

LCQ1: Provision of assistance for the unemployed

Following is a question by the Hon Vincent Cheng and a reply by the Secretary for Labour and Welfare, Dr Law Chi-kwong, in the Legislative Council today (February 3):

Question:

The latest seasonally adjusted unemployment rate is 6.6 per cent, hitting a record high in 16 years, with the numbers of unemployed and underemployed persons reaching as high as 240 000 and 130 000 respectively. As shown in the findings of a survey, over 60 per cent of the respondents indicated that amid the epidemic, their income had decreased and that they might lose their jobs. With the Lunar New Year approaching, waves of businesses closing down and layoffs may spark off anytime. In this connection, will the Government inform this Council:

(1) as some political parties have projected that the introduction of an unemployment assistance scheme offering a monthly subsidy of \$6,000 or \$9,000 to each unemployed person for a period of six months will involve public money in the amount of \$8.8 billion or \$13 billion respectively, which is far lower than the amount of \$80-odd billion spent on the Employment Support Scheme, what justifications the Government's refusal to introduce an unemployment assistance scheme on the grounds that it will spend a huge sum of public money;

(2) given the fluctuating epidemic situation and the worsening employment situation, some academics have anticipated that the unemployment rate will rise to 7 per cent within a short period of time, whether the Government will consider afresh introducing a time-limited unemployment assistance scheme or new assistance schemes; if not, what new measures it will put in place to help members of the public face up to the imminent waves of layoffs; and

(3) whether it will, by drawing reference from the earlier practice of redeploying resources from the Beat Drugs Fund to uses which aimed at raising the awareness of mental health among members of the public, redeploy resources from other funds to provide assistance to the unemployed and underemployed; if so, of the details; if not, the reasons for that?

Reply:

President,

In consultation with relevant bureaux and departments, my consolidated reply to the Member's question is as follows:

As recently released, the seasonally adjusted unemployment rate rose by 0.3 percentage point from September – November 2020 to 6.6 per cent in

October – December 2020. The unemployment rate usually went down in December over the years, as Hong Kong's economy was generally more robust in the same month. However, the fourth wave of the Coronavirus Disease 2019 epidemic was at its peak in Hong Kong in December last year and the Employment Support Scheme has ended. Therefore, when the unemployment rate picked up, the seasonally adjusted unemployment rate deviated more substantially from the actual situation. Compared to September – November 2020, the number of unemployed persons increased by 1 500 (equivalent to about 0.04 per cent of the labour force) in October – December 2020.

Nonetheless, in view of the continuous fluctuations of the fourth wave of the epidemic which has seriously affected Hong Kong's economy and labour market, the HKSAR Government (the Government) will keep in view changes of the actual circumstances and strive to keep on exploring ways to strengthen assistance for the unemployed and their families. Over the past year, in light of the tremendous challenges brought about by the epidemic to Hong Kong's employment situation and overall economy, the Government has implemented a host of measures to create and stabilise job opportunities. We expeditiously introduced the Anti-epidemic Fund (AEF) not just to enhance Hong Kong's overall anti-epidemic capability but also provide suitable relief to sectors and individuals hard-hit by the epidemic or affected by the anti-epidemic and social distancing measures. Coupled with the Government's injection into the AEF and relief measures under the 2020-21 Budget, a financial commitment totalling over \$300 billion, which represents about 11 per cent of the Gross Domestic Product, has been incurred. The Financial Secretary anticipated that the consolidated deficit for the current financial year will surge from the original estimate of \$139.1 billion to about \$300 billion whereas fiscal reserves will drop to around \$800 billion, equivalent to 12 to 13 months of government expenditure and close to the level after the SARS epidemic in 2003. The Government will, having regard to the development of the epidemic and the situation of different sectors, review the effectiveness of the relief measures and introduce enhancements if needed.

Funding under the AEF has been earmarked to create time-limited jobs within two years. As at end-December 2020, around 31 000 jobs have been created under the Job Creation Scheme, of which those jobs created in the Government and in the non-governmental sector are approximately equal in proportion. Among these jobs, around 14 000 have been filled, while the recruitment of the remaining 17 000 has already commenced or will commence shortly. In addition, we rolled out the Greater Bay Area Youth Employment Scheme on January 8 this year with 2 000 places. As at end-January, more than 170 enterprises have registered with the scheme's secretariat to express their interest in joining the scheme, offering a total of 1 100 job vacancies. The vetted vacancies are being uploaded to the scheme's dedicated website by batches for graduates to apply.

Separately, the Comprehensive Social Security Assistance (CSSA) Scheme has all along served its function as a safety net effectively. With the local unemployment rate continuing to rise since late 2019, the number of CSSA unemployment cases has also increased. Over the past 12 months (at end-

December 2020), the total number of CSSA unemployment cases has recorded a nearly 55 per cent increase, which shows that the CSSA Scheme has been providing necessary assistance to the unemployed. The Government has launched the "Special Scheme of Assistance to the Unemployed" under the CSSA Scheme on June 1, 2020 for a period of one year to temporarily relax the asset limits for able-bodied persons by 100 per cent. To render further support to the unemployed, the Government sought approval from the Legislative Council Finance Committee in January 2021 to implement another time-limited new arrangement under the special scheme during the six months of April 1 to September 30, 2021. Specifically, the cash value of insurance policies of able-bodied CSSA applicants will not be counted as assets during the grace period of one year.

The effectiveness of the Love Upgrading Special Scheme launched by the Employees Retraining Board (ERB) is particularly impressive. The ERB launched Phase 1 and Phase 2 of the Love Upgrading Special Scheme in October 2019 and July 2020 respectively, enabling participating trainees to receive retraining of their own choices. The maximum amount of monthly allowance per trainee during the training period has substantially increased from \$4,000 to \$5,800 starting from May 2020. The ERB has launched Phase 3 of the Love Upgrading Special Scheme in January 2021 with a doubled quota for 20 000 trainees. The ERB will also continue to assist the unemployed and underemployed by providing around 140 000 places yearly through its regular training courses.

The Labour Department (LD) has, starting from September 2020, raised the ceiling of on-the-job training (OJT) allowance payable to employers under the Employment Programme for the Elderly and Middle-aged, the Youth Employment and Training Programme and the Work Orientation and Placement Scheme with a view to further encouraging employers to hire the elderly and middle-aged, young people and persons with disabilities and provide them with OJT. The LD also launched a pilot scheme concurrently to encourage eligible persons to complete OJT under the above employment programmes through the provision of a retention allowance, thereby stabilising employment.

In addition, the Community Care Fund has launched the first round of the "One-off Living Subsidy for Low-income Households Not Living in Public Housing and Not Receiving Comprehensive Social Security Assistance" Programme (Living Subsidy Programme) and the "One-off Allowance for New Arrivals from Low-income Families" Programme in July and September 2020 respectively. The second round of the Living Subsidy Programme has just been rolled out in January 2021. The total budget of the above Programmes amounts to around \$4.7 billion.

In addition to the above short-term assistance, according to the Employment Ordinance, if an employee who has been employed under a continuous contract is dismissed and meets the specified conditions and the qualifying length of service, he/she is entitled to severance payment (SP) or long service payment (LSP). The maximum amount of SP and LSP is \$390,000. These provisions would provide economic support to the employees concerned to help alleviate their financial hardship caused by the loss of employment.

Since there are currently no systems such as pay-as-you-go income tax system, contributory social insurance system or central provident fund system in place, and the Government cannot obtain detailed tax information of all employees in Hong Kong, the implementation of a new unemployment assistance system will require serious and thorough deliberation as well as public discussion. Apart from considering the new system in tandem with the existing SP and LSP systems, we have to look into and evaluate the impacts of such a systemic change on the conduct of employers and employees as well as the overall economy, and the ways to meet the resources required for the substantial work arising from system administration and abuse prevention.

Regarding the suggestion on introducing a time-limited unemployment assistance system, as I have mentioned above, the CSSA Scheme as well as the aforesaid short-term measures with wide coverage have assisted unemployed persons and their families in tiding over short-term financial difficulties during the epidemic and economic downturn. Therefore, the temporary unemployment assistance, if provided, will overlap with these existing measures. Moreover, according to past experience, we should not be optimistic that the proposed so-called "temporary" unemployment assistance could complete within a short time.

In any case, we will continue to listen to members of the public and provide more assistance for the unemployed and their families in the light of the development and needs. Once concrete progress is made, we will make it known to the public and report to the Legislative Council.

Thank you, President.