

3 THE UNEMPLOYED & WORKING POOR



PROMOTING SELF-RELIANCE THROUGH EMPLOYMENT

- 3.1 For the poor with the ability to work, employment is core to alleviating poverty and achieving self-reliance. Not only does employment bring income and improve material well-being, it also enhances the self-respect of the individual, encourages participation in the community and instils a positive role-modelling for the younger generation. There is a fairly strong consensus in the community for promoting work and self-reliance instead of assisting the able-bodied through welfare.
- 3.2 Revitalising the economy to promote employment and improving people's livelihood has been an integral part of the Government's public policy. As the economy continues to revive, we witness extensive improvements in the labour market in recent years, with the unemployment rate falling across almost all major sectors, age groups, and occupational categories, thereby benefiting even workers in the lower segment. Yet, the unemployment rates in certain sectors, most notably in the construction industry, remain high. Despite improvement in wages and household income in overall terms, there remain a significant number of low-income employees and households whose well-being deserve our concern and focused attention.

WORK OF THE COMMISSION

Employment covers wide policy areas cutting across a number of policy bureaux and departments. There are various incentives/disincentives (“push” and “pull” factors) which are relevant to encourage employment and need to be examined holistically. The major direction of CoP’s work is as follows -

- analysing the issues relating to employment and poverty alleviation and identifying the key challenges;
- examining existing government policies and measures and identifying areas for improvements;
- promoting new approaches and building partnerships to assist those who are “difficult-to-employ”, mainly the low-skilled, low-education and middle-aged workers.

THE KEY CHALLENGES

3.3 The Commission has conducted an examination of the relevant data and issues relating to employment and poverty alleviation¹. Some of the key challenges are highlighted below –

Changing nature of labour demand: The Hong Kong economy has undergone fundamental restructuring and transformation into a knowledge-based and high value-added economy since 1990s. This has tilted labour demand more towards higher-skilled workers. The demand for lower-skilled workers has been weakened further by the recent series of events, including the Asian financial crisis in 1997, global economic slowdown in 2001 and the outbreak of SARS in 2003. Although there has been substantial job upgrading among the local workforce in order to cope with the changing work requirements in a modern economy, greater adaptation difficulties are still found among the low-skilled and low-education workers. This challenge will likely remain as Hong Kong continues to develop into a high value-added knowledge-based metropolitan city.

Wages for low-skilled work remain low: The earnings of workers with low skill and low education remain relatively low compared to the median wage. For instance, the wage level of the lower quartile of the overall wage distribution is \$7,147, which is 29% lower than the median wage level of \$10,123. On the other hand, the average monthly CSSA payment is at a level close to the median wage. For instance, the average monthly CSSA payment to a four-person household is around \$9,236, equivalent to 129% of the lower quartile of the overall wage distribution. Thus, the financial incentives for the lower-income households in particular the larger ones to stay on CSSA instead of rejoining the workforce are strong, not to mention the unstable nature and working conditions of low-skilled jobs. The challenge is no longer simply a lack of job opportunities, but how to achieve a balance of the “push” and “pull” factors in the labour market.

CSSA for the unemployed and low-income employees: In the absence of an unemployment insurance system in Hong Kong, the CSSA (which is designed as a safety net of the last resort for those who cannot support themselves financially) is used to assist the unemployed. Low-income employees who are not earning enough to support themselves and their families can receive income support under the “low earnings” category of the CSSA Scheme. CSSA also provides comprehensive coverage based on the needs of the households, leading to a range of other benefits such as free public healthcare, housing rental assistance and student financial assistance. On the other hand, there are some who are needy but may not choose to be assisted by the CSSA Scheme due to various reasons, including the avoidance of the social stigma attached to the Scheme. The challenge is how the system can provide suitable support to the unemployed and the working poor while not dampening the incentives for those who have the ability to work to springboard to employment and self-reliance.

“WHO ARE THE WORKING POOR?”

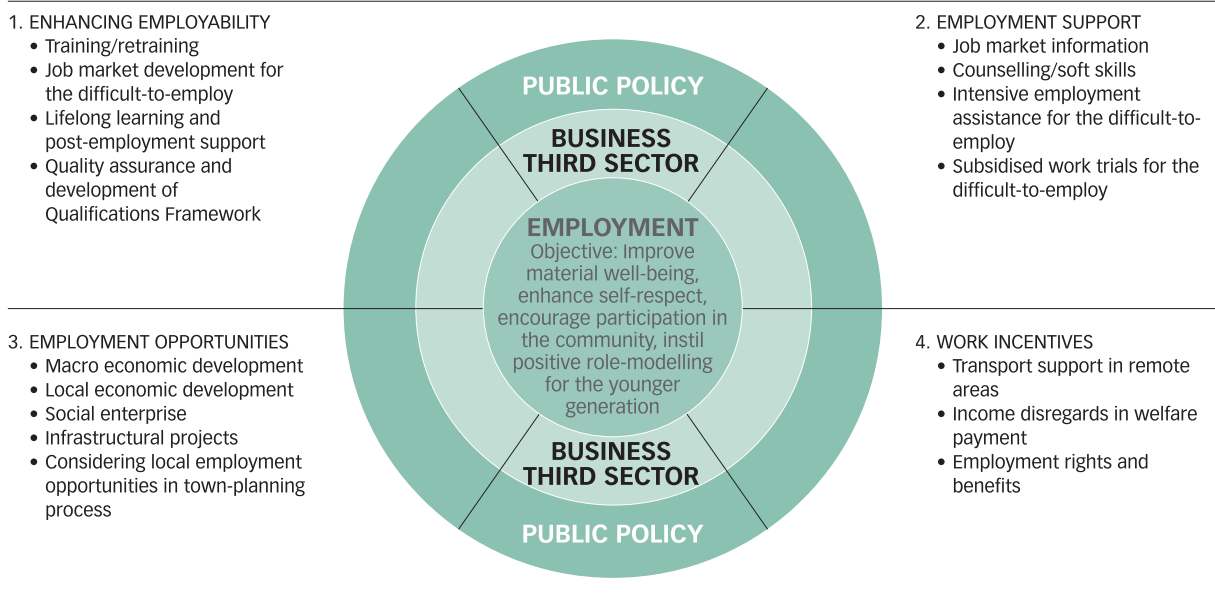
In compiling the indicators of poverty, we have included an indicator on the number of low-income employees in Hong Kong, viz. persons working 35 hours or above per week and with monthly employment earnings less than 50% of the median. In 2006, there were 213 600 such full-time low-income employed persons, representing 8% of total full-time workers aged 15-59. It is worth noting that, among these low-income earners, 12% were self-employed persons and 6% were unpaid family workers.

The number of persons living in low-income households with income below average CSSA payment was 893 700 in 2006. Since over half of these low-income households were elderly households² (36%) and economically inactive households³ (21%), the number of working poor households could be reflected more accurately with the figure of those with at least one employed member with a monthly income below average CSSA payment for households of the same household size (excluding foreign domestic helpers). There were 122 000 working poor households in 2006, accounting for 5.5% of all households in Hong Kong. The number and proportion of such working poor households were decreasing in recent years, suggesting that the improvement in labour market amid the strong economic performance in recent years was of great help in alleviating the poverty situation.

FROM WELFARE-TO-SELF-RELIANCE

3.4 In responding to the key challenges, the Commission considers that a proactive strategy should be adopted in assisting the unemployed and the working poor to move out of poverty and achieve self-reliance. Instead of using a passive approach relying mainly on public assistance, efforts should be focused on enhancing their employability, providing effective employment support, promoting employment opportunities, and providing suitable work incentives.

PROMOTING EMPLOYMENT – AN INTEGRATED FRAMEWORK



3.5 The four areas in the framework relate to the quality of human capital, facilitating measures, job availability, and motivation issues. The Commission has examined each of the four areas and explored possible improvements, as well as new measures and approaches to enhance the effectiveness of the current efforts.

1. ENHANCING EMPLOYABILITY⁴

Education and job-training are the best poverty prevention programmes, and they are the least expensive measures⁵.

3.6 In relation to poverty alleviation, the focus is on how to assist the “difficult-to-employ”, viz. low-skilled, low-education and middle-aged workers to enhance their employability and to adjust to the changing demands of the labour market. Retraining unemployed and displaced workers is a very difficult area given their low educational attainment, and age and psychological barriers in entering a new field. Some of the unemployed women may have been away from the labour market for a long period and need tailor-made support.

- 3.7 The Employees Retraining Board (ERB), established in 1992, is the main agency to meet the training needs of the unemployed persons aged 30 or above with no more than junior secondary education level. The Commission supports a number of directions to strengthen training to the “difficult-to-employ” persons -
- (a) developing market-oriented courses, as well as new and untapped job market for the low-skilled workers e.g. local domestic helpers, post-natal mentors, healthcare massage/foot reflexology workers, and elderly home care workers;
 - (b) enhancing quality assurance to gain confidence of employers in the skills standards of retrainees, and developing quality-assured training courses to gain recognition under the Qualifications Framework;
 - (c) enhancing post-employment support and promoting life long learning, including through establishing Retraining Resources Centres (RRCs) to develop the self-learning capacities of the retrainees. This is particularly relevant to the needs of the working poor as a form of “unemployment prevention” training; and
 - (d) providing training opportunities for the unemployed aged 25 to 29.
- 3.8 The Commission suggests that the Government should review the provision of training, retraining, skills upgrading and lifelong learning holistically along the direction above, to ensure that they are market-oriented and address the needs of the unemployed and working poor. The Government should also provide additional resources where appropriate. At the same time, when the levies collected from the employers of foreign domestic helpers could be used, the Government should make good use of this substantial additional amount of resources for strengthening training and retraining efforts.

2. EMPLOYMENT SUPPORT

- 3.9 Effective employment support can facilitate a smooth transition from unemployment to work by providing the unemployed with appropriate job market information, soft skills training and guidance. The “difficult-to-employ” require more intensive employment and post-employment assistance, and those with different ages and socio-economic background have different needs and require more targeted support.
- 3.10 Contrary to some misconceptions that the Government does not play an active role in the employment area, there is in fact a wide range of active measures to raise the employability of the workforce, to stimulate employment and facilitate the unemployed to rejoin the labour force. Resources used in facilitating employment and assisting the unemployed back to work amount to \$4 721 million in 2004, details at Appendix ii.

- 3.11 Hence, the issue may not be the lack of resources committed to help the unemployed, but rather how to make the best use of the resources available through better coordination, more timely intervention, and reducing gaps and duplication. The Commission conducted a “District Study on Employment Assistance” to examine the delivery of existing employment assistance at the district level and to explore room for improvement. The Report has put forward 18 recommendations for the Government’s consideration⁶ (Executive summary at Appendix iii). In gist, the Commission recommends that the Government should -
- (a) adopt a more integrated approach to make the best use of the resources available to deliver more effective employment support;
 - (b) adopt a more people-oriented approach and give more targeted and coordinated assistance to the “difficult-to-employ”; and
 - (c) strengthen interface at the district level, particularly in those districts with stronger needs for more targeted employment support.
- 3.12 In the short to medium term, priority should be accorded to improving coordination, sharing of information and referrals among existing employment-related programmes. In the longer run, the Commission recommends that the Government should review holistically, with priority in those districts with more serious unemployment situation, how to achieve the target of “one-stop shop” in the provision of employment assistance, so that the able-bodied persons especially those who are “difficult-to-employ” can access relevant training and employment assistance easily. Overseas experience of providing public assistance, employment support and re-training services under one roof or by one coordinating body may be of useful reference.

3. EMPLOYMENT OPPORTUNITIES

- 3.13 Enhancing employability and providing effective employment support are supply-side measures to improve the quality of human capital and facilitate their integration into the labour market. The Commission considers that proactive measures to promote employment opportunities and increase labour market demand are equally essential.
- 3.14 Given the open nature of Hong Kong’s economy, our economic growth and employment opportunities are subject to the influences of global and regional economic performance and outlook. Hence, “Market leads, Government facilitates” has been a core principle in driving the economic development and increasing employment opportunities in Hong Kong.

- 3.15 With concerted efforts from the Government and other sectors, our economy has achieved more broad-based growth, providing job opportunities for all sectors including the low-skilled workers (e.g. in tourism, retail trade, logistics). The Government also actively promotes investment in public works and infrastructural projects in order to bring employment opportunities, particularly to the construction sector where the unemployment rate remains high. As the economy continues to forge ahead, the employment conditions in various economic sectors, including those engaging more low-skilled workers, look set to improve further.
- 3.16 Drawing experience locally and overseas, the Commission supports further promoting the development of social enterprises⁷ as an additional approach to assist those who are “difficult-to-employ” to integrate into the job market and capture job opportunities. The Commission recognises that social enterprises can enhance the self-concept and employability of the disadvantaged, and bring other positive outcomes including building social capital and encouraging tripartite partnerships.

WHAT IS SOCIAL ENTERPRISE?

Background and mode of operation of social enterprises (SEs) are very diverse. There is no common definition of social enterprises. Such enterprises should include the following key distinguishing features -

- **Simultaneous pursuit of business and social objectives** - SEs are characterised by the integration of commercial approaches and social purposes. The social objectives are wide-ranging, e.g. facilitating work integration of the disadvantaged or environmental protection.
- **Engagement in business/trading activities** - SEs should operate on commercial principles and with major source of income from trading activities (instead of provision of social services).
- **Not-for-profit** - SEs should primarily be positioned to achieve social objectives instead of maximising profits. Profits/surpluses from the operations should principally be reinvested for that purpose in the business or in the community.

3.17 The Commission has launched a series of initiatives along the following direction -

- (a) **Establish the value of the concept and gain public acceptance** through publicity, conferences, seminars and researches.
- (b) **Create an enabling environment:** The “Enhancing Self-Reliance Through District Partnership Programme” launched in June 2006 provides seed money to social enterprises. A total of \$150 million has been earmarked for five years for the purpose.
- (c) **Business facilitation and support:** Existing support provided to small and medium enterprises has been extended to social enterprises, including business mentorship programmes and business advisory service. In order to nurture more management talent for social enterprises, the Hong Kong Council of Social Service together with a number of tertiary institutes has offered Hong Kong’s first social enterprise management training course.

A summary of the actions launched by the Commission is at Appendix (iv).

3.18 The Commission notes that there is an increasing public acceptance of the potentials and benefits of social enterprise in helping the disadvantaged, and supports its further development. The Commission considers that one of the key factors contributing to the success or otherwise of these enterprises is how they can become better businesses. Forging more effective partnerships between the Third Sector and the private sector in this regard is important⁸.

4. WORK INCENTIVES

Disregarded Earnings⁹

3.19 Disregarded earnings (DE) refer to the earnings from employment that are disregarded when assessing the amount of assistance payable to CSSA recipients. It aims to allow CSSA recipients who work to be financially better off than those relying entirely on welfare, thus encouraging those who can work to find and remain in employment.

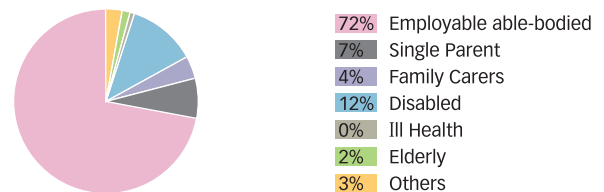
3.20 The total amount of CSSA recipients’ earnings that were disregarded increased significantly from \$298.9 million in 2001-02 (equivalent to 2.1% of total CSSA expenditure) to \$830.7 million (equivalent to 4.7% of total CSSA expenditure) in 2005-06, up \$531.8 million or 178%. By comparison, total CSSA expenditure increased by 23.3% over the same period.

3.21 As at March 2006, 37 943 CSSA recipients benefited from DE. These included 25 335 able-bodied low-income recipients, whose average monthly income was \$4,688. The age and status profiles of the CSSA recipients who are benefiting from DE are shown below:

AGE OF THE CSSA RECIPIENTS WHO ARE BENEFITING FROM DE



STATUS OF THE CSSA RECIPIENTS WHO ARE BENEFITING FROM DE



3.22 The Commission notes that since DE is implemented alongside a package of intensified measures to encourage self-reliance, and the number of employable able-bodied CSSA recipients who return to employment are subject to a host of factors including availability of job opportunities, it is difficult to isolate the impact of DE as a work incentive and there is no clear evidence to suggest that the impact is substantial.

3.23 Nevertheless, the Commission supports improvement to the provision of DE on the following considerations -

- (a) The effectiveness of DE should be assessed not just by the amount of public funds saved through encouraging work, but also by the wider positive social impacts of the arrangement, particularly in promoting work habit and job retention rather than relying on public assistance.
- (b) Given the relatively low employability of the unemployed CSSA recipients (as at March 2006, some 33% aged between 40 – 49, and some two-thirds had education level of primary or below), encouraging this group to work albeit remaining on low-income CSSA cases should be supported.

3.24 In this context, the Commission welcomes the Government's decision to -

- (a) raise the “no-deduction” limit of monthly DE from \$600 to \$800; and
- (b) relax the “no-DE” rule to allow CSSA cases to be eligible for DE from not less than three months to not less than two months.

Transport support for remote districts¹⁰

- 3.25 The Commission notes the relative lack of local employment opportunities in some remote districts. For needy unemployed persons and low-income earners living in these districts, the community is concerned that transport costs may become a disincentive for them to work across districts. Hence, the Commission supports the broad direction to provide transport support for the needy living in remote areas to encourage them to work.
- 3.26 A short-term travelling support scheme was implemented in 2006-07 in Yuen Long, North and the Islands districts on a trial basis to facilitate eligible graduates of the ERB to transit from unemployment to work. In January 2007, the Commission further supports launching a Pilot Transport Support Scheme with a wider scope and coverage, i.e. providing Job Search Allowance and Cross-district Transport Allowance to needy unemployed and low-income employees in four remote districts, viz. Yuen Long, Tuen Mun, North and the Islands districts to search for jobs and work across districts. The Commission welcomes the Government's decision to launch a one-year pilot Scheme in mid-2007.
- 3.27 In deliberating the suitable mode of operation of the pilot Transport Support Scheme, the Commission considers that the Scheme should have a clearly defined scope and purpose, viz. to address the relative lack of employment opportunities in the remote districts and to provide incentives for the needy unemployed and low-income employees in these districts to find employment and work across districts. Hence, the Scheme is limited to four remote districts only instead of a territory-wide scheme.
- 3.28 The Commission also considers that the subsidies are not meant to be a form of income support to supplement the low-wages of employees. Rather, the support should be considered as an interim relief and therefore should be time-limited. Providing the subsidies on a long-term basis would likely bring adverse impact on wages and heighten the parity issues for low-income employees living in other districts.
- 3.29 In the longer run, the Commission recommends that the Government should consider more sustainable measures to address the relative lack of employment opportunities in the remote districts. For instance, the Commission notes that a sizeable portion of jobs in remote areas are taken up by residents living outside the areas. This seems to suggest that location accounts for only part of the unemployment problem; the mismatch of skills and knowledge as well as the attitude and motivation to hold on to locally available jobs may also be relevant.
- 3.30 In addition, more effective and coordinated employment assistance and capacity enhancement in these remote districts, coupled with local economy and social enterprise development, may be more effective and sustainable in helping the low-income earners.

3.31 The Commission has also highlighted the importance of town planning and urban development to meet the needs of our community and achieve sustainable development, including employment and the needs of the disadvantaged, amid growing awareness and concern in the community. The Commission recommends that in future, the planning process should give due consideration to social and demographic considerations such as population, employment, social networks, supporting facilities and other people-based issues.

A different approach to assist the unemployed and the working poor?

3.32 In discussing work incentives, there have been calls for the establishment of an official income-related poverty line below which the working poor should be assisted. There have also been suggestions in the community to establish a “second social safety net”, on grounds of the lack of a support network for the working poor who are not on CSSA.

3.33 In terms of existing support to the working poor, the Commission notes the Government provides a wide range of highly subsidised public services, viz. public housing, education, public health care services and other welfare services¹¹. These services form part of the social safety net available to low-income working poor families and CSSA households alike. The CSSA payment level has been widely used and recognised as the level needed to meet the basic living requirements in our community. Different public services have also established the relevant benchmarks for assessing needs. While the Government should continue to improve the access to essential services by the needy, it remains to be demonstrated of the additional practical need for establishing a new poverty line or a second social safety net.

3.34 The issue thus may not be an absence of a safety net, but rather how the present arrangement can be improved to provide better support for the working poor. In this regard, the Commission notes that while the CSSA low-income category provides financial assistance to low-income employees who are not earning enough to support themselves and their families, this arrangement was introduced against a background of very low level of public assistance and the need to provide additional incentives to encourage the CSSA recipients to work instead of staying on welfare. With the relatively high financial incentives for the lower-income group in particular the larger households to stay on CSSA and the comprehensive nature of the support, the CSSA may not be the most optimal arrangement to encourage work and provide support to the working poor.

3.35 The Commission suggests that the Government should consider a different approach to assist the unemployed and the working poor – to move from a passive approach relying mainly on public assistance to a more pro-employment approach for the able-bodied employable persons. Some members have suggested that the Government should re-think the current “all-or-nothing” concept under the CSSA, since the system makes it difficult for recipients to

leave the CSSA net. It is however recognised that any modification to the nature of financial assistance to the unemployed and the working poor is a very complicated issue, especially given the CSSA is paid on a household basis, taking care of the needs of all eligible members of the households.

Time-limited CSSA?

- 3.36 Besides the various “pull” measures to enhance employability, facilitate employment, promote job opportunities and increase work incentives, there remains some community concern on whether the CSSA Scheme would encourage welfare dependency, and whether there are adequate “push” measures to avoid the able-bodied employable persons becoming long-term welfare recipients.
- 3.37 In this regard, the Government has introduced a series of “push measures” including requiring able-bodied employable CSSA recipients to find jobs actively, to conduct community work, to participate in the Intensive Employment Assistance Projects, and to impose sanctions if they violate the requirements. The duration of stay on CSSA for the able-bodied unemployed and low-income recipients nevertheless continues to rise in the last few years.

DURATION OF RECEIVING CSSA OF THE ABLE-BODIED UNEMPLOYED CSSA RECIPIENTS

	As at Mar 2003 (%)	As at Mar 2004 (%)	As at Mar 2005 (%)	As at Mar 2006 (%)
Duration of receipt of CSSA				
< 6 months	20.8%	14.4%	11.7%	10.2%
6 - < 12 months	17.9%	17.7%	10.1%	8.7%
1 - < 2 years	18.7%	21.3%	19.3%	13.3%
2 - < 3 years	8.6%	13.0%	16.4%	14.8%
3 years and above	34.0%	33.6%	42.4%	53.0%
Median length (months)	18	22	31	39

DURATION OF RECEIVING CSSA OF THE ABLE-BODIED LOW-INCOME CSSA RECIPIENTS

	As at Mar 2003 (%)	As at Mar 2004 (%)	As at Mar 2005 (%)	As at Mar 2006 (%)
Duration of receipt of CSSA				
< 6 months	13.6%	7.6%	5.2%	3.9%
6 - < 12 months	16.4%	16.1%	8.3%	6.4%
1 - < 2 years	18.9%	22.1%	20.0%	12.6%
2 - < 3 years	10.4%	13.7%	18.7%	17.1%
3 years and above	40.8%	40.5%	47.8%	60.0%
Median length (months)	25	27	35	43

3.38 There is currently no time limit in the CSSA payment for recipients. The Commission notes that the Government has drawn reference from overseas experience on the concept of time-limited CSSA for the able-bodied welfare recipients. For the “difficult-to-employ” who genuinely cannot find jobs in the open labour market, removing all financial assistance may not be considered appropriate. In addition, given the “one-household rule” under the CSSA Scheme, there is a need to consider carefully how to manage the impact of the measure including providing subsistence support to those households reaching the time limit, especially the elderly and the children members. It is also noted that such “push-measures” cannot be launched in isolation, and needs to be accompanied by more integrated employment support and other complementary measures.

Protecting labour rights

3.39 It is important to ensure that work is a more attractive option for the able-bodied workers, compared to staying on welfare. If wages for low-skilled workers remain unreasonably low, it is difficult for workers to support their families and achieve self-reliance. In this light, the Commission notes that the discussion about improving workers’ conditions (such as the proposal to introduce a statutory minimum wage) is relevant to poverty.

3.40 At the same time, the Commission notes that poverty issues of low-income households involve not only the level of wages of the breadwinners, but also the needs of the households as a whole. In deliberating on the appropriate forms of support and work incentives to the low-income workers, the Government should take into account the needs of the low-income households as a whole.

3.41 The Commission notes that the discussion on minimum wage involves complex policy considerations and may have far-reaching implications on Hong Kong’s socio-economic development, and there are on-going discussions on the subjects at other forums. The Commission also notes that the Government has launched the Wage Protection Movement for cleansing workers and security guards (WPM). A mid-term review will be conducted in October 2007 to gauge its progress whilst an overall review in October 2008 to evaluate its effectiveness. If the overall review finds that the WPM fails to yield satisfactory result, the Government will introduce statutory minimum wage in the cleansing and guarding services sectors.

DIRECTION FOR FUTURE WORK

3.42 Enhancing employability, providing effective employment support, promoting employment opportunities, and providing suitable work incentives are the four key areas which we should continue to strengthen our efforts to encourage the unemployed and the working poor to work and move to self-reliance. These measures are inter-linked and should be examined holistically, with special focus on the needs of the more “difficult-to-employ”.

1. ENHANCING EMPLOYABILITY

- **Review the provision of training, retraining, skills upgrading and lifelong learning** holistically to ensure that they are market-oriented and have taken into account the needs of the unemployed and working poor (*Paragraph 3.8*).
- **Further strengthen training and retraining efforts**, including making use of the levies collected from the employers of foreign domestic helpers when the resources could be used (*Paragraphs 3.7 and 3.8*).

2. EMPLOYMENT SUPPORT

- Adopt an **integrated approach in the delivery of training and employment assistance** in order to make the best use of the resources available and provide more targeted assistance to the “difficult-to-employ” (*Paragraph 3.11*).
- Review holistically how to achieve the target of “**one-stop shop**” in the provision of employment assistance, so that the able-bodied persons especially those who are “difficult-to-employ” can access relevant training and employment assistance more easily (*Paragraph 3.12*).

3. EMPLOYMENT OPPORTUNITIES

- **Promote economic development**, with particular attention to sectors which provide job opportunities for low-skilled workers (*Paragraphs 3.14 – 3.15*).
- Support the development of **social enterprises** as an innovative approach to promote self-reliance and to assist those who are “difficult-to-employ” to integrate into the job market and capture job opportunities (*Paragraphs 3.16 – 3.18*).
- **Strengthen employment support at the district level**, particularly in those districts with stronger needs for more targeted support, coupled with local economy and social enterprise development, as well as investment in public works and infrastructural projects (*Paragraphs 3.29 – 3.30*).
- Give more attention to social and demographic considerations such as population, employment, supporting facilities and other people-based issues **during the planning process** (*Paragraph 3.31*).

4. WORK INCENTIVES

- Monitor and review the implementation of the pilot Transport Support Scheme, and consider the appropriate form of **incentives to encourage work** (*Paragraphs 3.25 – 3.28*).
- Implement **DE improvements** to further encourage unemployed CSSA recipients with relatively low employability to work (*Paragraphs 3.19 – 3.24*).
- In the longer run, the Government should consider how best to **structure our support for the able-bodied unemployed and the working poor** so that the system will provide the necessary incentives for those who have the ability to work to springboard to employment and achieve self-reliance (*Paragraphs 3.32 – 3.41*).