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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the special meeting on 7 July 2020**

Employment Support Scheme and unemployment support measures

Purpose

This paper provide background information on the Employment Support Scheme ("the Support Scheme") and summarizes the major concerns and views expressed by members of the Panel on Manpower ("the Panel") and the Subcommittee on Employees Retraining Ordinance (Amendment of Schedule 4) Notice 2020 on the measures introduced by the Administration to support the employees affected by the economic downturn.

Background

2. The Coronavirus disease 2019 ("COVID-19") epidemic has given rise to severe economic repercussions globally and locally. According to the labour force statistics released by the Census and Statistics Department in June 2020, the seasonally adjusted unemployment rate increased from 5.2% in February - April 2020 to 5.9% in March - May 2020. The underemployment rate also increased from 3.1% in February - April 2020 to 3.5% in March - May 2020. There was an increase in the number of unemployed persons (not seasonally adjusted) by around 27 900 from 202 500 in February - April 2020 to 230 400 in March - May 2020.

Employment Support Scheme

3. To maintain employment during the COVID-19 epidemic, the Administration launched the Support Scheme under the second round of the Anti-epidemic Fund to provide time-limited financial support to employers to retain their employees who would otherwise be made redundant. The amount of subsidy for an employer would be calculated on the basis of 50% of the

actual wages paid to each employee in a specific month¹, with a wage cap at \$18,000 per month (i.e. maximum subsidy is \$9,000 per month per employee) for six months. Eligible employers joining the Support Scheme are required to provide an undertaking not to implement redundancy during the subsidy period and to spend all the government wage subsidies in paying wages to their employees. The Support Scheme also covers eligible self-employed persons who will be granted a one-off lump-sum subsidy of \$7,500.

4. According to the Administration, it is estimated that some 270 000 employers who have been making Mandatory Provident Fund ("MPF") contributions or have set up Occupational Retirement Schemes Ordinance Schemes for more than 1.7 million employees, as well as about 215 000 self-employed persons with MPF contributions would be benefitted from the Support Scheme. The estimated total expenditure is about \$81 billion.

Members' views and concerns

Training provided to affected employees

5. In the light of the worsening economic situation, members expressed concern about the adverse impact on the business environment and employment market. Members were advised that the Employee Retraining Board ("ERB") was entrusted by the Government in October 2019 to launch the one-off "Love Upgrading Special Scheme" ("the Special Scheme") to assist those employees affected by the recent economic downturn to upgrade their skills for rejoining the employment as soon as possible. Following the commencement of the Employees Retraining Ordinance (Amendment of Schedule 4) Notice 2020 on 25 May 2020, the maximum amount of special allowance under the Special Scheme increased from \$4,000 to \$5,800 per month.

6. Members expressed grave concern that the amount of special allowance was still far from adequate for the trainees to meet the expenses of basic livelihood. In their view, many employees were recently unemployed, being required to take no pay leave or under-employed. The special allowance was de facto an unemployment subsidy or living subsidy for employees attending courses under the Special Scheme. Most members considered that the maximum amount of the special allowance should be further increased to \$9,000 per month per trainee, i.e. on par with the maximum wage subsidy per month per employee to an employer under the newly launched Support Scheme. There was a suggestion that the Administration should consider topping up the amount to \$9,000 through the Anti-epidemic Fund.

¹ Any one month from December 2019 to March 2020 to be nominated by the employer.

7. The Administration advised that the Special Scheme sought to provide comprehensive and free training to affected employees to upgrade their skills for self-enhancement. The special allowance was not a living subsidy for employees, but aimed to provide additional incentive for employees to undergo training by helping the trainees meet the expenses on travelling and meals arising from attending the training courses. The maximum amount of monthly special allowance aligned with that stipulated in the Employee Retraining Ordinance (Cap. 423) which was last adjusted in 1995. Taking into account the cumulative inflation in the past two decades, ERB resolved that the maximum amount of retraining allowance should be increased from \$4,000 to \$5,800 by 45%. The increase was applicable to the special allowance payable to eligible trainees enrolled in the Special Scheme. On members' concern about the timetable to review the maximum amount of special allowance, the Administration advised that ERB would closely monitor the implementation of the new maximum amount of allowance and make timely recommendations on enhancing and extending the Special Scheme.

8. There were also concerns about the scope and duration of training courses under the Special Scheme. Members called on ERB to offer courses with longer training period and revise the computation for the daily allowance on the basis of, say, 20 days or 22 days, instead of 26 days, in a month. Consideration should also be given to organizing dedicated courses for those employees who were engaged in specific trades and industries that were hard hit by the economic downturn and were required to take no pay leave or under-employed.

9. The Administration advised that ERB was planning to provide courses with longer training period to meet the needs of employees, especially the young people. ERB would also enhance and extend the Special Scheme through expanding the choices of trades and courses as well as offering more training places based on demand. For the second tranche of the Special Scheme to be launched in July 2020, ERB would, among others, liaise with employers in specific trades and industries or their trade associations to enhance the content, including organizing enterprise-based training courses that met their specific needs and requirements.

Creation of employment and training openings

10. Members expressed grave concern about the deteriorating employment situation and the increasing unemployment rate. With reference to the introduction of a package of enhanced employment measures after the outbreak of the Severe Acute Respiratory Syndrome in 2003, some members suggested that the Administration should introduce supporting measures such as creation

of short-term employment and training openings for the unemployed, particularly those job seekers with employment difficulties, to tide over the financial difficulties. In the light of huge fiscal reserve, some members considered that the Administration should set up an emergency relief fund to provide direct financial assistance to the unemployed people. At its meeting on 8 November 2019, the Panel passed a motion urging the Administration to, among others, conduct a feasibility study on creating short-term and temporary posts in government bureaux and departments to generate more job opportunities and ease unemployment. In addition, the Administration should consider setting up an emergency loan fund to provide low-interest loans to the unemployed or those who had financial problems in running business in Hong Kong, so as to assist them in solving their imminent problems.

11. The Administration advised that it had launched four rounds of relief measures from August to December 2019 to support enterprises, safeguard jobs and relieve people's financial burden, and counter the challenging external and local economic environment. While the Administration had no plan to set up non-contributory and non-means-test relief funds, it would consider introducing more supporting measures for employees under the existing mechanism which would be more effective in providing timely financial support to people in need.

New measures to support job seekers with employment difficulties

12. Members had all along been concerned about the employment support provided to job seekers, especially those with employment difficulties, through the Labour Department ("LD")'s employment programmes and services. There were concerns about the number of successful placements and retention rate of various employment programmes. Concern was also raised about the new supporting measures for job seekers in face of economic downturn.

13. Members were advised that in the 2020-2021 Budget, an additional funding of \$30 million was set aside to enhance the employment programmes implemented by LD. To further encourage employers to hire the elderly and middle-aged, young people and persons with disabilities, LD would raise the ceiling of the on-the-job training allowance payable to employers under its programmes, namely the Employment Programme for the Elderly and Middle-aged, the Young Employment and Training Programme and the Work Orientation and Placement Scheme ("the three employment programmes"), in the second half of 2020. Eligible employers engaging a job seeker under the three employment programmes would be entitled to an allowance of up to \$60,000. This apart, LD would launch a three-year pilot scheme in the second half of 2020 to encourage elderly persons, young people and persons with disabilities to undergo and complete the on-the-job training under the three employment programmes. Subject to the length of the on-the-job training

period, the maximum amount of retention allowance that a full-time employee might receive was \$12,000. Some members considered that the Administration should streamline the application procedures and disburse the retention allowance to eligible employees as soon as possible.

14. To address the employment difficulties of the ethnic minorities ("EMs") job seekers, members were advised that LD would launch another pilot programme in conjunction with non-governmental organizations ("NGOs") to provide one-stop employment services for EM job seekers through a case management approach so as to utilize NGO's community network, expertise in case management and experiences in serving EMs. The commissioned NGOs would provide pre-employment counselling, job matching services and post-placement follow-up services for EMs and their employers. Members also noted that the pilot programme would provide employment services to around 500 EMs job seekers. There was a call for the Administration to further increase the number of beneficiaries so as to meet the service needs.

Latest developments

15. According to the Administration, the application for the first tranche of the Support Scheme was closed on 14 June 2020. The Administration received a total of 168 799 applications from employers, which accounted for about two-third of the eligible employers, and 259 860 from self-employed persons. As at 29 June 2020, the Administration have approved 89 400 applications, accounting for 53% of the applications received from employers, involving a total wage subsidy of \$19.1 billion and benefitting 836 000 employees. Around 74 000 self-employed persons have received the \$7,500 one-off subsidy, involving a total of \$556 million. The Administration announced that it would continue to process the remaining 70 000 applications from employers and 43 000 applications from self-employed persons. It was targeted to complete the processing of all qualified application in mid-July 2020. Subject to the experience and arrangement of the first tranche of the Support Scheme, the Administration would later announce the details of the second tranche of the Support Scheme. An oral question on the Support Scheme was raised at the Council meeting of 10 June 2020. The question and the Administration's reply are in **Appendix I**.

16. The Administration will brief the Panel on the Support Scheme and unemployment support measures at its special meeting on 7 July 2020.

Relevant papers

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

Council Business Division 2
Legislative Council Secretariat
3 July 2020

Appendix I

Press Releases

LCQ2: Employment Support Scheme

Following is a question by the Hon Shiu Ka-fai and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (June 10):

Question:

Last month, the Government announced the extension of the coverage of the Employment Support Scheme (ESS) to include, among others, those mature employees (i.e. aged 65 or above) for whom their employers have made voluntary Mandatory Provident Fund (MPF) contributions. However, those self-employed persons (except persons in particular trades) and those mature employees who do not have an MPF account, as well as those mature employees with an MPF account but their employers have not made voluntary contributions for them, are all not covered by the Scheme. In this connection, will the Government inform this Council:

(1) of the respective numbers of self-employed persons and mature employees who currently do not have an MPF account, and the number of mature employees with an MPF account for whom their employers have not made voluntary contributions; whether it has assessed the impacts of ESS not covering such self-employed persons and mature employees on their employment outlook and on the employers of such mature employees;

(2) whether it will roll out other measures, such as providing allowances for the employers of those mature employees who are not covered by ESS through relaxing the eligibility requirements of the Employment Programme for the Elderly and Middle-aged, or accepting certificates issued by certified public accountants (practising) as proof of employment of mature employees to replace the requirement for such employees to hold an MPF account, so as to facilitate the employers concerned to apply for the wage subsidies under ESS; and

(3) whether it has studied launching other relief measures to help those self-employed persons who do not have an MPF account; if so, of the details; if not, the reasons for that?

Reply:

President,

Having consulted the relevant policy bureaux and departments, my consolidated response to the Member's question is set out below:

(1) According to the General Household Survey (GHS) conducted by the Census and Statistics Department during December 2019 to February 2020, it is estimated that there are currently about 207 000 self-employed persons (SEPs), i.e. persons who work for profit or fees in their own business/profession, neither employed by someone nor employing others. On the other hand, according to the information provided by the Mandatory Provident Fund Schemes Authority (MPFA), there are about 215 000 persons holding SEP Mandatory Provident Fund (MPF) account. It should be noted that, for an employer who is a sole proprietor or a partnership and

employing others concurrently, he/she is also eligible for opening an SEP MPF account. In this regard, the number of persons having SEP MPF accounts and the number of SEP as reflected in the GHS are not directly comparable. We do not have figure on the number of SEP who have not set up MPF accounts.

As regards mature employees, the above-mentioned GHS estimates that there are currently about 115 000 employees aged 65 or above, whereas the information provided by the MPFA suggests that there are about 60 000 employees aged 65 or above who have set up MPF accounts. Under the Employment Support Scheme (ESS), an employer is eligible to apply for wage subsidies in respect of his/her employees aged 65 or above who have MPF accounts, even if the employer has not made any MPF voluntary contributions for them. If the employer has provided to the MPF trustee(s) information on the basic salaries of employees aged 65 or above, the amount of wage subsidies will be calculated based on 50 per cent of the basic salaries actually paid to the relevant employees in the "specified month", with a wage cap at \$18,000 per month per employee. The maximum wage subsidy per employee is \$9,000 per month. We currently do not have figure on the number of employees aged 65 or above who have MPF accounts but their employers have not made MPF voluntary contributions for them.

Apart from the 60 000 employees aged 65 or above covered by the ESS, together with around 40 000 employees aged 65 or above under the various sector schemes covering land transportation (i.e. taxi, Red minibuses, Green minibuses and local ferries), laundry, catering and construction sectors which have been, or will be launched under the two rounds of Anti-epidemic Fund, as well as around 10 000 employees aged 65 or above employed by government outsourced contracts whose wages are not affected by the epidemic, the various measures as referred above will altogether cover more than 110 000 employees aged 65 or above.

Regarding self-employed persons who do not currently have an MPF account, the relevant bureaux have rolled out financial support for various trades, such as providing a one-off grant of \$7,500 for instructors and coaches of interest classes provided in schools and subvented welfare service units, and active sports coaches registered under National Sports Associations or recognised sports organisations.

(2) The Employment Programme for the Elderly and Middle-aged (EPEM) implemented by the Labour Department (LD) aims to encourage, through the provision of on-the-job training (OJT) allowance, employers who still have doubts over employing the elderly and middle-aged in hiring these unemployed job seekers and providing them with OJT so as to help them settle down in their jobs as soon as possible and acquire the required work skills. LD will enhance EPEM in the second half of 2020 by raising the amount of OJT allowance payable to employers so as to further encourage them to hire the elderly and middle-aged. At the same time, LD will, on a pilot basis, provide a retention allowance to the elderly aged 60 or above who have participated in EPEM so as to encourage them to undergo and complete OJT, thereby stabilising employment.

The Government aims to introduce bold and prompt measures to provide subsidies to employers as soon as possible so that they can pay employees' wages and thereby retaining jobs for employees. In order to assist employers and employees as soon as practicable, we have to implement the ESS in the simplest and

fastest manner. The MPF schemes cover 270 000 employers who have been making MPF contributions or have set up Occupational Retirement Schemes Ordinance Schemes for more than 1.77 million employees, as well as about 215 000 SEPs who have MPF accounts. Hence, we have decided to implement the ESS through the MPF system.

In order to provide timely assistance to large number of employers and employees within the shortest period of time, the administrative arrangement for the ESS must be simple. Hence, we are calculating the wage subsidy amount based on the certificates on the relevant MPF records issued by MPF trustees. Detailed vetting of other information provided by individual applicants, for instance, proof of employment of individual employees provided by employers, would involve highly complex vetting procedures. This would render the Government unable to disburse wage subsidies to employers within three to four weeks upon receipt of applications.

(3) The Employees Retraining Board (ERB) launched the "Love Upgrading Special Scheme" ("Special Scheme") in October last year, expected to provide 10 000 employees affected by economic downturn with comprehensive training to upgrade their skills and pursue self-enhancement, with a view to rejoining the employment market as soon as possible. The Special Scheme imposes no restriction on the trade or educational attainment of trainees, nor upper limit to the age of trainees. Elderly persons aged 65 or above may, according to their career aspirations and training needs, enrol in the nearly 70 courses currently provided under the Special Scheme or the about 700 training courses regularly provided by ERB. ERB will launch the enhanced new tranche of the Special Scheme in July 2020, providing quotas for another 10 000 employees. The maximum amount of monthly allowance payable to each trainee during the training period has also been increased from \$4,000 to \$5,800 from May 25, 2020.

Having considered the unprecedented challenges posed by coronavirus disease 2019 in Hong Kong, the Chief Executive announced on April 8, 2020 the second round of anti-epidemic measures including the provision of a time-limited unemployment support scheme through the Comprehensive Social Security Assistance (CSSA) system, with a view to providing timely and basic assistance to the unemployed during this difficult time. The Finance Committee of the Legislative Council approved the related funding on April 18. The Social Welfare Department has temporarily relaxed the CSSA asset limits for able-bodied persons (including able-bodied adult singletons and able-bodied adults and children under family cases) by 100 per cent for six months (from June 1 to November 30, i.e. the asset limits will revert to the normal level on December 1). Separately, under the existing CSSA arrangement, the value of an owner-occupied residential property of households with able-bodied persons will be disregarded for a grace period of the first 12 months. This arrangement will also apply to applicants under the six-month unemployment support scheme.

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Appendix II

Relevant papers on the Employment Support Scheme and unemployment support measures

Committee	Date of meeting	Paper
Panel on Manpower	8.11.2019 (Item I)	Agenda Minutes
Panel on Manpower	17.12.2019 (Item V)	Agenda Minutes
Panel on Manpower	19.5.2020 (Item III)	Agenda
Subcommittee on Employees Retraining Ordinance (Amendment of Schedule 4) Notice 2020		Report (LC Paper No. CB(2)1052/19-20)
Council meeting	3.6.2020	Question 16
Council meeting	10.6.2020	Question 2

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