

## Commission on Poverty

### Budget Initiatives

#### PURPOSE

This paper updates Members on the initiatives relating to helping the disadvantaged groups in Budget 2006/07, in particular those relating to employment assistance and social enterprise development. Members will be invited to note the policy considerations behind the initiatives, and to offer comments and suggestions on how to further improve our support for the disadvantaged.

#### BUDGET INITIATIVES

2. Extract of the Budget relevant to helping the disadvantaged groups is at Annex. The initiatives are focused on two board areas – (a) those enhancing support to children and family as well as the disabled and elderly (paragraph 63 of Budget); and (b) those enhancing employment assistance and promoting social enterprise development (SE) (paragraphs 64 and 65 of Budget). Members would be briefed on (a) separately where appropriate<sup>1</sup>. This paper focuses on the initiatives relating to (b), including -

- strengthening employment assistance (paragraphs 3 – 14 below)
  - (i) from unemployment to work: extension of Intensive Employment Assistance Projects for two years and Traveling Support Scheme; and
  - (ii) targeted at the harder-to-assist youths and adults through “My STEP” and District Employment Assistance Trial Projects respectively; and
- promoting SE development (including relaxing regulatory requirements, using SME platform; encouraging social entrepreneurship training; making government procurement SE friendly; and additional funding for districts (paragraphs 15 – 27).

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<sup>1</sup> For instance, the Task Force on Children and Youth has been briefed on progress relating to the Comprehensive Child Development Service at its meeting on 9 March 2006.

## STRENGTHENING EMPLOYMENT ASSISTANCE

### *Policy Objective*

3. While sufficient supply/availability of jobs is key to helping the unemployed become self-reliant, effective employment assistance is equally important in facilitating labour market information flow and improving skills and capacities of our workforce. Besides universal employment services, we recognize that certain groups in our society, notably CSSA unemployed recipients and the “difficult-to-employ”<sup>2</sup> /“near-CSSA” cases, require more targeted assistance to help them remove work barriers, enhance their employability so that they can integrate into the mainstream labour market.

### *Extension of IEAPs for two years*

4. Since June 2003, Social Welfare Department (SWD) has commissioned Non Government Organisations (NGOs) to launch Intensive Employment Assistance Projects (IEAPs) for employable CSSA recipients and ‘near-CSSA’ unemployed to assist them back to work. A Research Team of the Chinese University of Hong Kong has conducted an evaluation study on IEAPs and found that IEAP participants were more inclined to seek jobs and become self-dependent. Together with the implementation of the Support For Self-reliance Scheme and the improving economy, there has been a steady decline in the number of employable CSSA caseload. The number of unemployed recipients fell from its peak of 51 372 in September 2003 to 41 036 in January 2006, a decrease of 20%.

5. The IEAP model, making use of tripartite (government, private and NGO) cooperation, has proven effective in assisting employable CSSA recipients and ‘near-CSSA’ unemployed to adjust to the changing economic conditions and requirements of the labour market. Given the initial funding from the Lotteries Fund and the Hong Kong Jockey Club Charities Trust would run out in late 2006, the Government has decided to allocate \$60 million to extend the IEAPs for two years. This will fund 40 new IEAPs, serving more than 8,000 participants from October 2006 to September 2008. The Administration would decide on the long-term funding of current employment assistance programmes, taking into

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<sup>2</sup> In the CoP District Study on Employment Assistance (March 2006), the term ‘difficult-to-employ’ describes job seekers who are low skilled, low educated and/or middle-aged.

account experience of a number of trial projects underway to provide more targeted assistance to the unemployed, as well as the Commission's recommendations in improving current employment assistance programmes.

### *My STEP*

6. My STEP is a new trial project endorsed by the CoP Task Force on Children and Youth in October 2005. The project aims to provide more targeted assistance to unemployed youths who have been on CSSA for a long time and remain unemployed and unmotivated by the present employment assistance programmes. The project will include tailor-made motivation programmes, post-programme support and active job placement of the participants. Around \$3 million has been earmarked for the pilot, including an evaluation on the effectiveness of the project. The actual expenditure would depend on the programme design and the number of participants. Detailed discussions are ongoing with a few NGOs experienced in youth unemployment and motivation work. The number of youths to be involved in the pilot would depend on relevant details such as the programme design and the NGOs' capacity. Pilots will be launched in later half of 2006.

### *District Employment Assistance Trial Projects*

7. The trial projects aim to provide more targeted assistance to the long-term unemployed and 'hard-to-assist' cases<sup>3</sup>. Special features include job attachment to provide an opportunity for participants to gain work experience and relevant job skills, work-focused and sector-specific training as well as a one-off incentive of \$1,500 to enable participants who have secured a full-time job<sup>4</sup> to meet work-related expenses (e.g. clothing and transport costs) in the first month of employment before they receive their first pay. The participant will be required to refund the incentive if he leaves the job without good reasons within the first four months. An amount of \$4.5 million has been earmarked for two years to run three trial projects in districts having the highest number/proportion of long-term able-bodied unemployed CSSA recipients. NGOs would be commissioned to run these trial projects. The projects will be launched in latter half of 2006.

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<sup>3</sup> 'Hard-to-assist' cases include unemployed CSSA recipients who are particularly disadvantaged in the labour market (for example, ex-offenders, people with a history of substance/alcohol abuse).

<sup>4</sup> A full-time job will be defined as a job involving not less than 120 work hours per month with a monthly wage of not less than \$1,435.

### *Traveling Support Scheme*

8. Currently, the unemployed who are assisted by IEAPs can apply for 'temporary financial aid' (TFA) to meet costs associated with placements, training, job search, etc. including traveling expenses to attend job interviews. The TFA has proven useful to help the unemployed in job search. The administering by NGOs delivering employment assistance also provides a flexible yet reliable mechanism to ensure that only those needy receive the extra support.

9. The Traveling Support Scheme has drawn reference to the TFA experience and the feedback from NGOs<sup>5</sup>, in recognition that there are some unemployed not on CSSA nor assisted by IEAPs who may have genuine financial needs, particularly those living in remote areas to meet the transport costs associated with seeking employment or during their first month of employment.

10. The trial scheme will be administered and managed by the Employees Retraining Board (ERB), and delivered by its training bodies. Starting from April 2006, short-term travel support will be provided to retrainees residing in Yuen Long (including Tin Shui Wai), Islands (including Tung Chung) and the North districts who have completed a full-time or placement-tied ERB course and who are financially needy. This will encourage unemployed people in districts further afield who are not receiving CSSA to take up employment.

11. As the scheme is targeted for non-CSSA recipients with financial needs, applicants will have to pass a means test. The ERB will model on the vetting criteria and payment arrangements of IEAPs and issue an operational manual to relevant training bodies to follow. To ensure the support is provided in a cost-effective manner, the operational procedures on one hand should be streamlined and at the same time should not leave room for possible abuses. To avoid double subsidy, local domestic helpers receiving the ERB's special incentive allowance (Special Incentive Allowance Scheme for Local Domestic Helpers) and IEAPs participants are not eligible for the travel support.

12. An eligible applicant who meets the above criteria will be entitled to a short-term travel subsidy up to a maximum of \$1,500 in the form of an allowance or an interest-free loan within the first four months upon completion of training. The amount of travel support payable will depend on the locations and frequency

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<sup>5</sup> Recommendation 6 of CoP District Study on Employment Assistance (March 2006) refers.

of job interviews and the actual expenses to be incurred during the first month of employment of the applicants.

13. According to the figures in 2005, there are around 6,700 graduates residing in the 3 districts who have completed full-time courses offered by the ERB. However, not all of the graduates would be financially needy nor travel to other districts to work. Our preliminary estimate is that this trial scheme would benefit no less than 1,500 retrainees. In the light of actual demand, the number of beneficiaries may be adjusted as and when required. There is no pre-set upper limit at the moment. The budget for this trial scheme is about \$2.7 million. The scheme will be reviewed in six months' time. We will take into account experience in implementing the trial scheme and suggestions on practical ways to further improve the mechanism in delivering transport support to the needy.

14. The initiative is intended to enhance the incentives for the needy to search for employment and to help them during the critical period moving from unemployment to work. CoP Paper 5/2006 would consider separately the issue of providing long-term travel support to working poor living in remote areas.

## **PROMOTING SOCIAL ENTERPRISE DEVELOPMENT**

15. As endorsed by the Commission at its meeting in September 2005<sup>6</sup>, the Government will promote the development of social enterprises (SE) and to explore its potentials, among other social benefits, in assisting the unemployed to enter the labour market by providing them with a real-work training and work opportunities, viz. work-integration.

### ***Relaxing Regulatory Requirements***

16. Secretary for Health, Welfare and Food (SHWF) updated Members at the meeting in November 2005 that the Hospital Authority (HA) has agreed to increase the weighting of employment of disabled persons in awarding contracts from 5% to 10% of the total score, and that the Administration would continue to see if there could be further increases of this weighting in future in HA as well as other public bodies.

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<sup>6</sup> CoP Paper 12/2005 refers.

17. The Enhancing Employment of People with Disabilities through Small Enterprise Project (“Seed Money” Project) currently requires an applicant's workforce to comprise more than 60% of disabled people in order to qualify for a grant. Some NGOs running SE requested for relaxation in order to broaden the range of business types that can be adopted by SE. SHWF further proposes to relax the requirement from 60% to 50%. This relaxation should enable SE to widen their range of business activities and allow more unemployed and disabled persons to benefit. A review would be conducted after implementation to evaluate the effectiveness of the new measure in encouraging SE development.

### *Using SME platform*

18. A number of brainstorming sessions and exchanges have been held in the last few months between CoP members and relevant stakeholders on how to further promote SE in Hong Kong. The discussions reaffirmed that for SE to survive and be sustainable, a critical factor is for SE to have a real enterprising spirit and a mentality to compete and operate like a business. The Government would assume a facilitating role, including ensuring SE-friendly regulatory environment, promoting community support and encouraging relevant business advisory and training initiatives.

19. Pursuant to the discussion with the Small and Medium Enterprises (SME) Committee, the existing support services now generally available to SMEs would be extended to SE alike, including -

- (a) **SME Mentorship Programme** to provide an opportunity for entrepreneurs who are at their early stage of business to learn from and be guided by accomplished entrepreneurs, senior executives, and professionals through one-on-one free counselling;
- (b) **“Meet-the-Advisors” Business Advisory Service** to provide free consultation on questions relating to the starting and running of a business;
- (c) **Business information** includes information on starting business, free access to business electronic database, a wide collection of business reference materials and a regular publication – “the SME Pulse”; and
- (d) **Activities for SMEs** such as seminars, workshops and company visits etc to enhance their business skills and enrich their business knowledge.

20. We will keep in view the experience for SEs in making use of the current SME platform and continue to improve the support to SEs where appropriate.

### ***Social Entrepreneurship Training***

21. We have earmarked \$9.8 million for supporting SE initiatives, including nurturing social entrepreneurs and strengthening their training through -

- (a) encouraging better management of resources in organizations which deliver social goals through business training opportunities, partnership with private sector organizations and professionals, as well as enhanced exposure to good social enterprise practices;
- (b) promoting innovative and entrepreneurial ways to raise revenue to support activities delivering social goals; and
- (c) encouraging more people to start-up/operate social enterprises which combine both business and social objectives in their operation.

22. We are liaising with universities/skills training institutes/private sector and non-governmental organisations to explore the feasibility of a number of initiatives, including consolidating resources on social entrepreneurship and building a platform to promote inter-disciplinary collaboration and information dissemination of innovative and successful business models of social enterprises in Hong Kong and overseas; training/business advisory service for mid-careers; and launching a Hong Kong-wide Social Enterprise Challenge to encourage the universities to collaborate with organizations delivering social goals and compete on viable and sustainable business models to help the disadvantaged.

### ***Making Government Procurement SE friendly***

23. The Government will also explore how to further facilitate SE in bidding for government contracts within the existing government procurement policy, i.e. fair and open competition, value for money, transparency and public accountability. The initiative is not intended to give SE preferential treatment – as discussed in paragraph 18 above, we believe SE should be encouraged to compete on an equal footing with the private sector in bidding for government contracts. What we are promoting is a more facilitating environment, and a holistic assessment of

value for money. This is also in line with the practice in the UK<sup>7</sup> and EU<sup>8</sup>.

24. The pilot stage would initially last for one year starting from April 2006. Key bureaux of the CoP and their respective departments<sup>9</sup> would -

- (a) consider appropriate facilitating measures, e.g. provision of procurement information, including interested parties in their contractor lists, and removing any obstacle in the procurement procedures not necessitated by the nature of the contract and which are specific to voluntary and community sector (VCS) and their subsidiaries; and
- (b) invite optional proposals relevant to the contracts to help the unemployed and give additional weighting in the marking scheme for those bids which will engage/attract them, e.g. offer employment priority to the unemployed and include elements to enhance their capacity, through training for instance. The exact weighting would depend on the nature of the contracts and the type of services required.

25. Given that the range of services provided by SE/VCS in Hong Kong are relatively limited and their capacity is relatively small at this stage, in considering facilitating measures the pilot bureaux and departments would give more attention to small value contracts and those services which SE are capable in delivering (e.g. cleansing contracts and other miscellaneous low-skilled jobs).

26. Since we are not proposing any preferential treatment to SEs, how many SE can successfully expand their market into serving the public sector would depend on their ability and capacity. Nonetheless, we would keep in view the experience of the pilot and explore the areas where we can improve to facilitate SE development. We believe this is a small step but nevertheless a step towards the right direction.

### ***Additional Funding for Districts***

27. In order to reaffirm our commitment to the district-based approach in alleviating and preventing poverty, we have committed \$150 million over the next

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<sup>7</sup> For more information, please refer to <http://www.socialenterprise.org.uk/procurement>.

<sup>8</sup> EC Interpretative Communication COM(2001)566 on the Community law applicable to public procurement and the possibilities for integrating social considerations into public procurement.

<sup>9</sup> A Working Party on SE and GP has been formed involving CoP Secretariat; Treasury Bureau; EDLB/LD; EMB; HWFB/SWD/FEHD; HAB/HAD/LCSD and TID to follow up on the initiative.



five years in order to strengthen district-based poverty alleviation work, including support for social enterprises. Among the \$150 million, the CoP endorsed at its in November 2005 to allocate \$30 million to Home Affairs Department for the establishment of a new fund to promote sustainable poverty prevention and alleviation efforts at the district level that help enhance self-reliance of the unemployed and other socially disadvantaged groups. Projects with a clear employment focus, including SE, would be given priority although district initiatives which can meet other CoP's work objectives will also be considered. The Task Force on District-based Approach has been briefed on progress at its meeting on 15 March. We will consider the deployment of the \$120 million later this year.

## **WAY FORWARD**

28. It should be emphasized that the Budget initiatives in paragraphs 3 – 27 above should not be read in isolation of the Government's continued commitment to improve people's livelihood through investing in education, helping disadvantaged groups and safeguarding public health. The Government will spend \$125 billion on education, social welfare and health in 2006-07, half of total government expenditure of the year.

29. Members are invited to note the Budget initiatives, and to offer any comments. In the months to come, the CoP will continue to consider how to improve our assistance to our workforce, in particular for the difficult-to-employed. In terms of employment assistance, the CoP will be invited to consider recommendations made in the District Study on Employment Assistance at the same meeting. The CoP will also examine our existing incentives in supporting low-income families and encouraging work, as well as how to reinforce training and re-training issues. We will also continue our work in promoting SE development in Hong Kong, and to keep Members in view of development.

Commission Secretariat  
March 2006

## The 2006-07 Budget Speech (Extract)

### Helping the Disadvantaged Groups

63. The Government is committed to helping the needy. We have made enormous investments in education, medical care, public housing and provision of a basic safety net. To put into practice the Chief Executive's policy objective that government should be for the people, I will increase the recurrent funding to help disadvantaged groups by about \$100 million, starting from 2006–07. New and improved services will be funded by:

- an additional \$27 million to strengthen convalescent and continuing rehabilitation day services for discharged disabled and psychiatric patients, and to enhance services for the disabled living in residential rehabilitation service centres;
- an additional \$30 million to strengthen family support, including enhanced out-reach services from Integrated Family Services Centres;
- an additional \$20 million to strengthen home care services for the elderly to realise our vision of “ageing in place”; and
- an additional \$20 million to improve the pilot Comprehensive Child Development Service and gradually extend its coverage for early identification of children and their families with special needs, such as single-parent and low-income families, and provision of appropriate services for them.

64. Jobs are the best way of helping the unemployed restore their confidence and achieve self-reliance. To assist those in need who are capable of working, our focus is not only on providing welfare, but also on enhancing their capability through education and training, and giving them proper employment assistance and support. Over the next five years, I will provide additional funding of about \$230 million to strengthen our efforts to help the needy. New and improved services will be funded by:

- an additional \$60 million over the next two years to continue the Intensive Employment Assistance Projects, to help unemployed CSSA recipients rejoin the workforce;

- an additional \$20 million next year to strengthen our employment assistance measures, which include:
  - introducing the pilot My STEP – Special Training and Enhancement Programme to motivate unemployed young CSSA recipients to rejoin the workforce;
  - strengthening employment assistance at the district level for long-term CSSA recipients by providing a one-off incentive of \$1,500 on a trial basis to help them settle into their new jobs;
  - providing short-term travel support on a trial basis for Tin Shui Wai, Tung Chung and North District residents who are financially needy and have completed full-time courses with the Employees Retraining Board. This will encourage unemployed people in districts further afield who are not receiving CSSA to take up employment; and
  - training the staff who run social enterprises; and
- an additional \$150 million over the next five years earmarked to strengthen district-based poverty alleviation work, including support for social enterprises.

65. The Government will assist further in the development of social enterprises. We propose to relax the existing requirement, under the Enhancing Employment of People with Disabilities through Small Enterprise Project, for an applicant's workforce to comprise more than 60 per cent of disabled people before qualifying for a grant. This relaxation will enable social enterprises to expand their business activities and allow more unemployed and disabled persons to benefit. Social enterprises will also be able to enjoy the support services now generally available to SMEs. Subject to the principles of transparency, fairness and value for money in government procurement, we will facilitate participation by social enterprises in tenders for government contracts.

66. Last year, we established the Commission on Poverty in order to review current policies with the ultimate aim of enhancing their effectiveness. In the coming year, the Commission will continue to study how to help the poor and disadvantaged and co-ordinate the implementation of the foregoing initiatives

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