

**立法會**  
**Legislative Council**

LC Paper No. CB(2)1280/00-01  
(These minutes have been seen by the  
Administration)

Ref : CB2/PL/MP/1

**LegCo Panel on Manpower**

**Minutes of meeting**  
**held on Thursday, 15 March 2001 at 2:30 pm**  
**in the Chamber of the Legislative Council Building**

- Members present** :
- Hon LAU Chin-shek, JP (Chairman)
  - Hon CHAN Kwok-keung (Deputy Chairman)
  - Hon Kenneth TING Woo-shou, JP
  - Hon James TIEN Pei-chun, JP
  - Hon LEE Cheuk-yan
  - Hon CHAN Yuen-han
  - Hon LEUNG Yiu-chung
  - Hon YEUNG Yiu-chung
  - Hon Ambrose LAU Hon-chuen, JP
  - Hon Andrew CHENG Kar-foo
  - Hon SZETO Wah
  - Hon Abraham SHEK Lai-him, JP
  - Hon LI Fung-ying, JP
  - Hon Tommy CHEUNG Yu-yan, JP
  - Hon Michael MAK Kwok-fung
  - Hon LEUNG Fu-wah, MH, JP
- Member attending** :
- Hon NG Leung-sing
- Members absent** :
- Hon Cyd HO Sau-lan
  - Dr Hon LUI Ming-wah, JP
  - Hon Frederick FUNG Kin-kee

**Public Officers :** Item III  
**attending**

Mr Philip K F CHOK, JP  
Deputy Secretary for Education and Manpower

Miss Erica NG  
Principal Assistant Secretary for Education and Manpower (4)

Mr Ivan LEE  
Principal Assistant Secretary for Education and Manpower (5)

Mr John DEAN  
Principal Assistant Secretary for Home Affairs (7)

Mr William SIU, JP  
Deputy Commissioner for Labour (Labour Administration)

Mr Fred TING, JP  
Deputy Commissioner for Labour (Occupational Safety and Health)

Mrs Jennie CHOR, JP  
Assistant Commissioner for Labour (Labour Relations)

Item IV

Mr Ivan LEE  
Principal Assistant Secretary for Education and Manpower (5)

Mr S S KWONG  
Executive Director  
Employees Retraining Board

**Attendance by :** The Federation of Hong Kong and Kowloon Labour Unions  
**Invitation**

Mr CHAN Wai-lun  
Vice Chairman

Ms NG Wai-yee  
Vice Director of Social Affairs Commission

Hong Kong Confederation of Trade Unions

Mr TAM Chun-yin  
Organizing Secretary

Ms CHEUNG Lai-ha  
Vice Chairperson

**Clerk in attendance** : Mrs Sharon TONG  
Chief Assistant Secretary(2)1

**Staff in attendance** : Ms Dora WAI  
Senior Assistant Secretary(2)4

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**I. Confirmation of minutes of meetings held on 14 December 2000, 18 January 2001 and 15 February 2001 and matters arising**  
(LC Paper Nos. CB(2)1013/00-01, CB(2)1046/00-01, CB(2)1048/00-01 and CB(2)1045/00-01(01))

The minutes of the meetings held on 14 December 2000 and 15 February 2001 were confirmed without amendment. The minutes of the meeting for 18 January 2001 were also confirmed subject to the amendments proposed by Mr Bernard CHAN which were tabled at the meeting.

List of follow-up actions required of the Administration

2. Members noted the list of follow-up actions required of the Administration.

**II. Date of next meeting and items for discussion**  
(LC Paper No. CB(2)1045/00-01(02))

3. Members agreed that the following items be discussed at the next regular meeting to be held on Thursday, 19 April 2001 at 2:30 pm -

- (a) Employees' compensation system;
- (b) Proposed amendments to the Employees Compensation Assistance Ordinance;
- (c) Skills Upgrading Scheme; and
- (d) Proposed Factories and Industrial Undertakings (Gas Welding and Flame Cutting) Regulation

4. Members also agreed that interested organizations be invited to give their

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views on the item as referred to in paragraph 3(a) above.

*(Post-meeting note: Invitations had been sent to the Hong Kong Federation of Insurers and the Association for the Rights of Industrial Accident Victims.)*

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5. As for the Working Holiday Scheme between Hong Kong and New Zealand, which was originally scheduled for discussion at the April meeting, members agreed that the relevant information paper be circulated to Members for information.

Admission of Mainland Professionals Scheme (the Scheme)

6. Members noted that the Administration had briefed Members on the Scheme at the special meeting of the Panel on Security on 14 March 2001 at which all Members of the Legislative Council had been invited to attend.

7. The Chairman considered that as the Scheme involved very important policy issues relating to manpower resources, the Panel on Manpower should have been consulted on the Scheme in accordance with the practice for the Administration to consult the relevant panels on important policies. He also considered that the Education and Manpower Bureau (EMB) should be the coordination bureau for the Scheme. He expressed doubt as to why the Scheme was announced by the Financial Secretary in his Budget Speech delivered earlier this month as the Scheme had no financial implications. Miss CHAN Yuen-han and Mr Andrew CHENG expressed agreement to the points made by the Chairman. They suggested and the Chairman agreed that the Chairman of the House Committee should be requested to convey to the Chief Secretary for Administration members' concern about the Administration's consultation procedure.

8. Deputy Secretary for Education and Manpower (DSEM) explained that schemes on admission of professionals and talents had all along been coordinated by the Security Bureau. He said that in drawing up the Scheme, all relevant departments, including EMB, were consulted.

9. Mr LEE Cheuk-yan, Miss CHAN Yuen-han and Mr Andrew CHENG suggested that the Panel on Manpower should hold a special meeting to discuss the Scheme. Mr Kenneth TING suggested that the chairmen of the relevant Panels should jointly work out the most appropriate way forward. Mr SZETO Wah proposed to hold a joint meeting of the Panels on Manpower, Education and Security to discuss the Scheme.

10. Members agreed that a special meeting to discuss the Scheme be held on Friday, 30 March 2001 at 10:45 am, and that all other Members would be invited to attend the meeting. Members also agreed that interested parties such as labour unions, trade associations and tertiary institutions should be invited to express their views on the Scheme.

**III. Report of the Hong Kong Special Administrative Region of the People's Republic of China in the light of the International Covenant on Economic, Social and Cultural Rights (the Report) - Report on implementation of Articles 6, 7, 8 and 9 of the Covenant**  
(LC Paper No. CB(2)1045/00-01(03))

Meeting with representatives of The Federation of Hong Kong & Kowloon Labour Unions

(LC Paper No. CB(2)1045/00-01(04))

11. Ms NG Wai-yee presented the views of The Federation of Hong Kong & Kowloon Labour Unions as detailed in its submission.

Meeting with representatives of the Hong Kong Confederation of Trade Unions

(LC Paper No. CB(2)1045/00-01(05))

12. Mr TAM Chun-yin and Ms CHEUNG Lai-ha presented the views of the Hong Kong Confederation of Trade Unions as detailed in its submission.

Issues raised by members

13. Mr LEUNG Fu-wah sought the views of the deputations as to whether there would be an adverse impact on those workers who were earning wages at a level slightly more than the minimum wage, e.g. whether those earning between \$4,000 and \$5,000 per month would be adversely affected if the minimum wage was set at \$4,000. Mr LEE Cheuk-yan said that Mr LEUNG's concern was that the minimum wage might become the maximum wage that employers were willing to pay to employees.

14. Mr CHAN Wai-lun expressed worry to the possible situation cited by Mr LEUNG. He said that no consensus had been reached so far within The Federation of Hong Kong & Kowloon Labour Unions on whether a minimum wage system should be set up. However, the Federation was inclined to support for setting minimum wages for some job types, especially those with very low wages.

15. Mr TAM Chun-yin said that the Hong Kong Confederation of Trade Unions was in support of a minimum wage system. He suggested that a committee comprising representatives of employers, employees, academics and specialists be formed to decide on the appropriate level of minimum wage. He cited a recent case that a cleaner employed by a contractor of the Government was paid at \$7 per hour. In his view, the setting of a minimum wage would prevent such situation from occurring.

16. Mr Kenneth TING was not supportive of imposing a statutory minimum wage

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system. Referring to the submission of the Federation of Hong Kong Industries, he said that the Federation was of the view that the Report gave a fair and accurate account of the implementation of the International Covenant on Economic, Social and Cultural Rights (the Covenant) in Hong Kong. The Federation acknowledged that people of the Hong Kong Special Administrative Region did enjoy a wide range of labour rights as stipulated under Articles 6, 7 and 8 of the Covenant.

17. Miss CHAN Yuen-han expressed support for a minimum wage system. However, she shared the worry that the minimum wage might become the maximum wage. She remarked that wide and intensive discussions were needed if the system was to be implemented across-the-board. She suggested that the Administration should study the viability of implementing the system in certain occupations of very low pay. Otherwise, it would put Hong Kong to shame if the unreasonable level of wages in some occupations continued to move downwards.

18. DSEM said that the Administration's stance on minimum wage had all along been clear. The Administration considered that the imposition of a minimum wage system would have an adverse impact on the economy as a whole. In a free market economy, the level of wages should be determined by market forces of demand and supply and mutual consent between employers and employees. In the view of the Administration, it was not appropriate to implement a minimum wage system in Hong Kong. DSEM further said that at this stage, the Administration would not consider imposing a minimum wage for individual occupations. An employee might choose to quit the job or find another employment if he considered that the wage of the current job was unreasonable. Under the safety net system, an unemployed person was able to seek help from the Government when encountering financial difficulties. Referring to the case cited by Mr TAM of the Hong Kong Confederation of Trade Unions, DSEM said that the subject of contracting out government projects and services was being reviewed by the Administration. As the review involved several departments, DSEM undertook to liaise with the departments concerned and report the progress of the review to the Panel before the next regular meeting.

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19. Mr LEE Cheuk-yan pointed out that non-implementation of the provisions of the Covenant would not only affect the reputation of Hong Kong, but would also create an undue implication on the Mainland. The relevant articles clearly prescribed that the Government was responsible to ensure that just and favourable conditions of work, such as reasonable wage, paid rest days and statutory maximum working hours, were provided to workers. In its Concluding Observations on the previous report, the United Nations Committee on Economic, Social and Cultural Rights (the Committee) had recommended that the Administration should review the policies relating to unfair dismissal, paid rest days and minimum wage in order to bring them in line with the requirements of the Covenant. However, the Report revealed that no progress was made in these areas. He remarked that the Administration did not implement Articles 6, 7 and 8 of the Covenant in respect of rights and benefits of workers.

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20. DSEM said that the Administration attached great importance to the recommendations of the Committee and was committed to complying with the provisions stipulated under the Covenant. In the 1996 report, the Committee expressed the concern that Hong Kong labour legislation did not provide protection against unreasonable dismissal. In June 1997, the Administration introduced a new Part VIA in the Employment Ordinance (EO) to allow employees to claim for remedies against their employers for unreasonable dismissal. Regarding the Committee's another concern that trade union rights were unduly restricted in Hong Kong, the Trade Unions Ordinance was amended in 1997 to remove the prohibition on forming trade union federations with component trade unions belonging to different trades, industries or occupations. It also allowed trade unions to be members of organizations of workers, employers and relevant professional organizations in foreign countries without the need to obtain the prior approval of the Government. The above actions showed that the Administration had rigorously taken the Committee's recommendations on board when formulating policies. He pointed out that the implementation of various international covenants in Hong Kong was progressing in a satisfactory manner. The progress made was not worse off than other countries, particularly those in the Asian region. He stressed that the Administration was committed to implementing the various provisions of the Covenant.

21. DSEM further said that protection for employees in relation to rest days, hours of work and reasonable pay in Hong Kong had already been up to the standards as required under the Covenant. The EO provided that an employee was entitled to rest days, paid annual leave and paid statutory holidays if he was employed by the same employer under a continuous contract subject to certain qualifying conditions. The EO did not prescribe the rates of rest day pay as the circumstances of different trades and industries might vary. It would be more appropriate for the rates to be determined by mutual agreement between employers and employees. In reality, 85% of the workforce were monthly-paid employees and they were taking rest days with pay. As regards hours of work, the provisions in the Employment of Young Persons (Industry) Regulations and the Employment of Children Regulations under the EO already regulated the hours of work for young persons and children. Young persons aged between 15 and 18 who were engaged in the industrial sector were not allowed by law to work more than eight hours per day and 48 hours per week. Children aged between 13 and 15 who had completed three years of secondary schooling might be employed only in non-industrial sector and with the consent of their parents. The maximum hours of work per day for such children were also eight. Currently, there were no statutory limitations on the working hours for adult workers. As the nature and conditions of work in different trades varied and in order to allow greater flexibility, the Administration considered it inappropriate to specify the maximum working hours on a compulsory basis. Instead, it should be considered as part of the terms and conditions of employment, like wages, and should be determined by mutual agreement between employers and employees. Given that adequate rest breaks were necessary after prolonged periods of continuous work for safeguarding the safety and health of workers, the Labour Advisory Board was studying the issue on rest breaks.

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The Labour Department was also requesting the Census and Statistics Department in conducting relevant surveys and would encourage employers and employees to mutually work out suitable arrangements on rest breaks through various channels, such as tripartite committees and publicity.

22. Mr LEE Cheuk-yan said that the response given by DSEM showed that the Administration was in contempt of the Covenant. The Covenant clearly suggested provision of reasonable pay to workers and setting up of maximum working hours, and the Committee had also made the same recommendation to the Government. However, the Administration still maintained the stance that such matters should be determined by mutual agreement between employers and employees. In addition, there was no legislation regulating the provision of paid rest days for workers. He commented that the regulations on working hours for young persons and children could not address the concern expressed by members as more than 90% of the workforce were adults.

23. DSEM stated that the interpretation of "reasonable" might vary among individuals. The Administration was of the view that it was reasonable to impose restriction on working hours to protect young persons and children. It was considered more appropriate and flexible if the working hours of adults were determined by mutual agreement between employers and employees in the light of the different conditions and nature of work and market environment.

24. Principal Assistant Secretary for Home Affairs (7) (PAS(HA)7) said that the Administration attached considerable importance to the concluding observations issued by the UN Treaty Monitoring Bodies (TMBs) and gave them the most careful consideration. Where possible the Government sought to implement TMB's recommendations, either wholly or in part. There were inevitably instances where the Government honestly disagreed with particular recommendations. In those cases it would advise TMB of that view, openly and in detail. This was an integral part of the ongoing dialogue between Parties and the Treaty Bodies that was the essence of the hearing process. Honest disagreement between the parties to that dialogue could in no way be construed as either disrespect or - as had been suggested - as contempt.

25. Ms LI Fung-ying pointed out that the Administration's policy on minimum wage was inconsistent. She questioned why foreign domestic helpers deserved a wage protection on the ground that they were particularly vulnerable whereas local workers did not have such protection. She also queried why the Admission of Mainland Professionals Scheme was needed if the remuneration for workers should be subject to the market forces of demand and supply for labour. She asked whether the Administration would consider providing protection by statute to part-time workers who worked less than 18 hours per week.

26. DSEM said that there was not a conflict in the Administration's policy on minimum wage. The wage protection provided to foreign domestic helpers was



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necessary because they were restricted to work to one employer. They would be easily exploited if there was no such statutory requirement imposed on employers. The Admission of Mainland Professionals Scheme was proposed having regard to the findings of the Report on Manpower Projection to 2005 that there was a shortage of information technology and financial services professionals in Hong Kong. The Mainland professionals to be admitted to Hong Kong must possess the experience and qualifications not readily available or in shortage locally. Furthermore, the remuneration package offered should be broadly comparable to the prevailing market rate for local professionals. Thus, the Administration considered that local professionals would not be adversely affected by the Scheme.

27. Ms LI Fung-ying opined that the existing policy was discriminating against local workers. The exploitation encountered by some local workers on some occasions was even worse than that of imported workers. She held the view that the admission of Mainland professions to Hong Kong would change the demand and supply for labour and an adverse impact on the level of wages for local workers was inevitable. She urged the Administration to seriously consider the problems arising from the Scheme.

28. On the question of part-time workers, Assistant Commissioner for Labour (Labour Relations) (AC for L(LR)) said that employees who worked continuously for the same employer for four weeks or more and with at least 18 hours per week were entitled to all statutory benefits under the EO. Employees who worked less than 18 hours per week were also entitled to certain benefits under the Ordinance. Such employees were protected on issues in respect of wages, act of discrimination against trade union membership or activities and unreasonable and unlawful dismissal. The Administration considered that the current arrangement provided a reasonable protection to both employers and employees. She further said that the findings of a survey conducted by the Census and Statistics Department in 1999 showed that less than 1% of the workforce were workers whose hours of work were less than 18 per week. She assured members that the Administration would closely monitor the situation and would adopt necessary measures should there be a rising trend in the number of such workers.

29. Mr LEUNG Yiu-chung said that the Trade Boards Ordinance (TBO), enacted in 1940's, provided for the setting up of a wage council to handle wage related matters, including fixing minimum wages. He questioned why the TBO had not been implemented. DSEM replied that as the Administration was not in support of a minimum wage system, it was not prepared to implement the TBO. The Administration considered that it was not appropriate to impose a statutory minimum wage system on the grounds that it would undermine the flexibility of the labour market; it would create a negative impact on the economy as a whole; and it might not bring about benefits to marginal workers.

30. Mr LEUNG Yiu-chung queried why the Administration allowed the TBO to

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exist if it was not in support of a minimum wage system. Principal Assistant Secretary for Education and Manpower (4) responded that the TBO was enacted with reference to a similar ordinance in the United Kingdom many years ago. It provided a machinery for fixing minimum wages. The TBO had never been invoked since its enactment.

31. Mr LEUNG Yiu-chung pointed out that the Committee was concerned about the lack of statutory protection to employees against unfair dismissal, and had recommended the Government to review its policy. The Government's response to this issue as stated in the Report was that the Labour Tribunal (LT) might make an award of terminal payment to be paid by the employer to his employee in the case where unreasonable dismissal was established. The legislative intent of the provision was to deter employers from evading the long service payment to be made to employees. He was of the view that the Administration had not concretely addressed how employees could be protected against unfair dismissal.

32. AC for L(LR) said that pursuant to the recommendations made by the Committee in 1996, the Administration had reviewed the policy in relation to unfair and unreasonable dismissals. In June 1997, provisions under the EO were introduced to the effect that employees might claim for remedies against their employers for unreasonable dismissals, unreasonable variation of terms of employment contract and unreasonable and unlawful dismissal. For unreasonable dismissal, an employee was eligible to claim for remedy if he had been employed under a continuous contract for a period of not less than 24 months. He would be awarded pro-rata severance payment and long service payment if unreasonable dismissal was established even if he has not attained the qualifying requirement for the entitlements. She pointed out that there was no requirement on the length of service for claims for unlawful dismissal. An employee might be awarded a compensation of up to a maximum of \$150,000 if unlawful dismissal was established.

33. Mr LEUNG Yiu-chung clarified that what he was concerned about was unfair dismissal, not unreasonable and unlawful dismissals. He pointed out that many workers had been unfairly dismissed, especially after the implementation of the Mandatory Provident Fund System. Workers whose length of service was less than 24 months were also not protected against unreasonable dismissal.

34. Deputy Commissioner for Labour (Labour Administration) (DC for L(LA)) explained that in an unfair dismissal, there would unlikely be a valid reason for the dismissal and in that context it was similar to an unreasonable dismissal. He said that the protection to employees against unreasonable dismissal was provided in different ways. Terminal payment would be awarded for unreasonable dismissal; and additional compensation would be awarded for dismissal proved to be both unreasonable and unlawful. He added that unlike long service payment, there was no requirement on the length of service for claiming remedies against unreasonable and

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unlawful dismissal or unreasonable variation of terms of employment contract.

35. Mr LEE Cheuk-yan pointed out that there were difficulties in practice in claiming remedies for unreasonable dismissal. He said that an employee who was unreasonably dismissed was eligible to claim a terminal payment if his length of service was not less than 24 months. However, in reality, LT, in adjudicating such cases, would also take into consideration whether an employer had any intention to evade the long service payment. An employee would not be able to pursue his claim for terminal payment if an employer was believed to have no intention to evade the long service payment. Thus, there would be no guarantee that such payment would be awarded to the employee.

36. DC for L(LA) said that an employee with length of service of not less than 24 months was eligible to claim for remedy if the dismissal was proved to be unreasonable. Dismissals would be considered as unreasonable if the reasons given by employers did not fall within the valid reasons as stipulated in the EO. Such reasons included misconduct of an employee, incompetence of an employee and redundancy and so forth. The final decision as to whether a dismissal was unreasonable vested with LT.

37. AC for L(LR) informed members that LT had handled 2 442 cases in 2000 in relation to employment protection, with breakdown as follows -

- (a) 993 cases were settled by mutual agreement between employers and employees;
- (b) 129 cases were withdrawn by claimants;
- (c) 113 cases were awarded terminal payment; and
- (d) 11 cases were awarded compensation award.

38. Mr LEE Cheuk-yan remarked that the number of cases awarded terminal payment (113 of some 2 000) was very low. The Chairman asked the Administration to advise in writing whether or not it was the legislative intent that in deciding the award of terminal payment, the intention of an employer in evading the long service payment should be a factor for consideration.

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39. Mr LEUNG Fu-wah said that LT seemed to have deviated from the principles as laid down by the Labour Advisory Board since some employees whose length of service were less than five years were not awarded proportional compensation payments in cases of unreasonable dismissal. He asked the Labour Department to review this undue phenomenon. Mr James TIEN said that to his understanding, the length of service required for eligibility to claim for remedies by employees should be five years instead of two years. AC for L(LR) clarified that the requirement of five years applied to long service payment only whereas the two-year requirement applied to unreasonable dismissal under which an employee was eligible to claim for pro-rata

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terminal payment.

40. Ms CHEUNG Lai-ha considered it unfair that an employee with less than 24 months of service was not given the same protection in cases of unreasonable dismissal. She pointed out that -

- (a) the chance for an award of remedy was low if the total number of years of service of an employee was less than four because LT would believe that an employer had no intention to dismiss such employee in order to evade long service payment;
- (a) the five valid reasons as stipulated in the EO provided good pretexts to employers to dismiss employees; and
- (c) if the dismissal was proved to be unreasonable, the chance for an award of terminal payment was still low as LT might still hold the view that an employer had no intention to dismiss such employee in order to evade long service payment.

She said that there had been no improvement in the protection against unreasonable dismissal despite the fact that the above-mentioned problems had been explained to the Labour Department at a number of meetings held in the last two years.

41. The Chairman suggested and members agreed that the submissions from The Federation of Hong Kong & Kowloon Labour Unions and the Hong Kong Confederation of Trade Unions should be forwarded to the Committee. Mr Kenneth TING said that he would consult the Federation of Hong Kong Industries as to whether its submission should be forwarded to the Committee. At the request of members, PAS(HA)7 undertook to forward the submissions to the Committee.

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**IV. Preliminary proposal for Employees Retraining Board's (ERB) Self-employment Business Start-up Fund**  
(LC Paper No. CB(2)1045/00-01(07))

42. Executive Director, Employees Retraining Board (ED/ERB) briefed members on the proposed Self-employment Business Start-up Scheme (the SBS Scheme), details of which were set out in the Administration's paper. He pointed out that there were different views within ERB that the loan applicant should also bear a responsibility at a certain percentage of the loan amount in order to uplift his devotion in running the business. He added that if a loan application was rejected, the applicant

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could make an appeal to a review committee of ERB.

43. Ms LI Fung-ying expressed support in principle for providing more channels to help the unemployed to re-enter the market. She asked about the inclined views of ERB on the percentage of risk to be undertaken by a borrower in taking out a loan. She also asked about the criteria for screening loan applications and who would be responsible for the screening.

44. ED/ERB replied that ERB might not necessarily cover 70% of the loan amount for all applications. In deciding the percentage of guarantee to be covered by ERB, consideration would be given on the total amount of fund required to start the business and the borrower's ability to repay the loan. Flexibility would be exercised based on the circumstances of each case. Applications would be screened by a vetting panel comprising people from different sectors of the community, viz members of ERB, professionals and representatives of public organizations. The panel would assess various factors for each application such as the viability of the business plan submitted by an applicant and his ability for repayment of the loan. It would also interview applicants before referring the applications to lending institutions for approval. He said that ERB had initiated discussion with a number of banks regarding the loan guarantee arrangements. Some of them had indicated interest in joining the Scheme on the basis of serving the community rather than on a commercial angle.

45. Ms LI Fung-ying raised query that it might be unfair if the percentage of guarantee to be covered by ERB for the same amount of loans varied among individual applications. Principal Assistant Secretary for Education and Manpower (5) (PAS(EM)5) said that in endorsing a loan application, there would be an aspiration that some of the applicants might be able to make a profit from the business after a certain period of time. The guarantee of 70% of the loan amount by ERB would be risked only when a business was unsuccessful. Under the proposed SBS Scheme, an applicant would be required to bear approximately one-tenth of the risk. For example, in the case where the fund required to start a business was \$110,000, the applicant would need to invest \$10,000 in the business from his own pocket.

46. Mr James TIEN expressed reservations about the proposed scheme, especially whether banks would be interested to participate in this scheme having regard to the fact that the loan applicants would unlikely be able to pledge any collaterals for the loan. He also asked about the priority on how the guarantee of 70% of the loan amount by ERB and 30% of the loan shouldered by lending institutions would be dealt with.

47. ED/ERB said that ERB had initiated discussion with a number of banks, some of them had expressed interest in joining the SBS Scheme on the following grounds -

- (a) it might promote the image of the bank;

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- (b) it could serve the community; and
- (c) there might be a return in the long run as some of the borrowers might be able to run the business successfully.

ERB would further discuss with banks on the detailed arrangements for the SBS Scheme. He added that the risk of 70% and 30% of the loan to be met by ERB and the lending institutions respectively would be dealt with on a proportional basis.

48. Mr Andrew CHENG opined that it was difficult in practice to teach a person how to start a business. In addition, the prevailing economy was not suitable for running small personal businesses. He expressed worry about the SBS Scheme and held the view that the effectiveness might be much greater if the resources allocated to this Scheme was devoted to training and education. Referring to paragraphs 4(c) and 6(b) of the Administration's paper, he asked about the cost to be incurred for the office equipment to be provided at the self-employment corners in ERB's existing resource centre and how an applicant's background and previous experience would be assessed.

49. ED/ERB replied that there were already some office machines in ERB's existing resource centre. It was estimated that only some \$200,000 to \$300,000 would be needed to procure additional equipment during the first year of implementation of the SBS Scheme. Self-employed persons could make use of the facilities available at ERB to carry out services in areas of beauty care or property maintenance. He informed members that some 21 of 45 graduates of the Employees Retraining Scheme's pilot self-employment courses had started their businesses or become self-employed on an experimental basis. ED/ERB further said that an applicant would be considered if he possessed vocational skills or working experience which were directly related to the business he intended to run. The assessment on an applicant made by a training body upon completion of a retraining course would also be considered. Those who had experienced failure in the past would be given the same opportunity. He added that apart from the specific vocational skills, self-employment courses also covered soft skills and knowledge on how to start a business covering the basic legal, financial, accounting and marketing aspects. Follow-up counselling service and advisory/mentor services by more experienced businessmen and professionals were also provided with a view to bringing the unsuccessful rate to the minimum.

50. In reply to Mr LEUNG Fu-wah, ED/ERB said that only graduates of the self-employment courses and full-time job-specific courses would be accepted for the SBS Scheme. The vetting panel would assess whether the amount of loan applied by an applicant was reasonable. He further said that ERB had initiated discussions with some nine banks, and about half of them had expressed interest to join the Scheme. ERB would continue to liaise with banks in order to obtain a more competitive interest rate for the applicants.

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51. In response to Mr YEUNG Yiu-chung's queries, ED/ERB said that the assessment of an applicant's financial position would be handled by the lending institution. ERB would only be responsible to ensure that an applicant had not been declared bankrupt in order to fulfil the basic statutory requirement. There was no limit on the number of years that an applicant must repay the loan. The repayment period would be decided by mutual agreement between an applicant and the lending institution. The Steering Committee of ERB would further discuss the loan repayment arrangements with the parties concerned.

52. While supporting the intention of the Administration to help the unemployed, Mr Tommy CHEUNG expressed reservations about whether banks would invest in such a scheme as most banks were conscious about the risk for investment. The services provided by self-employed persons were mostly to-the-door services which were usually transacted by cash without proper accounting ledgers. This would pose problems in assessing whether such persons had the ability to repay a loan as the accurate amount of income could hardly be traced. He suggested that the Administration should provide information on detailed arrangements to enable members to decide whether or not the SBS Scheme should be supported.

53. Miss CHAN Yuen-han said that the Hong Kong Federation of Trade Unions was in support of the objective of the SBS Scheme as it would be able to stimulate the unemployed to re-enter the market and to develop their potentials. She considered that the Administration would incur no extra cost to finance the SBS Scheme as the amount of loan guaranteed by ERB would be offset by the Comprehensive Social Security Assistance payment to an unemployed person if he was able to run the business for three years. She suggested that the Administration should consider introducing a more comprehensive mechanism to deal with the matter in a much larger scale so that there would be more channels to solve the problem of unemployment arising from economic re-structuring. She also suggested that the Administration should make clear to an unemployed person of the liabilities that he had to shoulder for starting up a business.

54. PAS(EM)5 said that \$10 million had been earmarked as the initial commitment and guarantee for loans for the first year of the SBS Scheme which was expected to benefit 140 retrainees. The Scheme would be reviewed after its implementation, and more funds would be allocated if situation warranted. He explained that ERB was assuming an overall coordination role of the SBS Scheme. The training bodies were playing a more important role in the provision of self-employment courses and the necessary follow-up services. The smooth operation of such courses was also attributed to the assistance rendered by voluntary agencies and non-governmental organizations.

55. Mr LEUNG Yiu-chung expressed appreciation for the efforts made by the Administration in designing various new schemes in the hope of improving the unemployment situation. He commented that if the \$10 million was used to provide

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free computer training, nearly 40 000 persons would be able to benefit from it, and suggested that the Administration should consider how the funding could be used more effectively.

56. Mr James TIEN said that the Liberal Party supported the objective of the SBS Scheme. However, in view of the lack of concrete details of the proposal, his Party was not able to support the Scheme at this stage. He suggested that ERB should liaise with all parties concerned again and then draw up a more comprehensive proposal for members' consideration.

57. The Chairman also expressed support for the idea of the SBS Scheme. He said that creativity would be undermined if there were too many restrictions. He suggested that ERB could on the one hand identify businesses which were suitable for the Scheme and should on the other hand encourage retrainees to try creative businesses. He pointed out that the implementation of similar schemes in New Zealand and the Mainland was very successful, however, these schemes did not rely on banks to give out loans. The former was fully supported by the government whilst the latter was financed by persons of high sense of responsibility to the community.

Adm

58. The Chairman concluded that members supported the objective of the SBS Scheme. He asked the Administration to consider the views expressed by members and provide more detailed information on the Scheme.

**V. Any other business**

59. There being no other business. The meeting ended at 5:03 pm.

Legislative Council Secretariat  
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