

**Legislative Council
of the
Hong Kong Special Administrative Region**

**Delegation of the
Subcommittee on Poverty Alleviation
under the Panel on Welfare Services**

**Report on the duty visit to study
the experience of poverty alleviation and
the development of social enterprises
in Taiwan and the Republic of Korea**

19 to 25 July 2009

TABLE OF CONTENTS

Chapter		Page
1	Introduction	1 - 2
2	Policy and measures on poverty alleviation and social enterprise development in Taiwan	3 - 25
3	Policy and measures on poverty alleviation and social enterprise development in the Republic of Korea	26 - 50
4	Conclusion	51 - 53

Appendix

Programmeme of the visit

Acknowledgement

The delegation wishes to thank all the distinguished individuals, including Members of the Parliament, government officials, academics and staff members of the not-for-profit organisations and social enterprises with whom the delegation met during its visit to Taipei and Seoul from 19 to 25 July 2009. The delegation is most grateful to them for their detailed briefings for and useful exchanges of views and information with the delegation.

The delegation wishes also to thank the Consulate General of the Republic of Korea and the Chung Hwa Travel Service in Hong Kong as well as the Hong Kong Economic and Trade Office in Tokyo for their kind assistance in putting together the visit programme and making the logistical arrangements.

Chapter 1 – Introduction

Purpose of the visit

1.1 A delegation of the Subcommittee on Poverty Alleviation under the Panel on Welfare Services of the Legislative Council visited Taiwan (Taipei) and the Republic of Korea (Seoul) in July 2009 to study the experience of poverty alleviation and the development of social enterprises in these places.

Membership of the delegation

1.2 The delegation comprised the following Members –

Subcommittee members

Hon Frederick FUNG Kin-kee, SBS, JP (Subcommittee Chairman and leader of the delegation)

Hon LEE Cheuk-yan

Hon LEUNG Yiu-chung

Hon CHEUNG Kwok-che

Hon WONG Sing-chi

Non-Subcommittee Members

Dr Hon LAM Tai-fai, BBS, JP (joining the Taipei leg only)

Hon Paul CHAN Mo-po, MH, JP

Hon WONG Yuk-man

1.3 Miss Betty MA, Clerk to the Subcommittee and Miss Florence WONG, Senior Council Secretary 2(5), accompanied the delegation on the visit.

Purpose of the visit

1.4 The Subcommittee was appointed by the Panel on Welfare Services of the Legislative Council and tasked to study policies and measures relating to poverty alleviation. The Subcommittee decided to send a delegation to Taiwan and the Republic of Korea to obtain first-hand information on the poverty alleviation strategies and measures put in place to help the disadvantaged groups, and how

these places formulate and implement strategies and measures to foster the development of social enterprises in providing opportunities for the unemployed and disadvantaged to integrate into the job market.

Visit programme

1.5 The delegation visited Taiwan (Taipei) from 19 to 22 July 2009 and the Republic of Korea (Seoul) from 22 to 25 July 2009. The delegation met with government officials, parliamentarians and representatives of not-for-profit organisations. The delegation also visited some not-for-profit organisations and social enterprises in Taipei and Seoul. Further details of the programme of the visit are in the **Appendix**.

Chapter 2 – Policy and measures on poverty alleviation and social enterprise development in Taiwan

Visit programme

2.1 The delegation met with legislators of the Social Welfare and Environmental Hygiene Committee of the Legislative Yuan, as well as officials of the Ministry of the Interior (MOI), the Council of Labor Affairs (CLA) and the Taipei Vocational Training Center of Taipei City Government. The delegation received detailed presentations on policy and measures to combat poverty, promote employment and foster development of social enterprises (SEs) in Taiwan.

2.2 The delegation also visited the Taiwan Fund for Children and Families, the Eden Social Welfare Foundation, the Children Are Us Foundation, the Huashan Social Welfare Foundation (Elderly Welfare) and the National Association of Small & Medium Enterprises to understand the services provided by not-for-profit organisations (NPOs) in assisting the socially disadvantaged and developing SEs.

2.3 In addition, the delegation met with some academics and exchanged views on the effectiveness of the policies and measures in tackling poverty in Taiwan.



Presentation of souvenir to members of the Social Welfare and Environmental Hygiene Committee of the Legislative Yuan

Anti-poverty policy

Public assistance system

2.4 The public assistance system in Taiwan is premised on the Public Assistance Act and administrated by MOI. The Public Assistance Act was enacted in 1980, with the latest amendments made in 2008, to care for people of low income and assist persons in emergency or disasters, and help them live on themselves. The public assistance is divided into living support, medical subsidy, aid for emergency and aid for disasters.

2.5 MOI is charged with the administration of Taiwan's internal affairs and is responsible, among others, for monitoring the social welfare of residents. During the meeting with MOI, the officials of MOI gave a detailed presentation on the public assistance system in Taiwan.

Definition of low-income families

2.6 According to Article 4 of the Public Assistance Act, low-income families will be eligible for public assistance if –

- (a) the average monthly income per person in a family falls below the minimum of government subsistence (i.e. the lowest living cost); and
- (b) the total family assets do not exceed the standards adjusted annually according to the municipal authorities.

2.7 Officials of MOI have explained to the delegation that family assets comprise liquid assets (including savings and investments of family members) and real estates (value of household's land and properties). Currently, the liquid assets limits per person range from NT\$75,000 (HK\$17,625)¹ to NT\$150,000 (HK\$35,250) and the real estates limits range from NT\$2.3 million (HK\$540,500) to NT\$5 million (HK\$1.175 million) per household.

2.8 The lowest living cost is defined as 60% of per capita non-productive expenditure of the latest year. The figure is computed by the central and municipal authorities and reviewed every three years. In 2009, the lowest

¹ The exchange rate in July 2009 was NT\$1 = HK\$0.235.

living cost is NT\$14,558 (HK\$3,421) for Taipei City, NT\$11,309 (HK\$2,658) for Kaohsiung City, NT\$10,792 (HK\$2,536) for Taipei County, and \$7,400 (HK\$1,739) for offshore islands. According to MOI, the number of low-income families was estimated at 93 094, or 223 593 persons as of end of 2008, representing approximately 0.97% of Taiwan's total population.

Living support

2.9 According to MOI, the basic monthly family living support ranges from NT\$5,000 (HK\$1,175) to NT\$14,152 (HK\$3,326) which is calculated based on the number of work-capable members, income level and amount of assets of a family. The living support is provided on a per person basis. In addition to the family living support, monthly living allowance for medium- and low-income elderly of up to NT\$6,000 (HK\$1,410) is provided for the elderly aged 65 or above, disability living allowance of NT\$4,000 (HK\$940) to NT\$7,000 (HK\$1,645) is provided for persons with different degrees of mentally and physically disabilities on a monthly basis. Children aged below 15 would be provided with a monthly living subsidy of NT\$1,400 (HK\$329) to NT\$2,200 (HK\$517). Besides, students aged 18 and/or attending high school or above are provided with NT\$5,000 (HK\$1,175) monthly.

2.10 Having regard to the actual requirements and financial sources, the following special assistance and services will also be provided to the low-income families –

- (a) nutrition subsidy for puerperas and babies;
- (b) nursing subsidy;
- (c) education subsidy;
- (d) rent subsidy or lending dwelling houses at parity prices;
- (e) subsidy for repairing houses;
- (f) procreation subsidy; and
- (g) other necessary assistance and services.

2.11 MOI had advised that measures to enhance self-reliance in Taiwan include –

- (a) vocational training, career services and counselling services on business start-up; and
- (b) living subsidy to persons who are receiving vocational training.

2.12 This apart, low-skilled but work-capable members of low-income households are provided with a daily work relief benefit of NT\$600 (HK\$141) in 2009 by involving them in temporary work in public institutions arranged by the local governments.

Medical subsidy

2.13 In Taiwan, the insurance premium for low-income families to cover the National Health Insurance is paid from the budget of the central and municipal or county (city) authorities. Medical subsidy will also be provided to low-income households, and medium- to low-income persons in cases of injury or sickness. Payment items, methods and standards of medical subsidy are determined by the central and municipal authorities, and the municipal authorities will report to the central authority for review and reference.

Aid for emergency

2.14 Under the Immediate Care and Assistance Scheme, when a family is impoverished due to accidental injury or disease of a family member, inability of the bread earner to work caused by unemployment, missing, disappearance or other causes, a visiting group will visit and assess the need of the family within 24 hours upon receipt of application or referral, and emergency relief grant of NT\$10,000 (HK\$2,350) to NT\$30,000 (HK\$7,050) will be provided for the family concerned, having regard to individual circumstances.

Aid for disasters

2.15 Aid for disasters will be provided in case of flood, fire, windstorm, hail, drought, earthquake or other disasters that cause serious damages to people and impact on their living. The current standard aid for disasters is NT\$200,000 (HK\$47,000) for each diseased or lost person, and NT\$100,000 (HK\$23,500) for

each seriously injury person, and NT\$20,000 (HK\$4,700) for each family member (with maximum of five members for each household) for rehousing support.

Measures to support the unemployed

2.16 CLA is responsible for devising policy and measures to assist the unemployed and the socially disadvantaged in securing jobs, in particular the involuntarily unemployed, women who have to support the families, the elderly or mid-aged persons, the disabled, etc. The delegation met with the officials of CLA for a better understanding of measures in place to assist the unemployed and the socially disadvantaged in Taiwan.



Meeting with officials of Council of Labor Affairs

2.17 According to CLA, the Government adopts a three-pronged approach to build a complete employment security system and to handle unemployment affairs viz. unemployment insurance, the vocational training and employment service system. They are administered by the Bureau of Labor Insurance (BLI) and Bureau of Employment and Vocational Training (BEVT).

Employment Insurance Act

2.18 According to the officials of BLI, the implementation of the Employment Insurance Act seeks to guarantee the basic living requirements for workers and their dependents during periods of unemployment. Details of the benefits are highlighted below –

- (a) *unemployment benefit* : an insured person who has involuntarily left work will be paid a monthly unemployment benefit of 60% of his average monthly salary over the six-month period prior to leaving the work and withdrawing from the employment insurance programme, for a maximum of six months. If the applicant who withdraws from this insurance is already 45 years old or holds a physical and mental disability certificate issued by a competent authority of social welfare, the longest period for the unemployment benefit is nine months;
- (b) *early reemployment allowance* : an insured person who has got a job before expiration of the appointed time for claiming unemployment benefits, and has participated in the employment insurance programme for at least three months, may claim early reemployment allowance, which amounts to 50% of the unemployment benefits not claimed by the insured person;
- (c) *vocational training living allowance* : an insured person who has involuntarily left work, has registered at a public employment service institution for reemployment, and has participated in full-time vocational training organised by the employment service institution, can claim vocational training living allowance. During the training period, the applicant will receive a monthly vocational training living allowance of 60% of his average monthly salary over the six-month period prior to leaving work and withdrawing from the employment insurance programme, for a maximum of six months; and
- (d) other benefits under the employment insurance include parental leave allowance and national health insurance premium support.

2.19 According to BLI, workers who are above 15 and below 65 years old should participate in the employment insurance schemes with their employers or the organisations or institutions for which they belonged to as the insured units. The central authority will set the employment insurance premium rate at 1 to 2% of the insured person's current monthly insurance salary, and report it to the Executive Yuan for approval. At present, the insurance premium of employment insurance is 1% of the insured person's current monthly insurance

salary. The insured person pays 20% of the premium, while 70% is paid by the employer, and 10% by the Government.

Employment service system

2.20 Officials of CLA have pointed out to the delegation that there are five employment service centres in Taiwan providing employment services to help the unemployed find appropriate employment. In addition, categorised services, employment counselling and training transfers are provided, and employment services have been further strengthened with the use of the e-job website.

2.21 The delegation has been advised that of the 200 000 to 300 000 tertiary graduates each year, half will have to join the military service and the remainder will enter the job markets. To help the youth enter employment, the Government has created 70 000 new jobs (including internship) for tertiary graduates in 2008. CLA has launched a series of programmes to assist them to enter employment. Specifically, it has cooperated with universities to arrange pre-employment programmes with a view to enhancing their employability through skills and attitude training, and has collaborated with corporations in arranging internship programmes to provide job placements to the tertiary graduates.

2.22 In addition, CLA has launched the Getting to Work Immediately Programme to assist the unemployed to secure jobs and encourage enterprises to provide job opportunities to the unemployed. Employers who hire those who have been unemployed for three months or above (those who are involuntarily unemployed are exempt from the three-month restriction) will receive a monthly subsidy of NT\$10,000 (HK\$2,350) per employee from the Government for a maximum of six months, and the wages shall not be lower than the prevailing minimum wages at NT\$17,280 (HK\$4,061).

2.23 The delegation notes that the Government has provided short-term employment opportunities and promoted localized industries to assist the unemployed to find jobs through subsidising the enterprises. This apart, the Government has implemented two job creation schemes, i.e. the Short-term Promotion Employment Measure for 2008-2009 and the Employment Promotion Plan for 2009-2012 to create short-term jobs and permanent jobs.

Vocational training

2.24 BEVT provides vocational training, career services and counselling services for the unemployed in developing their work skills to return to the job market. BEVT accords priority in establishing a sound system for vocational training and to push forward the employment of persons with disabilities. Skill training accompanied by living subsidies to safeguard the livelihood of disadvantaged groups is also emphasized.

2.25 To better understand the vocational services, the delegation visited the Taipei Vocational Training Center of Taipei Government. The Centre provides a wide range of vocational training for the disadvantaged (i.e. the low-income group, involuntarily unemployed insured persons, women who have to support the families, medium-to-old aged persons, the disabled, etc). The retraining programmes in general last for two to six months. Programmes include fashion design, vehicle maintenance, food and beverage, information and technology, etc. It also provides career development, pre-employment planning, job-shifting or second skill for the unemployed in developing their work skills to return to the job market. CLA will subsidise 80% to 100% of the training fees paid by the unemployed.

2.26 The delegation notes that consequent upon the recent financial tsunami, the unemployed can take courses of longer duration for more in-depth skill training or take more than one course concurrently so as to relieve the pressure on job seeking and receive additional vocational training living allowance.



Visit to a cooking class at the Taipei Vocational Training Center

Minimum wage

2.27 During its meeting with CLA, the delegation was advised that minimum standards for working conditions, such as the minimum wage level and statutory working hours, are stipulated in the Labor Standards Act. According to CLA, the prevailing minimum wage in Taiwan is NT\$17,280 (HK\$4,061) per month or NT\$95 (HK\$22) per hour. The statutory working hour is eight hours per day and 84 hours every two weeks. The delegation notes that the minimum wage requirement is also applicable to domestic helpers, except those who are employed specifically for nursing care at home.

2.28 For overtime work, the delegation notes that as stipulated in the Labor Standards Act, the extension of working hours combined with the regular working hours should not exceed 12 hours a day and the total number of overtime work shall not exceed 46 hours a month. Overtime payments are calculated in accordance with the provisions in the Labor Standards Act as follows –

- (a) where the overtime work does not exceed two hours, the worker should be paid, in addition to the regular hourly wage, at least an additional one-third of the regular hourly rate;
- (b) where the overtime work is over two hours, but does not exceed four hours, the worker should be paid, in addition to the regular hourly wage and the overtime payment for the first two hours, at least an additional two-thirds of the regular hourly rate; and
- (c) where the worker is requested to work on rest days, the worker should be paid two times the regular daily rate.

2.29 As for the employment of persons with disabilities, officials of CLA have pointed out to the delegation that while they would be given the same employment terms as other employees in the organisations, a 3% quota is set for the employment of staff members with disabilities in the government departments and public institutions. However, if they work in sheltered workshops, their pay would be determined by the organisations concerned.

2.30 During its meeting with the legislators of the Legislative Yuan, the delegation notes that although the legislation on minimum wage level is

scrutinised by the legislature, it is in fact determined after striking a balance between the interests of employees and the financial implications on the employers.

National Pension

2.31 The National Pension Insurance was launched on 1 October 2008. The main target recipients are those who are above 25 years old and less than 65 years old and have not taken up labour insurance, farmer's health insurance, Government employees' insurance and military insurance. It aims to provide basic economic security and stable living to citizens and their survivors who cannot get proper protection from related social insurance in their old age or when they are disabled, and to build a complete social safety net to fulfill the concept of caring for all the people.

2.32 The premium rate for the National Pension Insurance is 6.5% of the monthly insured amount for the first year (currently is NT\$17,280 (HK\$4,061)). The rate will be increased by 0.5% in the third year (i.e. 7% for the third year) and by 0.5% for every two years thereafter until it reaches the limit of 12%. No increase will be implemented if the balance of the insurance fund is enough to pay for the insurance benefits for the next 20 years. The Government will bear 40% of the insurance premium for the general public, and pay 55% to 100% for the medium-to low-income earners and the legally stipulated disabled.

2.33 The benefit items include -

- (a) old-age pension benefit – insured persons who reach the age of 65 can receive not less than NT\$3,000 (HK\$705) per month;
- (b) disability pension payment – insured persons who are diagnosed as severe disabled and examined as having no capability to work can receive not less than NT\$4,000 (HK\$940) per month; and
- (c) if the insured persons died, in addition to the funeral benefit, the survivors who meet the claiming criteria, can get the pension payments of not less than NT\$3,000 (HK\$705) per month.

2.34 Officials of CLA have highlighted that it is the goal of the Government to replace the Senior Citizen Welfare Living Allowance and Senior Indigenous

Citizens Welfare Living Allowance with the National Pension System's old-age pension payments for senior citizens. Under the new established National Pension System, senior citizens will continue to get their allowances while the younger citizens will be insured by national pension insurance or other social insurances. Therefore, the welfare allowances for senior citizens, farmers and indigenous people have been combined into the National Pension System insurance, thus relieving the Government's rising fiscal burden.

Support services provided by NPOs to the socially disadvantaged

2.35 The delegation notes that NPOs in Taiwan play an active role in providing welfare support services to the socially disadvantaged. To better understand the role and services provided by these organisations, the delegation visited the Taiwan Fund for Children and Families, the Eden Social Welfare Foundation and the Huashan Social Welfare Foundation.

Family services

2.36 The Taiwan Fund for Children and Families (TFCF) is a NPO that dedicated to provide needy children and their families with welfare and benefits. The delegation was told that from the financial support through foreign donors in the very early beginning, TFCF is now a self-financing organisation whose mission and vision still remains to be the consideration of needy children's benefits. It is helping children in dire need in Taiwan and 31 countries through contributions and donations from citizens in Taiwan. TFCF is also the co-founder of the International ChildFund Alliance, which is dedicated to empowering and enabling children in developing countries to break out the debilitating impacts of poverty.

2.37 The major services provided by TFCF include the domestic children sponsorship programme, child/youth protection programme, foster care programme, school dropout follow-up and counselling programme, family day care programme, early intervention programme and placement service for needy children and youth. According to TFCF, the number of children with general sponsorship is 43 076 at the end of year 2008.

2.38 The delegation notes that as a pilot project, TFCF provides financial management advice to 15 selected families with a view to helping these families to set one-year savings plans and targets. Matching contribution is provided.

The savings are kept by TFCF and will be used for the sole purpose for pursuing the savings target. As regards the success rate of the savings plan, TFCF advised that only 40% of the participants have achieved the savings target, but 80% of them consider that they have moved out of poverty psychologically after participating in the project.



Briefing on the work of Taiwan Fund for Children and Families

Services for persons with disabilities

2.39 The Eden Social Welfare Foundation was founded in 1982 to serve persons with disabilities as well as other socially marginalized groups. It provides services for people between the age of 0 and 65, including vocational training, employment service, rehabilitation, early intervention, long-term care service, new immigrant service, and community reconstruction for disaster victims.

2.40 According to Eden, it has been actively advocating for the rights of persons with disabilities in Taiwan and has been pushing for the amendments to the Physically and Mentally Disabled Citizens Protection Act, raising public awareness to the need of special education, supporting the legislation of the Act for Social Workers, and advocating for professional certification system of social workers. The Foundation has over 1 300 staff, of whom nearly 40% are persons with disabilities and has served more than 500 000 persons with disabilities.

2.41 During the visit, staff members from Eden have told the delegation that it

has been awarded data input contracts by commercial banks. According to Eden, the job nature of data input is very suitable for persons with disabilities, and it has not received any reports on inaccuracy nor leakage of the clients' information. This apart, Eden has been awarded a contract to operate a gasoline station in Taipei through open competition. The delegation notes that the gasoline station is the most profitable business of Eden, employing about 50 staff working in three shifts, and 30% are persons with disabilities.

2.42 The delegation notes that 50% of the operation cost of Eden is financed by government subsidy. The remainder is met by donations (30%) and income from its business (20 %).



Visit to a skill training class at the Eden Social Welfare Foundation

Elderly services

2.43 The Huashan Social Welfare Foundation was founded in 1999 for those elderly who are disabled or demented, and those who live alone with income below the poverty line. Since 2000, the Foundation has set up community half-way stations in different areas to provide geriatric day care. It is expected that a total of 369 stations will be set up in 20 years' time to provide care for the local communities. Services include home visits by volunteers, accompanied trips to health clinics, greeting calls, bathing, leisure activities and supplies aid. It also provides residential care services for the elderly.

2.44 Staff members of the Foundation have pointed out to the delegation that 90% of the public expenditure on the elderly population in Taiwan is allocated

for old-age pension, instead of the provision of elderly services. Although the Foundation is not a subsidised welfare organization, it is able to receive adequate donations and sustain because of the demand for elderly services from the community. As a result of its self-financing nature, it enjoys flexibility in introducing new service mode independent of the government's regulation. For instance, it has introduced a mode of co-tenant of elderly under which four elders are living together in the same flat. This provides more options for the elderly to use their old-age pension and disability pension payments on the types of care services that best suit their own needs.



Briefing on the work of the Huashan Social Welfare Foundation (Elderly Welfare)

Meeting with academics

2.45 During the working luncheon with some academics, the delegation met with Mr PANG Jian-guo, Consultant of Straits Exchange Foundation, Mr CHIEN Hsi-chien, former legislator of the Legislative Yuan, Dr YAO Yun-hui, Associate Professor, Graduate Institute of Chinese Studies and Mr ZHANG Sin-wen, Editor of the Journalist, and exchanged views with them on, among others, the effectiveness of anti-poverty measures in Taiwan.

2.46 On the lowest living cost, the delegation notes that it is computed based on the findings of a survey on the expenditure patterns of 1 200 households, which is a relatively small sample size as compared to the total population in Taiwan. Moreover, the Government has yet to explain the basis and rationale for setting the lowest living cost at 60% of the per capita non-productive

expenditure as well as the reasons for not making reference to the household income in determining the appropriate level of living support allowance for the socially disadvantaged.



Discussion with academics on the effectiveness of anti-poverty measures in Taiwan at a working luncheon

2.47 According to Dr YAO Yun-Hui, farmers are excluded from the calculation of economically active workforce, and as a result the unemployment rate has been underestimated. Dr YAO has pointed out that the provision of living support is premised on the household basis and subject to assets test. Although many Taiwanese possess land in the rural areas, the assets possession is nominal in nature as the land title belongs to the clan and is non-saleable. In addition, the earning ability of all work-capable members is taken into account in determining the household income, irrespective of whether these work-capable members have supported financially other family members, in particular the elder members. Such a requirement has not only resulted in an overestimate of the income of low-income families, it has also posed financial difficulties to those elderly who are in lack of financial support but living together with their family members. Dr YAO considered that the poverty problem in Taiwan has been underestimated and an overhaul of the definition and calculation of the lowest living cost should be carried out.

2.48 The academics consider that the anti-poverty measures are largely short-term measures which fail to solve the structural unemployment problem arising from globalisation. The measures are a waste of public money as they fail to resolve the fundamental problems faced by the unemployed. Apart from enhancing the employability of the low-skilled and low-income workers through

retraining and providing work subsidy, they considered that the poverty problem should be tackled by a redistribution of wealth through taxation and social insurance.

Promotion of social entrepreneurial activities

Overview

2.49 There is no official definition of SEs in Taiwan. The duties of promoting social entrepreneurial activities are discharged by MOI, CLA, the National Youth Commission and the Council for Cultural Affairs. Among them, MOI and CLA provide most of the support for social entrepreneurial activities relating to the physically or mentally disabled and socially disadvantaged.

2.50 In Taiwan, social entrepreneurial activities are mainly organized by social associations and foundations which are established as judicial persons in accordance with the Civil Code. The Civil Associations Act (amended in 2002) and regulations administered by different government agencies govern the activities and operation of civil associations. Five types of SEs are identified based on their missions –

- (a) work integration or affirmative businesses, providing training, competitive wages, and career opportunities and ownership to the disadvantaged groups, e.g. mentally and physically disabled persons;
- (b) local community development organisations, promoting cultural and economic development of local communities;
- (c) SEs providing fee-paying services and products;
- (d) venture capital businesses created by NPOs; and
- (e) social cooperatives that are businesses organized for and by their members, who come together to provide a shared service.

2.51 The target beneficiaries of SEs include the middle- and old-aged persons, women who have to support the families, unemployed workers, the mentally and physically disabled, less financially advantaged or less educated persons and aborigines.

2.52 During the meeting with the legislators of the Legislative Yuan, the delegation was advised that the overall government policy on SEs has yet to be developed. Notwithstanding this, the major government measures for supporting the development of SEs in Taiwan include the following –

- (a) special rights are accorded to SEs for land leasing or occupancy. For instance, premises in government buildings are assigned specifically for the operation of SEs;
- (b) funding is provided by some government agencies for social entrepreneurial projects with specific purposes, e.g. "the Multi-Employment Promotion Programme" (MEPP) developed by BEVT in 2001, which funds NPOs to develop local employment opportunities for the socially disadvantaged;
- (c) the disabled are provided with enhanced training and employment opportunities under the Physically and Mentally Disabled Citizens Protection Act amended in 2008;
- (d) as stipulated in the Physically and Mentally Disabled Citizens Protection Act amended in 2008, public institutions should give priority to the purchase of products manufactured and services provided by welfare institutions or groups for the disabled, and 5% or a certain amount of the budget should be allocated for the procurement;
- (e) the Donations for Public Goods Regulation has been enforced since 2006 to govern donation activities so as to boost the confidence of the public in making donations to NPOs; and
- (f) donations to NPOs are exempted from taxation so as to encourage private organisations to assume their corporate social responsibility in making donations to NPOs.

National Association of Small and Medium Enterprises (NASME)

2.53 In Taiwan, NASME facilitates the growth and sustainability of small and medium enterprises (SMEs), including SEs. It also serves as a bridge of communication between the Government and SMEs.

The Multi-employment Promotion Programme

2.54 To promote local employment, CLA has rolled out MEPP since 2001 with a view to improving cooperation for promoting employment between civilian groups and the Government. The concept is to focus on community, cultural and local industries and integrate individual employment, industrial development, community cultures and public benefits together so that the unemployed can find jobs in their own communities. The programme is operated by employment service centers of BEVT with counselling services provided by NASME. Social associations, occupational associations, cooperative societies and labour unions can submit proposals for the Programme.

2.55 During the meeting with NASME, the delegation notes that the following two types of proposals are considered under MEPP –

- (a) *economic type* : proposals containing industrial development and providing/promoting employment of the unemployed; and
- (b) *social type* : proposals enhancing public benefit and promoting employment.

2.56 Successful applicants will receive support for staff costs for operating staff and managerial staff, and miscellaneous expenses for a maximum of three years. Successful applicants should employ the socially disadvantaged, which includes women supporting the families, the middle- to old-aged unemployed, the mentally and physically disabled, aborigines, victims of domestic violence, etc.

2.57 In 2008, the Programme endorsed 161 proposals submitted by civilian groups which created 1 294 job opportunities. According to NASME, it provides diversified guidance through "enquiry and consultation", "education and training" and "marketing and promotion" to the approved NPOs under MEPP. Participating organisations will be subsidised some NT\$19,000 (HK\$4,465) per month on average for each employee. In general, participating

organisations receive a minimum subsidy of NT\$1.5 million (HK\$0.35 million). The maximum subsidy under MEPP is some NT\$5 million (HK\$1.175 million). For proposals which have lasted for three years and continue to operate and employ staff in accordance with the approved proposals, the organisations concerned can apply for relative subsidy for employing each staff.

Multiple-employment Bicycle Trip

2.58 The delegation notes that in order to facilitate the success of projects, BEVT, in collaboration with NASME and the Giant Bicycles Global Group, has launched a "Multiple-employment Bicycle Trip" in 2009 to encourage the public to visit the MEPP enterprises through cycling along the geographic routes of Taipei, Keelung, Yilan and Hualien. The participants will be issued with bicycle passports and have a chance to be awarded with prizes if they visit five enterprises or write a diary on one of them. The activity provides a platform to enable the public to understand more about the products and services provided by participating organisations and promote local economic activities.



Visit to the National Association of Small and Medium Enterprises

The experience of Children Are Us Foundation

2.59 Children Are Us Foundation is a NPO founded in 1995 to provide long term-care and job training to those suffering from Down's Syndrome, cerebral palsy, multiple dysfunction and other mental illness. The name "Children Are Us" is originated from : No matter how old the physiological ages of people with intelligence disability, their behaviours, attitudes and mental ages are always like children. They are "Children Forever".

2.60 During the visit to the Children Are Us Foundation, the delegation was told that the first Children Are Us Bakery Shop opened in Kaohsiung in 1997. It now operates three bakery factories, seven restaurants and eight bakery shops in Taiwan. Some of the bakery shops are located in department stores and government buildings. The annual growth rate of its first five-year plan is about 200%. According to Children Are Us Foundation, its income ratio is : self-support income (55%), donation from the society (25%) and government assistance (20%). The Foundation is suffering from a 20% deficit in its operation, which is met by government assistance.

2.61 Staff members of the Foundation told the delegation that in 1998, it and the Citibank jointly issued the "Children Are Us Credit Card" in the market and television propaganda of the Foundation started. The publicity had enhanced public awareness of the Foundation, in particular the bakery shops and restaurants, and consequently resulted in more income and job opportunities for children with intelligence disability. To demonstrate their support for the work of the Foundation, some large private corporations, for instance, the Chunghwa Telecommunications has commissioned the Foundation recently to operate its staff coffee shop. As job training will have to be provided for the employees of the coffee shop who are persons with intelligence disability, the Chunghwa Telecommunications will shoulder the remuneration of the mentors, and the wages of the employees will be paid at a rate pro-rata with their abilities. If they can perform the same level of responsibility as that of an able-bodied, they will receive an hourly rate of NT\$95 (HK\$22), i.e. minimum wage level. One-fourth of employees with intelligence disability receive full pay.

2.62 The delegation visited one bakery shop and had lunch in a restaurant operated by the Children Are Us Foundation. The delegation was told that the success factors of the businesses were the quality of products and services.



Visit to a bakery run by the Children Are Us Foundation



Lunch in a restaurant operated by the Children Are Us Foundation

General observations of the delegation

2.63 The delegation is impressed by the multiplicity of support measures adopted by the Government and the commitment of NPOs to help and safeguard the rights and welfare of the socially disadvantaged. The delegation considers that the introduction of a minimum wage level and statutory working hours, and the setting of a quota for employment of persons with disabilities are concrete measures to assist the socially disadvantaged.

2.64 The delegation considers that the launch of the National Pension Insurance marks a great step forward for old age protection under which 78% of the elderly who reach the age of 65 will receive a monthly pension of not less than NT\$3,000 (HK\$705). This not only better safeguards the livelihood of the elderly at their twilight years, but also helps develop the "money follows the users" concept and facilitate the elderly to choose the types of residential care services that suit best their own needs.

2.65 The delegation is highly impressed by the provision of subsidy to employers who hire those who have been unemployed for three months or more for a maximum of six months. Such arrangement will facilitate the employers to provide job opportunities to the unemployed, and also encourage the unemployed to seek employment and prevent them from relying on welfare benefits for a period longer than intended.

2.66 The delegation is also impressed by the effectiveness of the unemployment benefits, especially the unemployment insurance, to support the unemployed to tide over the period of unemployment. The delegation notes that a levy of 1% of the insured person's monthly salary is set as the insurance premium of the employment insurance, under which the insured person pays 20% of the premium, the employer pays 70% and the Government 10%. The delegation considers that the viability and sustainability of the scheme provides a valuable experience for Hong Kong.

2.67 The delegation finds that although unemployment problem has been aggravated amidst the financial tsunami, CLA and BEVT have implemented job creation schemes to create short-term and permanent jobs. More importantly, the relevant authorities have taken specific measures to address the difficulties faced by the unemployed to return to the job markets because of a lack of the

relevant job skills and knowledge. To this end, vocational training has been enhanced to develop the work skills of the unemployed and the duration of the training courses has been extended for more in-depth training.

2.68 On the development of SEs, the delegation is impressed by the actions taken by the Government to create an enabling environment for SEs. The delegation considers that the provision of tax reduction for donations to NPOs and subsidies for SEs to employ unemployed are important for the development of SEs during the initial stage of operation.

2.69 The delegation finds that as laid down in the Physically and Mentally Disabled Citizens Protection Act, public institutions have to allocate 5% or a specified amount of its budget to give priority purchase of products manufactured and services produced by welfare institutions or groups for the disabled. Such requirement helps promote the development of SEs and enhance the employment opportunities of the disadvantaged.

2.70 The delegation is highly impressed by the arrangement of giving special rights to SEs to use government premises for operation. As shown from the experience of Children Are Us Foundation, the delegation considers the support from the Government and large corporations are equally important to enhance the public awareness and support of SEs.

2.71 The delegation considers that NASME serves as a useful bridge between the Government and SMEs as well as SEs. This helps improve the understanding of SEs among SMEs, and removes the doubts and concern about the competition posed by SEs to SMEs. Moreover, NASME provides a forum for SEs to seek advice on how to operate like a commercial operation in the business market.

2.72 While recognising the important role played by NPOs in providing welfare services in Taiwan and the fact that most of them are self-financing including reliance on donations, the delegation believes that significant progress of their services would not have been made if the Government has not implemented various policies and measures to assist the socially disadvantaged.

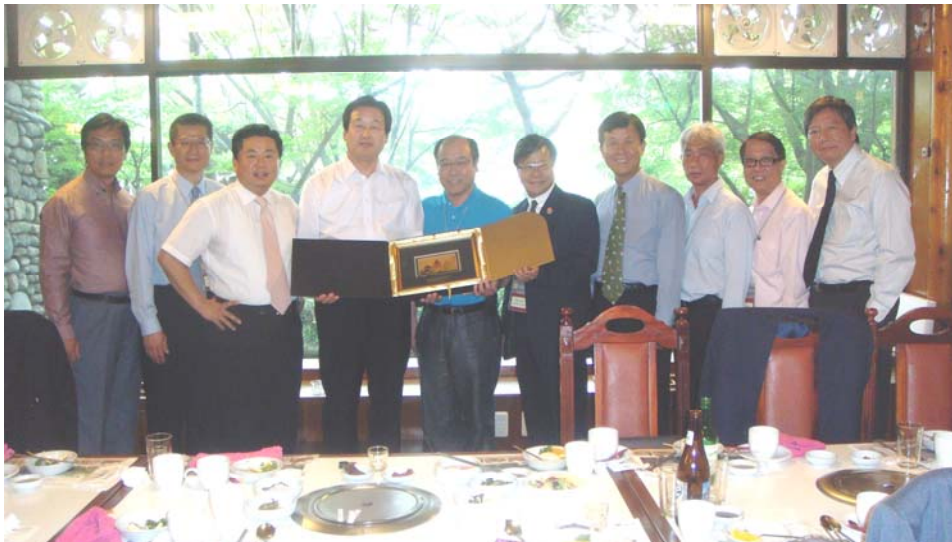
Chapter 3 – Policy and measures on poverty alleviation and social enterprise development in the Republic of Korea

Visit programme

3.1 The delegation met with officials of the Ministry of Health, Welfare and Family Affairs (MHWFA), the Seoul Metropolitan Government (SME) and the Social Enterprise Division in the Ministry of Labour (MOL) as well as Korea-China Inter-Parliamentary Council of the National Assembly. The delegation received detailed presentations on the poverty alleviation policy in the Republic of Korea (Korea) and the measures implemented in Seoul as well as the policies and measures to promote social enterprise (SE) development.

3.2 The delegation also visited two SEs in Seoul, viz. the Beautiful Store Foundation and Noridan. The former also took the delegation to visit a chained store, and the latter presented to members its activities.

3.3 In addition, the delegation met with representatives of the Work Together Foundation who gave an account of the development of SEs in Korea.



Meeting with Mr KIM Moo-sung, President, and members of the Korea-China Inter-Parliamentary Council at a luncheon

Overview

3.4 In 1999, the Korean Government introduced the National Basic Livelihood Security (NBLs) Act 1999. The NBLs system aims to secure a minimum living standard for needy citizens and to give them a chance of self-support. MHWFA calculates the minimum cost of living annually which provides the basis for determining national wide poverty alleviation measures. In 2009, the minimum cost of living is as follows –

Member of household	One	Two	Three	Four	Five
KRW (HK\$) ²	490,845 (2,975)	835,763 (5,065)	1,081,186 (6,552)	1,326,609 (8,039)	1,572,031 (9,527)

3.5 Public assistance and welfare support would be provided to persons whose recognised income is below the minimum cost of living and who receive no support from those liable to support. The target beneficiaries include the unemployed, low-income families, the elderly, the disabled and other disadvantaged groups. The support measures are elaborated in the ensuing paragraphs.

Implementation of poverty alleviation strategy

Strategy objective

3.6 The Office for Social Welfare Policy, which is established under MHWFA, is responsible for formulating and implementing government policies relating to welfare, pension and social services.

3.7 According to MHWFA, "achieving economic growth" and "achieving social integration by taking care of people's lives" are two major pillars in the government administration. With a view to pursuing simultaneous growth of economy and welfare, the Korean Government has worked to expand a social safety net, develop basic plans for low fertility and population ageing, reform the

² The exchange rate in July 2009 was KRW100 = HK\$0.606

National Pension System, and improve the delivery system of community services. Its social investment policy is to expand investment in human and social capital, thereby facilitating social participation and integration and ultimately contributing to the development both in the economy and welfare.

3.8 The Korean Government pursues a three-pronged approach for social service development to provide diverse and quality social services satisfying the needs of the public. These are -

- (a) *social service expansion* : the Government will work to enhance the quality of life by relieving burden of care on families and increasing investment in developing human resources and ensuring opportunities. The local governments will take the initiative to develop services reflecting the needs and characteristics of their communities;
- (b) *creating a market for social service* : the Government will ensure purchasing power for social service by offering vouchers; and
- (c) *better quality of services* : the Government will nurture highly qualified social workers, improve the licence management system, set the national standards for social services, and establish a quality monitoring and evaluation system.

3.9 According to the Framework Plan to Expand Social Services developed in September 2006, MHWFA established implementation strategies in 2007 to expand social services based on demands of local residents, create a user-oriented market, and introduce electronic vouchers to make the market efficient and transparent. In line with the strategies, MHWFA has focused its efforts to lay the groundwork for the formation of a market, by developing new social services, inducing demand using voucher support, and assisting smooth supply of services. Above all, it has increased greatly the investment in creating social service jobs in the field of healthcare and welfare. It invested KRW113.5 billion (HK\$ 0.69 billion) in creating 15 000 jobs in 2006 and has increased the investment to KRW756.3 billion (HK\$4.58 billion) for 147 000 jobs in 2009. MFHWA points out that the government financial input will only be used as a catalyst for initial formation of a market. It will create a foundation where social services are provided through competition and users' choice.

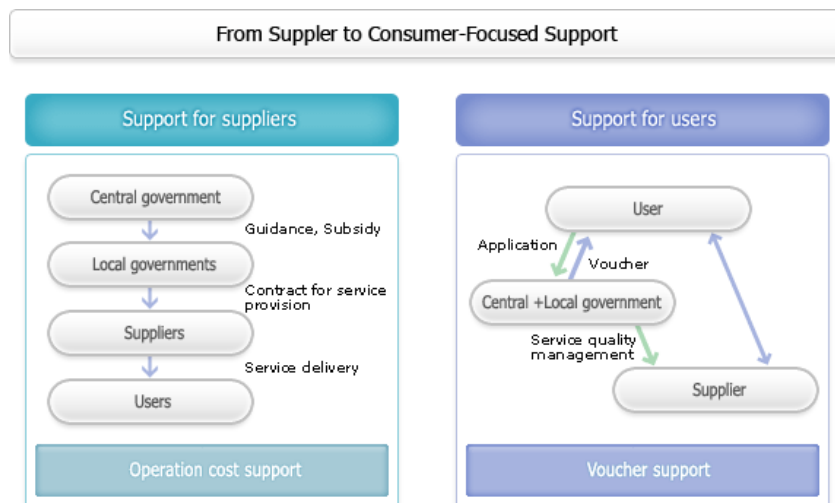


Briefing on the work of the Ministry of Health, Welfare and Family Affairs

Voucher programmes for providing social services

3.10 To create a market for social services and to ensure choices for service users, the Korean Government offers voucher support and adopts a newly introduced consumer-focused approach. In the past, the central and local governments subsidised the operation costs of the service providers such as labour cost. With the customer-focused support (see figure 1), the Korean Government has expanded the voucher recipients to the middle class and introduced a new system where the users pay the part of service charges to purchase the service. Under the voucher programmes, the central and local governments will give vouchers to users upon application and give service quality management to the service providers; and the users and providers will then communicate with each other the services required.

Figure 1 – From Supplier to Consumer-Focused Support



The Government sets conditions for competition between suppliers so as to ensure that there are multiple suppliers in each city, county and district. As it encourages qualified private profit making organisations to enter the market, various types of suppliers such as private companies and universities have emerged.

3.11 Under the "Community Service Innovation Programme", one of the voucher programmes, vouchers are offered to those with household income below the national average to purchase social services provided by local municipalities. Diverse social services have been developed under the programme, such as those developing human resources, promoting health investment, and encouraging economic and social participation of the elderly. As of 2007, around 300 community needs-based services are in place. The number of voucher recipients increased from 3 000 in May 2007 to 320 000 in December 2007. As for the service providers under the programme, 35% of suppliers are private organisations, 10% are educational institutes and the remaining are non-profit making organisation.

3.12 For a family with elderly, persons with disabilities and a woman who has just delivered a baby, the Korean Government offers vouchers that can purchase services like housework and help with daily activities to free them from the burden of care and enable them to return to work. From April 2007, it has provided vouchers for home care services worth KRW200 000 (HK1,212) per month for 41 000 persons including the poor, the middle class, the elderly and persons with severe disabilities. About 37 000 women have received vouchers amounting to a two-week home maternity care services.

3.13 The four major voucher programmes for the provision of health and welfare services are set out in Figure 2 –

Figure 2 – Four major voucher programmes for health and welfare services

	Elderly care	Services for persons with severe disabilities	Community Service Innovation Programme	Helper for mother and newborn
Eligibility criteria	persons with 150% or less of national average household income (15 000 persons)	persons with first degree disability (20 000 persons)	persons with less than the national average household income (106 000 persons)	persons with 65% or less than the national average household income (43 000 persons)
Co-payment per month (KRW) (HK\$)	18,000-48,000 (110 - 291)	14,000-40,000 (85 - 242)	5,000-50,000 (30 – 303)	48,000 (291)
Service hours	27-38 hours per month	20-80 hours per month	depending on the programme	two weeks

3.14 According to MHWFA, the voucher programmes contribute to creating decent jobs for those who have been excluded from the labour market, including women, the elderly and graduates of regional universities. The recipients of vouchers have expanded from the low-income class to the middle class, and the co-payment system has been introduced to vitalize the market. As the consumers enjoy more choices of suppliers by paying part of the service charge, consumer satisfaction has risen to a high level. A survey on 16 000 consumers of services for the elderly and persons with disabilities show that nine out of 10 respondents are satisfied with the services and willing to keep using them.

3.15 The delegation notes that the social service market and the service provision system are still at an early stage and are yet to be developed. MHWFA plans to set national standards for social service qualities and establish a monitoring and evaluation system for quality management. A legal basis for

the vibrant social service market will also be established by refining the consumer-focused voucher system, improving quality assurance, monitoring and performance management, and nurturing companies specialising in social services.

National Pension Policy

3.16 The National Pension Policy is a kind of social insurance which provides diverse types of benefits for participants, financed by collected premiums from the participants and employers and government subsidy. It is also a public pension scheme under which pension benefits are paid to eligible participants as determined by relevant laws to hedge risk from ageing, disability and death. Last but not the least, it is an income guarantee scheme. It ensures the stable livelihood of the participants or their survivors by offering pension benefits to them every month. The participants are required to pay premiums to prepare for the loss of capability of earning income due to old age, disability and death. The National Pension Policy covers Koreans aged from 18 to 60 residing in the country, and the contribution level is 9% of the income.

3.17 According to MHWFA, 5.2 million people will be aged 65 or above in 2018, representing 10.7% of the total population. In view of the ageing population and the anticipated low fertility rate (1.24 in 2020) in the country, the Korean Government seeks to reform its pension system before the depletion of the fund, as opposed to some countries which seek to reform their pension systems only after facing social problems arisen from the depletion of pension fund such as generational tension. Consequently, the National Pension Reform Act was passed in 2007. Under the 2007 Act, although the contribution level remains at the current level of 9%, the benefit level will be reduced from the current 60% to 50% in 2008, and gradually to 40% in 2028 (0.5% decrease per year). The reform will not affect the current pensioners and contributions made before January 2008 i.e. pre-reform pension payment rate is applied.

3.18 Despite the benefit reduction, some 60% of the elderly population in Korea will also receive additional pensions from the newly introduced Basic Old-age Pension Scheme. The Basic Old-age Pension Scheme was introduced in 2008 to provide old age security benefits to around 70% of the population over 65 years old, who were selected by a means test. It aims to reduce the number of elderly in poverty until the National Pension Policy matures and secures the income of the contemporary elderly, and does not require any

contribution from participants. According to MHWFA, the National Pension Policy will contribute to the removal of "blind-spots", ensuring that no participants will be excluded from receiving benefits.

3.19 The delegation notes that by delaying the timing of pension fund depletion by 13 years to 2060, the pension reform will enable sustainable operation of the pension fund without putting too much pressure on next generations. Nevertheless, there is a limit to the reform in that changes are only made in benefit levels.

The Elderly

3.20 Officials from MHWFA have explained to the delegation that the elderly policy in Korea targets at the economically inactive persons aged 65 or above. The 2007 Act of The Long-term Care Security for the Elderly aims to provide support for those elderly who cannot live without assistance due to ageing and senile diseases and improve their living standard and reduce the burden of their family in taking care of them. Public services including home-visits are provided to help in the daily lives of the elderly, such as nursing care, bathing services and housework. In addition to day care services and short-term respite care services, long-term rehabilitation and care services at nursing homes are also provided for the elderly. Subsidies for long-term care services at residential care homes or nursing services at specialised hospitals for the elderly are also provided to the elderly.

3.21 In addition, cash grants are provided to the elderly in low-income households. An elderly couple will receive KRW340,000 (HK\$2,060) each month as an income supplement. To enhance healthy ageing, the delegation notes that free basic medical health checks are also provided to economically inactive persons who are aged over 65.

The disabled

3.22 As of December 2008, there were 2 246 965 persons with disabilities in Korea. Services to the disabled are delivered based on the Registration System and in accordance with the individual needs of the disabled. Officials of MHWFA have highlighted the following policies on persons with disabilities –

- (a) strengthening capabilities for persons with disabilities
 - (i) to provide more job opportunities for persons with disabilities in public organisations including local governments, such as supporting "welfare jobs" for persons with disabilities including cleaning and mail sorting and supporting Community Centers and companies in hiring persons with disabilities;
 - (ii) to identify jobs appropriate for each type of disabilities;
 - (iii) to expand vocational rehabilitation facilities for persons with severe disabilities to provide them with employment and protection;
 - (iv) to expand vocational training, in particular, for women with disabilities by supporting basic learning, computer skills and licence obtainment; and
 - (v) to increase support for assistive devices for persons with disabilities to develop such devices into a future advanced industry, such as implementing a pilot case management project to ensure that persons with disabilities use assistive devices appropriate for the types of disabilities they have, and establishing a statistical database and implementing a certification system for quality control of assistive devices;
- (b) expanding care services for persons and children with disabilities
 - (i) to provide personal assistance services for 72 hours per month on average for 25 000 persons with the most severe disabilities to support their everyday activities and housework;
 - (ii) to provide rehabilitation vouchers for 18 000 children with disabilities under 18, which allow them to have selective rehabilitation treatment including linguistic treatment;
 - (iii) to provide support for families with children with disabilities, such as providing respite care by sending a qualified helper to such families, organising camps and self-support groups; and

- (iv) to implement a pilot project in 2009 to introduce the Long-term Care Insurance for Persons with Disabilities to support physical activities, housework and nursing for 600 persons with disabilities in six areas across the country;
- (c) income security
- (i) to provide allowance for persons and children with disabilities, such as the Children with Disabilities Allowance for children with disabilities under 18, the Disability Allowance for low-income persons with disabilities aged 18 and above;
 - (ii) to introduce the Basic Pension for Persons with Severe Disabilities, under which pension for low-income persons with severe disabilities will be provided from July 2010; and
 - (iii) to strengthen the Preferential Purchase of Goods Produced by Persons with Severe Disabilities. The enforcement of the Special Act on the Preferential Purchase of Goods Produced by Persons with Severe Disabilities in 2008 has strengthened the relevant requirements on public organisations; and
- (d) strengthening social participation and rights protection
- (i) to enhance public education and monitoring of the Act on Anti-Discrimination and Rights Remedies for the Disabled (effective from 2008). The Act aims to put in place a monitoring system to improve oversight of discrimination against persons with disabilities in the first half of 2009. Monitoring will commence in the second half of 2009;
 - (ii) to implement the United Nations Convention on the Rights of the Persons with Disabilities by means of developing monitoring evaluation kits in 2009, and preparing reports for submission to the Convention; and
 - (iii) to revise relevant laws and regulations to expand convenient facilities for persons with disabilities after inspecting all such facilities in 2008. The findings show that the capacity of convenient facilities for persons with disabilities has increased from 47.4% in 1998 to 77.5% in 2008.

3.23 According to MHWFA, the average household income of persons with disabilities is lower than the general household income, and represents about 54% of the latter. To enhance the living standards of persons with disabilities, it endeavours to provide more job opportunities for them through vocational training. This apart, as a signatory to the United Nations Convention on the Rights of Persons with Disabilities, the Korean Government is committed to safeguarding the welfare of the disabled. In this connection, the Discrimination Act has come into operation in April 2008 to prohibit discrimination against persons with disabilities. It will also give priority to the provision of barrier free access for the disabled.

3.24 Officials of MHWFA have pointed out to the delegation that while it is in charge of policies for persons with disabilities, other Ministries and agencies have their own policies for persons with disabilities where the work under their jurisdictions involves such persons. For example, the Ministry of Education, Science and Technology and MOL are responsible for implementing education and employment policies respectively for persons with disabilities.

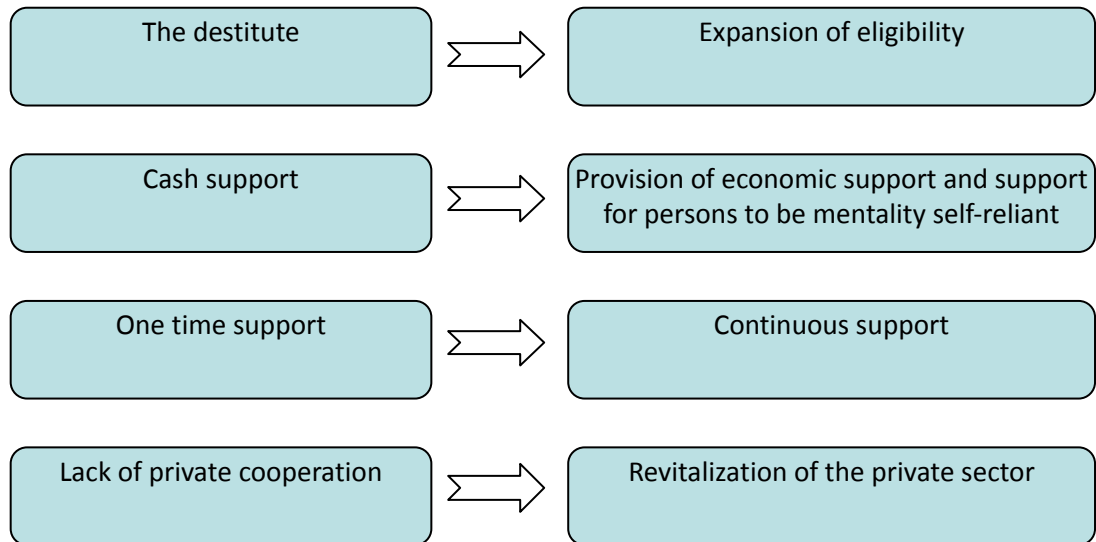
Support measures to cope with the financial crisis

3.25 The officials of MHWFA have highlighted to the delegation that a temporary livelihood programme was launched in 2009 to cope with the recent financial crisis. Under the programme, those who have been laid off or forced to close down their business and live below the cost of living but are not eligible for NBS would receive cash subsidies of KRW200,000 (HK\$1,212) and coupons on a month basis for a six-month period. A budget of KRW420 billion (HK\$2.55 billion) has been earmarked for the programme, and it estimates that one million people in 400 000 households would benefit.

3.26 During the delegation's visit to SMG, officials of SMG have also pointed out to the delegation that it has conducted a survey on low-income citizens in Seoul. The findings show that the low income group accounts for 10.8% of the Seoul population³ and the destitute represents 2.9% of the population. The vicious circle of poverty is largely because of a gap of educational background. The delegation was also told that the goal of the civil administration in 2009 during the financial crisis was "2009 will see Hopes Rise Again with Seoul", and 2009 has been declared as the "Year of Seoul-style Welfare". The project direction is set out in figure 3 –

³ According to SMG, the population of Seoul City is 10 456 000 in 2009.

Figure 3 – Project direction of the welfare policies of SMG



Meeting with the Seoul Metropolitan Government to understand the poverty alleviation measures implemented in the City

3.27 The following core projects have been launched in Seoul in 2009.

- (a) *Seoul Clemente course* : these consist of philosophy lectures which aim to help restore the low self-esteem of the homeless and the low-income group. The experience of the pilot project in 2008 show that 66.7% of the 317 participants had completed the course. Further courses have been/will be organised in 2009.

- (b) *Hope Plus Account* : it aims to help the low income group (the destitute and the working poor) to secure property, and the number of target participants is 10 000. The contents are set out in figure 4.

Figure 4 – The Hope Plus Account

Income	Matching ratio	Period	Deposit (month)		Total deposit (3 years)
			Oneself	Matching fund	
The destitute	1:1	3 years	US\$40/80	US\$40/80	US\$6,000 + interest
Working poor			US\$80/160	US\$80/160	US\$12,000 + interest

- (c) *Dream Account for Children* : it aims to help children aged below nine to have a "fair start" and eradicate the vicious circle of poverty. The number of target participants is 10 000. The contents are set out in figure 5.

Figure 5 – The Dream Account for Children

Income	Matching ratio	Period	Deposit (month)		Total deposit (3 years)
			Oneself	Matching fund	
The destitute	1:1	5/7 years	US\$	US\$	US\$10,000 + interest
Working poor			25/40/56/80	25/40/56/80	

- (d) *Seoul Hope Dream Bank/ Financial consulting* : it aims to encourage private banks to extend loans to the low-income households without securities so as to ease credit crunch, by charging a fixed interest rate of 2% throughout the period.
- (e) *Special Support for SOS Families* : the objects of the programme are households in the dead zones of welfare. A budget of US\$42,000,000 has been allocated for providing living supplement, subsidies for housing expenses and medical expenses, etc.

- (f) *1:1 Hope Sharing Project* : it aims to provide a network between the low-income people and the community, under which KRW42 million (HK\$254,520) has been raised to assist 220 target families.

Promotion and development of SEs

Government polices and measures on SE development

3.28 During the visit to the Social Enterprise Division in MOL, the delegation received a detailed briefing on the SE development in Korea. The delegation notes that following the enactment of the Act on Social Enterprise Promotion in 2007, SEs is defined as "organisations which are engaged in business activities of producing and selling goods and service while pursuing a social purpose of enhancing the quality of life for local residents by means of providing social service and creating jobs for the disadvantaged, as an enterprise according to the prescribed requirements". Under Article 7 of the Act, anyone who intends to run a SE shall be certified by MOL after meeting the following prescribed requirements –

- (a) having the form of organisation of an association under the Civil Law or a non-profit private organisation under the Commercial Act;
- (b) carrying out business activities including production or sale of goods and services by hiring paid employees;
- (c) realising social purposes of enhancing the quality of local residents' life by means of providing jobs or social services for the disadvantaged;
- (d) having articles of association, rules, etc. for the operation of the organisations;
- (e) involving service recipients and employees in the decision making process; and
- (f) reinvesting at least two-third of its profits for a social purpose as for a company under the Commercial Law.

After certifying a SE, MOL will publish its name in a governmental newspaper.



Visit to the Social Enterprise Division of the Ministry of Labour

3.29 The major roles of SEs are to provide the disadvantaged with job opportunities and to integrate them into general labour markets, to create employment-friendly job opportunities for the disadvantaged such as women and the elderly, and to offer opportunity to open business in the new markets to the youth, women and skilled retirees with innovative business plans.

3.30 At present, there are 252 certified SEs in Korea which provide some 10 000 job opportunities in the fields of manufacturing, care services and recycling businesses. The number of paid employees in these enterprises who come from a disadvantaged background represent on average 58.5% of the total employment. The median pay level is KRW909 000⁴ (HK\$5,509).

3.31 The delegation notes that, to support the development of SEs, the Korean Government has drawn up a Five Year Plan for SE promotion and provided tax relief for SEs and private businesses making donations to SEs. Notably, SEs enjoy a 50% exemption from income tax and corporate tax, and donations made by private companies are deductible from the taxable income up to a maximum of 5% of their income. In addition, subsidies are provided for labour costs (KRW788,000 (HK\$4,775) per worker monthly) and social insurance premium (8.5% of the labour costs) for the first two years for a SE participating in the social job creation project. Other subsidies include labour cost support for hiring professionals in strategic planning and marketing (monthly

⁴ Based on August 2008 pay levels for 51 SEs certified in 2007

KRW1,200,000 (HK\$7,272) (per worker), and loan support for facilities and operating costs to establish SEs (a maximum of KRW0.4 billion (HK\$2,424,000) per entity). The Government also provides business consultancy services to the existing and prospective SEs.

3.32 To promote public awareness of SEs, the Korean Government helps promote the support of SEs through advertisements on radio and public transportation, circulation of good practices, publication of a SE magazine, launch of a SE ambassadors programme, etc. This apart, the awareness of the local government in supporting SEs has been raised by training programmes targeting officials in the local government and encouraging them to establish regional policies. Consequently, municipal ordinance has been enacted in Jeonju city and Jeonbuk for planning SE support.

3.33 The delegation notes that while the Government and public bodies are not bound by the purchase of SE products and services, they do give priority in procurement of SE products and services. Koreans are also encouraged to buy SE products and services. Officials of MOL told the delegation that as a result of the Government efforts, SE products and services are well perceived by the public, and the latter would give priority in purchasing SE products and services. Most of the SEs are competitive in the market.

3.34 The delegation also notes that although SEs are required to reinvest at least two-third of profits under the Act on Social Enterprise Promotion, most SEs have reinvested all the profits for further development or social purpose. Given that SEs focus their business on the provision of social and welfare services and reinvest their profit in the business, the Government has not noticed much concern from small and medium enterprises about the competition and threats posed by SEs to them.

3.35 On the prospect of SEs, MOL considers that the development of the voucher system offers opportunities to SEs, particularly in playing a more active role in product innovation and employment creation. The size of the voucher market has increased from KRW 153.9 billion (HK\$0.93 billion) in 2007 to KRW236.1 billion (HK\$1.43 billion) in 2008. Officials of MOL have, however, pointed out to the delegation that the introduction of voucher system in Korea remains at early stage. Both the size of the third sector and the trade between the third sector as a basis of SEs are fairly small. Moreover, large non-governmental organisations (NGOs) and welfare foundations with

enormous resources still show a lack of interest in expansion of SE support. Despite the increase in the scale of social contribution by private large enterprises, their investments in SE remain unsatisfactory.

Work Together Foundation

3.36 During its visit to the Work Together Foundation, the delegation also received a briefing on the development of SEs in Korea. The delegation notes that to overcome the financial crisis in 1997, The National Movement Committee for Overcoming Unemployment was founded to collect donations from companies and citizens and distribute to the most deprived. To address these problems, the committee became the Work Together Foundation in 2003, accredited by MOL as a not-for-profit foundation.



Briefing on the work of the Work Together Foundation

3.37 On the employment front, the Foundation focuses on creating a sustainable society through its efforts to build an employment-friendly economic system, dissolve social polarization, provide social coordination for job creation, and improve the welfare system through sharing. The Foundation has initiated the government, corporate and NGO tripartite partnership model to establish SEs for securing sustainable jobs and improving the quality of social services in Korea. For instance, under the Supporting Welfare Teachers for Children programme, the Foundation has taken charge of the welfare teachers support project from MHWFA and formed a consortium consisting of the Foundation and NGOs to operate the programme. It has provided 2 961 trained teachers comprising of unemployed youth, artists and housewives. They in turn offer

quality education services, such as improving self-study capacity, reading skills, etc. to 600 000 local children in poverty.

3.38 The delegation notes that the Foundation has been selected by MOL to provide a one-stop support for SEs, viz. offering professional service for establishing SEs and getting certified as SEs, providing workshops to SEs about social entrepreneurship, and consulting services in labour, strategic management and legal issues to individuals and organisations. In short, the Foundation gives SEs integral services from startup to becoming independent and sustainable.

3.39 The delegation also notes that the Foundation has started to provide financial resources for SEs based on their credit for the first time, and have offered integral services like management skills, networking and training to 43 SEs with loans for business operating, equipment and facilities, and renting spaces for the businesses since 2003. Loans of KRW4,405 million (HK\$26.7 million) have been offered to 26 SEs with growth potential for the cost of business operations, equipment, and renting spaces in 2008. This helps pursue the stability of the SEs in their development stage, and build supporting infrastructure and discover new SEs. As a way of supporting SEs' development and growth, the Foundation was selected as an agency offering loans to SEs endangered by economic difficulties in 2008, and offered KRW2,405 million (HK\$14.57 million) in long-term loans with low interest rates to 12 SEs.

3.40 In addition, the Foundation provides training programme nourishing capable social entrepreneurs for SEs and pre-SEs with the sponsorship of MOL. As the headquarters for Social Entrepreneurs' Academy, the Foundation invited 19 academy partners such as universities, research institutes, NGOs etc. to operate training programmes. It also provides standard curriculum and guidelines to secure the quality of each programme.

3.41 This apart, the Foundation also founded the Institute for Policy Research in 2006. It consists of professionals from various fields. The researchers conduct research and studies, publish related articles and books, and hold symposiums, with the aim of contributing a meaningful perspective about unemployment and poverty.

3.42 The delegation notes that SE in Korea has been jointly developed alongside with the policy for reducing poverty and creating jobs for the disadvantaged. It is, however, Government led, and highly dependent on the

Government in terms of financing. The development of cooperation model is : practice based on the creativity of NGOs, minimum wage assistance by the Government; and donations and management support by enterprises.

3.43 The Work Together Foundation has highlighted to the delegation the following issues relating to SEs in Korea that need to be addressed –

- reduction of ghettos once the new labour market is formed;
- achieving a balance between the realization of social values and the maximization of profits;
- developing tools for the evaluation of the social and economic values of SEs and publishing social reports;
- project-planning to identify and develop local specificities;
- designing programmes to develop skills and professionalism;
- formation of social capital and alternative financial resources;
- networking among NGOs and forming internal markets for SEs;
- supporting growth of the social values market and the profit-making activities of SEs;
- building alternative structure of governance;
- meeting the needs of clients;
- fostering social entrepreneurs and strengthening leadership, and supporting inter-entrepreneurial network formation;
- developing policies to enhance incentives for resource donors;
- supporting the promotion of SEs through raising public awareness, donations for practising social responsibility, consumption, etc; and
- supporting professional institutions' engagement in working with SEs and encouraging research.

The experience of Beautiful Store and Noridan

3.44 The delegation visited one of the chained shops operated by the Beautiful Store in Seoul. Beautiful Store is a SE that recycles goods donated by citizens and resells them. Its mission is to create a more sustainable and beautiful community through promoting recycling and sharing. It aims at promoting sharing through donation of used items and distribution of profits from the stores operated by the organisation, improving the quality of life of the needy, and supporting fair trade by importing and selling goods from Third World Countries.

3.45 Since its establishment in 2002, it now runs 100 chained shops throughout the country and employs some 230 staff with over 7 000 volunteers. The average price of products on sale is about KRW2,000 (HK\$12), and the business volume amounts to KRW 120 billion (HK\$727 million) annually. It also runs mobile stores to promote its activities and collect recycled and donated items. In addition, it runs charity flea markets for citizens or organisations to sell their used goods. The Beautiful Store uses the profits from its stores on various categories of projects, such as –

- (a) supporting programmes of or providing equipment to grass roots groups or institutions;
- (b) distributing rice and commodities to the poor;
- (c) donating profits or goods to designated beneficiaries under specific themes; and
- (d) allocating funds for disaster emergency relief.

3.46 The Beautiful Store also engages in fair trade coffee and operates coffee shops. To help the needy in overseas countries and the poor in Third World Countries, the Store allocates about 1% of its business for implementing the "Beautiful World Projects" and the "Fair Trade Projects".



Visit to a chained shop of the Beautiful Store

3.47 The staff members of the Beautiful Store told the delegation that apart from receiving the Government's subsidies on the employment of staff in the same manner as other SEs, its operation is essentially the same as other private corporations. The key success factor is the mode of operation, i.e. the design of the shops and the layout of products are similar to other retail shops in the vicinity. The Store also welcomes the participation of volunteer work, as demonstrated by the some 7 000 volunteers comprising housewives and students. This helps promote the general acceptance of the Store by the community. They consider that the establishment of the Beautiful Store has disseminated the concept of recycling and sharing, as demonstrated by the diversity of consumer profiles. The delegation also notes that because of the apolitical background and mission of the organisation, religious and welfare bodies are willing to provide venue or premises for the organisation to set up chained shops.

3.48 The delegation also visited two SEs developed by the Haja Center, viz Noridan and Organization Yori. The Haja Center is a youth activity and training centre established in 1999 to address the youth unemployment problem. Initially, the Haja Center ran five studios and carried out a variety of apprenticeship projects with teenagers, seeking mutual growth by establishing creative relationships. Based on the experience, the Haja Center set up Noridan and Organization Yori in 2004 and 2006 respectively. After receiving accreditation as a SE, Noridan and Organization Yori have maintained a strategic partnership with the Haja Center.

3.49 Noridan offers the services of performance, education and production, based on its creative recycling of industrial materials and daily necessities. It received accreditation as a SE by the Government in 2007, and is the first certified SE in the culture and art field. During its visit, Noridan gave an exciting performance by playing colourful instruments, which were made from discarded materials, to welcome the delegation. The delegation then visited the atelier of these music instruments and was impressed by the diversity and uniqueness of the products made from these discarded materials. The delegation also visited another SE, Organisation Yori, which is operated by the youth and married immigrant women and provides catering services at the Haja Center.



Innovative performance by Noridan



Presentation on the work and activities of Noridan

3.50 The staff members of the Haja Center and Noridan have pointed out to the delegation that consequent upon the Asian financial crisis in the late 1990s, the Korean young generation has been living in a risky society of low economic growth and a high unemployment. More importantly, the concept of life employment has changed fundamentally. The Haja Center provides alternative schooling for young people who have problems with traditional education so as to foster their creativity and art talent. It runs a number of youth programmes. The delegation notes that as a result of its creativity, Noridan has participated in a number of commercial publicity programmes. For instance, Noridan had staged at the Hong Kong Chinese New Year Night Parade 2009 under the sponsorship of SMG. The delegation notes that 50% of Noridan's revenue comes from performance fees, and it is currently operating on a self-financing basis.

General observations of the delegation

3.51 The delegation is impressed by the strong commitment of the Korean Government to alleviate the poverty problem and promote the development of SEs.

3.52 On the poverty alleviation strategies and measures, the delegation finds that the Government has adopted a multiplicity of support measures to assist the socially disadvantaged. The delegation considers that the introduction of the voucher programme not only fills the gap between the provision of social and welfare services, but also improves service quality and creates jobs for the unemployed, the elderly and the disadvantaged. The delegation also considers that the requirement of public organisations to give preferential purchase of goods produced by persons with severe disabilities provides useful experience for the Administration in drawing up measures to enhance the employment of persons with disabilities.

3.53 The delegation is impressed by the Korean Government's proactive approach in reforming the pension system in the light of the ageing population. According to the government officials whom the delegation met, the reform will delay the depletion of the pension fund and ensure stable pension payments to the participants or their survivors, and thereby safeguarding their livings at old age.

3.54 The delegation is highly impressed by the enactment of the Act on Social Enterprise Promotion in Korea in 2007 which sets out clearly the social objectives of SEs. The delegation considers that such arrangement not only facilitates the regulation of SEs, but also enhances public awareness and acceptance of SEs and thereby contributes to the rapid development of the SE sector.

3.55 The delegation is also impressed by the formulation of a Five Year Plan for SE promotion. The delegation considers that the actions taken by the Korean Government have created an enabling environment which contributes to the development of SEs. The most notable examples are tax relief for SEs and private business making donations to SEs, and the provision of subsidies for labour costs. These actions are aimed at tackling the problems faced by SEs in raising finance during the early stage of operation. The delegation considers that the Administration should consider making reference to the experience of Korea in this respect.

3.56 The delegation considers that the establishment of the Work Together Foundation has also contributed to the rapid development of SEs in Korea. The Foundation has been effective in providing one-stop services and financial support for SEs during their early stage of development. The Foundation also helps raise the profile of SEs to the public and the business sector.

3.57 During the visit to a chained shop of the Beautiful Store in Seoul, the delegation was highly impressed by the quantity, types, storage methods and classification of donated goods. The delegation considers the display of recycling goods to be an excellent concept. The experience of the Beautiful Store has thrown light on how SEs can operate like a business.

3.58 The delegation notes that the Korean Government and public institutions have accorded priority in the procurement of SE products and services, and the Government has put much efforts to promote the public awareness of SEs and the support of SEs. This has encouraged the public to buy SE products and services.

3.59 While recognising that the history of SE development in Korea is relatively short, the delegation is highly impressed by the commitment shown by the Korean Government in fostering the development of SEs to help the socially disadvantaged. The delegation believes that significant progress of the SE

sector would not have made if the Government has not taken effective and concrete actions to support the sector. While the delegation agrees that SEs should be self-financing in the long-term, the experience in Korea has demonstrated that government support, in particular during the early stage of operation, is crucial for the success of SE development.

Chapter 4 – Conclusion

4.1 The delegation considers the visit very useful in that it has enabled Members to better understand the poverty alleviation policies and measures in Taiwan and Korea, as well as the development and operation of SEs in both places.

4.2 With respect to the poverty alleviation policies and measures, the Government in both places have spent considerable efforts in assisting the socially disadvantaged and implemented a multiplicity of anti-poverty measures to meet the specific needs of different target groups. The delegation is particularly impressed by the strong support for the employment of persons with disabilities. In particular, it is laid down in the legislation that public organisations should give preferential purchase of products manufactured and services produced by organisations or groups for persons with disabilities.

4.3 The delegation is also impressed by the proactive actions taken by both Governments to reform the pension system in the light of the ageing population. It is noteworthy that the elderly population is expected to represent about 10% of the population in the two places in the next decade. Given that it is projected that among every four Hong Kong people, there will be one person who is aged 65 or above in 2033, the delegation considers that the Administration should take immediate actions to formulate retirement protection plans for the current and future generation of elder persons.

4.4 On the development of SEs, the delegation notes that both Governments have shown their strong commitment in promoting and supporting SEs. Both have spent considerable efforts in supporting SEs and enhancing the public's understanding and acceptance of SEs. In Korea, a Five Year Plan for SE promotion has been formulated. In addition, concrete measures for business facilitation and support have been put in place to provide start-up support and aids as well as tax incentives and subsidies for SE projects for the unemployed and the socially disadvantaged. A notable example is the grant of premises exclusively for the Children Are Us Foundation to operate bakery shops in government buildings in Taiwan. As high rental is one of major problems faced by SEs in Hong Kong, the delegation considers that the arrangement provides useful reference for the Administration in fostering further development

of SEs. The delegation takes the view that the Administration should, during the planning stage, reserve premises in government buildings for the exclusive use of SEs and encourage large corporations to do so.

4.5 As far as Korea is concerned, the delegation is highly impressed by the provision of a definition of SE which sets out clearly the nature and social objectives of SEs. The delegation considers that the Administration should make reference to the practice to enhance public understanding of SEs and thereby alleviate the concerns raised by the local small and medium enterprises about the possible competition posed by SEs.

4.6 While the delegation agrees with the principle of sustainable SEs to be operating on a self-financing basis, it notes that both places have enhanced the involvement of SEs in public service delivery by requiring public organisations to give preferential procurements of products and services provided by SEs. This illustrates that the support of Government is vital in facilitating the start-up and expansion of SEs.

4.7 The delegation considers that the roles played by NASME and the Work Together Foundation have demonstrated that a platform for providing one-stop services and to showcase the benefits of SEs would enhance public awareness and encourage cooperation and support from the business sector to strengthen and develop the SE network.

4.8 Both the Beautiful Store Foundation and the Children Are Us Foundation told the delegation that the key success factor for their business was the competitive quality of services and products. The delegation considers that the Administration should make reference to the experience of successful SEs and put in place concrete measures to enhance their business management skills and market sensitivity. Apart from this, business connections and professional advice are other forms of support required by SEs.

4.9 Although the relevant factors and situations in Taiwan and Korea may not be directly applicable to Hong Kong, their respective experience in tackling poverty and fostering the development of SEs serves as very useful reference for Members in studying the subject matters.

4.10 The delegation takes the view that the experience of Taiwan and Korea shows that apart from promoting SEs to provide job opportunities for the

socially disadvantaged, both Governments have provided a multiplicity of support measures to help and equip the unemployed and the socially disadvantaged to move from welfare to employment. In this connection, the Administration should make long-term commitment and formulate comprehensive policies and measures for poverty alleviation and fostering the development of SEs in Hong Kong.

Council Business Division 2
Legislative Council Secretariat
19 October 2009

Panel on Welfare Services

Subcommittee on Poverty Alleviation

**Itinerary of the duty visit to Taiwan and the Republic of Korea
from 19 to 25 July 2009**

19 July 2009 (Sunday)

4:30 pm Departure from Hong Kong for Taipei

6:15 pm Arrival in Taipei

20 July 2009 (Monday)

9:00 am Meeting with the Social Welfare and Environmental Hygiene Committee, Legislative Yuan

10:30 am Meeting with The Ministry of Interior and Council of Labor Affairs

2:00 pm Visit to the Council of Labor Affairs, Executive Yuan (Bureau of Employment and Vocational Training, Bureau of Labor Insurance)

3:30 pm Visit to the Department of Labor, Taipei City Government and the Vocational Training Center

21 July 2009 (Tuesday)

10:30 am Visit to the Taiwan Fund for Children and Families

12:00 noon Lunch at a restaurant operated by the Children Are Us Foundation

2:00 pm Visit to the Eden Social Welfare Foundation

4:30 pm Visit to the Children Are Us Foundation

22 July 2009 (Wednesday)

8:00 am	Visit to the Huashan Social Welfare Foundation (Elderly Welfare)
9:30 am	Visit to the National Association of Small & Medium Enterprises
11:00 am	Attending the discussion forum on poverty alleviation in Taiwan and Lunch
5:10 pm	Departure for Seoul
8:40 pm	Arrival in Seoul

23 July 2009 (Thursday)

10:00 am	Meeting with the Seoul Metropolitan Government on poverty alleviation measures implemented in the city
Lunch	Lunch hosted by Chairman of Korea-China Parliamentary Council
2:30 pm	Meeting with the Social Enterprise Division in the Ministry of Labour
4:30 pm	Visit to the Work Together Foundation

24 July 2009 (Friday)

10:30 am	Visit to the Beautiful Store Foundation
3:00 pm	Meeting with the Ministry for Health, Welfare and Family Affairs on poverty alleviation policy

25 July 2009 (Saturday)

10:00 am	Visit to Noridan
8:00 pm	Departure from Seoul for Hong Kong
10:45 pm	Arrival in Hong Kong