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Subcommittee on Poverty

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 28 April 2015**

**Measures to unleash labour force in families
for increasing the grassroots' income**

Purpose

This paper summarizes past discussions at meetings of the Council and its committees regarding measures to unleash labour force in families for increasing the grassroots' income.

Background

2. According to the Hong Kong Poverty Situation Report 2013 released by the Administration in December 2014, the number of poor households before and after recurrent cash intervention in 2013 were 0.55 million and 0.38 million respectively. The analysis by socio-economic attribute indicated that the poverty rates of single-parent and new-arrival households were still high even after policy intervention, at 36.8% and 36.5% respectively, involving 74 000 and 94 200 persons living in poverty. Both household groups were facing the problem of high dependency. In addition, despite a lower poverty risk faced by working households, there were still some 150 000 households living below the poverty line in 2013 after recurrent cash intervention. According to the analysis, the majority of these households which lived below the poverty line were working hard for self-reliance, and the amount of recurrent cash measures received by them was relatively small. Among these working poor households, some 140 000 households (involving around 470 000 people) were not recipients of the Comprehensive Social Security Assistance ("CSSA"). Besides, most of these working poor households were usually of larger size, with only one member working, mostly engaged in lower-skilled jobs. Bearing a heavy family burden with more children to look after, they could hardly be lifted out of poverty

even with growth in their individual earnings. That said, an analysis on the poverty line statistics continued to show that employment was the best route to stay out of poverty.

Members' deliberations

Employment of women

3. Some Members opined that to unleash grassroot women from household matters to join the workforce, provision of full-time places in kindergartens should be increased and after-school care services for primary students should be strengthened. Nevertheless, these measures would either take a long time to implement or require support from schools. To meet the imminent needs for child care services, the Administration should attract more carers to join the Neighbourhood Support Child Care Project by providing them with a higher allowance. The Administration should consider raising the allowance for these carers to a level not lower than the Statutory Minimum Wage ("SMW") rate. There should be better co-ordination between the Education Bureau and the Labour and Welfare Bureau ("LWB") with respect to the implementation of child care services so as to unleash women labour force. According to the Administration, it would facilitate the release of women to the labour force through a multi-pronged strategy. In addition to strengthening child care services, after-school support and care services for elderly persons would be enhanced.

4. Some Members pointed out that the 5 000 additional places to be provided from 2015-2016 onwards at aided child care centres and kindergarten-cum-child care centres ("Child Care Centres") were for extended hours service ("EHS") places only. The actual additional provision was 100 aided long full-day child care places for children aged below three which would be provided in 2017-2018. These Members were concerned about the distribution of the additional EHS places and the timetable for providing these places. The Administration explained that EHS was a distinctive service and had not been provided in some Child Care Centres before. The Administration aimed at providing the additional places in phases and would first provide 1 200 additional places in 2015-2016 with priority accorded to districts with high demand such as Shatin, Kwun Tong and Shum Shui Po. The Administration would discuss with the child care centres concerned the suitable timing to provide the remaining places.

5. According to the Administration, LWB and the Women's Commission ("WoC") were conducting a time-use survey in collaboration

with the Census and Statistics Department to study the time-use pattern of women, women's employment, and the circumstances surrounding women's decision to join/leave or re-join the workforce, etc. The survey was expected to be completed around the second quarter of 2015. LWB would also make provision for WoC to implement the Funding Scheme for Women's Development under the theme of "Women's Employment" which could be participated by the 18 District Councils and women from different sectors.

Employment of mature or retired persons

6. Members noted that in the face of a shrinking labour force with an ageing population, the Administration sought to promote the policy objective of "active ageing" and strengthen support to elderly persons to assist their return to the job market. These Members wondered if the Administration would provide subsidies or tax concessions for private enterprises and public organizations employing elderly persons to assist the re-employment of elderly persons.

7. The Administration advised that according to the Inland Revenue Ordinance (Cap. 112), all outgoings and expenses including expenditure incurred on the employment of labour, to the extent to which they had been incurred by the taxpayer in the production of chargeable profits, were all allowed as deductions in calculating the taxpayer's assessable profits. The Administration further advised that the Labour Department ("LD") had implemented the Employment Programme for the Middle-aged ("EPM") to encourage employers to employ job seekers aged 40 or above. In 2014, some 2 500 employees aged 40 or above were placed under EPM. In the second half of 2015, LD would extend EPM to part-time jobs to encourage employers to provide more suitable part-time jobs to mature persons. At the same time, LD would implement a series of measures, such as organizing employment briefings and setting up a dedicated webpage under the Interactive Employment Service website to encourage elderly persons to re-join the employment market.

8. Members noted that the Employees Retraining Board ("ERB") would launch in 2015-2016 a full-time placement-tied course titled "Foundation Certificate in Workplace Re-entry" to help middle-aged and elderly persons (aged 40 or above) return to the job market. Some Members enquired about how the Administration could ensure that elderly persons could participate in the foresaid training course given that the course was placement-tied and priority might be accorded to younger participants.

9. According to the Administration, ERB had in its Three-year Strategic Plan for 2015-2016 to 2017-2018 emphasized the overall objective of "Training for empowerment, employment for alleviation of poverty". In 2015-2016, ERB would focus on providing training for mature persons amongst other target groups. ERB would also conduct market research on people aged 50 or above and retired persons to understand their views on continuing employment. The market research would also cover employers to understand their opinions on hiring this group of people. Subject to the research findings, ERB would launch training courses on a pilot basis, targeting at people aged 50 or above and retired persons.

Employment of disadvantaged groups

10. Members had expressed from time to time their grave concern about the high unemployment rate of disadvantaged groups such as persons with disabilities ("PWDs"), ethnic minorities ("EM"), new-arrivals and singled-parent families. At its meeting on 27 November 2013, the Council passed a motion urging the Administration to establish a quota system for employing PWDs. Having reservation over the aforesaid suggestion, the Administration pointed out that according to international experience, an employment quota system had not been proven successful in helping PWDs to secure employment, and some countries had abolished their quota system. There was also concern about creating a labelling effect on employees with disabilities. The Administration considered that PWDs should be assisted to find appropriate jobs on the basis of their abilities. In this regard, apart from providing vocational training, the Administration would strengthen employment support for PWDs and continue to adopt positive encouragement measures to enhance the job opportunities of PWDs.

11. Some Members were concerned about the employment of EM for civil service posts, and called on the Administration to relax the requirement for written Chinese proficiency for disciplined service posts to provide more employment opportunities for EM. According to the Administration, the heads of departments/grades would review the language proficiency requirements for grades under their purview from time to time and make suitable adjustments as appropriate. For example, following a comprehensive review of language proficiency requirements in 2010, the requirement for Chinese proficiency had been adjusted for certain grades such as Workman and Motor Driver.

12. Members noted that the Administration had implemented the Enhancing Self-Reliance Through District Partnership Programme and

the Enhancing Employment of People with Disabilities through Small Enterprise Project, and set up the Social Innovation and Entrepreneurship Development Fund under the Commission on Poverty to promote the development of social enterprises ("SEs") and create job opportunities for the socially disadvantaged. Members called on the Administration to implement supportive measures for SEs, such as providing premises at concessionary rent, offering concession tax to SEs, according priority to procuring SE services and products, setting up an SE corporation by the Government to facilitate small SEs in joining their efforts in bidding certain government service contracts, facilitating cross-sector collaboration and encouraging the private sector to develop SE projects, etc.

13. The Administration advised that it was fully aware of the challenges including the problem of high rental faced by SEs in running sustainable business and achieving social objectives. However, as SEs should run like a business, it would give rise to the concern about unfair competition with the business sector if too much government support, e.g., rent concession, was provided for the SE sector to run business on a commercial basis. During 2008 to 2012, the Administration had introduced a pilot scheme on giving eligible SEs priority in bidding government services contracts. The Administration would continue to take various measures to promote the development of SEs, which included providing seed grants for establishment of SEs, promoting cross-sector collaboration, promoting young social entrepreneurship, enhancing public awareness of SEs, etc.

14. Since the implementation of the Minimum Wage Ordinance (Cap. 608) ("MWO") in 2011, Members kept in view the operation and effect of the special arrangement for employees with disabilities under SMW regime. Some Members expressed dissatisfaction about the productivity assessment mechanism under which the wage rate of the assessed employees would, according to their productivity level, be set at a level below the SMW rate. They urged the Administration to provide wage subsidy to top up the difference between the SMW rate and the wage rate of those employees with disabilities whose productivity was assessed to be less than 100%, with a view to safeguarding their basic livelihood and encouraging them to join the workforce.

15. The Administration advised that the objective of setting up the SMW regime under MWO was to provide a wage floor with a view to forestalling excessively low wages of employees, which was different from safeguarding the basic livelihood of the employees concerned. The Administration had no plan to implement the suggestion of wage subsidy since it was not the policy intent of MWO. The suggestion would

involve major policy considerations with far-reaching implications on public finance. PWDs who had financial difficulties could apply for assistance under the social security system to meet their basic needs as necessary.

Financial incentives for encouraging employment

16. According to the Administration, CSSA recipients aged 15-59 in normal health should actively seek full-time jobs. Employment assistance services were provided under the CSSA Scheme. With an aim to encourage CSSA recipients to secure and sustain employment, there was a provision of Disregarded Earnings ("DE")¹ under the CSSA Scheme. The Community Care Fund ("CCF") had rolled out a three-year pilot "Incentive Scheme to Further Encourage CSSA Recipients of the Integrated Employment Assistance Programme for Self-reliance to Secure Employment" ("the Incentive Scheme") with effect from 1 April 2014. Under the Incentive Scheme, CSSA recipients working not less than 120 hours and earning more than \$4,200 a month would not only benefit from the existing DE, but would also be provided with an incentive grant if their accumulative earnings above the prescribed DE limit reached the incentive target (i.e. two times the asset limit of the household). The recipients would leave the CSSA net upon receipt of the full incentive grant from CCF in one go.

17. The Panel on Welfare Services welcomed the Incentive Scheme. However, as only a limited number of CSSA recipients would benefit from the Incentive Scheme, the Administration was requested to substantially relax the DE arrangements to better serve the purpose of encouraging CSSA recipients to work. The Administration advised that further relaxation of the "no-deduction" limit would be unfair to low-income families which were currently ineligible for CSSA and might attract them to apply for CSSA. Furthermore, an increase in the "no-deduction" limit might prolong the duration of stay of CSSA recipients on CSSA.

18. Noting that one of the policy objectives of the Low-income Working Family Allowance ("LIFA") was to encourage working members in non-CSSA households to stay in active employment, some Members considered that LIFA should be provided for the needy regardless of the number of hours they worked as it might be difficult for some low-income families, part-time workers and casual workers to meet

¹ DE referred to the earnings from employment that were disregarded when assessing the amount of assistance payable to a CSSA recipient. Currently, the level of disregard for the first \$800 of earnings from employment was 100% and from then on 50% and the maximum amount to be disregarded was \$2,500 per month.

the working hour requirements for LIFA. Some Members opined that the working hours of the second breadwinner of a household should be counted to tie in with the Administration's policy on gender mainstreaming and encourage family members to stay in employment.

19. According to the Administration, counting the total working hours of all workers of a family might discourage some of them to work longer hours when the family reached the working hour threshold for LIFA. A suitable balance should be struck between helping the needy families with LIFA and maintaining work incentive. Given that LIFA's objective was to encourage employment and promote self-reliance, the working hour thresholds should not be too low. Having regard to the long working hours of many low-income working people, a higher amount of allowance was provided to recognize their hard work.

20. Some Members cast doubt on the design of LIFA which did not cover low-income singletons. The Administration advised that LIFA would be granted to the needy on a family basis. LIFA focused on helping to alleviate inter-generational poverty and promoted upward social mobility in the long run. As regards assistance to singletons, the Administration was of the view that, with the introduction of SMW, the recovery of labour market, and the enhancement of the Work Incentive Transport Subsidy ("WITS") Scheme, the income of a full-time singleton worker would not be too low.

21. Some Members considered it unreasonable to disallow LIFA households to benefit from household-based WITS. The Administration advised that CoP had discussed at length the interface between LIFA and WITS and considered that allowing LIFA household members (except the LIFA applicant) to apply for or continue to benefit from individual-based WITS would be an appropriate arrangement. The second worker within a LIFA household might also continue to benefit from individual-based WITS.

Relevant papers

22. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Appendix

Relevant papers on measures to unleash labour force in families for increasing the grassroots' income

Committee	Date of meeting	Paper
Subcommittee on Poverty	8 May 2013 (Item II)	Agenda Minutes
Panel on Welfare Services	21 May 2013 (Item V)	Agenda Minutes
Subcommittee on Poverty	28 October 2014 (Item I)	Agenda Minutes
Subcommittee on Poverty	24 February 2015 (Item II)	Agenda Minutes
Panel on Welfare Services	9 March 2015 (Item IV)	Agenda Minutes
Finance Committee	2 April 2015	Administration's replies to members' written questions in examining the Estimates of Expenditure 2015-2016 Pages 58-59

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