

立法會
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Panel on Welfare Services

**Minutes of special meeting
held on Friday, 19 December 2008, at 4:30 pm
in the Chamber of the Legislative Council Building**

- Members present** : Hon Albert CHAN Wai-yip (Chairman)
Hon CHEUNG Kwok-che (Deputy Chairman)
Hon Albert HO Chun-yan
Hon LEE Cheuk-yan
Hon LI Fung-ying, BBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Hon Paul CHAN Mo-po, MH, JP
Hon WONG Sing-chi
- Members absent** : Hon LEUNG Yiu-chung
Hon TAM Yiu-chung, GBS, JP
Hon Frederick FUNG Kin-kee, SBS, JP
Hon WONG Kwok-hing, MH
Hon Ronny TONG Ka-wah, SC
Hon WONG Kwok-kin, BBS
- Public Officers attending** : Miss LEE Man-ching, Eliza
Deputy Secretary for Labour and Welfare (Welfare) 1
- Miss Ann HON
Assistant Director of Social Welfare (Subventions)
- Lump Sum Grant Independent Review Committee
- Mr Wilfred WONG
Chairman

Dr Dorothy CHAN
Member

Dr Lawrence LI
Member

Ms Ayesha Macpherson
Member

Clerk in attendance : Miss Betty MA
Chief Council Secretary (2) 4

Staff in attendance : Mr Chris LAI
Senior Council Secretary (2) 5

Miss Maggie CHIU
Legislative Assistant (2) 4

Action

I. Review Report on the Lump Sum Grant Subvention System

[Review Report on the Lump Sum Grant Subvention System and LC Paper No. CB(2)514/08-09(01)]

The Chairman welcomed the Chairman and members of the Lump Sum Grant Independent Review Committee (IRC) to the meeting.

2. Deputy Secretary for Labour and Welfare (Welfare)¹ said that the Review Report on the Lump Sum Grant Subvention System (Review Report) prepared by IRC was submitted to the Secretary for Labour and Welfare (SLW) on 16 December 2008 and was released thereafter. SLW had stated that the Administration would provide responses to the recommendations of the Review Report in one to two months' time. The Administration would revert to the Panel in due course.

3. At the invitation of the Chairman, Chairman/IRC briefed members on the findings and recommendations of the Review Report prepared by IRC. He highlighted that –

- (a) IRC had studied whether the principles of Lump Sum Grant Subvention System (LSGSS) remained sound;

Action

- (b) IRC was fully aware of the importance of the review for the welfare sector and its far-reaching implications on the community as a whole. It had made its best effort to consult all stakeholders, including the Government, non-governmental organisations (NGOs) management and staff, service users and the public at large through various communication channels. IRC had met with 112 stakeholders groups which requested an interview, and received 133 written submissions. With the consent of the parties concerned, the written submissions had been uploaded onto the IRC website; and
- (c) IRC had commissioned a consultancy study on the funding mode for welfare services in five overseas countries, comparing them with LSGSS to see if useful references could be drawn. It was noteworthy that governments elsewhere were continuously modifying their welfare funding systems.

4. Chairman/IRC said that having analysed the views collected, IRC considered the principles of LSGSS were sound. Therefore, the system was worth retaining, and every effort should be made to improve it. IRC had made 36 recommendations on ways to improve the system.

5. Chairman/IRC further said that during the review, the stakeholders had expressed concerns about the implementation of LSGSS. IRC noted that different NGOs had adopted different strategies in implementing LSGSS. To assist LSGSS in its continuous development and coping with the changing social needs, IRC had suggested some guiding principles, including partnership, flexibility, adequate monitoring, accountability and communication, and a mindset for change.

6. Chairman/IRC added that the 36 recommendations to improve the system were related to and complemented each other. He then briefly introduced IRC's major recommendations as follows –

- (a) the Government should make available an actuarial service for NGOs to assess their ability to meet Snapshot Staff commitments. NGOs could apply for the service on a voluntary basis. If the result of the actuarial study affirmed that the NGO was capable of meeting Snapshot Staff commitments, the NGO would have a sound basis for considering more progressive human resource policies such as enhancing the remuneration package for staff;

Action

- (b) a Best Practice Manual for NGOs on various management issues such as human resource policies should be developed by the welfare sector, with professional input from management experts if necessary;
- (c) the Government should institute a review mechanism to oversee the systematic review of welfare services and service planning; and
- (d) the Government should set up a \$1 billion Social Welfare Development Fund to support training and capacity enhancement initiatives, such as training and professional development for NGO board members, management and staff, covering also the cost of workers to relieve staff who went on training; system upgrading for NGOs; and studies aimed at enhancing NGOs' service delivery.

Staffing arrangements

7. Ms LI Fung-ying said that since the inception of LSGSS, NGO staff had time and again raised concern about various management issues, in particular human resource policies and practices. This had created tension between the NGO management and staff. Ms LI enquired why IRC had not made concrete recommendations on way to address the concerns about the employment terms of NGO staff.

8. Chairman/IRC advised that the Review Report had elaborated on the management problems faced by NGOs. Under LSGSS, NGO management was provided with flexibility in terms of financial and human resource management. It was noted that some NGOs had carried out re-engineering services to bring about improvement to their services. For the users, they welcomed these initiatives introduced by NGOs. Recognising that NGO staff had raised concern that some NGO management had not fully deployed adequate resources for staff salary and accumulated reserves in excess of the current and future requirements, IRC recommended that the Government should make available an actuarial service for NGOs to assess their ability to meet their commitments to Snapshot Staff and that the reconstituted LSG Steering Committee should work with the sector in drawing up a Best Practice Manual for NGOs on various management issues. Chairman/IRC said that as NGOs had carried out extensive re-engineering, reverting to the former subvention mode would not be practicable. He believed that the recommended measures would help strike a balance between providing flexibility for NGOs in deploying resources and making effective deployment of resources.

9. Mr LEE Cheuk-yan expressed disappointment that the Review Report had not addressed the welfare sector's demand for "equal pay for equal work". Mr LEE pointed out that since the implementation of LSGSS, the practice of

Action

employing staff on contract terms had become very common in the welfare sector, and the tendency was detrimental not only to staff morale but also to the stability and services of the welfare sector. In his view, the adoption of a Best Practice Manual and the provision of actuarial service for NGOs could not solve these problems, not to mention encouraging NGO management to deploy the excessive reserves for enhancing the remuneration package for staff. Having regard to the discontent of the sector and the deterioration of services, Mr LEE said that he saw no reason why LSGSS should not be scrapped if the system was proven ineffective.

10. Dr Dorothy CHAN, member of IRC advised that IRC had stated in Chapter 3 of the Review Report that as a good management practice for NGOs, the additional funding from the Social Welfare Department (SWD) for salary adjustments should be spent on staff in subvented services. The practice of capping staff salaries at the mid-point of the corresponding civil service MPS was adopting an unnecessarily conservative approach. As regards the concern about staff wastage and turnover in the sector, IRC acknowledged that as shown from the surveys conducted in 2003, the overall staff turnover rate in the welfare sector was not particularly high as compared with the overall employee turnover rates for Hong Kong. While noting that "equal pay for equal work" topped the agenda of staff demands in the welfare sector, Dr CHAN considered that the concept should be based on what would be considered as reasonable remuneration. IRC considered that matters of human resource policies should more appropriately be dealt with by the sector. IRC therefore recommended that the welfare sector to draw up its own Best Practice Manual to provide guidance to NGOs on, inter alia, human resource policies. She drew members' attention to paragraphs 3.43 – 3.49 of the report on "equal pay for equal work".

11. While expressing appreciation for the dedicated work of IRC, Mr CHEUNG Kwok-che said that the Review Report had not addressed the demand for "equal pay for equal work". Mr CHEUNG asked about the IRC's specific response to the concerns so raised by the NGO staff, and why IRC considered it impracticable to reverting to the former subvention mode.

12. Chairman/IRC said that as elaborated in Chapter 3 of the Review Report, IRC noted that the pay structures of NGOs had already undergone fundamental changes since the introduction of LSGSS. For those NGOs which had carried out extensive re-engineering, they had moved away from uniform arrangements to suit their service needs, and thereby reverting to the former subvention mode would not be practicable. Chairman/IRC further said that the observations and recommendations in the Review Report were drawn up having regard to the views solicited from all the stakeholders involved. Given that re-engineering had indeed brought about service enhancement, staff concerns alone would not justify a negation of that effort. Chairman/IRC added that to address staff concerns about the utilization of additional funding for pay adjustment, IRC had

Action

stated clearly in Recommendation 3 of the Review Report that as a good management practice for NGOs, the additional funding provided in line with civil service pay adjustment should be spent on staff in subvented services. He believed that having drawn up a Best Practice Manual by the sector, the NGO management were expected to follow the guidelines as appropriate. Chairman/IRC stressed that IRC considered that NGOs should have flexibility in utilizing the additional funding for pay adjustment in accordance with their own human resource policies. Noting that some NGOs felt obliged to maintain a healthy financial position for payments to Snapshot Staff, IRC therefore recommended that a Government-funded actuarial service be made available for a professional analysis of these NGOs' ability to meet their commitments to Snapshot Staff. If the result of the actuarial study affirmed that NGO was capable of meeting the commitments, savings achieved might not have to go to the NGO's general reserve and could be deployed for other purposes.

13. Mr CHEUNG Kwok-che asked why IRC had not addressed the demand for pitching the pay scale for NGOs at the corresponding civil service MPS. He further asked whether IRC considered keeping reserves by NGOs at 25% of their subventions was a reasonable level.

14. Chairman/IRC said that since the inception of LSGSS, the pay structure of staff in NGOs on LSG was delinked from the civil service to maximize the flexibility allowed under the new system. That said, the terms of employment of staff in NGOs should be no more favourable than the civil service. Chairman/IRC pointed out that about 80% of the NGOs' recurrent expenses was on the personnel emolument of staff, a return to the former system would not be advisable or practicable. As regards the reserve level, Chairman/IRC said that IRC understood that many subvented organisations in the public sector were allowed to accumulate reserves. For example, the Hong Kong Tourism Board was allowed to accumulate reserves up to four months of its operating expenditure, the eight higher education institutions funded by the University Grants Committee might normally accumulate reserves of not more than 20% of their respective recurrent grants. The level of cumulative reserve be capped at 25% of NGOs' operating expenditure was not exceptionally high. In managing the reserves, IRC hoped that NGOs might make use of the Government-funded actuarial services to assess their ability to meet contractual commitments.

15. Mr CHAN Mo-por was inclined to support retaining LSGSS, as the issues of concern raised by the stakeholders were largely related to the implementation of the system, and not the system per se. Mr CHAN said that the tension between the management and staff could be alleviated by improving communications between parties concerned. He called to SWD to take actions in this respect. While drawing up a Best Practice Manual could provide guidelines for the management, to address the issues of concern raised by the stakeholders about lacking of monitoring of the management practice and human

Action

resource policies, Mr CHAN suggested that the Administration should consider determining the level of subventions to individual NGOs according to the utilisation rate of the allocated resources. Concerning the provision of actuarial services for NGOs, Mr CHAN suggested that additional resources should be provided for NGOs to rectify or improve its management practice if areas for improvement were identified.

16. Noting from paragraph 3.38 of the Review Report that 52% of staff in the welfare sector were employed on time-limited contracts, Mr LEE Cheuk-yan expressed disappointment at the IRC's observation that there was nothing intrinsically wrong about employing staff on contract terms. In his view, having too many staff on time-limited contracts had inevitably upset the stability of services and undermined the sense of staff commitment.

17. Chairman/IRC advised that IRC acknowledged that employment by time-limited contracts was not unique to NGOs under LSG, and it had become a common practice in many other sectors. IRC, however, considered that there seemed to be little practical need for contract periods of less than the project duration.

18. Mr LEE Cheuk-yan said that as a matter of principle, provident fund reserves should be spent on commitments for provident fund. He did not see the need for some NGOs keeping excessive reserves for the purpose. As such, he considered that NGOs should receive provident fund provision equivalent to the actual expenses in the year.

19. Chairman/IRC said that some NGO management had told IRC that the standard 6.8% provident fund provision was adequate to meet the contractual commitments, but the requirement might be greater when the NGO had put in place a policy to increase the percentage of contribution according to the length of service of the staff concerned. Some NGOs had therefore put the surplus into the reserves for future use. Chairman/IRC believed that the Administration would take this into account when considering the recommendations of the Review Report.

20. Mr LEE Cheuk-yan remained unconvinced of IRC's findings that LSGSS should be retained. Pointing out that the delinkage of salary structure was not applicable to teaching staff in aided schools and nursing staff in the subvented healthcare sector, he questioned why only the welfare sector had a different salary structure. Given that nursing staff in the welfare sector was generally paid according to the civil service pay scale, NGOs had to offer them with better remuneration packages in order to attract and retain them, and often at the expenses of the salaries of other staff members.

Action

21. Chairman/IRC said that the shortage problem of nursing staff in the welfare sector was a cross-sectoral problem arising from the shortage of nursing staff, and not because of a lack of pay scale in the welfare sector. The problem could not be satisfactorily addressed by improvements to LSGSS alone. To help the welfare sector tide over the problem, IRC recommended, among other things, that SWD should, in response to the labour market situation, provide additional resources for three years to welfare NGOs which needed to employ paramedical staff or hire their services, so that they might offer more competitive salaries to recruit and retain these staff.

22. The Chairman considered that the Review Report had yet to address the crux of problem, i.e. discontent among staff members who demanded for "equal pay for equal work". Given that NGOs enjoyed the discretion in devising its own pay policies, it would give rise to suspicion among staff members and poor management practice if no monitoring mechanism was put in place. He sought IRC's view on the adoption of basic pay structures for NGO staff.

23. Chairman/IRC said that IRC noted that NGO staff had expressed concern on the remuneration packages of the frontline staff. IRC recommended that a formal public accountability framework should be in place for NGOs to disclose their annual financial reports as submitted to SWD, so that they would also be accountable to the public for the proper and prudent use of public fund. Chairman/IRC believed that the need to formulate fair pay policies would be addressed in the Best Practice Manual for NGOs to be developed by the sector.

24. While understanding the need for flexibility under LSGSS, the Chairman took the view that consideration should be given to stipulating in the Best Practice Manual the minimum manpower requirements in respect of different positions in NGOs to ensure the delivery of quality services. More importantly, ways to enforce the Best Practice Manual should be spelt out in the Manual.

25. Chairman/IRC said that IRC attached great importance to the provision of quality service by NGOs. In the circumstances, IRC recommended that SWD should conduct more frequent service performance inspections and surprise visits, and systematically collect service users' feedback.

Corporate governance

26. To improve NGOs' corporate governance, Mr LEE Chuek-yan took the view that consideration should be given to appointing staff representatives to their respective governing boards.

27. Dr Lawrence LI, member of IRC advised that IRC considered that the composition of the governing board, as well as the participation of staff and service users in it, would be matters for the NGO to decide having regard to the

Action

agency's own circumstances. As regular and effective communications with staff and service users were very important, IRC recommended that the sector further examined how this could be done in the context of developing its Best Practice Manual.

28. Mr WONG Sing-chi said that since the implementation of LSGSS, NGOs were given greater autonomy and flexibility to deploy resources and the role played by the governing boards and management had undergone substantial change. Consequently, the management faced tremendous pressure in attaining financial viability of the respective NGOs in the long term. Mr WONG wondered if assistance would be provided to the management in this regard.

29. Chairman/IRC advised that IRC fully understood the worries of and problems faced by the NGO management. To his knowledge, although SWD had provided NGOs with the Special One-off Grant (SOG)–Scheme A to achieve financial viability within a specified period of time, 78 NGOs had not applied for SOG–Scheme A. On the other hand, IRC also noted that some NGOs had not used other additional funding from SWD for salary adjustments, but for other service enhancement initiatives or maintaining reserve to ensure long-term financial stability. This explained why IRC recommended, inter alia, that an actuarial service be provided for NGOs to assess their ability to meet Snapshot Staff commitments. If the actuarial study affirmed that the NGO was capable of meeting the contractual commitments to staff, spare resources might be deployed for staff development purposes. While IRC acknowledged that, in the spirit of LSG, NGOs should have flexibility in utilizing the subvention, the proper use of public funds should not be compromised.

30. Ms Ayesha Macpherson, member of IRC added that the importance of NGOs' corporate governance to the provision of welfare services had become more apparent since the implementation of LSGSS. IRC considered that in corporate governance, the board of directors and the management of NGOs had their distinctive functions which were supportive of each other. In general, the governing board was responsible for determining the NGO's strategic objectives and policies whereas the management was the executive agent responsible for implementing policy decisions of the board and making decisions at the operational level.

31. Ms Macpherson said that while IRC recommended that an independent body, to be known as the Independent Complaints Handling Committee (IHC), should be formed to handle LSG-related complaints, IRC considered that such complaints should first be handled by the relevant boards, i.e. at the NGO level. IHC should handle complaints which could not be satisfactorily addressed at the NGO level and recommend improvements to LSGSS. Recognising the tremendous commitment of the NGO boards and management, IRC recommended that the Government should set up a \$1 billion Social Welfare

Action

Development Fund to, inter alia, support training and professional development for NGO board members and management.

32. To promote accountability among NGOs, Ms Macpherson said that IRC recommended that a formal public accountability framework should be in place for NGOs to disclose their annual financial reports as submitted to SWD, so that they would also be accountable to the public for the proper and prudent use of public funds.

33. Mr WONG Sing-chi expressed concern whether the management and governing board of NGOs would have to shoulder responsibility and liability if they failed to follow the guidelines set out in the Best Practice Manual.

34. Chairman/IRC advised that apart from recommending that the Best Practice Manual should address the question of how to set a reasonable level of reserves and how reserves should be put to good use, IRC also recommended that SWD should establish a mechanism whereby NGOs which anticipated financial difficulties could alert SWD in advance, so that remedial measures could be taken as appropriate before the NGOs concerned exhausted their reserves. If the NGOs' arrangements involved misuse of subvention, SWD would take follow-up actions accordingly.

Other concerns

35. Mr LEUNG Kwok-hung said that in the light of the widespread discontent expressed by the NGO staff about LSGSS and the low staff morale in the sector, he saw no reason why the system could not return to the former system if it was proven not conducive to quality enhancement. Mr LEUNG further said that the introduction of LSGSS was premised on the assumption that the provision of flexibility to NGOs would address the shortcomings of the former subvention system, which, in his view, was wrong. Instead, improvements should be made to the former subvention system for the better.

36. Chairman/IRC stressed that in the course of conducting the review, IRC had consulted stakeholders, including NGOs, staff and service users. Stakeholders' feedback suggested that most of them considered LSGSS capable of achieving its objectives and bringing about service enhancement. As he had pointed out earlier, having analysed the views collected, IRC considered that the principles of LSGSS were sound. Some of the concerns raised about utilization of resources by NGO management were arising from changing service needs, and not the system per se. Chairman/IRC further said that under the former subvention mode, NGOs did not have any incentives to re-engineer and enhance services. IRC considered that LSGSS was worth retaining, and every effort should be made to improve it.

Action

37. Noting that the 36 recommendations were related to and complemented each other, Mr CHEUNG Kwok-che expressed concern what improvements could be made to LSGSS if the Administration accepted only some of recommendations. Chairman/IRC said that it would be matters for the Administration to decide.

38. The Chairman said that he had opposed the introduction of LSGSS when the proposal was first put forward to the Legislative Council. Some of the problems envisaged by him at that point in time had indeed emerged. He further said that should IRC have noted any malpractice of NGO management in the course of conducting the review, it should refer the specific cases to SWD for follow up. The Chairman then referred to the consultancy study on overseas subvention systems (Annex II of the Review Report) and raised concern about the impartiality of the findings as the project leader had advocated the introduction of LSGSS.

39. Chairman/IRC advised that IRC had invited tender proposals for the consultancy study, and the consultant was commissioned as it was the only bidder.

40. In view of the far-reaching implications of IRC's review on the welfare sector, Ms LI Fung-ying suggested that the Panel should consider holding another meeting to receive views from deputations on the Review Report and discuss the Administration's response to the recommendations of IRC.

41. Having regard to the grave concern expressed by members and the welfare sector, the Chairman suggested and members agreed that a further special meeting should be held on 17 January 2009 from 9:00 am to 12:00 noon to receive views from deputations on the Review Report. Members further agreed that representatives from IRC should be invited to attend the special meeting.

II. Any other business

42. There being no other business, the meeting ended at 6:25 pm.