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Panel on Manpower

**Subcommittee to Study the Setting Up of
an Unemployment Assistance System in Hong Kong**

**Minutes of meeting
held on Tuesday, 13 April 2021, at 10:45 am
in Conference Room 2A of the Legislative Council Complex**

- Members present** : Hon LUK Chung-hung, JP (Chairman)
Hon Vincent CHENG Wing-shun, MH, JP (Deputy Chairman)
Hon KWOK Wai-keung, JP
Hon POON Siu-ping, BBS, MH
Hon CHUNG Kwok-pan
Hon SHIU Ka-fai, JP
Hon Wilson OR Chong-shing, MH
- Public Officers attending** : Item I

Dr LAW Chi-kwong, GBS, JP
Secretary for Labour and Welfare

Ms Michelle LAM Wai-yip
Assistant Director (Social Security)
Social Welfare Department

Ms Jade WONG Sin-yee
Acting Assistant Commissioner (Labour Relations)
Labour Department
- Clerk in attendance** : Miss Betty MA
Chief Council Secretary (2) 1

Staff in attendance : Ms Priscilla LAU
Council Secretary (2) 1

Ms Kiwi NG
Legislative Assistant (2) 1

I. Specific proposals and measures on temporary unemployment assistance

The Subcommittee deliberated (index of proceedings attached at **Annex**).

2. The Administration was requested to provide the information on the number of new applications received and the increase in the number of eligible applicants after the temporary relaxation of criteria for Comprehensive Social Security Assistance and the Working Family Allowance.

II. Any other business

3. The Chairman advised that the next meeting would be scheduled after the meeting. Members would be informed of the meeting arrangement in due course.

4. There being no other business, the meeting ended at 12:20 pm.

Council Business Division 2
Legislative Council Secretariat
7 June 2021

**Proceedings of meeting of the
Subcommittee to Study the Setting Up of
an Unemployment Assistance System in Hong Kong
held on Tuesday, 13 April 2021, at 10:45 am
in Conference Room 2A of the Legislative Council Complex**

Time marker	Speaker	Subject(s) / Discussion	Action Required
<i>Agenda item I - Specific proposals and measures on temporary unemployment assistance</i>			
000622 - 000832	Chairman Admin	Opening remarks	
000833 - 002113	Chairman Mr POON Siu-ping Admin	<p>Mr POON Siu-ping expressed concern that many grass-root workers were affected by the recent economic downturn and they suffered from financial hardship. In his view, the time-limited relaxed measures under the Comprehensive Social Security Assistance ("CSSA") Scheme and the training allowance provided to employees with employment needs were not able to address the financial needs of the unemployed. Mr POON called on the Administration to review the existing policy and in the long term to introduce a dedicated unemployment assistance system in Hong Kong, so as to provide adequate unemployment protection for workers during adverse economic conditions.</p> <p>The Administration explained that:</p> <ul style="list-style-type: none"> (a) the CSSA Scheme, the severance payment ("SP") and long service payment ("LSP") for eligible employees under the Employment Ordinance (Cap. 57) as well as the training and training allowance offered to employees by the Employees Retraining Board constituted the prevailing three-tier unemployment assistance system in Hong Kong; (b) the level of SP or LSP in Hong Kong was higher than the aggregate level of many developed economies which both unemployment insurance and SP existed, as detailed in the paragraphs 5 and 6 of the Administration paper (LC Paper No. CB(2)954/20-21(01)); (c) as unemployment insurance system in general involved contributions from employers and/or employees, the introduction of a new unemployment insurance system in Hong Kong would require thorough public discussion and 	

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		<p>consideration in tandem with the existing SP and LSP arrangements; and</p> <p>(d) the current term of Government was working in full steam to take forward the preparatory work for abolishing the arrangement of using the accrued benefits of employers' mandatory contributions under the Mandatory Provident Fund ("MPF") system to "offset" SP/LSP ("the "offsetting" arrangement"). Any policy change on SP and LSP would affect the above work.</p> <p>On Mr POON Siu-ping's enquiry about whether the time-limited 100% Personal Loan Guarantee Scheme would be regularized, the Administration advised that it would assess the outcome and effectiveness of the Scheme in considering the way forward.</p>	
002114 - 003047	Chairman Deputy Chairman Admin	<p>Pointing out the average unemployment rate of 7.2% after seasonal adjustment for the period from December 2020 to February 2021, the Deputy Chairman expressed grave concern that the unemployment rate would stay at a high level for a period of time. Given the Administration's reservation about the implementation of an unemployment insurance system, he enquired about the new support measures for the unemployed persons that would be put forward by the Administration.</p> <p>The Administration advised that:</p> <p>(a) it would reinforce its infection control measures in a targeted manner and refrain from adopting a "stop and go" approach in its new direction in fighting the epidemic to restore the city to normality. In anticipation of the effective measures to bring the epidemic under control, the Administration envisaged the gradual recovery of the economy, and cautiously expected that the unemployment rate would level off or even drop gradually; and</p> <p>(b) in view of the high unemployment rate, the temporary relaxed measures to relief the difficulties faced by the unemployed and their families implemented by the Administration were founded upon the existing unemployment assistance system. The strategy adopted by the</p>	

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		<p>Hong Kong Government was not different from its counterparts.</p>	
003048 - 004031	<p>Chairman Mr Wilson OR Admin</p>	<p>Mr Wilson OR was concerned about the financial plight faced by the laid-off workers. He urged the Administration to seriously consider (a) setting up a time-limited unemployment assistance fund to offer immediate financial support to the unemployed persons; and (b) allowing the unemployed to apply for CSSA on an individual basis.</p> <p>The Administration explained that the setting up of an unemployment assistant fund with time limit or expenditure cap would be neither practicable nor policy-wise justifiable, as detailed in the paragraphs 15 and 16 of the Administration's paper. The Administration had introduced special measures under the existing unemployment assistance system to help local workers and grassroots out of their plight. The CSSA Scheme also served as a safety net to help persons and families who could not support themselves financially to meet their basic needs. As there was a social stigma attached to CSSA recipients in the community, some needy unemployed persons might be hesitant to seek assistance.</p> <p>Mr Wilson OR called on the Administration to step up its effort in promoting the support measures for the unemployed. He also requested the Administration to provide written information on the number of new applications received and the increase in the number of eligible applicants after the relaxed measures were introduced under the CSSA Scheme and the Working Family Allowance Scheme.</p>	<p>Admin</p>
004032 - 004954	<p>Chairman Mr KWOK Wai-keung Admin</p>	<p>Mr KWOK Wai-keung expressed concern that in the absence of a separate unemployment assistance system, the unemployed and their families with financial difficulties might use up their savings that would eventually pose an adverse impact to the future retirement protection for the working population.</p> <p>The Administration explained that:</p> <p>(a) the moral hazard issues under the unemployment insurance system might cause behavioural changes in the labour market; and</p>	

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		<p>(b) MPF, as one of the sources of retirement savings, was a long-term investment. As the investment period would span across a period of more than 30 years, returns during this period would inevitably fluctuate with economic cycles, global economic growth and short-term market volatility.</p>	
004955 - 010435	<p>Chairman Mr SHIU Ka-fai Admin</p>	<p>Mr SHIU Ka-fai considered that:</p> <p>(a) it was appropriate for the Administration to refrain from using a "stop and go" approach in implementing its anti-epidemic measures, and minimized the extent of interruption to business operations; and</p> <p>(b) instead of implementing a separate unemployment assistance system, the Administration should consider setting up a time-limited epidemic assistance fund to provide financial support to those unemployed in need, so as to avoid the stigma attached to CSSA.</p> <p>The Administration advised that the employment market was adversely affected by the economic downturn. The time-limited "Special Scheme of Assistance to the Unemployed" was introduced under the CSSA Scheme to assist the unemployed and their families who faced immediate financial difficulties in a more focused manner. The Administration reiterated that CSSA provided a safety net for those with financial difficulties to meet their basic needs. The Social Welfare Department would continue to offer timely assistance to those in need.</p>	
010436 - 012738	<p>Chairman Admin</p>	<p>The Chairman expressed concern that despite the increase in the unemployment rate, there was a drop in the percentage of those unemployed applying for CSSA in February 2021 when compared with that of February 2020. He was of the view that not all unemployed persons and those families from dual-earners to one-earners facing financial difficulties benefitted from the CSSA Scheme. Citing the examples of New Zealand and Singapore, he urged the Administration to consider setting up a means-tested and time-limited unemployment assistance fund. In his view, the means test for the unemployment assistance fund should be generous,</p>	

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		<p>and the amount of assistance could be set at a level that could mitigate moral hazard.</p> <p>The Administration explained that:</p> <p>(a) while the unemployment insurance system in the United Kingdom comparatively induced minimum moral hazard among peers, it was not applicable in Hong Kong as the assistance level provided was worse than that of CSSA in Hong Kong and came with high administrative cost;</p> <p>(b) as explained earlier, it was difficult to set the time limit for the proposed temporary unemployment assistance fund. It might in a way encourage people to quit their jobs as early as possible in order to be eligible for the assistance. If "temporary" denoted a maximum of six months for a recipient to receive unemployment assistance, the fund would have to be a de facto "perpetual" one. Most importantly, the provision of unemployment assistance might distort the labour market; and</p> <p>(c) the unemployed persons would usually first rely on their savings, so there was a time lag between the loss of employment and the application for financial support from CSSA.</p> <p>In response to the Chairman's enquiry about the forecast on unemployment rate, the Administration advised that it was cautiously optimistic about Hong Kong's economic outlook. However, in view of the changes in economic activities and employment market brought by the COVID-19 epidemic, it would still take a long time for the unemployment rate to decrease to the level below 5%.</p>	
012739 - 013751	Chairman Mr POON Siu-ping Admin	<p>Mr POON Siu-ping sought information about the unemployment insurance system implemented in other places that suited the local situation and could be applied in Hong Kong.</p> <p>The Administration advised that:</p> <p>(a) there were pros and cons in each system. The unemployment insurance system in Canada, renamed as "Employment Insurance" in 1996, provided comprehensive benefit entitlements for</p>	

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		<p>workers. It was noteworthy that such system worked with the taxation system, welfare system as well as the socioeconomic circumstances in Canada; and</p> <p>(b) SP/LSP system in Hong Kong provided economic support to the eligible employees upon dismissal and alleviated their financial hardship caused by the loss of employment. The lump-sum payment of SP/LSP could reduce work disincentives for job seekers. The protection function of SP/LSP was that employers had to shoulder some financial support to the unemployed upon dismissal. The proposed "designated savings accounts" to be set up by employers in relation to the abolition of the MPF "offsetting" arrangement aimed to help employers save in advance to meet their potential SP/LSP liabilities in future. The savings belonged to employers and would not cause moral hazard issues.</p> <p>The Chairman remarked that the "offsetting" arrangement and the establishment of unemployment insurance system or a separate unemployment assistance system should be discussed separately, so as to provide an adequate financial protection for the unemployed in the long term.</p>	
<i>Agenda item II - Any other business</i>			
013752 - 013935	Chairman	<p>Arrangement of next meeting.</p> <p>Closing remarks</p>	