

**LegCo Panel on Manpower
(Meeting to be held on 20.12.2001)**

**Organisation of Vocational Training
and Retraining in Hong Kong**

INTRODUCTION

At the meeting of the Executive Council on 27 November 2001, the Council ADVISED and the Chief Executive ORDERED that, subject to consultation with major stakeholders (including the Vocational Training Council (VTC), Employees Retraining Board (ERB), major trade associations, relevant staff bodies, training providers and the LegCo Manpower Panel), we should proceed with the following measures:-

- (a) create a Preparatory Manpower Development Committee as early as possible to develop the detailed arrangements and the necessary legislative changes for a full Manpower Development Committee to be established in April 2003;
- (b) task the Manpower Development Committee (the Committee) to advise the Secretary for Education and Manpower on the co-ordination and regulation of vocational training and retraining, assessment of labour market demand, disbursement of funds to training providers, as well as trainees, output and service standards, performance monitoring and quality assurance;
- (c) absorb the functions of the ERB and the advisory and quality assurance functions of the VTC into the Committee with associated staff movement;
- (d) initially, link the Committee to the VTC with the accompaniment of a clear framework agreement, setting out

clearly the respective roles of the Committee and the VTC;

- (e) in the longer term, consider separating the Committee from any provider interest so that the current VTC providers (the Institute for Vocational Education (IVE) and Training Centres/Training and Development Centres (TDC)) are separated and competing in a mixed vocational education and training market;
- (f) in the meantime, and until the proposed changes are in place, allow the VTC and ERB to continue to provide their current level of services to ensure continuity of provision for trainees and staff.

BACKGROUND AND ARGUMENT

2. In response to concern over the apparent proliferation of training bodies and the lack of co-ordination among them, we commissioned PricewaterhouseCoopers (the Consultant) in May this year to carry out a review with the following terms of reference:-

“Having regard to the overall objective of promoting lifelong learning and the growing need for retraining and skills upgrading of elementary workers to identify the optimal organisational set-up and service delivery model which will meet this objective in the most cost-effective, market responsive and customer-friendly manner.”

3. Following extensive consultation with a broad range of stakeholders across the vocational sector, the Consultant has concluded that the existing arrangements are not adequate to meet the demand for trained manpower arising from changes in the Hong Kong economy. He identified certain problems with vocational education and training. These included lack of budget and policy co-ordination across the sector; lack of co-ordination with other post-secondary education; inadequate

information on outcomes of training and retraining for stakeholders; inadequate information on pathways for trainees/learners to build on their learning; uneven quality assurance of the standards of provision across the sector; a limited market operating in pre-employment vocational education and training; and restrictive mandates for skills upgrading, at a time when lifelong learning should be promoted.

4. The Consultant has come to the view that a simple merger of VTC and ERB would not address these shortfalls. Encouraging an active and efficient vocational sector market that offers variety and tailored services, and is responsive to changing needs, is vital. Most stakeholders agreed that the market should be encouraged to fulfill a broad range of needs, from vocational education to training and from longer full time courses to shorter courses.

5. For the vocational training and retraining market to function effectively, there must be strategic policy direction supported by service provision and co-ordination. Accordingly, the Consultant recommends that a new body, the Manpower Development Committee (MDC) should be created to provide advice to the Government on:-

- (a) promotion and regulation of the vocational education and training market;
- (b) assessment of labour market demand;
- (c) funding of the vocational sector;
- (d) output and service standards;
- (e) monitoring and quality assurance.

6. The Consultant recommends that MDC members should be appointed by the Chief Executive. Membership of the Committee should be drawn from employer and employee representatives, vocational education and training providers, and prominent local professional and

business people.

7. The core role of the MDC will be creating conditions for a viable vocational training and retraining market. Consideration will be given to demand factors (such as labour market, consumer needs and funding) and supply factors (co-ordination and information, and encouraging new private sector entrants). As a key feature, a qualifications framework is to be developed to provide the foundation for output and service standards, and address co-ordination and information in the market.

8. The MDC can bring together current funding streams and ensure co-ordinated use of government funding. It can also work to a policy of increasing and leveraging private investment.

The Relationship between the MDC and the current VTC providers

9. As a matter of principle, the Consultant sees the long term position being the separation of the MDC from any provider arm. However given that the MDC will be newly established, and the current limited vocational training market, the Consultant believes that there are pragmatic arguments for initially linking the MDC to IVE/TDCs. Such a link would provide a 'model' of service provision for other providers and give the MDC hands on experience to draw on in setting standards. There would be two arms within the MDC, namely the quality assurance arm and the provider arm which would be internally separated so as to ensure the impartial nature of the accreditation of the IVE/TDC courses.

10. The Consultant recommends that this arrangement should be seen as an interim step towards a longer term vision of a more open market and that from the outset there should be a public commitment to longer term separation of the MDC from IVE/TDCs. In addition, a framework agreement between the MDC and EMB should be concluded specifying that the MDC is responsible for developing the market and the IVE/TDC share of resources should decline over time as the market develops. The IVE and TDCs would then compete in the provider

market.

Relationship of the MDC to Government

11. The MDC which will not be a statutory body will advise the SEM. The Chief Executive of the MDC will be a civil servant although the rest of the Secretariat can be non-civil servants. This flexibility in appointments can be particularly useful to bring in expertise in fields like quality assurance and accreditation. The MDC's responsibilities will be specified in a framework agreement with the SEM. In structuring the MDC and defining its relationship with the Administration, it is necessary to maintain a clear line of public accountability.

Preparatory Committee

12. The Consultant recommends that a Preparatory Committee should be set up to pave the way for the MDC to be established. The task of the Preparatory Committee is to:-

- (a) define the staff skills, size and budget needed for the full MDC;
- (b) propose the detailed amendments to legislation to reflect changes in the roles and responsibilities of the VTC and ERB; and
- (c) agree and plan a two-year programme for managed institutional change in ERB and VTC.

13. The Preparatory Committee will also begin work on needed systems, including assessing labour market demand and initiating work on the qualifications framework and quality assurance.

Assessment

14. The findings of the Consultant generally reflect the views of stakeholders in the vocational sector. The proposed MDC, with its advisory and co-ordination status, would be best placed to take on the responsibility of rationalizing the current organisational set up and service delivery model, and developing a broader market of providers of vocational education and training. We are broadly in agreement with the Consultant's recommendations which should bring about the following benefits:-

- (a) in the longer term, a wider market for vocational education and training that can drive efficiencies and reduce Government costs and improve services for consumers and stakeholders;
- (b) a co-ordinated approach to developing needed systems such as quality assurance and a qualifications framework with progression ladder, that will encourage lifelong learning and create viable conditions to grow the vocational sector market;
- (c) a more focused approach to develop Hong Kong's human resources, build manpower and meet rapidly changing industry and individual needs.

15. Regarding the relationship between IVE/TDC and the MDC, we share the Consultant's view that, as a matter of principle, there should be a separation of IVE/TDC from MDC. As it will take time and effort to develop a vocational training market, we shall monitor developments and determine the appropriate timing for separation of IVE/TDCs from MDC. There may be courses that would not be viable for the private training market and would continue to have to be subvented through a designated training provider.

Implementation Plan and Timetable

16. We aim to establish the Preparatory Committee in early 2002 to begin work on setting up the new MDC. We will work out the priorities and responsibilities of the Preparatory Committee and the

timeframes to achieve key tasks, along with a reporting framework and a clear definition of the outcome to achieve.

FINANCIAL AND STAFFING IMPLICATIONS

17. At present, Government provides recurrent funding of over \$2,000 million to the VTC and \$400 million to the ERB for the organisation of programmes on vocational training and retraining. The proposed MDC should help to improve the co-ordination of public funding for training and retraining and increase cost-effectiveness of the entire training budget.

18. Additional funds will be required to staff the new Preparatory Committee: the qualifications framework will require new capital funding and recurrent funding for maintenance and update.

19. In aid of rationalization, we may need to move some staff within the VTC and ERB to different types of posts and to adjust some terms and conditions upon contract renewal. However, our intention as regards staffing for the future MDC is to cause minimum disruption and avoid, as far as possible, any staff redundancies in VTC and the ERB in the initial years.

PUBLIC CONSULTATION

20. As pointed out in paragraph 1, we will consult major stakeholders, including the VTC, ERB, major trade associations, relevant staff bodies, training providers and the LegCo Manpower Panel on the proposals. Views from the public are also welcome.

PUBLICITY

21. We will issue a press release on the recommendations of the

consultancy report and a background briefing for the media will be arranged. A spokesman will be available to answer media and public enquiries.

ENQUIRY

22. Enquiries on this Legislative Council brief may be directed to Mrs. R Cartland, Principal Assistant Secretary for Education and Manpower (5), at telephone number 2810 3036.

Education and Manpower Bureau
December 2001