

ITEM FOR FINANCE COMMITTEE

HEAD 170 – SOCIAL WELFARE DEPARTMENT

Subhead 700 General non-recurrent

Item 521 Enhancing employment of people with disabilities through small enterprise

Members are invited to approve an increase in commitment by \$100 million from \$54 million to \$154 million for the “Enhancing Employment of People with Disabilities through Small Enterprise” Project.

PROBLEM

The funding of the “Enhancing Employment of People with Disabilities through Small Enterprise” Project (the 3E’s Project) is expected to be fully committed in 2011-12. There is a need to inject additional funding to continue the operation of the 3E’s Project.

PROPOSAL

2. The Director of Social Welfare (DSW), with the support of the Secretary for Labour and Welfare, proposes to increase the approved commitment for the 3E’s Project from \$54 million by \$100 million to \$154 million to sustain the momentum in enhancing the employment opportunities for persons with disabilities.

/JUSTIFICATION

JUSTIFICATION

Overview

3. The rehabilitation policy objective of the Government in assisting persons with disabilities in attaining employment is to ensure that they have equal access to participation in productive and gainful employment in the open market. To this end, we provide a wide range of employment and vocational rehabilitation services for persons with disabilities to equip them with job skills that meet market requirements and assist them in securing suitable employment commensurate with their abilities. To create employment opportunities for persons with disabilities through small enterprises or businesses established by non-governmental organisations (NGOs)¹, we obtained approval of the Finance Committee (FC) in 2001 to create a non-recurrent commitment of \$50 million to implement the 3E's Project. An additional \$4 million was approved under delegated authority in October 2011 to meet imminent cash flow requirements.

4. Under the 3E's Project, the Social Welfare Department (SWD) provides NGOs with a maximum funding support of \$2 million per business to meet the setting-up capital cost on equipment, fitting-out work, etc. and operating expenses incurred in the initial two years² of business operation. To achieve the ultimate goal of promoting employment for persons with disabilities, a funded business needs to fulfill the requirement that the number of employees with disabilities should not be less than 50%² of the total number of persons on the payroll of the business. Through the funding support for setting up these businesses, persons with disabilities can take up genuine employment in a friendly and open working environment.

Sustainability of the 3E's Project

5. As at the end of November 2011, a total of 70 businesses operated by 23 NGOs have been funded since the introduction of the 3E's Project in 2001, involving a total grant of about \$46 million and creating about 550 job opportunities for persons with disabilities. The 70 funded businesses can be broadly classified into the following four categories :

/Categories

¹ The NGOs must be charitable organisations entitled to tax exemption under section 88 of the Inland Revenue Ordinance (Cap. 112). They may or may not be receiving subventions from SWD. For applicants not receiving subventions from SWD, they need to provide documentary proof to the satisfaction of DSW of their active participation in welfare and charitable activities for at least five years. We plan to relax this requirement to at least two years.

² Since 2006, the funding period has been extended from one to two years to enhance the sustainability of the businesses while the proportion of persons with disabilities employed has been reduced from 60% to 50%.

Categories of funded businesses	Job opportunities created for persons with disabilities
(a) <u>Retail service</u> Convenience shops in hospitals and education institutes; shops selling rehabilitation products in hospitals; and shop selling recycled goods in public housing estate	148
(b) <u>Food and beverage</u> Cafes in hospitals, government and commercial premises; food kiosks in schools/venues managed by the Leisure and Cultural Services Department (LCSD); mobile catering service and bakeries	130
(c) <u>Cleansing service</u> Cleansing service for government and commercial premises; carpet cleaning; floor waxing; car beauty and cleaning services	115
(d) <u>Specialised service</u> Direct sales service; massage service; promotion and distribution service; packaging; telemarketing survey; laundry service; beauty shop; organic farm; barrier-free access technology service; travel service and eco-tourism service	160
Total :	553

Encl.1

A summary of the 70 approved applications under the 3E's Project is at Enclosure 1.

6. Among the 70 funded businesses, 56 (80%) are still in operation while 14 (20%) have ceased to operate, mainly owing to expiry of venue contracts. Of the 56 funded businesses still in operation, 36 have been in operation beyond the three-year contract period³ (i.e. 64%) and 19 of them have been in operation for over seven years (i.e. 34%). A summary of the years of operation of the 56 funded businesses is at Enclosure 2.

Encl.2

Professional Advice and Supporting Measures

7. With a view to providing due support to the funded business to enhance its sustainability, SWD has put in place a number of complementary measures. The Marketing Consultancy Office (Rehabilitation) (MCO(R)) of SWD provides advisory services and organises various activities for the development and promotion of the products and services of the funded businesses in collaboration with the “Support the Employment of People with Disabilities” Alliance, of which these funded businesses are members. These activities include annual promotional sale gala and design competitions; networking with the commercial sector for their support in procurement of the products/services of the funded businesses and the use of their premises for promotional activities; publication of quarterly newsletters; promotion through mass media and coordination of their participation in major events such as the Hong Kong Brands & Products Expo, etc. MCO(R) is also tasked to monitor the position of individual funded businesses against the milestones pledged by the concerned NGOs and provide due advice where necessary.

8. Apart from the above promotional activities, the MCO(R) has been providing support to facilitate NGOs in setting up and operating businesses on government premises/sites through circulation of a list of NGOs operating rehabilitation services to the Government Logistics Department and LCSD, thereby encouraging them to consider adopting restricted tendering for their service contracts. With MCO(R)’s effort, eight contracts at LCSD sites have been awarded to NGOs operating businesses so far, with the latest one at the Tamar Park. The MCO(R) will continue to liaise with government bureaux/departments and the commercial sector to facilitate NGOs in securing venue contracts through restricted tenders at favourable service terms.

/Proposed

³ Despite the maximum funding period of two years, NGOs are required to enter into a three-year contract with SWD for each funded business to ensure that the benefits of the employees with disabilities can be sustained after the two-year funding period.

Proposed Enhancement to 3E's Project

9. The Advisory Committee on Enhancing Employment of People with Disabilities⁴ (the AC) and the Task Group on Enhancing Measures for Businesses funded under 3E's Project (the Task Group) were set up in 2001 and 2010 respectively to provide professional advice and recommend enhanced measures in assisting NGOs in running businesses funded by the 3E's Project.

10. On the recommendation of the Task Group, a series of enhanced measures will be implemented under the 3E's Project for better support of the funded businesses. Among other initiatives, the major ones include extension of the funding period for individual business from a maximum period of two years to three years to allow more time for the funded businesses to gain operating experience and become self-sustainable; shortening the period of active participation in welfare and charitable activities by applicants not receiving subventions from SWD from at least five years to at least two years to allow more NGOs to be eligible for applying funding from 3E's Project; early identification of and intervention into problems encountered by the funded businesses by SWD through perusal of NGOs' quarterly progress reports; and setting up Review Panels comprising experienced personnel in business management and marketing for due advice and assistance.

11. It is anticipated that the number of applications and hence funding requirement will increase in view of the enhanced measures. Injection of additional funding to the Project will be required for its continuation and enhancement in 2012-13.

FINANCIAL IMPLICATIONS

12. As at the end of November 2011, about \$46 million was granted under the 3E's Project. The remaining balance of \$8 million is expected to be fully committed in 2011-12. We propose to increase the approved commitment by \$100 million for the Project so that it can continue to fund more small business proposals submitted by NGOs.

/13.

⁴ The AC, comprising non-official members from the welfare, labour, professional and business sectors, etc., was set up in 2001 to advise the DSW on, among other things, implementation of the 3E's Project including reviewing the eligibility, assessment criteria, supporting and monitoring measures, etc. in the light of experience and changing circumstances. Assessment Panels comprising serving and retired members of the AC were formed to examine each funding application under the 3E's Project.

13. The actual cash flow of the 3E's Project will depend on the number of applications approved and the amount of funding required for each approved business. We will provide supplementary provision for continuation of the Project in 2012-13 under delegated authority and include sufficient funds in the Estimates of subsequent financial years. The workload arising from administering the 3E's Project will continue to be absorbed by SWD.

PUBLIC CONSULTATION

14. We consulted the Legislative Council Panel on Welfare Services on the proposal on 12 December 2011. Members were supportive of the proposal.

BACKGROUND

15. With FC's approval in June 2001 vide FCR(2001-02)16, a commitment of \$50 million was created under SWD to launch the 3E's Project in September 2001. The commitment was raised by \$4 million under delegated authority in October 2011 in view of increasing applications and funding requirement. In the 2011-12 Policy Address, the Chief Executive has announced an injection of \$100 million into the 3E's Project to create more jobs for persons with disabilities.

Labour and Welfare Bureau
January 2012

**“Enhancing Employment of People with Disabilities
through Small Enterprise” Project
Summary of Approved Applications**

Financial Year	No. of Approved Applications	Amount of Approved Fund (\$)
2002-03 ^{Note}	10	6,196,945
2003-04	10	3,763,980
2004-05	7	4,123,325
2005-06	8	4,185,656
2006-07	7	3,454,072
2007-08	3	3,039,019
2008-09	7	5,592,417
2009-10	8	4,125,973
2010-11	6	6,623,158
2011-12 (as at end November 2011)	4	4,723,786
TOTAL :	70	45,828,331

^{Note} The invitation for application to “Enhancing Employment of People with Disabilities through Small Enterprise” Project started in late 2001 and funding was granted to the first batch of approved applications in April 2002.

**Summary of the Years of Continued Operation
of the 56 Funded Businesses
(Position as at end November 2011)**

Years of continued operation	No. of funded businesses	3-year contract period^{Note}
9 or more	8 (14.3%)	Beyond contract period
7 to less than 9	11 (19.6%)	
5 to less than 7	11 (19.6%)	
3 to less than 5	6 (10.7%)	
1 to less than 3	14 (25.0%)	Within the 3-year contract period
Below 1	6 (10.7%)	
Total:	56 (100%)	

^{Note} Despite the maximum funding period of two years, NGOs are required to enter into a three-year contract with SWD for each funded business to ensure that the benefits of the employees with disabilities can be sustained after the two-year funding period.