

# Helping the grassroots Relieving people's burden

## New initiatives on improving people's livelihood

14 January 2020

### Foreword

- ▶ The current-term Government attaches great importance to supporting the underprivileged. The recurrent expenditure on social welfare has increased from \$65.3 billion in 2017-18 to \$84.3 billion in 2019-20, representing a 29% rise, the largest among all policy areas
- ▶ Building on the foundation of the 2017, 2018 and 2019 Policy Addresses, we need to step up efforts and take bolder measures to respond to the aspirations of the grassroots and underprivileged
- ▶ To cope with an ageing population, the Government has to provide diversified services and suitable support for the elderly such that they can enjoy their golden years

## Foreword(Cont'd)

- ▶ Labour is a valuable asset for Hong Kong. The Government should enhance protection for our labour force, especially the grassroots workers
- ▶ In the face of economic downturn and rising unemployment rate, apart from supporting enterprises and safeguarding jobs, the Government has to provide transitional support for the unemployed or underemployed
- ▶ The Government has been taking multi-pronged short, medium and long term measures to expand land resources in order to increase housing supply. We have also implemented a number of new initiatives to address people's aspirations for home ownership. However, as it takes time to increase housing supply, we need to provide further assistance to the inadequately housed

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Allocate **\$10 billion** recurrent expenditure

Implement **10** new initiatives to improve people's livelihood

Benefit **over 1 million** grassroots population

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## (1) Reforming the Old Age Living Allowance Scheme to improve the retirement protection system

### Current Situation

- ❖ Since its launch in 2013, the Old Age Living Allowance (OALA) has become the social security programme with the highest number of elderly recipients aged 65 or above:

|  | Higher OALA     | Normal OALA   |
|--|-----------------|---------------|
| Number of recipients (as at end of Nov 2019) [as a percentage of the population in that age group] | 511 004 [38.4%] | 49 116 [3.7%] |
| Monthly income limit   | \$7,970         | \$7,970       |
| Asset limit  | \$150,000       | \$343,000     |
| Monthly allowance  | \$3,585         | \$2,675       |

## (1) Reforming the Old Age Living Allowance Scheme to improve the retirement protection system (Cont'd)

### Proposal

- ❖ Combine the Normal OALA and Higher OALA with a standard monthly payment rate of \$3,585 (i.e. the monthly payment rate for Higher OALA)
- ❖ Significantly raise the asset limit to \$500,000 after standardising the payment rate

### Outcome

- ❖ Some 50 000 current recipients of Normal OALA can receive \$910 more (i.e. \$3,585 - \$2,675) per month upon the implementation of the proposal
- ❖ We can provide a better sense of security to the elderly by allowing those who have assets of less than \$500,000 to receive OALA of \$3,585 per month

## (1) Reforming the Old Age Living Allowance Scheme to improve the retirement protection system (Cont'd)

### Financial Commitment

- ❖ Assuming that some **50 000** elderly persons will receive \$910 more each month, and some **100 000** elderly persons may become eligible due to the higher asset limit, the proposal is expected to involve an additional recurrent expenditure of around **\$5 billion**

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## (2) Expanding the \$2 transport fare concession scheme to benefit the silver-age

### Current Situation

- ❖ Since its launch in 2012, the Government Public Transport Fare Concession Scheme for the Elderly and Eligible Persons with Disabilities (commonly known as the “\$2 transport fare concession”) has been warmly welcomed by the elderly
- ❖ The number of beneficiaries each day reaches 1.26 million, with an estimated expenditure of \$1.45 billion in 2019-20
- ❖ The Labour and Welfare Bureau (LWB) and the Transport Department are conducting a review of the Scheme which is expected to complete in the first half of this year and improvement measures will be proposed

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## (2) Expanding the \$2 transport fare concession scheme to benefit the silver-age (Cont'd)

### Proposal

- ❖ Lower the eligible age of the \$2 transport fare concession scheme from the current 65 to 60
- ❖ Details of the implementation timetable and other improvement measures will be announced upon completion of the review of the Scheme in the first half of this year
- ❖ Will study the possibility of issuing a personalised octopus card to all silver-age/elderly persons who are eligible for the \$2 transport fare concession scheme, which may also serve as the Social Welfare Department's Senior Citizen Card

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## (2) Expanding the \$2 transport fare concession scheme to benefit the silver-age (Cont'd)

### Outcome

- ❖ Some **600 000** silver-age persons aged 60-64 can enjoy the \$2 transport fare concession which facilitates their employment, commuting, visits to family members, participation in activities, etc.

### Financial Commitment

- ❖ Extension of the Scheme to those aged 60-64 is estimated to involve an additional recurrent expenditure of around **\$1.7 billion**

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### **(3) Paying Mandatory Provident Fund (MPF) contributions for low-income persons to enhance retirement protection**

#### Current Situation

- ❖ The MPF Scheme covers nearly 2.9 million employees and self-employed persons. Its total assets reach \$900 billion.
- ❖ The legislation provides that an employee or self-employed person whose income is less than the specified minimum level (currently, \$7,100 per month) is not required to contribute
- ❖ The Government has announced the enhanced arrangements for abolishing the “offsetting” under the MPF System. Preparation for the enabling legislation is underway

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### **(3) Paying Mandatory Provident Fund (MPF) contributions for low-income persons to enhance retirement protection (Cont'd)**

#### Proposal

- ❖ The Government will pay the 5 per cent contributions on behalf of low-income employees and self-employed persons who are exempted from making MPF contributions
- ❖ The proposal will be carried out upon the implementation of the eMPF Centralised Platform by the Mandatory Provident Fund Schemes Authority in 2024

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### (3) Paying Mandatory Provident Fund (MPF) contributions for low-income persons to enhance retirement protection (Cont'd)

#### Outcome

- ❖ The proposal will enhance the retirement protection of low-income persons under the MPF Scheme
- ❖ About **200 000** people whose monthly income is less than \$7,100 will benefit

#### Financial Commitment

- ❖ Based on the estimated number of beneficiaries and their income, the additional recurrent expenditure involved is about **\$600** million

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### (4) Increasing progressively the number of statutory holidays

#### Current Situation

- ❖ At present, the Employment Ordinance provides for 12 days of statutory holidays a year but the Public Holidays Ordinance provides for 17 days of public holidays a year
- ❖ The labour sector has been asking for an increase in statutory holidays so that the number of statutory holidays is on a par with that of public holidays.
- ❖ It is estimated that about 30% of the labour force can only enjoy 12 days of statutory holidays.
- ❖ The employers are worried that an increase in the number of holidays will lead to a rise in operating costs, particularly during labour shortage
- ❖ The Labour Advisory Board (LAB) has been discussing the issue for years but was unable to break the deadlock

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## (4) Increasing progressively the number of statutory holidays (Cont'd)

### Proposal

- ❖ The Government will ask the LAB to work out a proposal to increase progressively the number of statutory holidays so that it is eventually on par with the number of public holidays. The Government will facilitate and support its work

### Outcome

- ❖ As all employees will enjoy the same number of holidays, this will address the society's longstanding concern about the unfair treatment. It is estimated that **more than one million** employees will benefit from the proposal

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## (4) Increasing progressively the number of statutory holidays (Cont'd)

### Financial Commitment

- ❖ It is estimated that each day of additional statutory holiday will increase staff costs by about 0.34%. An increase of five days of statutory holidays in one go will rise the staff costs by 1.7%
- ❖ To implement the proposal progressively will facilitate the businesses to shoulder the additional expenditure involved and make adjustments to their operation

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## **(5) Improving the remuneration packages for employees under government outsourced service contracts**

### **Current Situation**

- ❖ The 2018 Policy Address announced improvement measures for the tendering of government service contracts to enhance the remuneration packages and protection for the interests of non-skilled employees
- ❖ For the contracts awarded after October 2018, such employees can enjoy the following benefits:
  - (1) a 6 per cent contractual gratuity after working for 12 consecutive months;
  - (2) statutory holiday pay upon employment for one month; and
  - (3) remuneration at not less than 1.5 times the wage for work performed when Tropical Cyclone Warning Signal No. 8 or above is in force
- ❖ The improvement measures also increase the weighting of wage level in tender assessment thus avoiding the "lowest bid wins"

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## **(5) Improving the remuneration packages for employees under government outsourced service contracts**

### **Current Situation (Cont'd)**

- ❖ The new policy achieved impressive results in improving the remuneration for workers
- ❖ Take the Food and Environment Hygiene Department as an example, the average monthly wages for cleaning workers and toilet attendants as committed in the contracts are around \$11,600 and \$13,100 respectively as at the end of 2019, which is about 28% above the respective levels as at the end of 2018

### **Proposal**

- ❖ The Labour and Welfare Bureau will complete the review by the end of this year and will consider further improvement measures

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## (6) Providing cash allowance for low-income households not living in public housing and not receiving CSSA

### Current Situation

- ❖ As of September 2019, there were 149 500 General Applicant (GA) households awaiting public rental housing (PRH). In the past few years, there is an average of 21 000 new GA households each year
- ❖ Roughly about 91 900 GAs have been waiting for PRH for more than 3 years
- ❖ The 2019 Policy Address proposed to provide cash allowances on a regular basis for non-PRH and non-CSSA low-income households (including those waiting for PRH). The Community Care Fund (CCF) will grant two one-off living allowances to the above households in 2020-21
- ❖ The Labour and Welfare Bureau and the Transport and Housing Bureau have agreed on the policy direction

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## (6) Providing cash allowance for low-income households not living in public housing and not receiving CSSA (Cont'd)

### Proposal (1)

- ❖ The Government will, on a trial basis, provide cash allowance to eligible GA households who have been waiting for PRH for more than three years until they are offered the first PRH allocation
- ❖ In determining the rate of cash allowance, reference will be made to the level at about half of the CSSA rent allowance ceiling
- ❖ The trial scheme is expected to be launched in the second half of 2021, with a review to be conducted three years after implementation

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## (6) Providing cash allowance for low-income households not living in public housing and not receiving CSSA (Cont'd)

### Outcome

- ❖ Providing cash allowance can alleviate the on-going pressure faced by grassroots citizens from renting private property
- ❖ Approximately **91 900** GA households waiting for PRH for more than three years will benefit

### Financial Commitment

- ❖ Based on the current number of beneficiaries and the proposed level of cash allowance, the additional recurrent expenditure is about **\$2.82 billion**

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## (6) Providing cash allowance for low-income households not living in public housing and not receiving CSSA (Cont'd)

### Proposal (2)

- ❖ For non-CSSA low-income families who have not applied for PRH or who have been waiting for PRH for less than three years, the Government will set higher household monthly income limits under the Working Family Allowance Scheme so that they may receive a higher rate of allowance
- ❖ Expected to be implemented in the second half of 2021

## (6) Providing cash allowance for low-income households not living in public housing and not receiving CSSA (Cont'd)

### Outcome

- ❖ It is estimated that about **6 000** households currently receiving the Working Family Allowance (WFA) can apply for a higher rate
- ❖ In addition, about **3 000** households will be eligible for WFA owing to the higher household monthly income limits

### Financial Commitment

- ❖ Estimated at about 9 000 beneficiary households, an additional recurrent expenditure of about **\$100 million** will be involved

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## (7) Conducting a study on tenancy control of subdivided units

### Current Situation

- ❖ It is estimated that about 86 500 families have been living in subdivided units for a long time and bearing heavy rent and unfavourable rental arrangements
- ❖ There are suggestions that without proper rental regulations, assistance provided by the Government, such as rental subsidies or electricity and water charges reduction, will hardly benefit the target households

### Proposal

- ❖ The Transport and Housing Bureau will set up a task force to study feasible options on tenancy control of subdivided units

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## (8) Making persistent efforts to further increase transitional housing

### Current Situation

- ❖ The 2017 Policy Address proposed increasing transitional housing to alleviate the difficulties of families waiting for Public Rental Housing and living in poor living conditions
- ❖ In 2018, a task force under the Transport and Housing Bureau was established to assist and enable more non-government institutions in pursuing housing projects
- ❖ The 2019 Budget proposed to allocate \$5 billion to fund the related projects which is pending approval by the Finance Committee of the Legislative Council. The Community Care Fund has also allocated around \$300 million in funding these projects
- ❖ The 2019 Policy Address committed to provide 10 000 transitional housing units over the next three years
- ❖ By January 2020, through the collaboration of “community, businesses and Government”, land has been identified for providing 10,000 units over the next three years

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## (8) Making persistent efforts to further increase transitional housing (Cont'd)

### Proposal

- ❖ To raise the three-year target to 15 000 units, of which 2 000 will be built on multiple “Government, Institution or Community” sites that currently have no development schedule

### Outcome

- ❖ An additional 5 000 units will address the urgent housing need for **15 000** people

### Financial Commitment

- ❖ The Government's \$5 billion dedicated funding and the Community Care Fund will continue to provide the necessary resources for the construction of transitional housing

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## **(9) Providing time-limited cash allowance for the unemployed**

### Current Situation

- ❖ At present, unemployed persons may apply for Comprehensive Social Security Assistance (“CSSA”); they may also enrol in Employment Retraining Board (“ERB”) training courses and receive a training allowance capped at \$4,000 per month per trainee
- ❖ The Financial Secretary (“FS”) has announced that the cap of the allowance will be raised to \$5,800 per month. Subject to necessary legislative amendment, the change is expected to take effect from 1 Jul 2020

## **(9) Providing time-limited cash allowance for the unemployed (Cont’d)**

### Proposal

- ❖ The Government will invite the Community Care Fund (“CCF”) to formulate a new cash allowance scheme for unemployed individuals
- ❖ From 1 Apr 2020 to 31 Mar 2021, individuals who have been unemployed for one month or longer and have received assistance from the Working Family Allowance or Student Financial Assistance Schemes before April 1, 2020 may apply for a cash assistance for that month and for a maximum of three months
- ❖ The CCF Task Force will work out details of the scheme; payment of allowance is expected to commence in October 2020 at the earliest

## (9) Providing time-limited cash allowance for the unemployed (Cont'd)

### Outcome

- ❖ Amid the economic downturn, a time-limited cash allowance for unemployed individuals will help them tide over the hardship

### Financial Commitment

- ❖ Subject to details to be formulated by the CCF Task Force

## (10) Providing time-limited cash allowance for the under-employed

### Current Situation

- ❖ At present, applicants who meet the requirements of working hours, income and asset limits may apply for the Working Family Allowance (“WFA”) at the following rates:

| Total monthly working hours | Monthly allowance for each household* | Monthly Allowance per child |
|-----------------------------|---------------------------------------|-----------------------------|
| ( Full-rate allowance) (\$) |                                       |                             |
| 144 to less than 168        | 800 (1,000)                           | Allowance:<br>1,000 (1,400) |
| 168 to less than 192        | 1,000 (1,200)                         |                             |
| 192 or more                 | 1,200 (1,400)                         |                             |

\* WFA will be adjusted upward in 2020; the bracketed figures show the full-rate allowances after adjustment

## (10) Providing time-limited cash allowance for the under-employed (Cont'd)

### Proposal

- ❖ The Government will invite the CCF to formulate the conditions and details of a cash allowance scheme for under-employed individuals
- ❖ From 1 Apr 2020 to 31 Mar 2021, individuals who are eligible for WFA in certain months and meet the reduced total monthly working hour requirement for other months may still apply for cash allowance in the respective months
- ❖ The CCF Task Force will work out details of the scheme, which is expected to be launched in October 2020 at the earliest

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## (10) Providing time-limited cash allowance for the under-employed (Cont'd)

### Outcome

- ❖ In view of the economic downturn and worsening under-employment, working individuals can still receive some cash allowance

### Financial Commitment

- ❖ Subject to the details to be formulated by the CCF Task Force

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## Conclusion

- ▶ The aforementioned proposals for “helping the grassroots” are consistent with the Chief Executive’s vision stated in her 2017 Policy Address - to alleviate poverty and support the disadvantaged in order to build a caring and inclusive society. They are also consistent with the fiscal philosophy of wisely using wealth derived from the community for the benefit of the community
- ▶ The Financial Secretary is consulting the public on the 2020-21 Budget, and will propose measures to “support enterprises, safeguard jobs, stimulate the economy and improve people’s livelihood”

Thank You