

Legislative Council Panel on Manpower

Funding Proposals for the Development and Implementation of Qualifications Framework in Hong Kong

PURPOSE

This paper seeks Members' views on our funding proposals in support of the development and implementation of the Qualifications Framework (QF) in Hong Kong.

BACKGROUND

2. To enhance the overall competitiveness of our human capital in an increasingly globalised and knowledge-based economy, the Chief Executive in Council approved in 2004 the establishment of the QF, a seven-level hierarchy covering academic, vocational, and continuing education sectors. Since then, the Education and Manpower Bureau (EMB) has been working closely with the relevant stakeholders including employers, employees, trade unions, professional bodies as well as education and training providers to pursue this initiative. To ensure the credibility and sustainable development of the QF, we need to put in place a rigorous quality assurance (QA) mechanism to safeguard the quality of academic and vocational qualifications recognised under the QF.

3. To this end, we introduced the Accreditation of Academic and Vocational Qualifications (AAVQ) Bill into the Legislative Council in July 2005 and the Bill was enacted on 2 May 2007. The Ordinance stipulates that the Hong Kong Council for Academic Accreditation (HKCAA) will be renamed as the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) and be specified as the Accreditation Authority and the Qualifications Register (QR)¹ Authority for QF. The HKCAA has been strengthening its capacity and capability to prepare for its expanded role and responsibilities under the QF.

¹ The QR provides information on the qualifications recognized under the QF and their respective learning programmes and providers. All courses uploaded onto the QR must be locally accredited.

4. Separately, as a voluntary measure, we have been encouraging and assisting industries to set up Industry Training Advisory Committees (ITACs). These committees are responsible for, among others, drawing up Specifications of Competency Standards (SCSs) for the respective industries. SCSs are competency-based requirements drawn up in consultation with stakeholders of the industries (including employers, employees and relevant trade/professional organisations) and will form the basis for training providers to design learning programmes that meet the needs of the industries. So far, 12 ITACs² have been set up after consensus has been reached within the industries concerned, and six of them have drawn up SCSs. In parallel, we are developing a Recognition of Prior Learning (RPL) mechanism which aims to give formal recognition to the knowledge, skills and experience acquired by employees so as to facilitate their future learning. We plan to implement in early 2008, on a pilot basis, the RPL mechanism for the first three industries³ that have completed industry consultation on their SCSs. Pursuant to the AAVQ Ordinance, RPL will be conducted by assessment agencies to be appointed by the Secretary for Education and Manpower (SEM).

5. We appreciate that the development of the various systems and mechanisms to be set up under the QF will have resources implications for the QA and assessment agencies as well as the course providers. At the Bills Committee, Members urged the Administration to consider ways to reduce the accreditation costs and the burden that the QA mechanisms will bring to bear on the course providers and, ultimately, the learners. After careful consideration, the Government proposes to provide funding support, on a one-off and time-limited basis, to the HKCAAVQ and the eligible stakeholders at the early stage of development and implementation of the QF.

PROPOSALS

6. We propose to provide a one-off grant to HKCAAVQ to

² ITACs have been set up for Printing & Publishing, Watch & Clock, Chinese Catering, Hairdressing, Property Management, Electrical & Mechanical Services, Jewelry, Beauty, Logistics, Automotives, Information Communication and Technology, and Banking industries.

³ The first three industries are Watch & Clock, Hairdressing, and Printing & Publishing.

facilitate its development of the necessary QA systems and mechanisms, so as to avoid the transfer of the upfront QF development cost to course providers. Details of the funding proposals are set out in paragraphs 7 – 12 below. We also propose to establish a number of time-limited financial assistance schemes to support the course providers, assessment agencies and individual learners so that they can gear themselves towards quality assurance and continuous learning. Details are set out in paragraphs 16 - 23.

Funding Support for HKCAAVQ

New role and functions under the QF

7. As the Accreditation Authority under the QF, the HKCAAVQ is responsible for assuring the quality of qualifications awarded by not just academic institutions but also a wide range of vocational education and training providers of varying size. Based on the outcome of its self-review, the HKCAA has introduced certain changes to its organisational structure and operational model. It has also mapped out plans to strengthen its expertise and infrastructure. For example, it has developed a new “fit for purpose” accreditation approach⁴ and adopted a new operational and business model to suit the new requirements and standards of the QF. It will have to expand its pool of expertise to cater for the accreditation of vocational qualifications. Furthermore, as the QR Authority under the AAVQ Ordinance, the HKCAAVQ has started the development of a new computer system to operate the web-based QR and to ensure its smooth and seamless operations.

Development cost

8. The preparation work and developmental activities for QF has placed a heavy financial burden on the HKCAA, which is a self-financing body without recurrent subvention from the Government. To ensure that the HKCAAVQ has the necessary resources and expertise to assist the Government in rolling out the QF without passing the associated costs on to training providers seeking accreditation under the QF framework, the

⁴ A new four-stage accreditation approach will be adopted by HKCAAVQ, i.e. Initial Evaluation, Programme Validation, Programme Area Accreditation and Periodic Review.

Administration has approved, under authority delegated by the Finance Committee, the provision of one-off grants totaling \$14.671 million⁵ to the HKCAA in 2005 and 2006 to enable it to undertake various initial developmental and training activities for QF, including the commissioning of a computerised project for the development of the QR and related web-based guidelines. The activities and tasks covered by the above-mentioned grants have largely been completed. They have provided useful inputs to EMB in its deliberations on the policies and implementation details for the QF. For instance, a trial run of the QR prototype developed by HKCAA has been conducted and the feedback received from stakeholders has helped improve the content and presentation of the QR which will be launched later this year.

9. Development work for the QF is, nonetheless, continuing. In the coming few years, the HKCAAVQ will continue to be closely involved in the development and implementation of QF. In anticipation of a substantial increase in accreditation workload and the more diverse nature of the exercises in the coming years, HKCAAVQ will have to enhance its capacity by recruiting more professional staff, providing more training to them and installing new computerised systems. HKCAAVQ also plans to set up a new special unit and engage external experts to help develop the systems and procedures to meet the new standards under the QF. In parallel, HKCAAVQ needs to expand its pool of subject specialists in about 40 industry sectors, and provide training for them in handling accreditation work. All these initiatives/projects serve to provide the necessary physical and manpower infrastructure to support QF development.

Proposed grant to HKCAAVQ

10. In the light of the foregoing, we propose to provide a further one-off grant totaling \$36.39 million⁶ to cover the expenses of

⁵ A total of \$9.969m is granted for operating expenditure items under Head 156 Government Secretariat : Education and Manpower Bureau Subhead 700 General Non-recurrent Item 918, and \$4.702m is granted for capital expenditure items under Head 156 Subhead 876 Hong Kong Council for Academic Accreditation Item 475.

⁶ Taking into account the grant already approved by the Administration under delegated authority (paragraph 8 above), the total one-off grants to be provided to HKCAAVQ will amount to \$51.061m.

HKCAAVQ for the development and implementation of various systems and mechanism under the QF. Major activities and tasks covered by the grant are set out in the Annex. Without the grant, the HKCAAVQ will not be able to carry out its new functions under the QF effectively, or have to adhere to its principle of full cost recovery by recouping the expenses from the course providers.

11. The proposed grant is one-off in nature. HKCAAVQ will be expected to fully develop the QA mechanism and its professional competence within the provision. The QF-related development work should have reached a fairly mature stage in three years' time and by then the QA mechanism would have been adequately tested and fine-tuned. We expect that thereafter, any further development work, if necessary, should be much smaller in scope and scale and the expenses could be met by the recurrent income generated from HKCAAVQ's on-going accreditation activities. As a self-financing body, HKCAAVQ will continue to meet its recurrent operating costs from its income from accreditation fees. We have no intention to provide recurrent subvention to HKCAAVQ or to change its self-financing status.

12. As mentioned in paragraph 7 above, the HKCAAVQ will adopt a "fit-for-purpose" approach in conducting accreditation. This approach will in turn help reduce the accreditation fees to be charged by the HKCAAVQ. For example, the maximum programme validation fee will decrease by 20% to 60% when the new fee schedule is implemented.

Financial Assistance Schemes for Key Stakeholders

Key considerations

13. The QF is a new endeavour in Hong Kong to promote lifelong learning. Given that participation in the QF is voluntary, its successful implementation hinges on the continuous support of the stakeholders including employers, employees, training providers and other relevant organizations. While we will continue to solicit their support through communication and promotional activities, we consider it necessary and appropriate to provide suitable financial assistance to encourage their

participation.

14. During consultation, key stakeholders have expressed concerns about the possible financial implications arising from the new QA measures as stipulated in the AAVQ Ordinance. Accordingly, we have geared our financial assistance schemes towards the following stakeholders either to help them meet the QA requirements as stipulated in the AAVQ Ordinance or to facilitate/support learners' pursuit of QF recognised training and studies:

- (a) education and training providers which are non-self-accrediting and non-profit making. They will have to incur additional expenditure in seeking accreditation from HKCAAVQ for their individual learning programmes;
- (b) assessment agencies to be appointed by the SEM to conduct RPL assessments on a non-profit making basis. The agencies will have to incur expenditure in setting up the RPL mechanism, and putting in place the necessary facilities and undergoing accreditation to ensure their competence; and
- (c) employees who have to undergo RPL assessment for the purpose of pursuing further training or studies. To do so, they will have to pay the RPL assessment fees in addition to tuition fees of training courses.

Paragraphs 16 to 23 below set out seven targeted schemes to support these three groups of stakeholders.

15. To avoid creating a recurrent financial burden on the Government, the proposed financial assistance schemes are time-limited or one-off in nature. They will be provided for a period of five years from the date to be specified by SEM for formally launching the QF. By then, it is expected that a critical mass of QF accredited and recognised training providers and courses will be formed and that QF should have been fairly well developed and its benefits better understood by the community.

The Schemes

(a) Accreditation grant for self-financing programmes

16. We propose to make available an accreditation grant to non-profit-making training providers, as an incentive for them to quality assure their learning programmes. Learning programmes covered by the grant must be self-financing.

17. The grant will cover the full cost of the “Initial Evaluation”⁷ of a provider, and 50% to 75% of the “Programme Validation”⁸ fee. Each programme can only be eligible for the grant once and revalidation exercises will not be eligible. A maximum limit of the grant for each provider (up to \$2 million) will be specified to enable more providers to benefit from the scheme.

(b) Accreditation grant for courses under EMB-subsidised schemes

18. EMB has been subsidising the provision of vocational training and retraining under the Skills Upgrading Scheme (SUS) and Employees Retraining Scheme (ERS) respectively. SUS provides skills upgrading training to in-service workers in selected industries while ERS offers primarily placement-tied training for unemployed people or displaced workers. Both types of courses will have to be accredited by HKCAAVQ to ensure that, on completion of the courses, the trainees/retrainees would obtain a qualification recognised under the QF to facilitate their pursuit of further training. As these two schemes are launched by the Government and the courses are fully or substantially subsidised by EMB, we propose to bear the full accreditation fees.

(c) Grant for Programme Area Accreditation

⁷ Initial Evaluation is the first stage of the accreditation process by the HKCAAVQ to examine the suitability of the providers to provide education and training.

⁸ Programme Validation is the second stage of the accreditation process to quality assure the programme. Programmes designed in accordance with SCSs, i.e. SCS-based programmes, will be eligible for a grant of 75% of the validation fee, while non-SCS-based programmes will be eligible for a grant of 50% of the fee.

19. To assist the better established training providers to seek a self-accrediting status in specified programme areas, we propose to make available a grant to assist non-profit making training providers to undergo the Programme Area Accreditation (PAA) which, upon completion, will confer them self-accrediting status in specified programme areas for a specified period of time. The grant will cover 50% of the accreditation fees and only first-time PAA exercises will be eligible. A maximum limit of the grant for each provider (up to \$1 million) will be specified to enable more providers to benefit from the scheme.

(d) Subsidy for QR registration fees

20. QR provides a free and easily accessible interface between the public and the thousands of qualifications/programmes awarded/offered in Hong Kong. It is thus important for the QR to provide comprehensive and accurate education and training information to learners. Registering qualifications with the QR is voluntary and will incur registration and maintenance fees. At the initial stage of its establishment, we propose to subsidise 50% of the registration and maintenance fees for each programme⁹ so as to entice more training providers to upload their qualifications onto the QR and attract the public to make use of its information. The subsidy will be available only to self-financing programmes offered by non-profit making organisations and to those that are registered with the QR the first time. For the reasons given in paragraph 18 above, we will bear the registration and maintenance fees in full for qualifications awarded under the SUS and ERS.

(e) Accreditation grant to RPL Assessment Agencies

21. As stipulated under the AAVQ Ordinance, an RPL assessment agency must undergo accreditation by the HKCAAVQ to determine its competence to conduct RPL assessments before it may be appointed by the SEM. To facilitate the implementation of the RPL mechanism, we propose to provide a grant to cover 50% of the accreditation fee incurred by assessment agencies which will have to conduct the RPL assessment on a non-profit making basis. Again, the grant is available only to the

⁹ It is estimated that the subsidy for each programme will be around \$500.

first accreditation exercise.

(f) Start-up grant to RPL Assessment Agencies

22. We propose to provide a one-off start-up grant to assist RPL assessment agencies to be appointed by SEM in developing the assessment mechanism and setting up the necessary facilities. The grant will cover the actual expenditure incurred by the agency in setting up the mechanism, up to the maximum of \$300,000 per agency. The grant will be reimbursed to the agency upon successful accreditation and appointment.

(g) Reimbursement of RPL assessment fees

23. Employees seeking recognition of their skills, knowledge and experience under the RPL mechanism will have to pay the assessment agencies as RPL assessment fee. We envisage that the majority of those who opt to undergo RPL assessment are the low-education and low/semi-skilled workers who cannot obtain QF levels by virtue of their formal academic and vocational qualifications (e.g. below Secondary 3). In line with our objective to promote skills upgrading among low-education and low/semi-skilled workers so as to enhance their employability and competitiveness, we propose to reimburse 50% of the RPL assessment fee incurred by an employee who has satisfactorily completed a QF-recognised training course after passing the RPL assessment. We will cap the total amount of reimbursement for each employee at \$1,000 to enable more employees to benefit from the subsidy. With this cap and to minimize the administrative burden/cost, we do not intend to impose further restrictions on the number of assessment exercises an employee may wish to undertake. As our proposed financial assistance schemes are geared towards supporting life-long learning, workers who do not pursue further learning/training will not benefit from the scheme.

The Continuing Education Fund (CEF)

24. In June 2002, the Government set up the CEF of \$5,000 million to encourage our workforce to pursue continuing education and training

in order to enhance their competitiveness (FCR(2002-03)6). At present, the CEF covers eight economic sectors or skill domains¹⁰. As at today, over 330,000 applications have been approved. About \$1,400 million has been disbursed and another \$1,300 million has been committed for disbursement to successful applicants.

25. We have recently reviewed the scope and operation of the Fund. Among other things, we propose to extend the coverage of the Fund to support employees who pursue continuing education under the QF. Specifically, training programmes which are designed in accordance with the SCSs developed by the respective ITACs under the QF may be registered under the CEF. Learners of these programmes will then be eligible for reimbursement of 80% of the course fee up to the maximum of \$10,000 per person. The proposal will link the CEF with the SCSs produced by the ITACs, thereby enhancing the relevance of the CEF courses and providing financial support for continuing learning and skills upgrading in industries that have joined the QF. Key recommendations of the CEF Review have been set out in a separate submission to the Panel.

26. Subject to approval of the proposed accreditation grant for self-financing programmes, non-profit-making training providers of CEF courses will be eligible for claiming 50% to 75% of first-time Programme Validation fee¹¹ should they submit their programmes for accreditation.

FINANCIAL AND STAFFING IMPLICATIONS

Funding Support for HKCAAVQ

27. The proposed one-off grant of \$36.39 million, detailed in the Annex, will be disbursed to HKCAAVQ over a period of three years, i.e. from 2007-08 to 2009-10, based on its cashflow requirements.

28. HKCAAVQ will be subject to close monitoring by EMB in the use of the grant. Specifically, HKCAAVQ will be required to keep a

¹⁰ The sectors/domains are Business Services, Financial Services, Logistics, Tourism, Creative Industry, Design, Languages, and Interpersonal and Intrapersonal Skills for the Workplace.

¹¹ See Footnote 8.

separate account for the grant and report the use to EMB periodically. Also, HKCAAVQ will be required to include the accounts of the grant in its annual audited accounts to facilitate audit and examination. The proposed grant for the subsequent year will be disbursed to HKCAAVQ only when the grant provided in the previous year has been fully and effectively used or committed.

Financial Assistance Schemes

29. We estimate that a total of \$208 million will be required for implementing the financial assistance schemes as proposed in paragraphs 16 – 23 above. The schemes will be administered by EMB. The projections of the funds required for each of the financial assistance schemes in the coming five years (2007-08 to 2011-12) are shown below:

Financial assistance schemes	Estimated expenditure required over 5 years (\$ million)
a) Accreditation grant for self-financing programmes	65.0
b) Accreditation grant for courses under EMB-subsidised schemes	8.5
c) Grant for Programme Area Accreditation	10.0
d) Subsidy for QR registration fee	8.0
e) Accreditation grant for RPL Assessment Agencies	5.5
f) Start-up grant to RPL Assessment Agencies	11.0
g) Reimbursement of RPL assessment fee	100.0
Total	208.0

30. The CEF will continue to operate under the existing non-recurrent commitment of \$5,000 million funded by the Centre.

WAY FORWARD

31. Subject to Members' views, we will submit the funding proposals to the Finance Committee for approval. As mentioned in paragraph 15 above, we plan to launch the financial assistance schemes with effect from the date as specified by SEM and on which the QF formally commences.

ADVICE SOUGHT

32. Members are invited to comment on the proposals contained in this paper.

Education and Manpower Bureau
May 2007

One-off Grant to HKCAAVQ from 2007-08 to 2009-10

Item	Activities for the development and implementation of the QF	Funding required (\$)		
		2007-08	2008-09	2009-10
	Operating expenditure			
1	Professional advice on the development of Specifications of Competency Standards (SCSs)	1,250,000	1,250,000	1,250,000
2	Professional advice on the development of SCS-based courses	320,000	---	---
3	Recruitment, training and development of subject specialists for accreditation	1,100,000	1,250,000	950,000
4	Establishment of a QF Special Unit	2,900,000	2,900,000	2,900,000
5	Training of professional and supporting staff for vocational accreditation	5,200,000	1,700,000	1,500,000
6	Publicity and promotion of QF	1,300,000	1,300,000	1,300,000
7	External consultancy service for the development of quality assurance systems and mechanisms under QF	900,000	900,000	900,000
8	Legal advisory services	600,000	600,000	400,000
	Capital expenditure			
9	Development and enhancement of computer system for Qualifications Register (QR)	3,720,000	0	0
	Grant total	17,290,000	9,900,000	9,200,000
Grand Total for 2007-08 to 2009-10 (3 years)		36,390,000		