

**LegCo Panel on Manpower
Policy on Employees Training/Retraining**

INTRODUCTION

At the last meeting of the LegCo Panel on Manpower held on 21 November 2002, some Members raised concern over a number of issues relating to the provision of training/retraining courses by the Employees Retraining Board (ERB). This paper seeks to brief Members on the general policy of provision of training/retraining services by the ERB as well as to respond to points of concern raised by Members.

THE EXISTING EMPLOYEES RETRAINING SCHEME

2. The ERB was set up in late 1992. Its principal functions, among others, are:
- (i) to consider the provision, administration and availability of retraining courses intended or designed for the benefit of eligible employees in adjusting to changes in the employment market by acquiring new or enhanced vocational skills;
 - (ii) to identify particular occupations or classes of occupation that have high vacancy rates and in respect of which eligible employees may secure employment or re-employment by attending retraining courses as trainees to acquire new or enhanced vocational skills;
 - (iii) to determine the criteria for eligibility of local employees to receive retraining allowances, and the amount of retraining allowances to be paid to eligible employees as trainees; and
 - (iv) to engage the services of training bodies for the purpose of providing or conducting retraining courses, and to defray the costs of the provision of retraining courses.

3. The priority service target of the ERB has been unemployed persons aged 30 or above with no more than lower secondary education as they are more vulnerable to changes in the labour market.

4. The ERB administers the Employees Retraining Scheme (ERS) through funding and monitoring of services provided by a wide network of over 50 training bodies throughout the territory. Currently the ERB offers approximately 100 000 training places a year, about half of which are full-time placement-tied programmes aimed at helping the eligible unemployed get back to work. Apart from skills training, concerned training bodies are required to provide placement and follow-up services to the graduate trainees of placement-tied programmes. Over the years, the average placement rate for these programmes has been well over 70%.

5. Retraining allowance is payable under the Employees Retraining Ordinance (Cap. 423). Currently, the ERB disburses a retraining allowance to retrainees attending full-time courses lasting over one week at the rate of \$153.8 per day of actual attendance, subject to a maximum of \$4,000 a month as well as an 80% attendance or more for the whole course. In 2001/02 the payment of retraining allowances represents some \$116 million or about 28% of the total expenditures of ERB in the provision of the ERS.

6. The provision of retraining courses and services are funded under the Employees Retraining Fund (ERF) which derives its incomes from two main sources, namely (i) a levy income collected from employers under the importation of labour schemes and (ii) Government's block grants or subvention. During its initial years of operation, the ERF was primarily financed by the levy (some \$107 million in 1992-93) which represented some 80% of total income. However, since 1995-96, the levy income had significantly dropped due to the decline in the number of imported workers. (In 2001-2002, the levy income was only about \$8 million.) As a result, the Government had on several occasions injected block grants to the ERB, which over the years amounted to a total of \$1.6 billion. Apart from an initial start-up grant of \$300 million in 1992-93, the Government granted two block grant injections of \$500 million and \$300 million within 1996-97 and a third one of \$500 million in 1998-99.

Starting from 2001-02 onwards, the Government agreed to provide an annual recurrent subvention of about \$400 million to the ERB which will be adjusted annually to take into account, inter alia, general price changes. This amount is sufficient to provide approximately 100 000 training places a year. To provide additional flexibility in service delivery, the Government also agreed to the retention of a reserve which does not exceed 50% of the annual recurrent funding from the Government of the current financial year.

SPECIFIC ISSUES

Training Capacity

7. As outlined in paragraph 4 above, the ERB provides some 100 000 retraining places annually, which are delivered in either full-time or part-time mode. In terms of the nature of training, full-time courses are basically placement-tied ones related to job specific skills for various trades and industries whereas part-time courses are predominantly concerned with general or generic skills training like computer skills and vocational languages, which are not placement-tied. In tandem with the high level of unemployment in recent years, the number of applications for retraining courses has continued to grow. Within the constraints of available resources, the ERB has sought to increase the training capacity through various means so as to cope with the rising demand. As a result, there has not been any drop in the number of training places offered by the ERB. The planned training capacity for the period from 2001-02 to 2003-04 is shown in the following table:

Planned capacity	2001-2002	2002-2003	2003-2004
<i>Placement-tied Places</i>	49,000	51,370	51,870
<i>Non-placement-tied Places</i>	51,000	55,850	55,850
Total	100,000	107,220	107,720

8. With increased unemployment, there are now over 16 000 applicants for retraining courses each month as compared to an average of 12 000 applicants per month in 2001-02. The potential trainees have to wait for an average of 7 to 10 weeks before attending classes. To meet the

increasing demand for retraining, the ERB has been adopting various measures to provide additional training places for the unemployed. These measures include drawing down its reserve, reducing the unit cost of training and restructuring existing modes of delivery.

9. With the signing of a Memorandum of Administrative Arrangement with Government in 2001-02, the ERB was able to retain a reserve of \$199 million. During the year the ERB decided to utilise \$27 million from its reserve to provide an extra 6 500 training places above its planned training capacity of 100,000. For 2002-03, the ERB originally planned to utilise \$53 million from its reserve to provide some 7 220 training places in excess of its normal training capacity of 100,000. However, with increasing number of applications and the lengthening of the waiting period, the ERB decided that an additional number of 7 500 training places amounting to \$33 million should be provided so that more unemployed persons can attend retraining classes. \$20 million of the \$33 million will be funded through the reserve. The remaining \$13 million will be met through restructuring of existing modes of delivery which enhanced the cost effectiveness of the courses and reshuffling of the types of courses to be offered. With the repeated drain on the accumulated reserve of the ERB, it is estimated that a balance of about \$99 million will remain as at end March 2003.

Mode of Delivery of Training

10. One of the measures to enhance cost-effectiveness of retraining is the modified mode of delivery for three standardized full-time training courses, namely '*domestic helpers training*', '*security & property management training*' and '*personal care workers training*', from a "12-day full-time" programme to an "8-day full-time plus 5 half-day" programme. Following consultations with major training providers, it was agreed that, in order to achieve savings which would be used to provide additional training places for unemployed people, a mixed mode of delivery of training should be introduced for the above three courses. The new mode of delivery would not however affect the quality of the training as the training content and the duration of training of the courses, i.e. 84 hours in total, would remain the same.

11. Since November 2002, the ERB has introduced pilot courses under the mixed mode of training. It will review the outcome of the pilot courses in early 2003. With resource limitation, there will continue to be pressure on the ERB to consider how retraining can be provided in a more cost effective manner.

Age Groups of Above 19 to Below 30

12. The primary target group for retraining is those unemployed persons aged 30 or above with no more than lower secondary education. This is the most vulnerable group prone to unemployment and the retraining resources have been mainly devoted to this group. Nevertheless, the ERB has exercised flexibility to enrol, on the merit of individual cases, unemployed persons below the age of 30 who encounter particular employment difficulties.

13. Unemployed persons above 19 and below 30 who have employment difficulties can receive various forms of government assistance. The Vocational Training Council (VTC) is currently providing subsidised pre-employment and in-service education and training courses for both lower and upper secondary school leavers as well as in-service workers who want to upgrade themselves in the vocational sector. A Skills Upgrading Scheme funded by the Government has also been introduced to enable eligible workers including those aged above 19 to below 30 to take on job-related training courses so as to sustain and enhance their employability.

14. In addition, persons aged between 18 to 60 without a university degree are eligible to apply for the Continuing Education Fund which aims to help the Hong Kong workforce prepare for the knowledge-based economy. Persons above the age of 15 may also attend subsidised adult education courses in primary education, secondary education as well as English training currently operated by the Education Department. In addition, Project Yi Jin was launched by the Government in October 2000 to provide an alternative route and expand the continuing education opportunities for secondary school leavers and adult learners. The Government will provide a 30 per cent tuition fee reimbursement to students who successfully complete each module (100% for needy students who pass a means test). Moreover, students who encounter

financial stringency may also apply for government loans from the Student Finance Assistance Agency.

15. The Labour Department is also providing a Youth Work Experience and Training (YWET) Programme which offers training and work attachment opportunities for young persons aged 15 to 24. In addition, any active job seeker who encounters employment difficulties may approach the Job Centres of the Labour Department for free employment assistance.

THE WAY FORWARD

16. The Manpower Development Committee (MDC) has been set up recently to advise the Government on the provision, co-ordination and regulation of vocational education and training so as to meet the changing needs of the community. Among its other areas of work, the MDC will in due course re-examine the scope, funding arrangement and mode of operation of the existing ERS.

MEMBERS' ADVICE

17. Members are invited to comment on the content of this paper.

Education and Manpower Bureau

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