having been employed under a continuous contract for not less than 3 months before a statutory holiday is entitled to holiday pay. The daily rate of holiday pay is a sum equivalent to the employee's average daily wages. (see Appendix)
- Holiday pay should be paid to the employee not later than the day on which he is next paid his wages after that statutory holiday.
- Regardless of whether an employee is entitled to holiday pay, an employer should grant his employee a statutory holiday, or arrange an "alternative holiday" or "substituted holiday".

An employer must not make any form of payment to the employee in lieu of granting a holiday. In other words, "buy-out" of a holiday is not allowed.

⚠ An employer who without reasonable excuse fails to grant statutory holidays, alternative holidays or substituted holidays, or fails to pay holiday pay to an employee is liable to prosecution and, upon conviction, to a fine of \$50,000.



Paid Annual Leave

- An employee having been employed under a continuous contract for 12 months is entitled to take his paid annual leave within the following period of 12 months.
- The number of paid annual leave increases progressively from 7 days to a maximum of 14 days according to the employee's length of service.
- Any rest day or statutory holiday falling within a period of annual leave will be counted as annual leave and the employer should appoint another rest day or holiday to the employee.
- The daily rate of annual leave pay is a sum equivalent to the employee's average daily wages. (see Appendix)
- Annual leave pay should be paid to the employee not later than the normal pay day after the period of annual leave taken.
- An employee may choose to accept payment in lieu of the part of his leave entitlement which exceeds 10 days.
- An employee with 3 but less than 12 months' employment in a leave year and his employment is terminated (other than summary dismissal due to his serious misconduct), he would be entitled to pro rata annual leave pay.

⚠ An employer who without reasonable excuse fails to grant annual leave to an employee is liable to prosecution and, upon conviction, to a fine of \$50,000.

⚠ An employer who fails to pay annual leave pay to an employee is liable to prosecution and, upon conviction, to a fine of \$50,000.

Sickness Allowance

- An employee employed under a continuous contract can accumulate 2 paid sickness days for each completed month during his first 12 months of employment, and 4 paid sickness days for each completed month for employment thereafter. A maximum of 120 days can be accumulated.
- An employee shall be entitled to sickness allowance if he has accumulated sufficient number of paid sickness days and the sick leave taken which is supported by an appropriate medical certificate is not less than 4 consecutive days.^{Note 1} The daily rate of sickness allowance is a sum equivalent to four-fifths of the employee's average daily wages. (see Appendix)
- Sickness allowance should be paid to the employee not later than the normal pay day.
- ⚠ An employer who without reasonable excuse fails to pay sickness allowance to an employee is liable to prosecution and, upon conviction, to a fine of \$50,000.



^{Note 1} When a pregnant employee is absent from work by reason of pregnancy check-ups, post confinement medical treatment or miscarriage and the absence is supported by a medical certificate, any day on which she is absent shall be counted as a sickness day. Under such circumstances, if the employee has accumulated sufficient number of paid sickness days, each sickness day shall be paid sickness allowance.

Employment Protection for Employee

- An employer is prohibited from terminating the employment contract of an employee on his paid sickness day, except in cases of summary dismissal due to the employee's serious misconduct.
- ⚠ An employer who contravenes the above provision is liable to prosecution and, upon conviction, to a fine of \$100,000.
- ⚠ Besides, the employer is required to pay termination payments to the employee for wrongful dismissal on a sickness day within 7 days after the day of termination. The employee may also claim remedies for "Employment Protection" against his employer if he is dismissed other than for a valid reason as specified in the Ordinance. (see the part below on "Employment Protection")

Maternity Protection

- A female employee employed under a continuous contract immediately before the commencement of her maternity leave and having notified the employer of her pregnancy is entitled to:
 - ▶ a continuous period of 10 weeks' maternity leave;
 - ▶ if confinement occurs later than the expected date of confinement, a further period of leave equal to the number of days of the delay;
 - ▶ an additional leave period for not more than 4 weeks on the grounds of illness or disability due to pregnancy or confinement.
- With the agreement of her employer, the employee may decide to commence her maternity leave from 2 to 4 weeks before the expected date of confinement.
- An employee is eligible for 10 weeks' maternity leave pay if she has been employed under a continuous contract for not less than 40 weeks immediately before the commencement of scheduled maternity leave and has given notice of pregnancy and her intention to take maternity leave to the employer. The daily rate of maternity leave pay is a sum equivalent to four-fifths of the employee's average daily wages. (see Appendix)

Employment Ordinance at a Glance



the average daily or monthly wages earned by an employee in the 12-month^{Note 2} period preceding the following specified dates. If an employee is employed for less than 12 months, the calculation shall be based on the shorter period.

Statutory Entitlements	Day(s) of Leave	Specified Dates
Holiday Pay	1 day More than 1 consecutive day	Day of the statutory holiday First day of the statutory holidays
Annual Leave Pay	1 day More than 1 consecutive day Day(s) of untaken leave upon termination of contract	Day of the annual leave First day of the annual leave Date of termination of contract
Sickness Allowance	1 day More than 1 consecutive day	The sickness day The first sickness day
Maternity Leave Pay	More than 1 consecutive day	First day of the maternity leave
Wages in lieu of Notice	-	The day when a notice of termination of contract is given ^{Note 3}
End of Year Payment ^{Note 4}	-	Due day of the payment

In calculating the average wages, one should exclude: (i) the periods for which an employee is not paid his wages or full wages, including rest day, statutory holiday, annual leave, sickness day, maternity leave, sick leave due to work injuries or leave taken with the agreement of the employer, and any normal working day on which the employee is not provided by the employer with work; together with (ii) the sum paid to the employee for such periods.

The provisions apply to awards made on or after 29 October 2010.

Enquiry Hotline : 2717 1771
(The hotline is handled by the "1823 Call Centre")
Homepage Address : <http://www.labour.gov.hk>

^{Note 2} "Month" refers to "calendar month".
^{Note 3} In case a notice has not been given, "the day when the contract is terminated" shall be adopted.
^{Note 4} Applicable to situation in which the amount of end of year payment has not been specified in the contract.

If an employer dismisses his employee or varies the terms of employment of his employee other than the following valid reasons, the dismissal or variation is considered unreasonable:

- ▶ the conduct of the employee;
- ▶ the capability or qualifications of the employee for performing his work;
- ▶ redundancy or other genuine operational requirements of the business;
- ▶ statutory requirements;
- ▶ other substantial reasons.



Remedies for Employment Protection include reinstatement, re-engagement, terminal payments and compensation (compensation is only applicable in the case of unreasonable and unlawful dismissal).

Employers' Criminal Liability in Failing to Pay an Award of the Labour Tribunal ("LT") or Minor Employment Claims Adjudication Board ("MECAB")

An employer who wilfully and without reasonable excuse fails to pay any sum awarded* by the LT or MECAB within 14 days after the date on which it is due is liable to prosecution and, upon conviction, to a fine of \$350,000 and to imprisonment for 3 years.

The provisions apply to awards made on or after 29 October 2010.

* For details, please refer to Chapter 12 of "A Concise Guide to the Employment Ordinance"

Appendix

The average daily or monthly wages in calculating holiday pay, annual leave pay, sickness allowance, maternity leave pay, wages in lieu of notice and end of year payment refer to

Severance Payment

An employee employed under a continuous contract for not less than 24 months is eligible for severance payment if:

- ▶ he is dismissed by reason of redundancy;
- ▶ his fixed term employment contract expires without being renewed due to redundancy; or
- ▶ is laid off.

The employer shall make the severance payment to the employee not later than 2 months from the receipt of the written notice for claiming such payment from the employee.

An employer who without reasonable excuse fails to pay severance payment to an employee is liable to prosecution and, upon conviction, to a fine of \$50,000.

Calculation of Long Service Payment and Severance Payment

Monthly rated employee	(Last month wages x 2/3)* x reckonable years of service
Daily or piece rated employee	Any 18 days' wages chosen by the employee out of his last 30 normal working days* x reckonable years of service
* the sum should not exceed 2/3 of \$22,500 (i.e. \$15,000). An employee may also elect to use his average wages in the last 12 months for calculation.	

Employment Protection

An employee may claim for remedies of Employment Protection against his employer under the following situation:

- ▶ unreasonable dismissal (the employee should be employed under a continuous contract for not less than 24 months);
- ▶ unreasonable variation of terms of the employment contract (the employee should be employed under a continuous contract);
- ▶ unreasonable and unlawful dismissal.

An employer is required to pay interest on the outstanding wages due to the employee if he fails to pay wages to the employee within 7 days after the date of termination or expiry of contract.

An employer who wilfully and without reasonable excuse fails to pay termination payments when they become due is liable to prosecution and, upon conviction, to a fine of \$350,000 and to imprisonment for 3 years.

Long Service Payment

An employee employed under a continuous contract for not less than 5 years is eligible for long service payment if:

- ▶ he is dismissed (except by reasons of redundancy or summary dismissal due to the employee's serious misconduct);
- ▶ his fixed term employment contract expires without being renewed;
- ▶ he dies during employment;
- ▶ he has been issued a certificate in a specified form by a registered medical practitioner or a registered Chinese medicine practitioner, certifying that he is permanently unfit for his present job; or
- ▶ he is aged 65 or above and resigns on ground of old age.

Long service payment should be paid to an employee within 7 days after the date of termination of employment contract, except as otherwise specified in the case of payment to the beneficiaries of a deceased employee.

An employer who wilfully and without reasonable excuse fails to pay long service payment to an employee is liable to prosecution and, upon conviction, to a fine of \$350,000 and to imprisonment for 3 years.

An employer who without reasonable excuse fails to pay long service payment to the beneficiaries of a deceased employee is liable to prosecution and, upon conviction, to a fine of \$50,000.

Termination of Employment Contract

Employers or employees should give each other due notice or wages in lieu of notice in terminating employment contracts. In the case of a continuous contract of employment, the length of notice or the amount of wages in lieu of notice required are:

Employment condition	Length of notice	Wages in lieu of notice
During Probation Period	within the first month of probation	not required
	after the first month of probation	with agreement to the length of notice
	without agreement to the length of notice	not less than 7 days
No/ after probation period	with agreement to the length of notice	as per agreement, but not less than 7 days
	without agreement to the length of notice	not less than 1 month

Notice period expressed in **days** or **weeks**:
= "Average daily wages" x "Number of days in the notice period for which wages would normally be payable to the employee" (see Appendix)

Notice period expressed in **months**:
= "Average monthly wages" x "Number of months specified in the notice period" (see Appendix)

On termination of employment, an employer shall pay termination payments to the employee which usually include outstanding wages, wages in lieu of notice (if applicable), annual leave pay, end of year payment, long service payment or severance payment (if applicable) and other payments under the employment contract. Except for severance payment, all termination payments shall be paid within 7 days after the date of termination. For severance payment, an employer shall make payment within 2 months from the receipt of a notice claiming for severance payment from the employee.

End of Year Payment

If an employment contract provides for entitlement to an end of year payment, an employee is eligible for it if he has been employed under a continuous contract for the whole payment period.

The amount of an end of year payment is a sum as specified in the employment contract. If it is not specified, a sum equivalent to the employee's average monthly wages. (see Appendix)

An employee is eligible for an end of year payment on a pro rata basis if he has been employed under a continuous contract for not less than 3 months in a payment period (excluding probation period of the first 3 months) and:

- ▶ continues to be employed after the expiry of the payment period; or
- ▶ is dismissed by the employer (except in cases of summary dismissal due to the employee's serious misconduct).

Time of Payment

Employment Condition	Time of payment
Time of payment is specified in the employment contract	The specified date
Time of payment is not specified in the employment contract	Last day of the payment period or within 7 days after that day
If the employment contract is terminated before the payment period expires and the employee is eligible for pro rata end of year payment	The day when the contract is terminated or within 7 days after that day
If the end of year payment is to be calculated by reference to any profits of the employer	The day when the profits are ascertained or within 7 days after that day

An employer who wilfully and without reasonable excuse fails to pay an end of year payment to an eligible employee is liable to prosecution and, upon conviction, to a fine of \$50,000.



Maternity leave pay should be paid on the normal pay day of the employee.

If so required by the employer, the employee shall produce a medical certificate specifying her expected date of confinement.

An employer who fails to grant maternity leave to a pregnant employee or fails to pay maternity leave pay to an eligible pregnant employee is liable to prosecution and, upon conviction, to a fine of \$50,000.

Employment Protection for Employee

An employer is prohibited from terminating the continuous contract of employment of a pregnant employee who has served a notice of pregnancy to the employer, except in cases of summary dismissal due to her serious misconduct.

Except for the circumstances provided above, it is an offence for an employer to dismiss a pregnant employee. The employer is liable to prosecution and, upon conviction, to a fine of \$100,000.

Besides, the employer is required to pay termination payments to the pregnant employee for wrongful dismissal within 7 days after the day of termination. The employee may also claim remedies for "Employment Protection" against her employer if she is dismissed other than for a valid reason as specified in the Ordinance. (see the part below on "Employment Protection")

An employer may not assign heavy, hazardous or harmful work to a pregnant employee.

An employer who without reasonable excuse fails to comply with the above requirements is liable to prosecution and, upon conviction, to a fine of \$50,000.