

**For information on
8 March 2004**

LEGCO PANEL ON WELFARE SERVICES

Measures to Address Poverty

PURPOSE

This paper sets out for Members' information the measures adopted to enhance the capacity of the needy with a view to lifting them out of their plight.

BACKGROUND

2. There is no universally agreed and objective definition of poverty. The definition of poverty is subject to contextual variables of time, place and prevailing social conditions. Some organisations, such as the World Bank, set the poverty line at a minimum subsistence level at US\$1-2 a day per person. Others define poverty in relative terms and focus on a more equitable distribution of income.

3. In the social welfare and health arena, our Mission is to build a 'Caring and Healthy Society'. Underlying this Mission, in the social welfare context, is a four-pillared approach -

- (a) to provide opportunities for everyone to develop his or her potential and to participate in, and contribute to, the economic and social life in Hong Kong;

- (b) to provide support and protect the disabled and vulnerable members to enable them to develop their potential and participate fully in the life of the community;
- (c) to provide a social safety net for those who are economically inactive because of age, illness or disability, and for individuals who are in need of financial assistance because of unemployment or family carer responsibilities, and to help able-bodied recipients to gain self-reliance; and
- (d) to develop social capital by fostering mutual care and support.

Over the years, we have made substantial investments in social services. In the fiscal year 2003-04, recurrent expenditure on our health, welfare, housing and education programmes amounts to \$1,269 billion, i.e. 57% of the total recurrent public expenditure. In the welfare sector, the expenditure amounts to over \$32 billion, accounting for 14.7% of Government's recurrent expenditure. Of the \$32 billion, over \$22 billion is expenditure on the Comprehensive Social Security Assistance and Social Security Allowance which are non-cash limited and \$7.9 billion is subvented expenditure.

4. Our focus to assist the low-income groups is on fostering an environment which encourages, and provides opportunities for, upward social mobility. This strategy has proved to be sound, as based on a study in 2001, out of the 20% lowest paid workers in 1991, nearly 60% had by 2000 moved up the income ladder. These findings demonstrate the high upward mobility of Hong Kong workers, if they are given opportunities.

5. At the same time, to take care of the socially vulnerable, in particular those with limited capability to achieve upward mobility, specific help is required. As such, we have in place policies and services to build up their capacity, provide them with opportunities for economic and social participation and help them to be self-reliant.

6. We consider that the multi-pronged approach of fostering economic growth, facilitating human investment and increasing social investment together, will provide the best environment for people to enhance their

capabilities and elevate themselves. Healthy economic recovery and a broader economic base is the key to lifting the standard of living for all. Human and social investment through education, training and retraining will raise their capability, productivity and competitiveness of our workforce, and help those unable to benefit from the changing economy in the short term.

(A) Employment

7. The Administration attaches great importance to tackling unemployment, and has adopted a multi-pronged strategy in dealing with it. The primary objective of our employment policy is to help the unemployed re-enter the workforce as soon as possible, and to minimise the duration of unemployment.

8. In the short term, we have created temporary jobs in the public sector to ease unemployment. We are also implementing various schemes to facilitate employment and assist targeted groups to enhance their employability. We will also improve the business environment so as to attract more foreign investment and facilitate economic development, which are conducive to creating employment.

Creation of temporary jobs in the public sector

9. To relieve unemployment, the Administration created a number of jobs, including permanent, project-based and temporary jobs. These include the initiatives announced in the 2000 and 2001 Policy Address, as well as the two employment-cum-training packages¹ in response to the outbreak of SARS in 2003. These measures have created thousands of employment opportunities to meet ad hoc operational needs and provide short-term relief to the unemployed, especially low-skilled workers. The Chief Executive (CE) announced in his 2004 Policy Address that 11 700 temporary jobs would be extended at an estimated cost of \$873 million to meet operational needs and, at the same time, provide relief to those with less education, lower skills and limited work experience. Among them, some 3 500 are for youths and the remaining are for other age groups, primarily the middle-aged. Funding

¹ The two packages were the \$432-million package implemented in May 2003 and the \$715-million package launched in August 2003.

approval for extending these temporary jobs has been given by Finance Committee of the Legislative Council.

Schemes to provide assistance to vulnerable groups most affected by unemployment

10. Youngsters, especially first-time job-seekers, generally encounter problems in finding jobs because of their limited practical skills and working experience. In 1999 and 2002, the Labour Department (LD) launched the Youth Pre-employment Training Programme and the Youth Work Experience and Training Scheme respectively to enhance the employability of youths. The former will continue to run with recurrent funding while the latter will be extended for another two years with a funding of \$300 million. In his 2004 Policy Address, the CE also announced that a \$30 million pilot scheme, the Youth Self-employment Support Scheme, would be launched to train and assist 1 000 youths to become self-employed.

11. In addition to extending some 11 700 temporary jobs, many of which are suitable for middle-aged workers with low education attainment or skills level, an average of HK\$29 billion per year would be earmarked for capital works projects for the next five years. Together, these projects are expected to create 45 000 construction and technical jobs each year. Furthermore, LD has also launched various schemes to assist the middle-aged to re-enter the labour market, including the Re-employment Training Programme for the Middle-aged and the Incentive Allowance Scheme for Local Domestic Helpers. Currently, there are about 10 000 and 6 500 places under these two schemes respectively.

Economic and Employment Council

12. The Government alone cannot provide jobs to meet the needs of the labour market. This is particularly so if we are to adhere to the philosophy of “small government and big market”. Indeed, the bulk of employment opportunities must come from the private sector. Hence it is important to improve the local business environment, attract investment, and simplify regulatory framework so as to facilitate the private sector to create more job opportunities. To this end, a high-level Economic and Employment Council

with representatives from the Legislative Council, academic, business and labour sectors and under the chairmanship of the Financial Secretary has been formed. It will devise ways to induce investment, stimulate economy and facilitate job creation.

(B) Education, Training and Retraining

13. The upgrading of the quality and competitiveness of the workforce is the key to resolving the structural unemployment we face in the long term. Investment in human capital through education, training and retraining can provide our people with opportunities to improve their standard of living and climb up the social ladder over time through their participation in the workforce.

14. The Government is committed to upgrading the overall educational attainment and competitiveness of our workforce so as to prepare them for taking full advantage of the various job opportunities available. On the education front, our objective is to equip our young people with the abilities for lifelong learning and to enable all-round development. Our priority lies with the creation of a lifelong learning society, raising the quality of students, constructing a diverse school system and providing an inspiring learning environment.

15. On the manpower front, to ensure that our workforce meet the demands of the dynamic society, we provide a comprehensive system of vocational education and training through the Vocational Training Council, Construction Industry Training Authority and Clothing Industry Training Authority. Altogether, these institutions provided over 287 000 training places in 2003.

16. We have also introduced various measures to help enhance our human capital. Examples include the \$400 million Skills Upgrading Scheme introduced in 2001 and the \$5 billion Continuing Education Fund launched in 2002. To assist the unemployed to re-enter the labour market, the Employees Retraining Board also provides skills training and placement service to those aged 30 or above with lower secondary education or less.

(C) Measures under the Social Security System to Promote Self-Reliance

17. To help unemployed CSSA recipients move towards self-reliance, SWD has implemented since 1 June 1999 the Support for Self-reliance (SFS) Scheme. The Scheme initially consisted of two main components: the Active Employment Assistance (AEA) programme and the Community Work (CW) programme. CSSA unemployed and low-income recipients without a full-time job are required to participate in the AEA programme under which staff of SWD would help them get access to information on job vacancies and monitor their personalised action plans to find work. Participants are also required to perform community work under the CW programme, which aims to help them develop a work habit and increase their self-esteem and confidence. As part of the SFS Scheme, the provision of disregarded earnings under the CSSA Scheme was also enhanced to provide more incentives for able-bodied recipients to find full-time employment. With effect from 1 July 2000, the disregarded earnings provision has been made more attractive by removing the minimum income and working hours restrictions.

18. Apart from the AEA programme, SWD has also launched in early 2001 two major employment assistance initiatives mainly to offer more intensive support to specific groups of CSSA recipients. One was the commissioning of non-governmental organisations (NGOs) to run a Special Job Attachment Programme to provide the participants with more structured employment assistance, and the other was the setting up of a capital commitment for the Intensive Employment Assistance Fund to finance NGOs to run tailor-made employment assistance projects for the recipients.

19. Building on the past successful experience, SWD has introduced intensified measures again in June 2003 to promote self-reliance. These measures included the provision to employable CSSA recipients with more targeted assistance including direct job matching upon their entry into the CSSA system; raising the maximum level of disregarded earnings from \$1,805 to \$2,500 a month, and correspondingly the 'no deduction limit' with respect to disregarded earnings from \$451 to \$600 to provide more financial incentives to work; arranging CW for AEA participants within the first three months of their being on CSSA and arranging for long term AEA participants to perform CW three full days a week for a period of six months; and commissioning more

NGOs to launch intensive employment assistance projects (IEAPs) for employable CSSA recipients and near-CSSA recipients.

20. We aim to build a reliable and sustainable social security system that helps people to help themselves while ensuring a proper level of support in times of need. To help prevent the problems of socially disadvantaged families resulting in their turning to social security, IEAP operating NGOs are allowed to administer some cash as Temporary Financial Assistance for immediate and direct disbursement to needy near-CSSA recipients among the IEAP participants to tide over their temporary financial hardship before taking up employment so that they do not have to rely on CSSA.

21. To encourage and help CSSA single parent recipients to maximise their chances of participating in social and economic activities so that they can become more self-reliant and reduce the risk of social exclusion, SWD implemented in March 2002 the Ending Exclusion Project. The Project comprises a voluntary employment assistance programme, improved work incentives, help with child care and enhanced supportive services. CSSA single parent recipients with young children may join the Project on a voluntary basis. A longitudinal study of EEP participants and a control group revealed that project participants exhibited more job-seeking behaviour, secured more part-time employment and became less socially isolated.

(D) Community Investment and Inclusion Fund (CIIF)

22. The CIIF provides support to the development of social capital with emphasis on building individual and community capacity so that they can more effectively help each other to address social needs.

23. The CIIF was set up with an initial allocation of \$300 million following the Chief Executive's 2001 Policy Address. The Fund has a clear purpose distinct from providing ongoing support for long-term services. The Fund encourages a shift away from a conventional service provision mode to taking a social investment approach. Seed funding is provided in support of community-initiated projects that will encourage community participation and promote self-help and mutual help. The return from such social investment will be (i) the enriched networks of social support, (ii) joined-up efforts

between community groups, corporate bodies or professional groups and the Government, and (iii) increased opportunities for social and economic participation that would contribute to social well-being and enhance social inclusion.

24. The aim of the CIIF is to develop social capital. Social capital refers to the links and respect between people, their willingness to work together and sacrifice self-interest for the common good; the strength of our family and community support networks; and collaboration and cohesion among different sectors and strata. This will help to maximise the potential of individuals; to promote mutual care and trust; to increase commitment to Hong Kong and our sense of belonging. It will strengthen social solidarity. In brief, social capital plays an important role in building the resilience of a community with shared values and the ability to create opportunities with social inclusion and economically productive outcomes.

25. Since the Fund started operation in August 2002, three rounds of applications have been called. Over 40 worthy projects spanning different districts have been selected. Over half of the selected projects involve cross-sectoral collaboration. Early results are beginning to take shape. Such emerging local experience is a useful tool in further disseminating the Fund's objectives, promoting changes in mindset as well as operations.

(E) Assistance to those in Need

26. It is well-established Government policy that no one is denied access to vital social services because of a lack of means. The Government actively and effectively supports and assists the low-income earners, be they CSSA recipients or not, in many policy areas, including housing, education, health and welfare etc.

Housing

27. Our public rental housing programme provides subsidised homes to low-income families who cannot afford private-sector accommodation. The low levels of rents enable low-income tenants in public housing to enjoy a quality of life on a par with the community at large. For tenants who

encounter temporary economic hardship, the Housing Authority operates a Rent Assistance Scheme, under which tenants not receiving CSSA may apply for rent reduction. In recent years, we have also made tremendous efforts in reducing the waiting time to enable low-income families to get access to public housing expeditiously. At present, the average waiting time is slightly above two years. For households which are not selective in the location or types of flats, they can be allocated public rental flats within a year or so.

Education

28. On top of the free education to all from primary one to secondary form three and the heavily subsidised higher secondary and tertiary education, there are various forms of financial assistance to ensure access for students with the ability to the level of education they aspire to attain. These include tuition fee remission, student travel subsidies, school textbook assistance, student loans, etc.

Health

29. To ensure that no one will be denied access to health care services due to financial difficulties, there is in place a medical fee waiver mechanism to assist those who are in need. CSSA recipients enjoy free medical services, while non-CSSA recipients in financial need can apply for a full or partial fee waiver subject to a simple assessment of their family income and assets.

Welfare

30. The Social Welfare Department has put in place a wide range of welfare services other than social security services to help needy individuals and their families such as counselling and guidance services, community care services, residential care placement, schooling and temporary shelter assistance, etc. All those in need including low-income earners and CSSA recipients have access to receive these services by direct approach, on referral basis or outreaching network of the Department.

CONCLUSION

31. Members are invited to note the contents of the paper.

Health, Welfare and Food Bureau

Education and Manpower Bureau

Economic Development and Labour Bureau

Financial Services and Treasury Bureau

Housing, Planning and Lands Bureau

Social Welfare Department

March 2004