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30 June 2008

Ms Dora WAI  
Legislative Council Secretariat  
Legislative Council Building  
8 Jackson Road, Central  
Hong Kong

Dear Ms Wai,

**Motion on  
“Ceasing the imposition of the levy on employers  
of foreign domestic helpers”**

I refer to your letter of 2 May 2008 regarding the captioned motion carried by the Legislative Council on 30 April 2008.

The Government noted Members' views and concerns over the existing arrangement of collecting Employees Retraining Levy (levy) from employers of foreign domestic helpers (FDHs). It is the Government's established policy that employers hiring low-skilled imported labour should contribute towards the training and retraining of the local workforce. In line with this policy, all employers of imported labour under labour importation schemes designated under the Employees Retraining Ordinance (the schemes) have since the commencement of the Ordinance in 1992 been required to pay the levy. The levy goes to the Employees Retraining Fund (ERF), which is administered by the Employees Retraining Board (ERB), for providing training and retraining to local workers. In February 2003, the Chief Executive-in-Council approved the recommendation of the report of the Task Force on Population Policy that, same as employers of imported labour under the schemes, employers of FDHs should also be required to pay a monthly levy of \$400 with effect from 1 October of that year.

One of our primary objectives in enacting the Employees Retraining Ordinance is to set up the ERF to support the daily operating expenses of the ERB. In the past, the Government has provided capital injections and subventions to the ERB to support its operation and services under special circumstances. Notwithstanding these special financial arrangements, there has not been any change to the Government's policy intent that the operating expenses of the ERB should be primarily met by the levy income.

To maintain its economic vibrancy and competitiveness, Hong Kong must nurture high quality manpower and labour force. While Hong Kong's economic situation has improved in recent years, we still face problems of economic restructuring and manpower mismatch. Moreover, the need for training and skills enhancement is no longer confined to low-skilled middle-aged workers with low education attainment. The Government therefore needs to ensure that the local workforce would receive suitable training and retraining in order to enhance their employability and equip them to meet the challenges arising from a knowledge-based economy.

The Chief Executive announced in the 2007-08 Policy Address that the ERB would make use of the levy collected from employers of FDHs to expand the Employees Retraining Scheme (ERS). As such, the Government has relaxed the eligibility criteria of the ERS with effect from 1 December 2007 to cover young people aged between 15 and 29 and those with education level at sub-degree or below, in addition to those aged 30 or above with junior secondary education or below who used to be the primary targets of the ERS in the past. The ERB has also started to draw down the levy collected from employers of FDHs to support its operation and services.

The relaxation of the ERS that came into effect last December marks the first step of the Government's drive to enhance the training and retraining services. The ERB has earlier completed a strategic review on its future role and functions and released a consultative document in January this year. The Legislative Council Panel on Manpower was consulted on 21 February 2008. The ERB is currently reviewing and consolidating views collected on the review proposals and is expected to submit its final recommendations to the Government in the third quarter of 2008. The recommendations will cover the following key areas:

- (a) to strengthen research work and enhance recognition of ERB courses;
- (b) to enhance training quality and content and introduce new courses/components;
- (c) to provide continuous skills upgrading and enhance support to the

- business sector and social enterprises; and
- (d) to provide dedicated training and employment services to the less privileged.

Following relaxation of the eligibility criteria of the ERS and the completion of the strategic review, the ERB is expected to take on new strategic roles and responsibilities and offer more comprehensive and diversified training and retraining services for the local workforce. To achieve its various work objectives, the ERB needs a stable source of funding to cover its recurrent expenditure. The initial plan of the ERB is that it would strive to achieve more effective asset management such that the investment return of the ERF together with the levy collected every year would generate sufficient fund to meet the recurrent expenses of the ERB for the provision of training services and to build up a sufficient reserve for future expansion.

Given the above, the Government considers it necessary to maintain the arrangement of collecting the levy from employers of FDHs so as to provide stable recurrent funding for the sustainable development of the ERB's training and retraining services.

Yours sincerely,

(Vivian CHAN)  
for Secretary for Labour and Welfare

c.c. Director of Administration  
Executive Director, Employees Retraining Board