

## **Hong Kong Council of Social Service**

### **Paper for Presentation to LegCo Panel on Welfare Services**

**on March 13, 2000**

#### **Initial Views of the HKCSS on the Government's proposed Lump Sum Grant Package (LSG)**

1. Trying to get the right formula for the funding mode, is a most challenging task. The Government's proposed LSG package has stimulated a lot of discussion in the sector. The Council has adopted the approach that an "Adequate Lump Sum Grant" could be used as a basis for discussion of the future funding mode. Currently we are in the process of consulting and working with our member agencies in the matter. We would like to share our initial views with Panel members.
2. In considering any funding mode, the Council has stressed that the following principles be adopted :
  - a. maintain current standards of service
  - b. enable subvented agencies to pay existing staff
3. The Government's LSG Proposal cannot provide "Adequate" funds for subvented agencies to offer quality services to people in need. Taking into consideration comments and suggestions of our member agencies and having carefully studied the short and long term implications, we have initially formulated a number of recommendations to improve the Government's LSG Package.

**Initial  
Proposed**

**Improvement (1) Increase the provisions for Provident Fund (PF) beyond the Government's level of 6.8% of salaries for existing staff**

**Objective :**

To enable agencies to honour their employment contracts with staff already employed in the sector before April 1, 2000 so that serving staff, especially those with experience, could be retained and the quality of service to clients be sustained.

**Rationale :**

- The "no worse off" principle should be applied when a new subvention mode is to be introduced. Existing staff should continue to be provided with the current level of PF benefits.
- The turnover rate in the sector is dropping. Interim findings of the Council's Proforma Exercise on Social Welfare Subventions (2<sup>nd</sup> Round Data Collection), involving 50 subvented NGOs (and their 804 service units and 8965 staff), have shown that there were a total of 926 new recruits to fill vacancies in the year of 1997/98, excluding new establishment. The number of persons dropped to 532 in the year of 1999/2000.

No. of Persons Recruited to fill vacancies within the 50 agencies :

| 97/98 | 98/99 | 99/2000 |
|-------|-------|---------|
| 926   | 748   | 532     |

The above 50 agencies will be employing 8965 staff in the year of 2000/01.

- To retain experienced staff in the sector
- The PF provision for the education sector is 8.5%.
- With the introduction of a new system, there should be projections to take account of the needs in the coming period.

Interim findings of the Council's Proforma Exercise on Social Welfare Subventions (2<sup>nd</sup> Round Data Collection) have shown that the PF requirements are on a steady increase. Basing on the data of 50 subvented NGOs, and having taken into consideration the retirement factor, the projected PF on salaries based on the Government's proposed sector average of 6.8% in 2000/01 have been computer as follows:

### PF Employers Contributions

| 00/01<br>(%) | 01/02<br>(%) | 02/03<br>(%) | 03/04<br>(%) | 04/05<br>(%) |
|--------------|--------------|--------------|--------------|--------------|
| 6.8          | 7.28         | 7.79         | 8.41         | 9.03         |
| 05/06<br>(%) | 06/07<br>(%) | 07/08<br>(%) | 08/09<br>(%) | 09/10<br>(%) |
| 9.96         | 10.80        | 11.76        | 12.69        | 13.51        |

A PF % figure will be proposed after consulting our member agencies.

Initial  
Proposed  
Improvement

- (2) **The Tide-over Grant Scheme should continue to support NGOs who have demonstrated genuine needs for such assistance, and not be limited to a 3-year period.**

#### Objective :

To help NGOs to deal with problems arising out of the adoption of the LSG,

#### Rationale :

It is likely that NGOs still have difficulties in the LSG after the 3 year period. They should be assisted in order to avoid bringing detrimental effects on service users and staff

Initial  
Proposed  
Improvement.

- (3) **SWD to provide subvented agencies with Central Administration provisions up to the 2000 level**

#### Objective :

To strengthen Central Administration (CA) of NGOs so that they could face up to the challenges in agency management which will be particularly demanding in view of the features inherent in the LSG.

#### Rationale :

- The SWD has already agreed to the CA formula. However

the additional requirements for CA resulting from the growth of service units have not been provided for. Therefore the CA shortfalls should be filled to enable agencies to achieve good management practices and meet the objectives of introducing LSG in the NGO sector, should it be finally implemented.

- The two integral parts of the subvention system have placed heavy demands on the central administration and management
  - (a) The Proposed LSG - financial & human resources management need to be enhanced.
  - (b) Service Performance Monitoring System (SPMS)
    - 19 Service Quality Standard
    - Funding & Service Agreement signed between SWD & Subvented NGOs
    - A Performance Assessment Mechanism to assess each service unit's performance. Service operators are subjected to annual self-assessment and a 3-year cycle of external assessment by SWD

The objective of the SPMS is to provide a framework whereby output control can be achieved while input control by SWD can be relaxed and public accountability can be fulfilled. Again, the management function of the agency will become more important.

**Initial  
Proposed  
Improvement**

**(4) Professional Support Team for NGOs in Human Resources Management (HRM) and Financial Management (FM) should be set up**

**Objectives :**

To assess, formulate and implement workable solutions for agencies to realize the benefits and opportunities offered by the LSG and reduce the damage and cost during the transitional period.

(a) Immediate Needs

To assist Board, Agency Management, Staff to rationally examine the LSG, empowering them in the knowledge and skills in financial, human resources and change management.

(b) Medium Term Needs

- To implement organizational and management re-engineering
- To formulate survival and development strategies for small / medium / big agencies

**Rationale :**

Establishing the Professional Support Team is the imperative move to seize the opportunities offered by the LSG and maintain the integrity and quality of the NGO sector. With adequate funding support, the Team can immediately help the sector in this transitional period. In the long run, the benefits are for the whole sector and thus for the whole society.

**Initial  
Proposed  
Improvement**

**(5) For new services /units**

**5.1** Provide more than 5% PF subventions for staff of new services / units

**Objective :**

To recruit experienced staff to deliver quality service in the new services units

**Rationale :**

- Government has encouraged organizations to be good employers by providing more than 5% PF for employer contributions when the MPF is implemented. Therefore social welfare sector NGOs want to be assisted to be good employers and have the ability to provide more than 5% MPF for staff of new services / units

**5.2** Salaries for staff of new services / units scheduled to start operation between January 1, 2000 and April 1, 2000 should adopt the existing mid-point salary as the basis for calculating their Personal Emoluments.

**Rationale :**

- Government will only implement the new starting salaries for the civil service effective from April 1, 2000. Therefore the same effective date should be used for the NGOs.