

立法會
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(These minutes have been
cleared with the Chairman)

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LegCo Panel on Welfare Services

**Minutes of special meeting
held on Tuesday, 13 June 2000 at 1:00 pm
in Conference Room A of the Legislative Council Building**

- Members Present** : Hon CHAN Yuen-han (Chairman)
Hon LEE Cheuk-yan
Dr Hon YEUNG Sum
Hon YEUNG Yiu-chung
- Members Absent** : Hon HO Sai-chu, SBS, JP (Deputy Chairman)
Hon David CHU Yu-lin
Hon Cyd HO Sau-lan
Hon Eric LI Ka-cheung, JP
Hon LEE Kai-ming, SBS, JP
Hon Fred LI Wah-ming, JP
Hon LAW Chi-kwong, JP
- Members Attending** : Hon CHAN Kwok-keung
Hon CHAN Wing-chan
- Clerk in Attendance** : Ms Doris CHAN
Chief Assistant Secretary (2) 4
- Staff in Attendance** : Ms Eva LIU
Head, Research & Library Services Division

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Mr Jackie WU
Research Officer 1

Mr CHEUNG Wai-lam
Research Officer 2

Ms Vicky LEE
Research Officer 3

Mr CHAU Pak-kwan
Research Officer 5

Ms Joanne MAK
Senior Assistant Secretary (2) 4

I. Presentation of the research reports by Head (Research and Library Services)

Head (Research & Library Services) (H(RL)) said that the Research and Library Services Division (RLSD) had conducted this study on unemployment-related benefits systems by making reference to the experience of the Mainland, Taiwan, Malaysia, Singapore, South Korea, the United Kingdom and the United States (US). The research reports included a comparative analysis of the experience of the above seven places. They also outlined the findings of related research conducted by the Organization for Economic Co-operation and Development (OECD) as well as the recommendations of the International Labour Organization (ILO) on unemployment benefits. In addition, information on the welfare support for the unemployed in Hong Kong was included.

2. H(RL) informed members that 11 research reports were compiled in the study. She said that in this research study, "unemployment-related benefits" referred to unemployment benefits and related welfare benefits. Unemployment benefits comprised unemployment insurance and unemployment assistance. In many countries, where there were no unemployment benefits or where these benefits were exhausted, welfare benefits were made available to provide subsistence to those in need. Such benefits included family benefits, housing benefits, child-care benefits and social assistance.

3. H(RL) then gave a presentation on the research reports touching on the following topics -

- (a) Historical development of unemployment-related benefits systems;

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- (b) Key features of unemployment-related benefits systems;
- (c) Major developments of unemployment-related benefits systems in OECD countries and ILO's recommendations on unemployment benefits systems;
- (d) Unemployment-related benefits systems in the various places included for this study -
 - (i) eligibility criteria
 - (ii) types of benefits and amounts
 - (iii) duration of payment of benefits
 - (iv) tax treatment of the benefits
 - (v) source of funds for the benefits
- (e) Administration of unemployment-related benefits systems;
- (f) Major features of unemployment assistance systems;
- (g) Related welfare benefits systems; and
- (h) The unemployment-related assistance system of Hong Kong and relevant figures.

Questions from Members

4. Mr LEE Cheuk-yan expressed appreciation of the in-depth study conducted by RLSD on the subject. However, he said it was disappointing that there was no representative from the Administration to attend the meeting. The Chairman explained that the Administration, on being invited to attend the meeting, had informed the Secretariat that the government officers concerned would be unable to come due to other commitments and suggested re-scheduling this meeting. However, as there were no other suitable dates for the meeting, it was held as scheduled. Mr LEE commented that since the subject concerned both the Health and Welfare Bureau and the Education and Manpower Bureau, there should at least be representatives from either bureau to attend the meeting. The Chairman suggested that Mr LEE's comments be relayed to the Administration.

5. Mr LEE Cheuk-yan considered that Part 3 of the research report entitled "Unemployment Benefits Systems: ILO's recommendations" was important. It had cited the recommendation of ILO that an unemployment insurance system should be introduced to Asian countries, especially after the onset of Asian financial crisis in 1997.

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Mr LEE said it was also worthy to note that ILO was of the view that "economic volatility and the frequency of financial crises have been increasing in the global economy". He considered that the Hong Kong Government should take note of the above warning. Mr LEE further pointed out that, as stated in paragraph 8.4 of the same report, ILO had also queried why places like Hong Kong and Singapore, where Gross Domestic Product (GDP) per capita was high by international standards, had not introduced any form of unemployment insurance. He said that, as set out on pages 14 and 15 of the report, many low and middle income countries (such as Algeria, Argentina and so on) had already introduced unemployment insurance systems. He highlighted that the Gross National Product (GNP) per capita of these countries was only in the range of US\$620 to US\$8 030 whereas the GNP per capita of Hong Kong was some US\$20 000. He pointed out that other Asian places, such as Taiwan and South Korea, had already realized the urgent need to introduce unemployment insurance systems and had put in place such systems in recent years. He considered that Hong Kong should explore the like as well as the Earned Income Tax Credit (for low income workers), which was mentioned in paragraph 22.3 of the research report on "Unemployment-related Benefits Systems in the US".

RLSD 6. Mr LEE Cheuk-yan requested RLSD to calculate the required contribution rate in order to enable the unemployed people in Hong Kong to receive a level of unemployment benefits at a replacement rate of 50% of previous earnings, for a maximum period of six months. H(RL) responded that as the Census and Statistics Department (CSD) did not have data on the last income levels of the some 200 000 unemployed people in Hong Kong, it was difficult to calculate the contribution rate. She said she would approach CSD again to see if it could provide the data or any other assistance. Mr LEE considered that it was important to know the income distribution of the unemployed to facilitate analysis of the unemployment problem. The Chairman directed that the Secretariat should write to CSD to explain the importance of such data to the RLSD's study and general analysis of the unemployment problem of Hong Kong. In response to Mr LEE's enquiry, H(RL) said that among the countries studied so far, persons who were voluntarily unemployed were not eligible for receiving unemployment benefits.

7. Mr CHAN Kwok-keung asked if any country had implemented an unemployment insurance system similar to a savings insurance programme which allowed the contributors to take back all (or part) of their contributions made to the system when they retired. He also wanted to know if there was any country which had shown negative economic effects after implementing an unemployment benefits system. H(RL) replied that none of the places/countries included in the research study had implemented an unemployment insurance system similar to a savings insurance programme and none had been negatively impacted by implementing an unemployment benefits system. In response to Mr CHAN's further question, H(RL) said that the Secretariat was unable to recommend which country's unemployment benefits system was most suitable for Hong Kong.

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RLSD 8. At the request of Mr YEUNG Yiu-chung, H(RL) agreed to provide supplementary information later on the number of member states in the ILO not providing unemployment insurance systems.

9. In response to the Chairman's question, Research Officer 1 of RLSD explained why in general unemployment benefits were not issued to a claimant if he had lost employment as a result of a stoppage of work due to labour disputes. He said that this was because in all countries, the governments were expected to play a neutral role in handling such disputes. Moreover, the policy could avoid allegations that employees had made use of labour disputes to claim unemployment benefits. He said that ILO had given advice on the appeal mechanisms for handling matters relating to claims for unemployment benefits by people who had lost employment due to labour disputes. However, he pointed out that each country was expected to implement its own appeal mechanism after considering its local conditions.

10. The Chairman asked for information on the background of Taiwan and South Korea in introducing unemployment insurance systems. Research Officer 3 replied that in Taiwan, the government had already worked on the framework of an unemployment insurance system when it was considering labour insurance issues. The Asian financial crisis which had resulted in mounting unemployment rate had been a catalyst for implementing the unemployment insurance system in Taiwan.

11. Research Officer 5 said that in the case of South Korea, the employment insurance system was introduced in 1995 against a background of low unemployment rate. The system was part and parcel of a package of measures for strengthening employment opportunities of the South Korean people. However, during the Asian financial crisis, the system in South Korea proved to be effective in cushioning the negative impact of the crisis on workers.

RLSD 12. Mr CHAN Kwok-keung suggested that RLSD should estimate the savings that the Government could achieve by spending less on the Comprehensive Social Security Assistance (CSSA) system if an unemployment insurance system were provided in Hong Kong and provide such information to the Administration. H(RL) agreed to follow up the suggestion. The Chairman said that like the Mandatory Provident Fund system, the low income earners should also be exempted from paying the premium under an unemployment insurance system in Hong Kong and their contributions should be made by the Government instead. She requested RLSD to estimate the amount of cost thus incurred to the Government and suggested RLSD to seek information from the Social Welfare Department on the number of CSSA recipients under the "unemployed" category. Dr YEUNG Sum pointed out that an unemployment insurance system was totally different from the CSSA system in rationale and the two should not be mixed up. He said that in Hong Kong, there was basically no policy to provide financial assistance to the unemployed. The Government's concept was only to provide subsistence to the poor who were living in absolute poverty.

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13. Dr YEUNG took the view that a state-run mandatory unemployment insurance system was desirable as the unemployment benefits provided could relieve the financial pressure on the unemployed. He proposed and the Panel agreed that the Administration should be requested to conduct a feasibility study on the introduction of an unemployment insurance system in Hong Kong and provide a report to LegCo for follow-up discussion.

14. The Chairman suggested that the Welfare Services Panel should follow up the issue and take it forward in the next legislative session. She said that the RLSD staff members were welcome to discuss with members of the Panel if they had any questions or suggestions to make on how to proceed with the research study.

15. The Chairman thanked RLSD again for its efforts in conducting this in-depth study and also the organizations which had rendered assistance in the course of the study.

16. There being no other business, the meeting ended at 2:15 pm.

Legislative Council Secretariat

20 September 2000