

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 146 – GOVERNMENT SECRETARIAT : EDUCATION AND MANPOWER BUREAU**

#### **Subhead 700 General other non-recurrent New Item “Skills Upgrading Scheme”**

Members are invited to approve a new commitment of \$400 million under Head 146 Government Secretariat: Education and Manpower Bureau to provide skills upgrading training for workers with low education level.

#### **PROBLEM**

As Hong Kong transforms into a knowledge-based economy, increasingly workers with low education attainment will be faced with the challenge of acquiring new skills. Employers will also have to secure the necessary manpower to meet changing needs.

#### **PROPOSAL**

2. The Secretary for Education and Manpower proposes to create a new commitment of \$400 million to provide skills upgrading training for workers with low education level in the next two years to 2003.

#### **JUSTIFICATION**

3. The Government is committed to enhancing the employability and competitiveness of our workforce by investing in vocational training and retraining as well as encouraging lifelong learning amongst our workers. The “Manpower Projection to 2005” carried out by the Government and published in November 2000 has revealed that while new job opportunities will exceed the increase in

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labour supply by 164 500 come 2005, there will be a mismatch between job requirements and qualification of workers. The projected demand for workers with post-secondary and university education is expected to outstrip supply by some 116 900. On the other hand, a surplus manpower supply of workers is expected at lower secondary education and below by 136 700. There is an obvious need for our workers with low education level to upgrade their skill levels so as to take full advantage of the economic opportunities that are likely to arise in the next few years.

4. With the above in mind, and to supplement Government's ongoing efforts in training and retraining, the Secretary for Education and Manpower proposes to operate a Skills Upgrading Scheme (the Scheme). The Scheme will provide up-to-date skills training programmes for in-service workers, with a view to enhancing their employability and providing employers with staff that are both experienced in a particular field and adequately equipped with latest skills required by the market. Through the Scheme, the Government hopes to demonstrate the benefits of skills upgrading and, in so doing, increase the awareness of workers to the pressing need to better equip themselves for the challenges of the new, knowledge-based economy, and encourage employers to invest in in-service training.

### ***Skills Upgrading Scheme***

5. The Government fully appreciates that for a scheme of this nature to be successful, the co-operation and support of employers and workers are essential. A Steering Committee on Skills Upgrading (Steering Committee) was set up in November 2000 under the chairmanship of the Secretary for Education and Manpower, with employer and employee representatives, training providers, academics and government officials as members. The Steering Committee has initially identified six industries for the Scheme. These include printing, Chinese catering, retail, import and export trade, transportation and wearing apparel/textile. Other industries will be considered in due course. Sector-specific industry working groups have been set up for all six industries, with representatives from the employer and employee sectors, government and training providers. These industry working groups have been tasked to develop sector-specific training packages that meet the current needs of their industries. Their terms of reference are set out at Enclosure 1.

Encl. 1

6. To ensure cost-effectiveness and accountability, the Steering Committee has devised a comprehensive framework to govern the design of training packages for the different industries, the commissioning of training providers, the control and audit mechanisms between the industry working groups and the training providers, the quality assurance of programmes and trainees, the

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Encl. 2

industry recognition of graduates from these courses and a reporting system from the industry working groups to the Steering Committee. A flow chart on the development, approval and monitoring of programmes under the Scheme is set out at Enclosure 2.

7. Once the training packages have been developed, the industry working groups will invite applications from established training providers to run the training courses. The training providers will be selected in accordance with the Government's procurement procedures. For quality assurance, the industry working groups will arrange for representatives to inspect the training facilities of training providers, the trainers' qualifications and the conducting of classes. Feedback from the trainees and their employers on the content and usefulness of the courses will be collated. An investigation and assessment report will be submitted to the respective industry working group so as to enable the effectiveness of the courses to be examined. To provide flexibility, the training packages will be in modular form. Trainees will be able to switch training providers between modules with cross-recognition. To uphold the standard of trainees after the training, they will be required to pass an assessment test, designed by the respective industry working group, before they will be issued a certificate. To enhance recognition of the certificate, it will be jointly issued by the relevant industry working group, trade associations, labour unions and training providers. The industry working group will be responsible for publicising the training courses and promoting the recognition of the certificates.

### ***Fee Proposal***

8. Although individual industry working groups have suggested that the Government should bear the entire costs of the skills upgrading courses, the Steering Committee considers that the costs should be shared between the Government and the beneficiaries, namely the trainees and the employers. To help encourage and promote skills upgrading training, the Steering Committee's current thinking is that the Government should initially be prepared to subsidise 70% of the cost of the training courses, with the remaining 30% to be shared between trainees and their employers. Taking the courses planned for the printing industry as an example, 30% of the cost per course will amount to an average of about \$500. In addition, the Steering Committee intends to exempt from fee payment those trainees who earn a monthly salary below \$6,333, in line with the criteria for exemption now applicable to courses administered by the Employees Retraining Board. The Steering Committee will continue its discussions with the industry working groups on the fee proposals.

***/Eligibility .....***

*Eligibility*

9. As the Scheme aims to upgrade the skill level of workers with low education level, the programmes will mainly cater for local workers with education at or below Form 5 level. However, some exceptions will be allowed, for example, in the import and export sector, where some employees have higher qualifications but nonetheless require skills upgrading just the same as the less well-educated workers.

10. As the objective of the Scheme is skills upgrading, applications from in-service employees in the relevant industry will be granted priority over other applications. Training places will be offered on a first-come, first-served basis.

*Implementation Timetable*

11. The Steering Committee has endorsed the pilot training packages developed by the printing and the Chinese catering industry working groups. Subject to approval of funding by Members, the two working groups are ready to launch the first phase programmes in the near future. The other four working groups are also expected to introduce programmes under their purview before the end of this year. The Steering Committee will closely monitor progress, including the need to bring in other industries into the Scheme.

12. We expect the Scheme to run for a period of two years at the end of which we will carry out a review in the light of demand and experience and the overall economic and employment situation.

13. Subject to approval of funding by Members, we will set up a Secretariat for the Scheme to assist the work of the various industry working groups such as consulting the trade, developing training packages, commissioning training providers, conducting inspections for quality assurance, devising common assessment tests for the purpose of certification and managing finances.

**FINANCIAL IMPLICATIONS**

14. The estimated total non-recurrent expenditure is \$400 million, broken down as follows -

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	<b>2001-02</b>	<b>2002-03</b>	<b>Total</b>
	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>
(a) Development of Training Packages and Provision of Training	116.8	275.8	392.6
(b) Administrative Support	2.7	3.7	6.4
(c) Publicity Expense	0.5	0.5	1.0
Total	120	280	400

15. Paragraph 14(a) is for the commissioning of training providers, the development of courses and the subsidisation of course fees by Government. Paragraph 14(b) covers the salaries and related costs of staff to be seconded from the Vocational Training Council to administer the Scheme. Specifically, a Chief Industrial Training Officer will be seconded to take charge of the Secretariat. There will also be a team of administrative staff including two executive officers, one accounting officer and one secretary/assistant clerk. Paragraph 14(c) covers the cost of the necessary publicity among the stakeholders.

16. The proposal is estimated to incur \$120 million in 2001-02, of which \$35 million can be met by savings under Head 146 Government Secretariat: Education and Manpower Bureau Subhead 700 General other non-recurrent. If Members approve the proposal, we shall offset the supplementary provision required (i.e. \$85 million) in 2001-02 by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 251 Additional commitments. The provision required in 2002-03 will be included in the draft Estimates for that year.

## **BACKGROUND INFORMATION**

17. The Chief Executive announced in his Policy Address in October 2000 that the Government had earmarked \$400 million for a wide variety of training programmes in the next two years for workers with low education level. The aim is to help them upgrade their skills and enhance their competitiveness in the labour market. An estimated 50 000 people could benefit directly from the Scheme. The Legislative Council Panel on Manpower was consulted and expressed its support in principle to the Skills Upgrading Scheme at the meeting on 17 May 2001.

**Terms of Reference of the Industry-specific Working Group**

1. To consult the industry on its needs and devise training packages for submission to the Steering Committee on Skills Upgrading for resource allocation.
2. To promote and publicise the Skills Upgrading Scheme and the training programmes to the industry.
3. To review and select the proposals submitted by the training providers, including the training timetable, the venue, the trainers' qualifications and the budget.
4. To devise a quality assurance and cost control mechanism on the programmes and the training providers and to monitor courses that are in progress.
5. To draw up the skills assessment standards and assessment procedures for implementation by the training providers.
6. To co-ordinate with the relevant industry association, the workers' union and the training provider to issue a joint certificate to raise the level of recognition of the certificate issued upon satisfactory completion of the training.
7. To submit regular reports to the Steering Committee on Skills Upgrading.



**Flow Chart on the Development, Approval and Monitoring of Programme under the Skills Upgrading Scheme**

