

Commission on Poverty (CoP)

Assisting the Unemployed : Welfare-to-Work

PURPOSE

At the CoP meeting on 11 April, Members agreed to focus CoP's work on children/youth (in reducing risk of intergenerational poverty) and employment (including "welfare-to-work" initiatives¹) in the next six to nine months.

2. This paper aims to set out the efforts of the Administration in assisting the unemployed, including those who are already in the Comprehensive Social Security Assistance (CSSA) net. Members are invited to consider from an overall perspective the various incentives/disincentives in the system ("push" and "pull" factors), and possible direction to strengthen our welfare-to-work measures.

3. For Members' background reference, CoP Paper 20/2005 and CoP Paper 21/2005 provide an overview of the trend of CSSA able-bodied caseload, and overseas experience in welfare-to-work initiatives respectively².

POLICY OBJECTIVES

4. It is recognized that employment is key to poverty alleviation and self-reliance and which can effectively help reduce the risk of future poverty of the younger generation. It is important to ensure that -

- (a) our welfare system is so designed that, while giving a helping hand to the needy, it does at the same time provide structural inducements to enable those who have the ability to work to springboard to employment and self-reliance;
- (b) there are effective and sustainable measures to facilitate employment, promote job opportunities and maximize participation in the labour market;
- (c) the interface between the measures contributing to (a) and (b) above is so designed to enable an integrated coordinated approach to make work possible; and

¹ "Welfare-to-work" refers generally to the approach in reforming the welfare system from a passive system of benefit payment to the unemployed, to an active system which encourages personal responsibility and facilitates employment. A combination of social security and labour market policies are deployed for the purpose.

² Members may also wish to draw reference to CoP Paper 18/2005 "Strategic proposal to implement welfare-to-work policy in HKSAR" from the Hong Kong Federation of Trade Union which was tabled at the CoP meeting on 26 May 2005 (CoP papers are available at www.cop.gov.hk)

- (d) the system is financially sustainable taking into account the health of public finances and implications to tax payers.

5. The policy objectives above in fact embody the spirit of “welfare-to-work” initiatives, i.e. personal responsibility, sustainability and employment-focused. Paragraphs 6 to 15 below set out the current efforts in our welfare system and training/employment measures which are in this direction.

CURRENT EFFORTS IN ASSISTING THE UNEMPLOYED

Our Welfare System

Assistance to the Unemployed under the CSSA Scheme

6. Unique to Hong Kong is that, absent of unemployment insurance, the unemployed has to rely on public assistance, i.e. the CSSA which is totally non-contributory and funded by general revenue. While it provides a safety net for workers and facilitates economic re-structuring, how it is structured has a direct fiscal impact and an indirect contributory impact on the responsiveness of the labour market to economic/employment policy interventions.

7. The CSSA Scheme is intended as the safety net of last resort for those who cannot support themselves financially, including those who face financial difficulty because of unemployment. CSSA is paid on a household basis, with each eligible member of the household receiving a standard rate (which covers basic living), in addition to special grants such as rent, water and sewage charges, and school-related expenses for children etc to meet special needs. CSSA recipients also enjoy free public medical services. In other words, CSSA entitlements cover not only the basic, but also the special needs of the recipients, and lead to other benefits such as free public healthcare. There is no time-limit in the CSSA payment for recipients, including the able-bodied, although there are regular reviews on the eligibility of cases.

Support for Self-reliance (SFS) Scheme

8. In response to growing public concern about the rapid growth in CSSA caseloads, particularly the sharp increase in the number of able-bodied adults turning to CSSA³, a review of the CSSA Scheme was conducted in late 1997, focusing on how to encourage and help unemployed recipients to rejoin the workforce. Modeled on the welfare-to-work approach adopted in many industrialized countries, the Support for Self-reliance (SFS) Scheme was introduced in June 1999 providing a package of employment-assistance (“pull” measures) and payment-related measures (“push” measures) to help recipients to find full-time work. The Scheme comprises : -

³ Please refer to CoP Paper 20/2005 on “CSSA Able-bodied Caseload - Trend” for details.

- (a) the Active Employment Assistance (AEA) programme;
- (b) the Community Work (CW) programme; and
- (c) enhanced provision of disregarded earnings (DE).

9. In June 2003, the SFS measures were intensified to cope with the increasing caseloads of unemployed recipients as a result of the downturn in the economy, including commissioning non-governmental organizations (NGOs) to run Intensive Employment Assistance Projects (IEAPs) for CSSA recipients and the ‘near-CSSA’ unemployed. For members’ reference, a summary of the SFS measures introduced in 1999 and 2003 is at *Annex A*. An examination of the effectiveness of the various SFS initiatives is at *Annex B*. A summary of the consultant’s initial findings and recommendations on the effectiveness of IEAPs and other related programmes are set out at *Annex C*.

Employment

Employment Situation

10. The Administration is keenly aware of the structural nature of the employment problem that we are facing. The demand for low-skilled jobs far outstrips supply, and this mismatch has driven down wages. Although the overall unemployment rate has improved as the economy recovers, unemployment rate for the low-skilled workers remains high. In February to April 2005, the unemployment rate for low-skilled workers⁴ was 7.1%, as compared to the overall unemployment rate of 5.9%. During the same period, the number of low skilled labour who were unemployed for six months or more amounted to 51 800, making up 77.8% of the total number of unemployed for six months or more. An increasing number of unemployed persons fall into the CSSA net, as reflected in the increasing trend of unemployed CSSA caseload though it has abated recently⁵.

Employment Measures

11. Given the open nature of Hong Kong’s economy, our economic growth and employment opportunities, at the macro level, are subject to economic performance and outlook in the region and worldwide. That said, the Administration has in place a wide range of measures to alleviate unemployment, including training/retraining, employment services/job matching, and employment programmes (either through direct job creation or subsidization of jobs in the private sector). Such measures may be referred to as “active labour market policies” e.g. in the OECD classification, in contrast to “passive labour market policies” such as providing financial protection for the unemployed⁶.

⁴ Low-skilled workers are defined as those who were previously engaged as clerks, service workers and shop sales workers, craft and related workers, plant and machine operators and assemblers, and workers in elementary occupations.

⁵ Please refer to Annex C of CoP Paper 20/2005.

⁶ Measures which indirectly affect employment, including industrial or retirement policies, would

Training/Re-training

12. The Education and Manpower Bureau (EMB) is the principal bureau responsible for the provision of training/re-training services to prepare our workforce to better meet the needs of the industry. Members have been briefed on the training programmes offered by the Vocational Training Council (VTC) for young people vide CoP Paper 15/2005. Annex C to CoP Paper 17/2005 also covers other training initiatives including Project Yi Jin, Continuing Education Fund, and Skills Upgrading Scheme. Besides the above, the Employees Retraining Board (ERB) is the key body which assists employees affected by economic restructuring in re-entering the labour market (details at *Annex D*).

Employment Services

13. The Labour Department (LD) provides a comprehensive range of free employment services to help job-seekers secure employment. This includes 10 Job Centres where job-seekers can use the facilities to complete the whole job-hunting process at one stop. They can also make use of the Interactive Employment Service website to complete the registration procedure and obtain the most updated vacancy information. Apart from employment services to the able-bodied, LD also renders a personalized employment service to people with disability.

Employment Programmes

14. LD organizes a wide range of employment programmes (some offering financial incentives/allowance for jobs in the private sector) for certain targeted groups (the middle-aged, Local Domestic Helpers, youth, and the disabled), including -

- (a) Employment Programme for the Middle-aged
- (b) Special Incentive Allowance Scheme for Local Domestic Helpers
- (c) Youth Pre-employment Training Programme
- (d) Youth Work Experience and Training Scheme
- (e) Youth Self-employment Support Scheme
- (f) Work Trial Scheme
- (g) Work Orientation and Placement Scheme for the disabled

Details of these programmes, which have been covered in CoP Paper 2/2005, are attached at *Annex E*.

15. Since 2000, the Administration has created a number of temporary jobs in the public sector to help the unemployed enter/re-enter the labour market and meet operational needs. In 2005, about 11 600 of these temporary jobs were extended at an estimated cost of \$880 million. The posts involved include cleansing workers, care assistants, community programme assistants and youth training places to provide relief to those with less education, lower skills and limited work experience. The decision was made after careful consideration of the operational needs for retaining the jobs by the relevant departments/agencies.

be discussed at a later stage and would not be covered in this paper.

OBSERVATIONS

(i) Substantial public resources in assisting the unemployed

16. Contrary to some misconceptions that the HKSAR Government adopts an “active non-interventionist” approach in the employment area, LD and EMB have in fact put in place a wide range of active measures (paragraphs 12 – 15) to raise the skills and competencies of the workforce through training/re-training (supply-side measures), and to stimulate employment and facilitate the unemployed to rejoin the labour force (demand-side measures).

17. Over the years, the Social Welfare Department (SWD) has also implemented a series of active employment assistance and benefit reform measures aimed at encouraging able-bodied CSSA recipients to take up employment and leave the CSSA net (paragraphs 8 - 9). Of course success in getting CSSA recipients to take up paid employment depends on a whole host of factors like job availability, recipients’ own employability, self-motivation, the attractiveness of CSSA payments compared to market wage etc, which may all be inter-linked. In this respect, SWD’s measures have met with some success, facilitated in part by the improvement in the economy.

18. A substantial part of public expenditure is spent in facilitating employment and assisting the unemployed back to work (\$4 721 million in 2004, see *Annex F*). The figure has not yet fully taken into account the public expenditure spent through subvented NGOs which also provides employment assistance in various forms. In fact, there is an increasing number of NGOs which, in the course of assisting the disadvantaged and their families, provide fairly comprehensive employment assistance to the unemployed including counseling, job searching/matching, and training. There are also some successful examples which make use of local networks and create local employment opportunities, including some Community Investment and Inclusion Fund (CIIF) projects.

(ii) Continued growth trend of able-bodied CSSA cases

19. CoP Paper 20/2005 sets out the growth of CSSA able-bodied caseload in the past decade. There are a number of notable features in the growth trend -

- (a) while SWD’s measures have proved effective in abating the growth of the unemployment caseload, and a downward trend has emerged since October 2003, the proportion of the number of unemployment cases to unemployed persons has steadily increased during the same period, representing a slower pace for the unemployed (mostly middle to older age males) to leave the CSSA net as employment situation improves;
- (b) the median length of stay on CSSA for the unemployed and the percentage of long-term unemployed recipients have been on the rise. This suggests that having entered the safety net, it seems increasingly difficult to get the able-bodied to live independent of welfare; and

- (c) 15.9% of CSSA unemployment cases left the ‘unemployed’ category and turned to the ‘low earnings’ category in the one-year period between end 2003 and end 2004, which means that they still need to get social security assistance, despite work. Whether or not they would become totally self-reliant in the future would depend much on the improvement in the economy and wages, skills upgrading, job availability, as well as the self-motivation from the recipients themselves.

20. These point to the need to consider from a holistic perspective our strategy in handling the continued growth of CSSA able-bodied caseload, and its public finance implications given the non-contributory nature of the CSSA Scheme. In particular, we should consider whether all relevant policies, taken together, provide the appropriate “push and pull” to entice people to seek employment. Of particular concern is the risk of recipients turning unemployable due to protracted reliance on CSSA unemployment assistance.

(iii) Attractiveness of CSSA payments compared to market wage

21. While the CSSA able-bodied caseload is affected by recipients’ personal situation (employability, self-motivation etc.), it may also be linked to the attractiveness of CSSA payments compared to market wage. As at end 2004, average monthly CSSA payment to a four-person household (\$9,005) is close to the median wage (\$9,249). However, when compared with the wage level of the lower quartile of the overall wage distribution (\$6,756), the CSSA payment to labour wage ratios are much higher (at 113% for a three-person household, 133% for a four-person household, and 158% for a five-person household). There are strong financial incentives for lower-income group in particular the larger households to receive CSSA payment instead of rejoining the workforce.

22. In addition, as mentioned in paragraph 7 above, CSSA entitlements also lead to a range of other benefits such as free public healthcare, public housing rental assistance and student financial assistance. While these assistance schemes are also accessible, after means-testing, to the low-income group, it is administratively more convenient for CSSA recipients to gain access based on their CSSA status.

WAY FORWARD

23. As set out in CoP Paper 21/2005, Governments around the world have spent strenuous efforts in the past years in pushing/pulling able-bodied welfare recipients off assistance and maximizing their participation in the labour market. This is in recognition that state-funded social assistance/passive benefits do not provide a long-term solution in alleviating the able-bodied out of poverty, and the need to have a sustainable welfare system as the population ages.

24. Hong Kong has also spent a lot of efforts and resources in assisting the unemployed, and there are on-going reviews in the direction of welfare-to-work.

However, given the continued growth of CSSA able-bodied caseload, there is a need for us to consider a Government-wide and community-wide strategy in strengthening our welfare-to-work measures. The CoP is well-placed to consider this from a poverty prevention and alleviation angle, and in particular the interface of social security, training and employment assistance measures.

25. To facilitate members' consideration, a summary of the policy tools deployed in relation to welfare-to-work measures is at **Annex G**. Members may wish to consider our package of measures in the following direction -

- (a) whether our current "push" and "pull" measures achieve a suitable balance in rewarding work vis-à-vis staying on welfare, and if not, how the incentives/disincentives should best be adjusted, taking into account Hong Kong's market philosophy, welfare tradition, and tax structure?
- (b) whether the public resources currently invested in assisting the unemployed including those on CSSA are targeted to help those most in need, i.e. those displaced due to economic restructuring?
- (c) whether the assistance to the unemployed can be delivered in a more integrated manner from a policy/institutional/organisational perspective, emphasizing on early intervention and prevention?
- (d) whether the design of the system encourages personal responsibility, shared responsibility, and participation by the community generally and districts in particular, in assisting the unemployed?

26. Choice of policy tools and any adjustment from the present system would necessarily be controversial, involving a number of complex policy issues, including availability of employment opportunities, the sustainability of these opportunities, the impact on the labour market, and effect of the initiatives on the welfare recipients and their families.

27. Subject to members' deliberations, the CoP will then work with the relevant bureaux and advisory committees to consider if, and if so, how various policy facets relevant to welfare-to-work should be adjusted, while conscious of the need to ensure that these facets must work in an integrated and coordinated fashion in order to achieve the desired objectives.

Commission Secretariat
(with input from relevant bureaux)
June 2005

**Summary of 'Support for self-reliance' (SFS) measures
introduced by Social Welfare Department in 1999 and 2003**

- (I) Measures introduced in June 1999
- (a) To implement the SFS Scheme to encourage and assist unemployed CSSA recipients to move towards self-reliance. The Scheme comprises : -
 - (i) the Active Employment Assistance (AEA) programme;
 - (ii) the Community Work (CW) programme;
 - (iii) enhanced provision of disregarded earnings.
 - (b) To strictly enforce the policy to terminate CSSA payment to an unemployed CSSA recipient who fails to comply with stipulated requirements.
 - (c) To reduce the standard rates for able-bodied adults/children in households comprising three or more such members.
 - (d) To tighten special grants and supplements payable to able-bodied adults and children.
 - (e) To introduce a different scale of asset limits for cases involving any able-bodied adult.
 - (f) To include an owner-occupied residential property for the asset test in respect of cases involving any employable adult aged below 50 and where there is no family member who is old, disabled or medically certified to be in ill-health.
 - (g) To strictly enforce the 'one-household' rule.
 - (h) To strengthen the existing arrangements to prevent fraud and abuse.

(II) Measures introduced in June 2003

- (a) To enhance the AEA programme under the SFS Scheme to provide more targeted assistance, including job matching and post-placement services, for its participants.
- (b) To enhance the CW programme under the SFS Scheme by requiring long-term AEA programme participants to perform community work for three days a week.
- (c) To commission non-governmental organizations to run Intensive Employment Assistance Projects for CSSA recipients and the 'near-CSSA' unemployed.
- (d) To enhance the provision of disregarded earnings under the CSSA Scheme to provide more financial incentives to work.

Health, Welfare and Food Bureau
June 2005

An Examination of the Initiatives under the SFS Scheme

As at April 2005, there are a total of 45 800 able-bodied CSSA recipients who have to participate in the SFS Scheme as a condition for receiving CSSA payment.

Brief descriptions and examinations of the effectiveness of the various SFS initiatives are set out below:

(a) The Active Employment Assistance (AEA) programme

It is the major component of the SFS Scheme run directly by the Social Welfare Department (SWD). Under the AEA programme, Employment Assistance Coordinators (EA Coordinators) will meet all able-bodied CSSA recipients every two weeks to discuss their action plans to find work, monitor progress and render assistance. They also provide up-to-date labour market information and other support services needed to help recipients overcome barriers to employment. To gather as much local employment information as possible, Job Developers of SWD have been deployed to search for job openings within the district through local networks for matching and referral by EA Coordinators. Currently 212 EA Coordinators and 37 Job Developers are engaged in the AEA programme.

The programme proved effective in reining in the unemployment caseload, and a downward trend has emerged since October 2003. On average, 1 400 participants can find paid jobs per month for the past year, representing about 40% of those newly enrolled or re-enrolled in the Scheme during the same period. As at April 2005, there have been altogether 228 305 CSSA recipients who have participated in AEA. Of them, 21 376 have left the CSSA net and 33 061 have changed to 'low earnings' cases.

(b) Intensive Employment Assistance Projects (IEAPs)

The IEAPs were launched in October 2003, as part of the intensified SFS measures. These are projects commissioned by SWD to NGOs to provide intensive employment assistance to CSSA recipients referred by SWD (and near-CSSA recipients) to enhance their employability and to get back to work. IEAPs also provide temporary financial aid for immediate and direct disbursement to needy participants to tide them over temporary financial hardship or to meet employment-related expenses, e.g. traveling expenses for job interviews. A total of \$200Mn has been secured from the Lotteries Fund and the Hong Kong Jockey Club Charities Trust to commission these projects. From 2003, a total of 105 projects will be launched over four years in annual batches of 40, 30, 35. IEAPs are time-limited projects, with the total commitment of \$200 million to be exhausted by September 2007.

Outcome-based performance indicators, which include the extent to which NGOs could help the participants secure full-time employment and sustain in their jobs, have been set to monitor the effectiveness of the projects. Funding to the NGOs is provided by installments, with 20% of the administration fee to be withheld and only released to the NGOs when they have achieved a certain job-securing rate among the participants. To date, a total of 70 IEAPs have been funded enrolling a total of 12 236 CSSA recipients and 3 213 near-CSSA recipients, of which 3 990 CSSA recipients have left CSSA or changed to the 'low earnings' category, and 1 601 near-CSSA participants have secured full-time employment.

(c) *Community Work (CW) programme*

Apart from programmes which directly help recipients to find work, SWD also runs the CW programme which aims to help unemployed CSSA recipients develop a work habit, improve socialization, and increase their self-esteem and confidence, while they are looking for paid employment. Unemployed CSSA recipients who have been matched for the programme are arranged to perform unpaid work for up to three days a week. The nature of work broadly covers community services (such as counter service in libraries, furniture repairs, cleansing and clerical work), and environment-related jobs (such as cleaning Hong Kong). As at April 2005, there have been altogether 81 589 CSSA recipients who have registered in the CW programme. Of them, 67 523 have left the programme.

(d) *Pilot CW Programmes with job skills training*

To date the job nature of CW has been simple and elementary. To enhance the job nature of CW, SWD has recently sought funding of \$5 Mn from the Lotteries Fund to commission an NGO to run an experimental two-year CW programme called the Community Work Experience and Training Programme for long-term CSSA unemployed recipients in Wong Tai Sin/Sai Kung District. This time-limited extended CW programme is characterized by a combination of CW performance and targeted job skills training, e.g. vocational skills in hotel housekeeping and sales, and was launched in April 2005. Another pilot five-month CW Project in partnership with two NGOs, aimed at equipping CSSA unemployed youths with mosaic art skill, will soon be launched in Sha Tin and Tai Po/North Districts.

There have been some suggestions from the community that the Government should provide the unemployed CSSA recipients with low-end jobs with salary, in place of CSSA payments. The arrangement of CW to some extent reflects this idea, although not exactly similar. While CW has proved to be one of the most successful measures to reduce CSSA caseloads because of its deterrent effect on those who have no genuine need for assistance, if a CW programme is to be offered on a full-time basis for most unemployed recipients, SWD faces a big administrative burden of getting enough placements with limited resources. Currently, SWD hires 148 CW Organizers to deliver the CW Programme, at an annual estimated staff cost and programme expenditure of about \$25 Mn.

Summary of Initial Findings and Recommendations arising from the Evaluation Study of the IEAPs

To assess the effectiveness of IEAPs and other related programmes, and to see how they can be improved, SWD has recently commissioned a review on the IEAPs. A summary of the consultant's initial findings and recommendations is set out below.

Initial Findings

(i) Impacts of IEAPs

Compared with other non-IEAP participants or CSSA recipients, IEAP and ex-IEAP participants were generally higher in self-reliance and less inclined to depend on CSSA. They were more motivated to find jobs and possessed higher human and social capital. The more help and satisfaction a participant derived from the IEAP, the more the participant's commitment to self-reliance and work improved.

(ii) Success factors of IEAPs

IEAP participants who received temporary financial assistance (TFA) were more supportive of self-reliance and they regarded traveling expenses as less of an obstacle to employment. Besides, certain services provided by NGOs such as counselling related/not directly related to employment, job seeking skill training and other training not directly related to employment, as well as post-employment support had positive impacts on participants' motivation and commitment to work.

(iii) Acceptance of requiring CSSA single parent recipients with youngest child below 15 to work

In general, both the low-income persons and service practitioners regarded requirements for CSSA single parents to work as modestly to rather reasonable.

(iv) Impact of DE

The initial finding was that DE did not significantly increase low-income people's motivation to work, self-reliance and willingness to exit from CSSA. The effectiveness of DE is in need of further verification.

(v) Impact of CW Programme

Participation in CW Programme did not have the effect of encouraging job-seeking but had a deterrent effect on those who prefer to leave CSSA upon the arrangement of CW. The effectiveness of the CW Programme is in need of further investigation, principally because the sample of potential CW participants and ex-CSSA persons surveyed was not large enough for adequate analysis.

(vi) Impact of time limiting CSSA

CSSA recipients who had received CSSA for a shorter time was generally more supportive of self-reliance while those who had received CSSA for a longer time tended to be more inclined to depend on assistance in future. Owing to the lack of direct evidence on the impact of time limiting CSSA since the time limit policy has not been in place, further investigation is needed.

Recommendations

There are 10 main areas of recommendations as follows:

(i) Funding for IEAPs continuously

To continue the tripartite (government, private and NGOs) co-operation of IEAPs for an extended period in response to changing economic conditions in Hong Kong, with the following services strengthened:

- (a) administration of TFA;
- (b) counselling not related to employment (e.g. personal and family life);
- (c) job-seeking skills training;
- (d) training not directly related to employment (e.g. social skills), and
- (e) post-employment support.

(ii) Improving the IEAPs

To better IEAPs in the following aspects:

- (a) the IEAPs should be flexible enough to adjust to changes required due to expected changing conditions of the economy;
 - (b) restructured job-skill training to meet the expected increasing demand for service and tourist jobs;
 - (c) matching jobs according to assessments of participants' conditions;
 - (d) improved job attachment services;
 - (e) NGOs be prepared for rigorous evaluation and review so that their participants are accessible for research purposes;
 - (f) intermediate goals of development such as promoting service satisfaction, raising job skills, and building up supportive friendships be targeted.
- (iii) Requiring CSSA single parent recipients with youngest child below 15 to work⁷
- To introduce requirements for CSSA single-parent recipients with youngest child preferably aged six or above to work and suggested having a pilot project to assist CSSA single parent recipients to work.
- (iv) Further review on arrangement of DE
- To promote CSSA recipients' knowledge about DE, and make alternative arrangements for DE.
- (v) Improving the CW Programme
- To better the CW Programme by introducing training and counselling elements to lower participants' hesitation about work, and lengthen the frequency and duration of the long-term CSSA recipients' participation.
- (vi) Reviewing CSSA Programme for the Able-bodied
- (a) To further examine the feasibility, effectiveness and possible implications of imposing time limits for receiving CSSA.
 - (b) To tighten the regulations on able-bodied long-term CSSA recipients

⁷ A proposal has been put forward by the Administration and is being considered in the light of comments received.

including requiring them to find jobs actively; requiring them to take up jobs created in government and NGOs sectors; enhancing their employability and self-reliance through training and counseling; and imposing sanctions if they violate the requirements.

(vii) Enhancing AEA Programme

To continue providing job information and imposing sanctions to encourage able-bodied CSSA recipients to take up employment. It was also suggested that the AEA Programme should be enhanced by incorporating the good practices of IEAPs like employment counselling and post-employment support to facilitate job-seeking.

(viii) Adjusting welfare policy to changing economy

To synchronize the welfare policy with the needs of the growing and restructuring economy so as to facilitate the employment of CSSA recipients in the burgeoning service sectors like the tourist industry.

(ix) Supporting programme integration

To integrate the programme with the work of the Commission on Poverty, Community Investment and Inclusion Fund and Partnership Fund for the Disadvantaged for funding support for building social capital to help promote CSSA recipients' and low income people's motivation to work and self-reliance.

(x) Adoption of social investment approach

To adopt the social investment approach to promote the capabilities of individuals, families and community through tripartite partnerships to relieve the burden on welfare.

The Administration is now studying the recommendations made by the research team and will draw up a response later on.

Brief Summary of the Services Provided by Employees Retraining Board

The Employees Retraining Board (ERB) was set up in October 1992 to offer market-oriented retraining courses and services to eligible employees in Hong Kong. Since its inception, the ERB has provided over 844,000 retraining places up to the end of March 2005.

The main target group of ERB has been those unemployed persons aged 30 or above with no more than junior secondary education level. ERB offers full-time placement-tied courses (e.g. training courses in domestic helper, security and property management and personal care worker) for them free-of-charge, enabling them to acquire new skills or enhancing their employability in order to help them re-enter the labour market. Eligible employees who are presently being employed may also apply for part-time retraining courses on basic generic skills (e.g. computer and vocational languages) which are offered on a partial cost-recovery basis.

Currently, ERB offers over 110,000 retraining places annually through 57 training bodies at over 130 training centres throughout the territory. An average of about 80% of the retrainee graduates are able to find employment within three months upon their completion of placement-tied retraining courses (which account for about 50% of the yearly training capacity). Job retention rate after 6 months for all placements maintains at about 67%.

Apart from training, ERB also administers a Practical Skills Training and Assessment Centre (PSTAC) and two Retraining Resources Centres (RRCs) to underpin the retraining scheme. PSTAC is to benchmark the skills standard of retrainees and in turn enhance public recognition and the confidence of employers, while the RRCs are set up to uphold the principle of life-long learning and reinforce the effectiveness of retraining through the provision of self-learning facilities and training related activities.

ERB has also launched an Integrated Scheme for Local Domestic Helpers to provide better employment and support services for employers and retrainee graduates of the domestic helper courses.

Education and Manpower Bureau
June 2005

Employment Programmes Organised by the Labour Department

The Labour Department (LD) organizes a wide range of employment programmes (some offering financial incentive/allowance for jobs in the private sector) for certain targeted groups (the middle-aged, Local Domestic Helpers, youth, and the disabled), including -

Employment Programme for the Middle-aged

The Employment Programme for the Middle-aged was launched in early May 2003, to encourage employers to hire unemployed people aged 40 or above. For each participant engaged, the employer will receive a monthly training allowance of \$1,500 for up to three months.

As at end of May 2005, the programme placed 11 442 into employment.

Special Incentive Allowance Scheme for Local Domestic Helpers (LDHs)

To address the mismatch in supply and demand in the LDH market and to promote LDH service, the Labour Department, in conjunction with the Employees Retraining Board, launched the Special Incentive Allowance Scheme for LDHs in June 2003. A sum of \$60m is earmarked for the Allowance Scheme to benefit 8 000 LDHs.

Qualified LDHs¹ who work in a district different from the one in which they reside or during unsocial hours (i.e. 5 pm to 9 am) may apply for a daily allowance of \$50 per day for a maximum of 24 days per month or 144 days in a year. The maximum allowance to be obtained by each LDH is \$ 7, 200. The scheme also seeks to promote the development of the LDH market, thereby creating job opportunities for people in the low-skilled and middle-aged groups.

As at end of May 2005, there were some 4 800 approved applications.

Training and Employment Programmes for Young People

Youth Pre-employment Training Programme (YPTP)

The YPTP was launched in September 1999 to enhance the competitiveness and employability of young school leavers aged between 15 and 19.

¹ Those who (1) have completed the LDH training offered by the Employees Retraining Board (ERB); (2) are in possession of a competency card; and (3) take up a job through the referral of ERB's Integrated Scheme for LDHs.

It provides a wide range of employment-related training to help young people build up their confidence, upgrade their interpersonal, computer and job specific skills.

Over the past five years, more than 57 000 young persons were trained under the programme. In 2003/04, the Programme provided training to 11 327 young people and about 72% of them secured employment after training.

Youth Work Experience and Training Scheme (YWETS)

The LD launched the YWETS in July 2002 to provide employment through on-the-job training to young people aged 15 to 24 with education attainment below degree level. For each trainee engaged, the employer will be paid a monthly training subsidy of \$2,000 for 6 to 12 months.

The original target of the YWETS is to place 20 000 young people into employment by July 2006. This was achieved in April 2005-- 16 months ahead of schedule. As at the end of May 2005, some 21 000 trainees have been successfully placed in training vacancies. In addition, about 12 000 trainees were able to find jobs in the open market with the assistance of their case managers.

The Centre for Social Policy Studies of the Hong Kong Polytechnic University, which has been commissioned by LD to evaluate the performance of YPTP and YWETS, has affirmed the effectiveness of both schemes.

Youth Self-employment Support Scheme (YSSS)

In May 2004, LD launched – the YSSS, as a pilot project, -- to train and assist young people who have motivation, entrepreneurship and innovation to become self-employed.

About 1 500 trainees have been enrolled to receive training under 36 projects in different areas of business. On completion of initial training, trainees have started to undergo hands-on practices in self-employment since mid-September 2004.

As at the end of May 2005, the trainees conducted 7 300 business transactions with gross profits of about 3,350,000 recorded.

The CityU Professional Services Limited, a company of City University of Hong Kong, has been commissioned to review and evaluate the effectiveness of the Scheme and the result will be available by the end of 2005.

New Employment Initiatives

Work Trial Scheme (WTS)

LD plans to launch the WTS in late June 2005 to enhance the employability of 2 000 job-seekers who have special difficulties finding jobs. During the one month

trial period, participating organizations have to appoint a mentor to coach the participants. On satisfactory completion of the work trial, each Scheme participant will receive an allowance of \$5,000, of which \$500 will be contributed by the participating organization.

Work Orientation and Placement Scheme (WOPS)

LD has launched the WOPS since April 2005 to help place 1 000 disabled job-seekers into employment.

Disabled job-seekers will be provided with a short pre-employment training programme.

For each disabled person engaged, the employer will be paid a monthly allowance equivalent to half-month's wages, subject to a ceiling of \$3,000, for up to three months.

Economic Development and Labour Bureau
June 2005

Expenditure on Employment Services and Programmes, 2004

Programme/Service (# indicate those involving direct cash allowance/ subsidies)	Nature ¹	Number of Participants	Total cost (HK\$ m)	Unit cost ² (HK\$)
Training/re-training³				
Project Yi Jin (PYJ)#	T	5 381 ⁴	60 ⁴	11 150
Vocational Training Council (VTC)	C/T/E	153 500 ⁵	1 956.9 ⁶	N.A. ⁷
Employees Retraining Board (ERB)	C/T/E	117 000 ⁸	379.4 ⁸	3 300 ⁹
Continuing Education Fund#	T	88 000 ¹⁰	880 ¹⁰	10 000 ¹⁰
Skills Upgrading Scheme	T	38 433	31.94	831
Training (total)	-	402 314	3 308.24	-
Employment services (total)	C/E	223 229¹¹	95.1¹¹	426
Employment programmes				
Youth Pre-employment Training Programme (YPTP) ¹²	C/T	11 327 ¹²	77 ¹²	6 800
Youth Work Experience and Training Scheme (YWETS) ¹² #	C/T/E	13 000 ¹²	141 ¹²	10 800
Youth Self-employment Support Scheme (YSSS)	C/T/E	1 475	30 ¹³	20 340
Employment Programme for the Middle-aged #	E	6 563 ¹⁴	5.2 ¹⁴	N.A. ¹⁴
Special Incentive Allowance Scheme for Local Domestic Helpers #	E	8 000 ¹⁵	60 ¹⁵	N.A. ¹⁵
Work Trial Scheme (WTS) ¹⁶ #	C/T/E	2 000 ¹⁶	9 ¹⁶	4 500 ¹⁶
Work Orientation and Placement Scheme (WOPS) for the disabled ¹⁷ #	C/T/E	1 000 ¹⁷	8.2 ¹⁷	8 200 ¹⁷
Employment programmes (total)	-	43 365	330.4	-
Temporary jobs in the public sector	T	11 608 ¹⁸	883.99 ¹⁸	76 150 ¹⁸
Direct employment schemes (total)	-	11 608	883.99	-
Support for Self-reliance Scheme				
Support for Self-reliance Scheme	E	46 000	68.2	1 482
Intensive Employment Assistance Projects	C/T/E	7 000	35	5 000
Support for Self-reliance Scheme (total)		53 000	103.2	1 947
Total (all services and programmes)		733 516	4 720.93	-

Explanatory Notes

- 1 Although the services and programmes are grouped by nature (training, employment), some services and programmes offer a combination of counseling/soft skills (C), training (T) and job searching/matching and other employment assistance (E).
- 2 Unit costs depend very much on, among other things, the duration and nature of the programmes, e.g. training course of a longer duration tends to cost more than short-term exposure programmes.
- 3 The services/programmes covered are those more directly relevant to employment/work experience. General adult/continuing education is not covered.
- 4 5 381 is the number of participants in academic year 2004/05. \$60 m represents the estimated expenditure for academic year 2004/05. The one-off non-recurrent funding is \$435 million.
- 5 This includes 96 600 full time/part time and pre-employment/in-service vocational training places offered by the VTC's training and development centres, and some 56 900 vocational education places by VTC's Institute of Vocational Education (IVE) for academic year 2004/05.
- 6 This includes \$1,854.8 million subvention from EMB, and \$102.1 million from HWFB for the provision of vocational training for people with disabilities for 2004/05.
- 7 It may be too simplistic to derive the unit cost through dividing the total cost by the number of participants (around \$12 749), given the wide variety of courses of different level, duration and mode of study.
- 8 For financial year 2004/05.
- 9 This represents the average cost (unit cost for full-time courses - \$5,400; part-time courses - \$1,300).
- 10 CEF was launched in 2002 with a one-off provision of \$5 billion. Each eligible applicant is entitled to a maximum of \$10,000 of subsidy. There are about 180 000 approved applications as at end May 2005. Some 500 000 people are expected to be benefited by the Fund.
- 11 223 229 is the number of job registrants. The total cost is for financial year 2004/05.
- 12 Figures are for the 2003/04 programme year only, as the 2004-05 programme year for the YPTP and the YWETS will only end in October and August 2005 respectively.
- 13 Straddling 2004/05 and 2005/06 financial years.
- 14 6 563 is the number of placements. The total cost is for financial year 2004/05. Unit cost is not available as some employers have not yet applied for training allowance in respect of the employees engaged under the Programme.
- 15 8 000 is the targeted number of beneficiaries. Since many of the LDHs taking part in the Scheme have not yet reached the time-bar of 12 months or exhausted the maximum amount of allowance, the unit cost is not available. The maximum allowance to be obtained by each LDH is \$ 7, 200.
- 16 Since WTS is a new initiative and would only be launched in June 2005, the figures represent estimates only.
- 17 Since WOPS is a new initiative and was only launched in April 2005, the figures represent estimates only.
- 18 The number of places and cost are only estimates and might vary depending on operational needs.

Welfare-to-Work: Summary of Policy Tools

Intervention	Supply-Side Measures	Demand-Side Measures
“Pull” measures		
<u>Training</u>	Training	On-the-job training subsidies
<u>Employment services /programmes</u>	Information on jobs	Subsidized work experience programme
	Job matching (intermediary service)	Job creation programmes with financial incentives
	Counseling (soft skills)	Economic development programmes with financial incentives
<u>Supporting services</u>	Provision/assistance in child care	
<u>Financial incentives</u>	Income disregards in welfare programmes	
	Subsidies (e.g. traveling)	
	Income supplement/wage subsidies/ income tax credits	
<u>Direct job creation</u>		Public-service employment
		Subsidized employment
		Sheltered workshops
<u>Safety net</u>	Financial incentives for working poor	
	Access by working poor	
“Push” measures	Eligibility criteria	
	Welfare time limits	
	Structure of benefits, amounts	
	Job search requirement	Labour regulation on employment rights and benefits
	Work requirement	Minimum wage
	Community work requirement	
	Enforcement	

Key: The shaded parts indicate some form of measures in the area have been pursued in Hong Kong.

Adapted from Timothy J. Bartik (2001)