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Panel on Manpower and Panel on Welfare Services

**Background brief prepared by Legislative Council Secretariat
for the joint meeting on 19 February 2013**

Manpower of residential care homes for the elderly

Purpose

This paper summarizes the discussions by the Panel on Manpower ("MP Panel") and Panel on Welfare Services ("WS Panel") on issues relating to the manpower and impact of statutory minimum wage ("SMW") on the operation of private residential care homes for the elderly ("RCHEs").

Overview of RCHEs

2. RCHEs in Hong Kong are run by both the private sector and non-governmental organizations ("NGOs"). At present, there are about 76 000 residential care services places in Hong Kong (including about 26 000 subsidized places), serving about 61 000 elders. Subsidized residential care places are provided in subvented RCHEs run by non-governmental organizations ("NGOs"), contract RCHEs and private RCHEs participating in the Enhanced Bought Place Scheme ("EBPS"). According to the Administration, as at end of May 2011, there were 587 private RCHEs in Hong Kong. The majority of these RCHEs operate entirely on a commercial basis without any Government subsidy. As regards the other 139 private RCHEs which have joined EBPS, the Government sets the prices for the various types of bought places. The price is made up of two components, i.e. government subsidy and the fee payable by the resident.

Past discussions by Members

Impact of SMW on RCHEs

3. When the MP Panel discussed issues relating to the impact of initial SMW after its implementation on 1 May 2011, members noted with concern that SMW had narrowed the wage gap among various industries and it had been difficult for specific industries with less favourable working environment and onerous duties to retain existing staff and recruit new entrants. Specifically, many RCHE workers had been attracted to other industries with more decent working environment after the implementation of SMW.

4. The impact of SMW, rising rentals and inflation on the operation of private RCHEs was discussed at the special meeting of the WS Panel on 5 July 2011. Members were concerned that some operators of private RCHEs had reportedly claimed that they would need to increase home fees in order to cover the additional staff costs for meeting the SMW requirement. Some members opined that taking into account the projected inflation rate of 7% and the impact of SMW on the operating cost of private RCHEs, the purchase price of an EBPS place should be adjusted upwards by 20%. Some other members disagreed that the operating difficulties of private residential care homes was attributable to the implementation of SMW, which they considered merely sought to help ensure that employees' take-home pay would be commensurate with their working hours. In their view, the fundamental causes for the operating difficulties of private RCHEs were rising rentals and inflation.

5. Written questions were also raised at the Council meetings of 4 May and 8 June 2011 at which the Administration was asked whether it would consider disbursing an additional one-off grant to the RCHEs under EBPS to alleviate the pressure of implementing SMW on their operation.

6. According to the Administration, the Social Welfare Department ("SWD") had all along maintained communication with the RCHE sector to keep abreast of their latest business situation. SWD had set up a working group to better understand the impact of SMW on the operating conditions of RCHEs participating in EBPS. SWD would explore practicable and feasible measures to improve EBPS as well as the operating environment and service quality of the RCHEs concerned. The Administration stressed that it would monitor the market situation closely and stay in touch with the operators of RCHEs with a view to safeguarding the interests of the residents.

7. Members were also advised that in determining the purchase prices for an EBPS place, SWD had fully taken into account the operating expenditure of RCHEs (including items such as emoluments, rentals and inflation), and would

review and adjust the amount of government subsidies annually according to the established mechanism. For the other private RCHEs, since they operated entirely on a commercial basis, it was for the operators to develop business plans that could meet statutory requirements including those governing wage payments.

Manpower of RCHEs

8. Concerns were raised as to whether the Administration would have any new monitoring measures to ensure that RCHEs had sufficient manpower. The Administration advised that all RCHEs had to comply with the minimum staffing requirement under the Residential Care Homes (Elderly Persons) Ordinance (Cap. 459) and its subsidiary legislation. The Licensing Office of Residential Care Homes for the Elderly ("LORCHE") of SWD conducted inspections on RCHEs to ensure compliance of the licensing requirements. If irregularities (e.g. understaffing) were detected during the inspections, LORCHE would require the RCHEs concerned to rectify the situation. It would issue advisory or warning letters to non-compliant RCHEs, or even initiate prosecution actions.

9. Members were concerned that as a result of recruitment difficulty faced by private RCHEs, ageing staff had been employed to take care of the residents. This was detrimental to service quality and well-being of residents of private homes.

10. The Administration advised that SWD would continue to collaborate with the Department of Health ("DH") in organizing training courses in various districts for RCHE staff, covering topics such as drug management, nursing knowledge, etc. The Visiting Elderly Health Teams of DH also provided on-site training and education in nursing services for staff at RCHEs. At the same time, the Centre for Health Protection ran infectious diseases control training programmes every year for RCHE staff. Furthermore, training institutes approved by SWD had been providing Health Worker Training Courses which were either subsidized by the Employees Retraining Board or operating on a self-financing basis.

11. The Administration further advised that SWD had put in place various measures to enhance the manpower and service quality of RCHEs that provided subsidized places, including EBPS homes, so that quality service would be provided in particular to elders who required special care services. For instance, Infirmity Care Supplement ("ICS") and Dementia Supplement ("DS") had been provided to subvented RCHEs and EBPS homes since 1996 and 1998 respectively for them to engage professional staff or procure related professional services for infirm and demented elders. DS for subvented

RCHEs and EBPS homes had been significantly increased by \$128 million starting from 2012-2013. The total provision of ICS and DS for RCHEs in 2012-2013 was \$90 million and \$191 million respectively. In addition, SWD had sought additional resources of \$356 million for a further period of three years from 2012-2013 to 2014-2015 to enable welfare NGOs and EBPS EA1 homes to offer more competitive salaries for the recruitment and retention of paramedical staff (including nurses) or for the hiring of paramedical services.

12. At the special WS Panel meeting on 21 January 2013 to receive briefing on the Chief Executive's 2013 Policy Address, members noted that the Administration was aware of the social welfare sector's demand for allied health workers and frontline care staff and was particularly concerned about the manpower shortage in, inter-alia, elderly services. To cope with the demand, the Administration had allocated funding to increase the number of training places for nurses and allied health professionals (including physiotherapists, occupational therapists etc.) for the three years starting from 2012-2013. Members, however, maintained that the demand for frontline care staff had not been addressed by the Administration. They urged the Administration to immediately discuss with the welfare sector ways to meet the demand.

Relevant papers

13. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
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Relevant papers on manpower of residential care homes for the elderly

Committee	Date of meeting	Paper
Legislative Council	4 May 2011	<u>Official Record of Proceedings</u> <u>Pages 89 - 93</u>
Legislative Council	8 June 2011	<u>Official Record of Proceedings</u> <u>Pages 197 - 201 (Question)</u> <u>Official Record of Proceedings</u> <u>Pages 242 - 331 (Motion)</u>
Panel on Welfare Services	5 July 2011 (Item I)	<u>Agenda</u> <u>Minutes</u>
Panel on Manpower	29 May 2012 (Item I)	<u>Agenda</u> <u>Minutes</u>
Panel on Welfare Services	12 November 2012 (Item IV)	<u>Agenda</u> <u>Minutes</u>
Panel on Manpower	20 November 2012 (Item IV)	<u>Agenda</u> <u>Minutes</u>
Panel on Welfare Services	21 January 2013 (Item I)	<u>Agenda</u>