

5 January 2009

**LegCo Motion Debate on
“Preventing the Lower and Middle Classes from Being Trapped in
Hardship amid the Financial Tsunami”**

Progress Report

At its meeting on 5 November 2008, the Legislative Council (LegCo) passed a motion on “Preventing the Lower and Middle Classes from Being Trapped in Hardship amid the Financial Tsunami” and urged the Government to take measures to help the lower and middle classes through the crisis. The measures include expediting the implementation of the ten major infrastructure projects, enhancing the support to low-income families, providing assistance to small and medium enterprises (SMEs) and stimulating the community economy, etc. The progress of the respective measures taken by the Government and the relevant organisations is set out below.

Job Creation

2. Job creation is a key priority for the Government. On 8 December 2008, the Chief Executive announced in a job creation plan that more than 60 000 employment positions will be provided this year through expediting major and minor infrastructure projects, speeding up the recruitment of civil servants and creating temporary positions. These employment positions come from:

- (i) **Expediting major and minor infrastructure projects:** The Government will collaborate with the Housing Authority and raise the project funding in 2009 to some \$40 billion, with a view to creating some 55 000 positions, representing an increase of about 12 000 positions compared to last year;
- (ii) **Speeding up the recruitment of civil servants:** About 7 700 people will be recruited to fill the vacancies available from last year till this year; and
- (iii) **Increasing temporary positions:** About 4 000 temporary positions will be created through various measures. These 4 000 positions will be mainly provided by the Hospital Authority, non-governmental organisations and service contractors, etc. Relevant departments are now working on the details of creation of these positions, and the number of which will be adjusted in the light of the market needs.

Assisting SMEs and Minimising Job Losses

3. The Government will provide support for the SMEs and minimise job losses through a series of measures. On 14 November 2008, the Finance Committee (FC) of LegCo approved the introduction of a time-limited Special Loan Guarantee Scheme for Small and Medium Enterprises (the Scheme) with a total loan guarantee commitment amounting to \$7 billion. Subsequently, the proposal to expand the Scheme put forward by the Chief

Executive on 8 December 2008 was approved by FC of LegCo. The Scheme, with the following key features, was implemented on 15 December 2008:

- (i) the maximum amount of loan that each enterprise can obtain will be substantially increased from \$1 million to \$6 million and the Government will continue to provide guarantee of 70% for the loan granted;
- (ii) the Government's overall commitment will be substantially increased from \$7 billion to \$100 billion;
- (iii) with the collaboration of banks, the maximum amount of loan available to the commercial credit market should reach \$142 billion;
- (iv) each enterprise will be allowed to use half of the loan granted, i.e. up to \$3 million, as a revolving credit line;
- (v) except listed companies, all enterprises, irrespective of their number of employees, industry and type of business, are eligible to apply;
- (vi) the repayment period will be extended from 30 months to 36 months and the borrower will be allowed to repay interest only in the first six months; and
- (vii) banks will be allowed more flexibility in granting loans. For example, loans may not only be granted as Working Capital Loans, but also as credit facilities for the original unused credit line of enterprises as well as overdraft facilities or letters of credit, etc.

Assisting the Middle and Lower Class to Seek Jobs

4. The Labour Department (LD) continues to adopt a variety of proactive measures to promote labour market efficiency and disseminate vacancy information in an attempt to facilitate job seekers to enter or re-enter the labour market. LD will also render support to those who have been made redundant in closure/retrenchment exercises by providing priority referral and job matching services.

5. In the area of skills enhancement, the Employees Retraining Board plans to provide some 120,000 training places in 2008-09, covering a range of industries and job types, such as tourism, hotel, retail, logistics and catering, etc., to meet the training needs of individuals as well as the job market. Such training will assist trainees in acquiring the necessary vocational skills and recognised qualifications under the Qualifications Framework, with a view to enhancing the employability and competitiveness of the grassroots.

Promoting Economic Growth and Development

6. The Government will keep abreast with the needs of the market and strive to provide a stable, transparent and conducive business environment in order to promote economic development. In particular, we will continue to promote tourism development, which will drive local economic sectors such as retail, catering and hotels and create more job opportunities for the grassroots. On 19 December 2008, the Central Government put

forward 14 specific measures to support Hong Kong. They include allowing non-Guangdong residents living in Shenzhen to apply to visit Hong Kong under the “Individual Visit Scheme”, allowing eligible Shenzhen permanent residents to apply for one-year multiple-entry endorsement for visiting Hong Kong, and actively studying the proposal of increasing the number of IVS cities. We believe these measures will help boost consumption and give impetus to the local economy, thereby benefiting the middle and lower classes.

Conclusion

7. In face of the economic recession triggered by the global financial tsunami, the Government will continue to closely monitor the situations in job creation and employment. We will adopt a multi-pronged approach to proactively create job opportunities and stimulate the economy so as to minimise the impact of economic recession on the lower and middle classes.

Financial Secretary's Office
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