

SLW's Letter To Hong Kong on anti-epidemic measures and Employment Support Scheme (English only)

Following is the Letter To Hong Kong by the Secretary for Labour and Welfare, Dr Law Chi-kwong, on anti-epidemic measures and the Employment Support Scheme carried on Radio Television Hong Kong Radio 3 this morning (April 19):

Good morning, fellow citizens of Hong Kong.

As we all know, Hong Kong as well as most parts of the world are facing a pandemic that has an enormous negative impact on our social and economic life. At this juncture, we don't have any accurate way to predict what will happen in the coming months. Two months ago, we were worried about whether COVID-19 would become a pandemic. Yet, the scale of the pandemic as we see now is not what we could have imagined two months ago. What we can do now is tackle the social and economic crisis upfront and build the resilience of our society, in particular, our employment market, so that when the time comes where social and economic activities can resume no matter how gradually or rapidly, our society can bounce back as soon as possible.

Unemployment has edged up bit by bit since the latter part of 2019. Statistics and daily news about business closures are telling us that unemployment is going up rapidly. While we should see what can be done to help those unemployed, the more important and urgent task is to see how we can "stop the bleeding", which essentially means job retention. The Employment Support Scheme, with a budget of over \$80 billion, is designed exactly for that purpose. Through providing time-limited financial support, the whole idea of this Scheme is to preserve jobs by enabling employers to keep their employees in employment for the coming months, and also when business resumes, employers can immediately grab the opportunities.

The central idea of the Employment Support Scheme is to provide wage subsidy that is equivalent to 50 per cent of the wages of the employees up to a wage cap of \$18,000 per month. The subsidy is given to the employers so that they can keep their staff for the coming six months. The employers will be required to have no redundancy or layoffs during the months that they receive wage subsidies from the Government.

In Hong Kong, we do not have a pay-as-you-go income tax system. Neither do we have a social insurance system nor a central provident fund to cover everyone in our workforce. That means we do not have any existing system covering every employer and employee in Hong Kong that we can devise a wage subsidy scheme that covers everyone. Any system meant to cover everyone in our workforce must be mandatory in nature and that will take time for us to have the relevant legislation in place and subsequently the system built. However, schemes under the Mandatory Provident Fund (MPF) and the other

Occupational Retirement Schemes provide a framework that we can develop a wage subsidy scheme to cover the great majority of the workforce. This is definitely not sufficient. In particular, we have identified three sectors that do not have good coverage in the provident fund systems. They are the catering industry, the construction industry and the passenger transport sector. Under the Anti-epidemic Fund, we have three sector-specific schemes to assist the employers and the employees in these sectors.

Many freelance workers or those in the so-called slash economy do not make contributions to the MPF. Though we have over 200 000 self-employed persons having an account in the MPF system, they do not pay MPF regularly. While we will provide a one-off wage subsidy to those self-employed persons who have made MPF contributions within the past 15 months, we also have three separate but mutually exclusive schemes operating under the Home Affairs Bureau, the Education Bureau and the Social Welfare Department, providing the same one-off wage subsidy to those freelance workers who provide arts and sports training. The one-off wage subsidy is \$7,500.

Though all the schemes I mentioned above still cannot cover everyone in the workforce, this is the best we can do in making use of existing systems so that we can launch this round of the Anti-epidemic Fund in the shortest possible time to help our employers and employees to survive the challenges that are with us now. Any new systems to be built from scratch will not be able to provide the necessary timely support that employers and employees desperately need.

As mentioned earlier, unemployment is increasing at a disturbing rate. The basic unemployment protection system in Hong Kong relies on two legs. One is the Severance Payment or Long Service Payment payable by the employers, which is equivalent to two-thirds of the monthly salary times the number of years of service with the employer. The other is the Comprehensive Social Security Assistance (CSSA) Scheme. The CSSA provides a level of income support to families for their basic level of living in the context of Hong Kong. The CSSA provides a safety net to any family not having sufficient means, including those who are unemployed. Apart from the income test, the CSSA also has an asset test. For the purpose of providing extra help to those unemployed during this difficult time, the Government will double the existing asset limit for able-bodied for a limited period of six months, allowing more families with people unemployed to become eligible to receive CSSA. We estimated that about 40 000 families will benefit from this enhancement.

Unfortunately, over the years there is a social stigma towards the CSSA system. People in desperation may be deterred from applying for CSSA simply because of the stigma. This is the time for us to de-stigmatise the CSSA system. It is the safety net for citizens of Hong Kong. It is the responsibility of an affluent society like Hong Kong to provide the basic level of living to those who cannot afford to do so on their own. This is the time, this difficult time, that this safety net should perform its basic function.

We are doing our best to support Hong Kong in this epidemic fight. Let's

weather the storm and brave the challenges together.