

立法會
Legislative Council

LC Paper No. CB(2)2588/99-00

(These minutes have been
seen by the Administration
and cleared with the Chairman)

Ref : CB2/PL/WS

LegCo Panel on Welfare Services

**Minutes of special meeting
held on Tuesday, 20 June 2000 at 11:30 am
in the Chamber of the Legislative Council Building**

Members Present : Hon CHAN Yuen-han (Chairman)
Hon HO Sai-chu, SBS, JP (Deputy Chairman)
Hon LEE Cheuk-yan
Hon LEE Kai-ming, SBS, JP
Dr Hon YEUNG Sum
Hon LAW Chi-kwong, JP

Members Absent : Hon David CHU Yu-lin
Hon Cyd HO Sau-lan
Hon Eric LI Ka-cheung, JP
Hon Fred LI Wah-ming, JP
Hon YEUNG Yiu-chung

Members Attending : Hon NG Leung-sing
Hon CHAN Kwok-keung
Hon Emily LAU Wai-hing, JP

Public Officers Attending : Item I
Dr E K YEOH, JP
Secretary for Health and Welfare

Mr Robin GILL, JP
Deputy Secretary for Health and Welfare 3

Action

Mr Andrew K P LEUNG, JP
Director of Social Welfare

Mrs Marion LAI, JP
Deputy Director of Social Welfare (Administration)

Item II

Mr HO Wing-him, JP
Deputy Secretary for Health and Welfare 2

Mr Ivan LEE
Principal Assistant Secretary for Education and Manpower (5)

Mr Samson LAI
Assistant Secretary for Education and Manpower (7)

Mrs Rachael CARTLAND
Assistant Director of Social Welfare (Social Security)

**Deputation by
Invitation** : Item II

The Hong Kong Social Security Society

Prof Henry MOK Tai-kee

Mr SZE Yuk-hiu

Mr HO Wing-chung

Ms TAM Sin-yee

Ms CHENG Cheuk-yan

Ms LU Hiu-sin

Ms SHIH Yin-nin

**Clerk in
Attendance** : Ms Doris CHAN
Chief Assistant Secretary (2) 4

Action

Staff in Attendance : Ms Joanne MAK
Senior Assistant Secretary (2) 4

I. Briefing by the Secretary for Health and Welfare (SHW) on the social welfare subvention reforms
(LC Paper No. CB(2)2417/99-00(02))

SHW referred to the Administration's paper on the welfare sector subvention reforms tabled at the meeting and said that to ensure that resources were targetted at meeting the changing needs of the community in the most cost-effective manner, a revised planning mechanism would be put in place under the proposed funding system. It was intended that in consultation with the sector, medium term plans of three to five years' duration would be developed for each programme area. The plans would provide details of the initiatives to be introduced, taking into account local and demographic characteristics. The three to five-year medium term planning cycle would provide an opportunity to review on a regular basis the objectives and priorities of each programme area to ensure that changes in community needs were met.

2. SHW pointed out that the existing subvention system had long been criticized as inflexible and bureaucratic. He said that under the present system, once subvention was provided to a non-governmental organization (NGO) to run a particular service, the service was seldom revised even when service needs had changed or the modes of operation needed revamping. To address the problems, the proposed subvention system would enhance flexibility in the planning mechanism and encourage service re-engineering to meet changing needs of the community.

3. SHW stressed that the proposed lump sum grant was nothing new as there were already some 480 subvented service units receiving lump sum grant subvention. He said that following the completion of the recent consultation exercise on the proposed package which commenced in February 2000, the Administration had set out in the paper referred to earlier (LC Paper No. CB(2)2417/99-00(02)) its response to comments received. SHW informed members that in the light of the views and comments received, the Administration had introduced modifications to the original package. He then briefed members on details of the revised package, which included

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- (a) The Provident Fund (PF) for existing staff would be paid on an actual basis to ensure that NGOs had sufficient funds to meet their contractual PF contribution obligations to existing staff;
- (b) The subvention cap for service units operating under the unvetted Modified Standard Cost System would be raised from the existing

Action

104.5% of mid-point salary to 106.8%;

- (c) The PF contribution provision for staff in new service units would be increased from 5% to 6.8% of the mid-point salary;
- (d) The Tide Over Grant (TOG) period would be extended from three to five years to allow more time for NGOs to adjust to the changes arising from the subvention reforms; and
- (e) NGOs would be required to start to come down to the Benchmark at the end of the TOG period. In other words, NGOs should achieve the Benchmark in 2005/06 instead of 2003/04 as originally proposed.

4. SHW said that the Administration would explain details of the proposed package to the welfare sector later in the afternoon. A series of briefing sessions and workshops on the package would also be held for NGO representatives later. SHW stressed that the Administration would work closely with the sector in implementing the new subvention system and welcomed any comments from the sector. SHW further said that in due course, NGOs would be invited to indicate their interest in joining the new system. He highlighted that the Administration had not set a timetable for the lump sum grant arrangement but it hoped that all NGOs could join the new system in the next two to three years.

5. Mr LEE Cheuk-yan said he was opposed to the lump sum grant funding arrangement given concerns about its impact on job security and on service quality. In particular, Mr LEE was dissatisfied with the Administration's proposal that NGOs would be allowed to discontinue linkage with the civil service Master Pay Scale and to determine the pay scale for their staff. He said that employees in the sector were worried that, as a result of the new arrangement, there would be reductions in staff benefits.

6. Mr LEE Cheuk-yan further argued that under the new system, NGOs would be tempted to replace experienced staff with new recruits because in doing so they could achieve savings and vire these to meet other expenses. He asked whether the Funding and Service Agreements (FSAs) would stipulate that NGOs should maintain their existing manning scales.

7. In response to Mr LEE's comments, SHW clarified that the objective of the proposed new subvention mode was not cost-cutting. He reiterated the need to reform the existing subvention system in order to provide flexibility to NGOs in terms of resource management and to enhance public accountability in the delivery of welfare services. He pointed out that with the introduction of the lump sum funding arrangements, the Administration would introduce an enhanced service performance monitoring system. Whilst the reforms would provide flexibility to NGOs in the deployment of resources, NGOs would be required to meet the standards stipulated in

Action

their FSAs. The Administration was discussing the matter with the Hong Kong Council of Social Service and had commissioned consultants to examine ways to assist NGOs to develop better administrative systems and to strengthen their human resource management.

8. Mr LEE Cheuk-yan was dissatisfied with SHW's reply and pointed out that frontline staff had expressed grave concern that the new system would allow NGOs to abolish existing manning scales and determine their own pay scales. They were worried that it would lead to staff layoffs and/or pay cuts and some staff had developed a distrust of their management. SHW responded that he understood well the complexities involved in effecting the changes under the new system. He assured members that under the new system, NGO Boards and the Social Welfare Department (SWD) would assume the responsibility of monitoring NGO management. He pointed out that since a high staff turnover rate would directly impact service quality, the Administration and NGOs would put emphasis on maintaining a stable workforce. He disagreed that the shift from "input" to "output" control under the new system meant that the former would be neglected. As regards Mr LEE's question on manning scales, SHW said the Administration did not consider it necessary nor desirable to require NGOs to maintain their existing manning scales. Rather, it was of the view that NGOs should be allowed some flexibility in their staffing structure. However, he said that the Administration would explore stipulating qualification requirements for certain core staff in some service units.

9. Mr LEE Cheuk-yan asked if it was true that the arrangement of paying actual PF for staff was only applicable to existing staff and that it would cease once the staff left his current employer and joined another NGO. Deputy Director of Social Welfare (Administration) replied that although the staff member had newly joined the NGO and would be paid PF provision at 6.8% of the mid-point salary, the NGO could raise the PF rate for that staff member to more than 6.8% if it wanted to and was able to identify funds to meet the additional expense. However, Mr LEE Cheuk-yan pointed out that this arrangement was totally different from the existing practice and was also different from the arrangement of PF payment for existing staff in the education sector.

10. Dr YEUNG Sum asked whether under the proposed new system, SWD would issue warning letters to those NGOs which laid off staff notwithstanding the fact that sufficient funds had been provided to them. In response, SHW explained that the objective of the new subvention system was not to reduce staff and the Administration had committed to providing sufficient funding to meet any shortfall in PF payments for existing staff. To ease the NGO staff's concern, the Administration would arrange briefing sessions to explain details of the new package to them. SHW said that consideration could also be given to stipulating in FSAs that under the new system, NGOs could not lay off staff by giving the excuse that they had insufficient funds to meet the staff cost.

11. Dr YEUNG Sum considered that NGOs' participation in the new subvention

Action

system should be on a voluntary basis and requested the Administration not to impose a timeframe on NGOs for joining the new system. Noting that some NGOs had already expressed interest in joining the new system, Dr YEUNG suggested that the Administration should conduct a review on the new system some time after its implementation. He said that if it proved to be better than the present system, the remaining NGOs could then be invited to join it. SHW confirmed that at this stage, there was no time-frame within which NGOs must join the new subvention system. He said that the Administration would explain the new system to all concerned parties and undertook that the new system would be taken forward on a gradual basis.

12. Ms Emily LAU Wai-hing said she supported the objective of improving systems which had been found too bureaucratic and rigid. However, she said that the Frontier was opposed to the lump sum funding proposal in view of its possible adverse effect on service quality and its lack of support from the staff. She expressed surprise as to why some NGOs were so unscrupulous that they had laid off staff and cut staff benefits even though there was no shortfall in funds. SHW replied that in his experience, the majority of NGOs were good employers and just a very few of them had taken drastic action in handling staff remuneration matters. He said that in implementing the new system, the Administration would visit the participating NGOs and discuss with them in detail how to implement the system and achieve good service quality.

13. Ms Emily LAU Wai-hing then asked what the Administration had in mind regarding the composition and operation mode of NGO Boards so that they could assume the responsibility of monitoring the NGO management. SHW replied that clear explanations about their responsibility and their monitoring roles would be given to every NGO Board. He said that the Administration would assist in setting up monitoring systems within NGOs and issue guidelines to NGO Boards on their supervisory roles. NGO Boards would be obliged to ensure that adequate channels were available for collecting the views of staff, but the Administration would not stipulate that as a rule, staff representatives must be included on the NGO Boards.

14. Mr LAW Chi-kwong considered that the Administration should strike a balance between flexibility in deployment of resources and stability of service development. He also held the view that changes to the subvention system should be introduced on a gradual basis to avoid affecting service quality. In response to Mr LAW's suggestion, SHW agreed that mechanisms should be put in place under the new subvention system to impose control on NGOs in levying additional fees and charges for their services. He said that details of the controlling mechanisms would be devised later in collaboration with the sector.

15. The Chairman considered that the paper tabled by the Administration lacked concrete details in many aspects. She also considered that given the complexity of the subject, it was necessary for the general public to participate in the discussion. Ms Emily LAU Wai-hing shared the view of the Chairman and requested the Administration to ensure that adequate channels would be provided for the general

Action

public to express their views on the proposed package of reforms. In response, SHW explained that the paper tabled at the meeting was only a report on the findings of the last consultation exercise and was not meant to set out the full details of the proposed package of reforms. He said that all of the details of the implementation arrangements had yet to be worked out and the Administration would work closely with the sector in the process. He said that the Administration aimed to provide details of the arrangements in six months' time. He said that the new package would be provided to District Councils to seek their views and he undertook to review the consultation mechanism to enable public participation in the discussion. In response to Mr LEE Cheuk-yan's comments, SHW assured members that the views of staff associations and service user groups would also be taken into account. The Chairman suggested the Administration model the consultation exercise on that conducted for the "White Paper: Social Welfare into the 1990s and Beyond" which had involved the whole community.

16. In response to Dr YEUNG Sum's question, SHW said that after announcement of the package that morning, a seminar would be held in the afternoon to introduce details of the revised package. A series of briefing sessions and workshops would also be held in the following two weeks for NGO staff to raise questions and express their views on the package. The first draft of FSAs, funding conditions and details of the future performance service monitoring mechanisms would be further devised and provided to the sector for discussion. SHW pointed out that the Administration would invite NGOs to join the new system only after they had been provided with sufficient information on the system.

II. Comprehensive social protection (CSP) scheme proposed by the Hong Kong Social Security Society (HKSSS)

(LC Paper Nos. CB(2)2260/99-00(01), CB(2)2397/99-00(01), CB(2)2407/99-00(01) to (02) and CB(2)2417/99-00(01))

17. Prof Henry MOK of HKSSS appealed to members for support of the CSP scheme which he said was well supported by different organizations and experts. He hoped that by the end of the meeting, the Panel would pass a motion to request the Administration to set up an inter-departmental working group to study the scheme and report to the Panel in the next legislative session.

18. Prof MOK then briefed members on the salient points of the scheme. He said that since it would take about 30 years before the retired population could enjoy the full effects of the Mandatory Provident Fund (MPF) Scheme, the Administration should explore how to tackle the problem of the lack of retirement protection for the existing 700 000 elderly population. Moreover, he pointed out that the level of benefits drawn by employees under the MPF Scheme was low as there would only be about \$1,700 each month for each retired worker. Prof MOK invited members to note that the proposed scheme could address the problem of inadequate care and support services for the elderly, the disabled and the chronically-ill. Moreover, it could ensure that

Action

housewives (who were not covered under the MPF Scheme) would also be provided with financial support in their old age. Prof MOK said that the CSP scheme included proposals on the provision of comprehensive retraining services and an unemployment retraining allowance for the unemployed. In addition, the scheme advocated the creation of a central work injury insurance scheme.

19. Prof MOK then outlined the levels of benefits that could be drawn under the CSP scheme. For example, under its proposed old age pension scheme in the next 50 years, each elderly person would receive one-third of the prevailing mid-point salary each month. He highlighted that it would only require employees to pay 3% contribution and employers to pay 4.8% contribution to the CSP scheme. He said it was proposed that the Government should pay 2.2% contribution, which could be made up for by spending less on the Social Security System due to implementation of the proposed scheme.

20. Ms LU Hiu-sin of HKSSS then briefed members on the findings of the recent survey conducted by HKSSS with other organizations to collect the views of the general public on the proposed scheme. She said that the survey showed that the majority of respondents were very supportive of the scheme and that many respondents were unclear about the contribution rate of the MPF Scheme.

21. Mr LAW Chi-kwong said that all along the Democratic Party was against the MPF Scheme. He considered that a retirement protection scheme for the elderly population in Hong Kong was worth pursuing as there was no such protection so far. As regards the CSP scheme proposed by HKSSS, he believed that most of its proposals would be supported by the general public. Mr LAW agreed that the Administration should be requested to study the scheme and provide a report of its response to the Panel (or to the Panel on Manpower as well) for follow-up discussion.

22. Deputy Secretary for Health and Welfare 2 (DSHW2) said that as the Administration had only been provided with the paper on the CSP scheme just the day before, it did not have time to study it in detail. He informed members that the Administration had already invited Prof MOK to a meeting the next day to go through the paper with the Administration.

23. DSHW2 said actually the Administration also felt that there was too much reliance on the Comprehensive Social Security Assistance (CSSA) Scheme as a main source of financial support for the elderly, the disabled and the chronically-ill. He considered that the proposed scheme had taken a comprehensive approach in dealing with the different problems as mentioned by Prof MOK. He undertook that the Administration would conduct a detailed study on the scheme.

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24. Mr LEE Cheuk-yan said that since the Chief Executive had revealed that the next Policy Address would be concerned with narrowing the gulf between the rich and the poor in Hong Kong, he felt that the release of the paper on the CSP scheme was timely.

Action

He was of the view that in the midst of economic transition, Hong Kong was particularly in need of strengthening its "safety net" for the vulnerable groups and he supported that the Administration should be asked to seriously study the proposed scheme. Mr LEE further said that in fact, the Hong Kong Confederation of Trade Unions had long advocated the establishment of a central work injury trust fund, an old age pension scheme and an unemployment assistance system. He considered that the proposals contained in the CSP scheme were able to address exactly the problems of the elderly and the unemployed. He supported that the Administration should set up an inter-disciplinary working party to study the scheme. He suggested that the Administration should also look at the research reports compiled by the LegCo Secretariat recently on unemployment-related benefits systems.

25. Mr HO Sai-chu welcomed the Administration's positive response towards the proposed scheme. He said that as a matter of fact, employers were concerned about their contribution rate under the proposed scheme and he requested Dr MOK to explain further this point. Prof MOK replied that if the proposed scheme were implemented, employers would only be required to pay 4.8% contribution, which included -

- (a) 2% contribution for financing a mandatory provident fund; and
- (b) 2.8% contribution for financing an old age pension scheme, a long-term care protection scheme, provision of a retraining allowance and a central work injury insurance scheme.

Prof MOK added that since employers had been paying 0.2% contribution for work injury compensation, the real contribution rate of employers was only 4.6% under the proposed scheme. He highlighted that this contribution rate was low as compared with other Asian countries.

26. Mr CHAN Kwok-keung expressed concern about adequacy of the proposed retraining allowance of \$1,000 and enquired about details of the arrangement. Prof MOK replied that the minimum rate of the retraining allowance was \$1,000 which was intended to cover expenses incurred in the course of job finding. He explained that a person in receipt of this allowance could still receive CSSA allowance if he was eligible for it. He said it was proposed that if an unemployed person who had attended a retraining course for one year but could not pass the relevant examinations would cease to be eligible the retraining allowance. However, he would still be exempted from paying the course fee if he continued to attend the retraining course.

27. The Chairman said that the Hong Kong Federation of Trade Unions (FTU) was also in support of an old age pension scheme and provision of better support and retraining services for the unemployed. She supported the creation of a central work injury insurance scheme. She said that FTU was against the MPF Scheme although the relevant legislation had been enacted. She shared the view that CSSA could not be solely relied on to solve the many social problems. In particular, she urged the

Action

Administration to address the ageing problem of the Hong Kong population and study both the CSP scheme and the proposal submitted by FTU on the same subject earlier.

28. DSHW2 said that given the rapid ageing problem of the Hong Kong population, the Health and Welfare Bureau was also concerned about the need to implement new initiatives to support the elderly. He would be pleased to discuss further with the Panel on the subject in the next legislative session but he could not provide a timetable at that point in time as to how the Administration would proceed with its study on the CSP scheme. The Chairman suggested to put on record that the Panel should be requested to follow up the issue in the next session.

29. Prof Henry MOK considered that after employers had started to pay 5% contribution to the MPF Scheme as from December 2000, it would be difficult to persuade them to accept the proposed CSP scheme as they might think that they would need to pay an additional 4.8% contribution under that scheme. He requested the Administration to revert by early October and, in the meantime, HKSSS would be pleased to provide any supplementary information as required by the Administration. The Chairman considered that it would be difficult to finish discussing the proposed scheme before the end of the year and pointed out that changes could be made to the MPF Scheme even after it had come into operation. She requested the Administration to finish studying the proposed scheme and provide its views to the Panel for consideration as early as possible.

Adm

30. There being no other business, the meeting ended at 1:15 pm.

Legislative Council Secretariat
20 September 2000