

Oxfam Hong Kong Submission for The 2025-26 Budget Consultation

February 2025

During the consultation period for the 2025-26 Budget, the deficit is the foremost concern among stakeholders. While various stakeholders are proposing the development of new revenue streams, greater emphasis is being placed on expenditure reduction, including social welfare provisions.

However, low-income individuals are the most affected group as society undergoes structural changes both during and after the epidemic. According to the 'Hong Kong Poverty Report 2024: Pathways out of Adversity – Embracing Change through Transformation' issued by Oxfam Hong Kong (OHK) in October 2024, Hong Kong's poverty rate stood at 20.2% in the first quarter of 2024, while the income disparity between people in the highest decile and the lowest decile widened to 81.9 times. This highlights the employment struggles among grassroots communities and the ongoing ageing population issue.

Given the persistent economic challenges, OHK believes the government should enhance the efficient use of resources across all stakeholders and reduce barriers for grassroots individuals to enter the labour market. For the 2025-26 Budget, OHK suggests the government:

- (1) continue developing poverty alleviation projects through tripartite collaboration to gather resources to support poor people.
- (2) announce a living wage rate alongside the minimum wage publication to encourage able employers to voluntarily pay a living wage, thereby protecting the basic quality of life of employees and attracting economically inactive individuals to enter the labour market.
- (3) simplify the Employment Programme for the Elderly and Middle-aged (EPEM) application process to increase job opportunities for elderly job seekers and improve childcare services to unleash the female labour force.



Driving Tripartite Collaboration through SIE Fund for Poverty Alleviation Projects

Flexible poverty alleviation projects relieve poverty issues complicated by structural changes in society. As an intermediary of The Social Innovation and Entrepreneurship Development Fund (SIE Fund), OHK successfully links businesses and emerging social enterprises to co-design and collaborate on various innovative poverty alleviation projects. This collaboration model not only provides rapid responses to social issues but also combines societal resources to benefit individuals experiencing poverty.

In addition, OHK participated in the Pay-for-Success (PFS) scheme under the SIE Fund. Through this public-private partnership model and performance-based contractual arrangement, OHK launched the 'Start from the Beginning - Chinese Supporting Scheme for Non-Chinese Speaking Students (NCS) in Kindergarten' and achieved significant results. PFS advocates public-private partnerships which fund effective social services through performance-based contractual arrangements and enables governments to partner with high-performing service providers by using private investments to develop, coordinate or expand effective programmes.

Considering public finance constraints, we recommend that the government expand its use of the SIE Fund to promote poverty alleviation projects and strengthen the tripartite collaboration model, leveraging collective efforts to support grassroots communities. We also suggest that the government draw upon OHK's experience with the Pay-for-Success scheme, proactively utilizing this innovative approach to foster more impactful social projects. The government may also consider applying this model within the 'Targeted Poverty Alleviation' framework to create more services for the elderly, residents of subdivided units (SDUs), and single-parent families.

Government Publishing Living Wage; Employers Voluntarily Offering

Employment is a critical pathway out of poverty, significantly influenced by wage levels. Since 2018, OHK has championed a Living Wage initiative to promote a wage level that enables employees and their families to meet their basic needs and maintain a decent standard of living. We encourage employers in Hong Kong to offer a living wage to their employees voluntarily. The living wage rate is adjusted annually based on inflation and consumer spending patterns. The latest rate (2024) is \$61.5 per hour.

OHK emphasizes the importance of tripartite collaboration; therefore, we recommend that the government announce a living wage rate alongside the minimum wage announcement. This would provide employers with this information, and they may voluntarily offer a living wage to their employees. Paying a living wage would protect employees' basic quality of life, provide opportunities for economic mobility, and help employers attract potential labour power.

Propelling Silver Economy for Ready Elderly to Enter the Labour Market

We are pleased that the government has considered our suggestion and integrated 'silver productivity' into the silver economy development in last year's Policy Address. This will help provide job opportunities for able and aspirational elderly.

According to our latest poverty report, the elderly labour force participation rate (LFPR) stood at 13.9%, significantly lower than those of mainland China (25%) and Norway (22.2%). Therefore, we suggest the government simplify the Employment Programme for the Elderly and Middle-aged (EPEM) to encourage employers to hire the elderly. For example, streamlining the administrative process by cancelling prior registration and allowing employers to apply for the allowance directly after recruitment.

Enhancing Childcare Services for Women to Engage in the Labour Market

According to OECD statistics, the labour force participation rate among women averaged 72.1%, whereas the LFPR among Hong Kong women stood at 61.9%. The OECD reported that there were only 25% of impoverished women. This data shows that it is particularly challenging for women from low-income backgrounds to participate in the labour market due to childcare responsibilities.

We are pleased that the government is implementing initiatives to unleash the female labour force, such as launching the School-based After School Care Service Scheme (the Scheme) and setting up more aided standalone child care centres (CCCs). The Scheme, which operates by NGOs in venues provided by schools, and led by the government, has received excellent responses, reflecting significant demand for this service. Recognizing the importance of this service in facilitating female labour force participation, we hope the government will continue to review its effectiveness and demands by increasing service quotas accordingly.

Regarding younger children, the government announced in the 2024 Policy Address to establish an additional CCC. Similarly, we suggest the government continue to assess demands and increase quotas or the number of centres to address varying needs across the 18 districts in Hong Kong. This would reduce employment barriers among women and unleash the grassroots female labour force, enabling them to escape poverty through employment.