

LEGISLATIVE COUNCIL BRIEF

PHASE 2 REVIEW OF THE POST-SECONDARY EDUCATION SECTOR

INTRODUCTION

At the meeting of the Executive Council on 8 April 2008, the Council ADVISED and the Chief Executive ORDERED that -

- (a) the quality assurance mechanisms be strengthened and the transparency of the sub-degree sector be enhanced;
- (b) the Government should continue to take the lead to give enhanced recognition to Associate Degree (AD) graduates for civil service appointment purpose;
- (c) the Start-up Loan Scheme and the Land Grant Scheme be modified to support quality enhancement of the sector, rather than increasing the supply of post-secondary places further;
- (d) the Principal Official responsible for land policy continue to exercise the delegated authority to grant sites by private treaty under the Land Grant Scheme to self-financing post-secondary education institutions when processing future land grants under the modified Scheme;
- (e) a new Quality Enhancement Grant Scheme be launched to provide non-recurrent grants to support worthwhile

projects/initiatives that could enhance post-secondary students' learning experience and teaching quality;

- (f) the maximum loan repayment period of medium-term loans under the Start-up Loan Scheme be extended from 10 to 20 years subject to interest payment at the no-gain-no-loss interest rate after the first 10 years; and
- (g) the existing Financial Assistance Scheme for Post-secondary Students (FASP) be improved by providing post-secondary students with means-tested loans to cover their living expenses and that the scope of FASP be extended to support sub-degree graduates pursuing self-financing full-time locally-accredited degree or top-up degree studies in Hong Kong.

JUSTIFICATIONS

2. In support of the 2000 policy objective of enabling 60% of our secondary school leavers to receive tertiary education by 2010, the Administration had introduced various support measures to promote the development of a self-financing post-secondary sector in Hong Kong. These include a Land Grant Scheme (LGS) to grant land at nominal premium for building new campuses, a \$5 billion Start-up Loan Scheme (SLS) to provide interest-free loans for purchasing, renting or building campuses, a \$30 million Accreditation Grant Scheme (AGS) to subsidise accreditation expenses and a FASP to provide financial assistance to needy post-secondary students.

3. As a result of the above support measures and strong demand, we have witnessed a phenomenal growth in the number of students studying self-financing sub-degree programmes in Hong Kong, from around 2 600 in the 2000/01 academic year to about 20 000 (comprising about 11 000 AD students and 9 000 Higher Diploma (HD) students) in the 2006/07 academic year at intake level. The number of publicly-funded sub-degree (mainly HD) students was about 8 400 in the 2006/07 academic year at intake level. The post-secondary

education participation rate has also increased from 33% to 64% during the corresponding period. There are currently about 57 000 (52 000 publicly-funded and 5 000 self-financing) degree students and 61 000 (23 000 publicly-funded and 38 000 self-financing) sub-degree students in Hong Kong.

4. While we have been able to achieve the 2000 policy target five years ahead of schedule, there are concerns that over-expansion of the self-financing sub-degree sector has led to excessive competition and hence compromised the quality of teaching and learning. There are also criticisms about the insufficient recognition of the AD qualification by employers and inadequate articulation opportunities for sub-degree graduates. It is worthy to note that the criticisms are mainly directed at AD but not HD. As a matter of fact, the public are generally not cognizant of the fact that sub-degree consists of both AD and HD and the number of HD students (40 000) is far greater than the number of AD students (21 000).

5. Notwithstanding the above criticisms, our 2000 policy objective of increasing post-secondary education opportunities for our secondary school leavers continues to command public support. Even some of the critics agree that when Hong Kong moves towards an increasingly knowledge-based economy, it is vital to expand the post-secondary sector to help improve the competitiveness of our workforce and upgrade the quality of our manpower.

6. Indeed, the self-financing sub-degree sector plays an important role in our education system and employment market. The sector operates on a self-financing basis and its rapid increase has been driven by strong market demand. This is in stark contrast to the traditional approach that post-secondary education is primarily developed and funded by the Government. It would not have been possible to increase the post-secondary participation rate within such a short period of time if we had relied on the public sector alone. If all the self-financing sub-degree places were to be funded by the Government, it would require recurrent expenditure of \$3.4 billion per annum. To our secondary school leavers, sub-degree education offers a viable and valuable alternative. According to graduate surveys

conducted by the providers in the 2005/06 academic year, over 39% of the self-financing sub-degree graduates (1 300 AD and 2 000 HD) who responded to the surveys had chosen to enter into the job market and secured full-time employment within three months after graduation. The average monthly salary of these graduates was about \$8,500. This compares well with the average monthly salary of \$7,000 and \$12,900 for F.7 students and University Grants Committee (UGC) - funded degree graduates respectively.

7. The self-financing post-secondary sector has entered into a period of consolidation starting from the 2005/06 academic year, with the number of course providers stabilizing at 20 and the total number of student intakes maintaining at about 20 000 each year. Moreover, in view of the several thousands of surplus AD places recorded in the 2005/06 academic year at the intake level, the sector has responded by slowing down the growth in the planned provision of AD places, by switching to offer more HD places, and by offering a greater variety of programmes to meet the diverse needs of students. The take up rate of AD places has stabilized at about 66% since the 2005/06 academic year whilst that of HD has been close to 100%.

8. Taking into account the views received in Phase 1 of the Review of the Post-Secondary Education Sector, the Steering Committee (SC) set up by the Education Bureau (EDB) conducted the Phase 2 Review. To ensure the healthy and sustainable development of the sector, the focus of the Phase 2 Review is on enhancing the quality assurance mechanisms and transparency of the self-financing post-secondary sector as well as enhancing the learning experience, recognition and articulation opportunities of sub-degree students. To this end, the SC has made a total of 22 recommendations in its Phase 2 Review Report. An Executive Summary is at **Annex A**. Proposals with major policy or financial implications are highlighted in the ensuing paragraphs.

A

THE PROPOSALS

(A) Enhancing Quality Assurance and Transparency of the Sub-degree Sector

9. Quality is the cornerstone of the development of our post-secondary sector. Indeed, the central theme of our Phase 2 Review is on quality enhancement of the post-secondary education sector. More than half (i.e. 12 of 22) of our recommendations relate directly or indirectly to quality enhancement. In gist, we seek to enhance quality in the areas of quality assurance, transparency, as well as learning and teaching environment and facilities. This section deals primarily with the key recommendations that relate to enhancing quality assurance and transparency. The other key recommendations that relate to quality enhancement in the area of learning and teaching environment and facilities are set out in paragraphs 16 – 24 below.

10. There are currently two quality assurance mechanisms. For non-self-accrediting providers, their programmes are subject to accreditation by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ). For self-accrediting providers, their self-financing sub-degree programmes are subject to the same quality assurance process as the publicly-funded degree programmes. In addition, they are also subject to quality review by the Joint Quality Review Committee (JQRC). To be eligible to apply for subsidies/support under our various support schemes and FASP, it has been a prerequisite that all the self-financing sub-degree programmes must have undergone successful local accreditation.

11. In view of the importance of the quality issue, we have kick-started the preparatory work for some of the recommendations that relate to quality enhancement and transparency. We have established a Tripartite Liaison Committee comprising EDB, HKCAAVQ and JQRC to provide a forum for discussing quality-related issues concerning the sub-degree sector and to enhance comparability of the QA mechanisms and the programmes offered by institutions with and without self-accrediting status. We have also established an Expert Group to draw up a set of “Good Practices for the Sub-degree Sector” to

promote sharing of good practices and provide references for the sub-degree sector.

12. In view of the public concern that fierce competition for students may cause some providers to admit indiscriminately students who do not meet minimum entry standards (such as a pass in English in HKCEE) and even relax exit standards, we recommend that both HKCAAVQ and JQRC should be asked to strengthen the quality assurance process for both the providers and their programmes. For instance, we would work in partnership with HKCAAVQ and JQRC to facilitate the development of options such as promulgating clear minimum admission requirements and making it mandatory for providers to follow; requiring providers to submit annual report on student admission and performance; and ensuring providers will strengthen learning support for students admitted on special consideration.

13. Enhancing transparency is an effective way for the public including the media to monitor the quality of education. We set up an information portal for the sub-degree sector in June 2007 to provide detailed and easily accessible information on individual course providers and their programmes to enable students to make better informed choices regarding their studies. The information includes teaching and non-teaching facilities provided by the institutions, qualifications of teaching staff, teacher-student ratio, professional recognition of programmes, etc. We would strengthen this information portal by providing more detailed information on the sub-degree programmes as well as articulation and employment statistics of sub-degree graduates of individual providers. We would also encourage HKCAAVQ and JQRC to step up publicity efforts to increase public understanding of their QA work and achievements.

(B) Enhanced Recognition to Sub-degree (particularly AD) Students for Civil Service Appointment Purpose

14. Sub-degree qualifications are standalone and valuable qualifications. Both HD and AD prepare graduates for both work and

for further studies. The HD qualification, which has a history of more than 35 years, has fared much better than AD in terms of recognition by employers. AD, on the other hand, only has a history of around seven years in Hong Kong and is less understood by employers. It has also been misperceived by many students as solely a bridging qualification to further studies. We consider that the Government should, in conjunction with the providers, intensify publicity efforts to promote better understanding and recognition of AD qualification for employment purpose.

15. We recommend that the Government should continue to take the lead in enhancing recognition for AD qualification. Specifically, we would clearly articulate the following messages to the public –

- (a) We would emphasize once again in our public message that, for civil service appointment purpose, AD qualification is broadly equivalent to that of HD qualification.
- (b) AD holders appointed to civil service jobs requiring HD qualification will be remunerated at the same level, which is set at MPS Pt. 13 (currently at \$17,935 per month) as the benchmark.
- (c) For the avoidance of doubt, in addition to (b) above, we will also make it clear to the public that AD holders are also eligible to apply for government posts requiring academic qualifications below HD level, such as matriculation and HKCEE levels, subject to the fulfillment of language proficiency requirements.
- (d) AD holders who are appointed to civil service disciplined services ranks with multiple entry points, and whose minimum qualification requirements are pitched at matriculation or below, will be granted additional salary points on top of the benchmark pay of the rank. For instance, an AD qualification holder appointed as a police inspector will be given an entry salary point of PPS Pt. 24 (\$28,845), as opposed to PPS Pt. 23 (\$27,980) for a matriculation holder and PPS Pt. 25 (\$29,715) for a degree holder.

- (e) We would explore whether AD holders can apply for some of the civil service grades that currently only accept degree holders, either as normal or sub-entry requirement. Currently, Analyst/Programmer II is the only degree grade accepting AD as sub-entry requirement.

(C) Gearing the Existing Support Measures Towards Quality Enhancement

16. Established in 2001 and 2002 respectively, the SLS and LGS have not just contributed to the robust development of the post-secondary education sector, but also provided students with decent learning environment. The LGS, for instance, provides prime sites at nominal premium for the construction of purpose-built campuses, which is essential to the provision of quality education in a post-secondary setting. In line with our objective to facilitate the consolidation of the sector and to address concerns about the standard of campus facilities provided by some institutions, particularly those operating in commercial premises, we consider that the SLS and the LGS could be modified such that they would support quality enhancement and improve students' learning experience.

17. To this end, we recommend that the SLS and LGS should be modified so that institutions may, without the need to provide additional student places¹, apply for land at nominal premium and/or interest-free loans for –

- (a) providing or enhancing teaching and other ancillary facilities (e.g. library, laboratories, student guidance/career counseling centres, etc) which serve to enhance the learning experience of and support for students; and/or
- (b) reprovisioning existing college campuses operating in sub-optimal environment.

¹ Approval under the existing SLS and LGS are linked to and dependent on the provision of sub-degree places. The institutions concerned must also operate on a non-profit-making basis.

18. In addition, having regard to the interests expressed by some institutions in using or converting vacant primary/secondary school premises for post-secondary education use especially those that are conveniently located and readily accessible, we propose to make available suitable vacant school premises for institutions to operate post-secondary programmes.

19. Under the modified SLS, institutions may apply for interest-free loans to provide/enhance teaching and student facilities at their existing premises, or to refurbish vacant school premises allocated to them to enhance students' learning environment, instead of applying for new land to build new campuses. Furthermore, under the modified LGS, land grant will be approved more sparingly. For instance, approval may be given if the applicant can come up with a sound vision and viable business plan which aim at developing a post-secondary institution into a degree-awarding institution or in the longer term a private university. We would encourage the post-secondary institutions to use vacant school premises to operate sub-degree programmes, thereby obviating the need for granting new land at nominal premium under the LGS. Hence, with suitable modifications, the LGS and SLS could play a pivotal role in driving the consolidation and quality enhancement of the sector.

20. The Chief Executive in Council approved on 14 May 2002 the delegation of authority to the Principal Official responsible for land policy to grant sites by private treaty under the LGS to self-financing post-secondary education institutions, provided that the Secretary for Education (SED) is satisfied that the basic terms and conditions of such land grants fall within the policy of enhancing the quality of self-financing post-secondary programmes. As the modified LGS would continue to support quality enhancement and is in line with the objective of improving students' experience by providing optimal campus facilities for the operation of self-financing post-secondary programmes, we will continue to exercise the authority delegated to us in 2002 when processing future land grants under the modified LGS. Regarding the modified SLS, we would submit the proposal to the Finance Committee (FC) of the Legislative Council (LegCo) for approval.

(D) Launching a Quality Enhancement Grant Scheme

21. Both the SLS and LGS are targeted at the provision and enhancement of physical facilities. In line with the policy direction to promote quality enhancement of the sector, we see merits in strengthening our support for students of self-financing post-secondary programmes by providing one-off grants to institutions to support worthwhile initiatives dedicated to quality enhancement.

22. In this regard, subject to approval by FC, we propose to launch a Quality Enhancement Grant Scheme (QEGS) of \$100 million over a period of three years from 2008/09 academic year onwards to fund worthwhile one-off non-works projects that could help enhance the quality of teaching and learning of sub-degree programmes.

(E) Extension of Loan Repayment Period of Medium-term Loans under SLS

23. Under the SLS, self-financing institutions which have borrowed interest-free loans from the Government have to repay their loans within 10 years. As a result, institutions concerned have to reserve a significant portion of the tuition fees received (being their main source of income) in the first 10 years for loan repayment, thus leaving fewer resources to programme delivery and quality enhancement. Sub-degree students have complained that the arrangement is unfair to them when the normal life-span of a building is 40 years or more. They have thus requested the Government to extend the loan repayment period to say, 20 years, so as to relieve the financial burden on the institutions and enable them to devote more resources to improving the quality of teaching and learning. Some have even asked the Government to waive the loans taken out by the institutions.

24. In view of the grave concerns expressed by sub-degree students and legislators, we recommend that , subject to FC's approval, we should allow borrowing institutions with proven financial difficulties to apply for an extension of the loan repayment period to up to 20 years

with interest payment at the no-gain-no-loss interest rate (pitched at 3.632% per annum as at February 2008, and subject to revision from time to time) after the first 10 years. Each application will be considered on its own merit and subject to the scrutiny by the Vetting Committee (set up in 2001 to consider SLS applications and make recommendation to SED). The concession would not apply to new loans to be granted under the SLS as the borrowers should plan carefully their repayment ability before borrowing to improve facilities.

(F) Further Improving the Financial Assistance Scheme for Post-secondary Students (FASP)

25. Currently, students of self-financing post-secondary programmes are eligible to apply for means-tested grant to meet tuition fees and academic expenses. However, unlike their publicly-funded counterparts, students of self-financing programmes are not eligible for means-tested loans to cover their living expenses. Instead, they may apply for non-means-tested loans at a much higher interest rate² to meet such expenses. This may pose a heavy repayment burden on students of self-financing sub-degree programmes, who usually come from less well-off families and earn less after graduation as compared to university graduates. We see the need to further strengthen our support for students of such programmes, thereby alleviating their financial burden and putting them largely on par with their publicly-funded counterparts.

26. Accordingly, we recommend that means-tested loans (currently pitched at a maximum of \$34,770 per student per annum) should be provided to self-financing post-secondary students to cover their living expenses based on the same terms and conditions as those under the Tertiary Student Finance Scheme for Publicly-funded Programmes

² Non-means-tested loans are offered at the no-gain-no-loss interest rate plus 1.5% risk adjustment factor upon drawdown, with the interest rate pitched at 5.132% per annum as at end February 2008; while the means-tested loans are interest-free during the study period and charges only 2.5% per annum during the repayment period.

(TSFS).³ The loan will be interest-free during the study period, and will be interest-bearing at 2.5% per annum during the five-year repayment period. The proposal would bring major relief to the students, particularly at times of high interest rates. Assuming an interest differential of 2.632% as at end February 2008, for instance, the interests so saved would amount to about 15% of the total amount of loans borrowed.⁴

(G) Expanding Articulation Opportunities by Extending FASP to Sub-degree Graduate Pursuing Self-financing Degree or Top-up Degree Studies

27. To speed up the provision of articulation opportunities, the SC has recommended and the UGC has agreed to bring forward the creation of all the 1 927 committed senior year undergraduate places at intake level (year 2) in UGC-funded institutions by the 2008/09 academic year (i.e. 960 new places on top of the 967 places provided by the 2007/08 academic year). While we appreciate that sub-degree graduates prefer furthering their studies at UGC-funded institutions, there is, realistically, a limit to which the Government (and for that matter the institutions themselves) can expand the provision of articulation places in publicly-funded institutions within a short period of time. We consider that the self-financing sector can play a pivotal role in meeting the articulation aspirations of a good portion of the sub-degree graduates. However, the present policy is that sub-degree graduates who wish to further or “top-up” their studies in locally-accredited self-financing degrees programmes are not eligible for financial assistance under the existing FASP. They may only apply for non-means-tested loans to cover the tuition fees of top-up studies. To enhance the articulation opportunities of sub-degree graduates, we

³ Formerly called the Local Student Finance Scheme (LSFS), the TSFS provides means-tested financial assistance to needy full-time students who take up an exclusively UGC-funded student place or exclusively publicly-funded student place of a recognized course at the Hong Kong Institute of Vocational Education, the Prince Philip Dental Hospital and the Hong Kong Academy of Performing Arts. Under TSFS, means-tested loans provided to publicly-funded sub-degree students should be repaid in 20 quarterly installments within five years after he/she was graduated or ceased to be a student of the institution.

⁴ As the interest rate of means-tested loans (2.5%) is much lower than that of the non-means-tested loans (assumed at 5.132%) currently provided, we estimate that with the provision of means-tested loans, a student can save around \$8,000 for interests during the five-year repayment period, i.e. about 15% of the average loan amount (about \$54,000) taken by students for living expenses for two years.

recommend extending FASP to cover sub-degree graduates studying self-financing locally-accredited degree or top-up degree programmes (simply termed as top-up degree studies in subsequent paragraphs). Besides providing the much needed assistance to sub-degree graduates pursuing top-up degree studies, the proposal would help foster the development of a self-financing degree sector in Hong Kong.

28. To ensure that public resources are dedicated to supporting sub-degree graduates pursuing quality top-up degree studies, we consider it imperative to put in place measures to uphold the quality and standards of the self-financing top-up degree studies if FASP is to be extended. Therefore, as a matter of principle, we propose that FASP should only be made available to eligible students who pursue full-time locally-accredited self-financing top-up degree studies. The estimated number of beneficiaries under FASP is about 18 500 in the 2007/08 academic year. The proposed extension of FASP to cover top-up degree studies is expected to benefit an additional 1 200 students in the 2008/09 academic year rising to about 6 700 in the 2012/13 academic year.⁵

IMPLICATIONS OF THE PROPOSALS

B 29. The financial, civil service, economic, and sustainability implications of the proposals are set out at **Annex B**.

30. The proposals are in conformity with the Basic Law, including the provisions concerning human rights. They have no productivity and environmental implications.

PUBLIC CONSULTATION

31. The SC comprises representatives of the service providers,

⁵ If the proposed improvements to FASP are implemented, eligible top-up degree students can apply for means-tested grant for tuition fee and academic expenses, means-tested loan for living expenses, and non-means-tested loan under the NLSPS.

quality assurance agencies and members of the business community. It is expected that the proposals would generally be welcomed by the institutions concerned. During the course of Phase 2 review, EDB has also met extensively all the key stakeholder groups, including the Federation of Continuing Education in Tertiary Institutions and the main student concern group, and attended the meetings of the LegCo Panel on Education to discuss the issue. As with the Phase 1 Review, we will consult the LegCo Panel on Education upon release of the Phase 2 Review Report on 14 April 2008.

PUBLICITY

32. A press release has been issued on 10 April 2008. We will consult the LegCo Panel on Education on the package of improvement measures on 14 April 2008. We will also make available a spokesman to handle media enquiries and arrange a press conference.

BACKGROUND

33. In the 2000 Policy Address, the Chief Executive announced that within ten years, 60% of our senior secondary school leavers would receive tertiary education. In support of this policy, we have been focusing our efforts and support measures to foster the provision of locally-accredited self-financing post-secondary programmes. The post-secondary education participation rate has increased from about 33% in 2000/01 to 66% in 2005/06, and stabilised at over 60% in the 2006/07 academic year.

34. Against this background, the then Education and Manpower Bureau (EMB) has initiated a Review of the Post-secondary Education Sector in 2005 to take stock of developments and to map out the way forward. The Review was overseen by a Steering Committee (SC) established by EMB, comprising representatives of service providers, quality assurance agencies and members of the business community.

Phase 1 of the Review was completed in March 2006 and a report has been published for public consultation. Taking into account views expressed on Phase 1 of the Review, the SC conducted Phase 2 of the Review from September 2006 to December 2007. Apart from the seven recommendations with major policy and financial implications as set out in paragraph 1 of this paper, the SC has also recommended a number of measures aiming to improve the quality and transparency of the self-financing institutions and their programmes; enhance the employability of sub-degree graduates; update the legislative framework; as well as strengthen collaboration among the institutions and business sector and between the quality assurance agencies responsible for sub-degree programmes.

ENQUIRIES

35. For enquiries about this brief, please contact Mr Daniel CHENG, Principal Assistant Secretary (Further Education), at 3540 7471.

Education Bureau

10 April 2008

**REPORT OF THE PHASE TWO
REVIEW OF THE POST SECONDARY EDUCATION SECTOR**

Executive Summary

Background

Since the announcement in the 2000 Policy Address of the policy objective of enabling 60% of our senior secondary school leavers to receive post-secondary education by 2010, we have witnessed not only a substantial increase in the post-secondary education opportunities but also a wider choice of progression pathways available to our younger generation. We now have a vibrant and dynamic post-secondary education sector in Hong Kong.

2. To take stock of the development of the post-secondary education sector and map out future directions for development, the then Education and Manpower Bureau (EMB) initiated a Review of the Post-secondary Education Sector in 2005. The Review has been conducted in two phases and overseen by a Steering Committee (SC) chaired by EMB and comprising representatives of service providers and quality assurance agencies as well as members of the business community. Phase 1 of the Review was completed in March 2006 and a report has been published for public consultation.

3. Taking into account the views received during the public consultation exercise, the SC conducted Phase 2 of the Review from September 2006 to December 2007.

Outcome of the Phase 1 Review

4. Phase 1 of the Review confirmed that our 2000 policy objective of increasing post-secondary education opportunities for secondary school leavers continued to command support. While accepting that the sub-degree sector was predominantly a self-financing sector, some commented that the Government should step in where there

were market inefficiencies or failures. Specifically, they considered that the Government should address concerns that over-expansion of the self-financing sub-degree sector has led to excessive competition and hence decline in the quality of post-secondary education. There were also concerns about the lack of recognition of the Associate Degree qualification by employers and poor articulation opportunities for sub-degree graduates. While most students welcomed the improvements to the Financial Assistance Scheme for Post-secondary Students (FASP) introduced in the 2006/07 academic year, they demanded the provision of means-tested loans for living expenses and extension of FASP to cover top-up studies. There were also calls from students and institutions for an extension of the 10-year repayment period of the interest-free start-up loans so that more resources can be directed towards teaching and learning.

Development of the Self-financing Post-secondary Education Sector

5. The SC has taken stock of the development of the post-secondary education sector since 2000. The development of a self-financing post-secondary sector not only injects diversity into our higher education system, but also provides a channel for all sectors of the society to contribute wisdom, resources and efforts for the benefit of students. This development is not unique to Hong Kong. Economies around the world and particularly those in Asia have been actively developing their private higher education sector.

6. In Hong Kong, our private sector has responded enthusiastically to the 2000 policy objective. The total supply of self-financing sub-degree places has increased by nine-fold during the period from the 2000/01 to 2005/06 academic years. At the same time, there is an enthusiastic demand for sub-degree education, as evidenced by the over-enrolment from the 2000/01 to 2004/05 academic years. As a result, the “participation rate”, which reflects the availability of education opportunities to our 17-20 age cohort, has doubled in five years from 33% to 66%. After a period of robust development in the first five years, it is observed that the self-financing sub-degree sector has entered into a **period of consolidation** starting from the 2005/06 academic year, with the number of course providers stabilising at 20 and the participation rate maintaining at slightly above 60%. Moreover, in view of some surplus places recorded in the 2005/06 academic year, the self-financing sub-degree sector has responded by slowing down the growth in the planned provision of sub-degree places and offering a greater variety of

programmes to meet the diverse education needs of students. It is also worth noting that in parallel with the robust development of the sub-degree sector, a self-financing degree sector is also emerging in Hong Kong.

Major Recommendations of the Phase 2 Review

7. Taking into account the views received in Phase 1 of the Review, the SC has identified a number of key issues that need to be addressed in Phase 2, and made 22 recommendations (at **Enclosure**) aiming at promoting the quality and transparency of the sector as well as enhancing the learning experience, employability and articulation opportunities of sub-degree students. In this regard, the SC considers that the Government has an instrumental role to play in facilitating the healthy and sustainable development of the post-secondary education sector as such development is pivotal to maintaining the quality of our human capital and competitiveness.

(a) Defining and Differentiating the Sub-degree Qualifications (Recommendations 1 and 2)

8. Sub-degree qualifications, including Associate Degree (AD) and Higher Diploma (HD), are valuable qualifications in a knowledge-based economy. They are expected to play an even more important role in preparing our senior secondary school leavers for employment following the implementation of the new academic structure for senior secondary and higher education (3+3+4). However, the SC recognizes that the co-existence of AD and HD has created some confusion to the public and employers, and noted that some have doubted the value of AD as a standalone exit qualification. Whilst reaffirming the value of both qualifications in preparing students for work and further studies, the SC considers that **AD and HD should be better defined and differentiated** to provide better guidance to institutions in curriculum planning and students in choosing programmes. Whilst AD and HD should share some commonalities such as quality assurance mechanisms and exit standards, they should also have distinct and differentiated characteristics in such areas as programme objectives, curriculum design and learning outcomes. The SC recommends that the Government should officially promulgate **Common Descriptors for HD and AD** for observance by the service providers and quality assurance (QA) agencies, and step up efforts in changing the misconception about AD in the society.

*(b) Enhancing Quality and Transparency of the Sub-degree Sector
(Recommendations 3 to 7)*

9. Quality is the cornerstone of the development of our post-secondary education sector. This is also an area of major public concern following the robust development of the sector in the past few years. The SC notes the co-existence of two QA mechanisms that are applicable to self-accrediting and non-self-accrediting institutions respectively. To facilitate a more structured dialogue among the QA agencies of the sub-degree sector, the SC recommends that a **Tripartite Liaison Committee** comprising the Education Bureau (EDB), the Joint Quality Review Committee (JQRC) and the Hong Kong Council for Academic Accreditation & Vocational Qualifications (HKCAAVQ) should be established and meets regularly to discuss quality-related issues concerning the sub-degree sector. Through this channel, the JQRC and HKCAAVQ will be asked to strengthen the QA mechanisms for both the providers and their programmes, paying particular attention to entry and exit standards. Meanwhile, the SC sees merits for the JQRC and the HKCAAVQ to step up their publicity efforts so as to increase public understanding of their QA work and achievements. To reinforce the QA efforts and encourage institutions to achieve excellence, the SC recommends that a set of **“Good Practices for the Sub-degree Sector”** should be drawn up in consultation with the stakeholders to set out general principles and desirable QA practices for reference by the institutions and the QA agencies. To take this forward, the SC recommends that an expert group comprising distinguished academics and QA experts should be formed to help draw up a set of draft “Good Practices” for consultation with the course providers.

10. Given the number and diversity of sub-degree programmes offered by the sector, the SC considers it imperative to provide more detailed and easily accessible information on individual course providers and their programmes so that students can make better informed choices regarding their studies. To this end, the SC recommends that a dedicated and comprehensive **information portal for the sub-degree sector**, providing institution- and programme-specific information, should be launched by the Government with input and support from the institutions. It is expected that the portal will greatly enhance the transparency of the self-financing post-secondary institutions and their accredited programmes.

(c) Gearing Government's Support Measures towards Quality Enhancement (Recommendations 8 to 12)

11. The Government introduced in 2001/02 a package of measures to facilitate and support the development of the self-financing post-secondary education sector. These include a Land Grant Scheme (LGS) and a \$5 billion Start-up Loan Scheme (SLS) to support campus development, and a \$30 million Accreditation Grant Scheme (AGS) to subsidise accreditation expenses. The SC considers that the SLS and LGS have achieved their stated objectives of encouraging and supporting the development of the self-financing post-secondary education sector in its initial stage of development.

12. To improve students' learning experience and programme quality, the SC recommends that the **SLS and LGS should be modified** and geared towards enhancing the teaching and learning environment, without the need to provide additional student places as required under the current schemes. Further, the Government should consider **extending the maximum loan repayment period** of medium-term loans under the SLS from 10 to 20 years, subject to interest payment after the first 10 years and institutions' proven financial difficulties, so as to relieve the financial burden on the institutions and enable them to devote more resources to improving the quality of teaching and learning. Moreover, the Government should consider making available **vacant school premises** for post-secondary education use and invite the institutions concerned to submit proposals. As regards the AGS, the SC recommends that accreditation grants should continue to be provided to encourage the provision of quality-assured programmes, but such grants can be subsumed into the financial assistance schemes to be launched by the Government in support of the development of the Qualifications Framework.

13. Apart from physical infrastructure, the SC recommends that, subject to funding availability, a new **Quality Enhancement Grant Scheme (QEGS)** should be launched to provide non-recurrent grants for worthwhile projects that could improve the learning experience and effectiveness of students in language proficiency, encourage the development and adoption of effective teaching methods or approaches, as well as strengthen quality assurance and student support / career guidance services.

(d) Further Improving Financial Assistance for Sub-degree Students (Recommendations 13 and 14)

14. In line with Government's policy to ensure that no student is deprived of education due to a lack of means, the Financial Assistance Scheme for Post-secondary Students (FASP) was introduced in 2001 for full-time students pursuing locally-accredited, self-financing post-secondary programmes leading to a sub-degree or higher qualification^{Note}. While improvements have been made to FASP starting from the 2006/07 academic year by bringing means-tested grants under FASP on par with those under the Tertiary Student Finance Scheme for Publicly-funded Programmes (TSFS), students demanded further improvements of FASP to provide means-tested loans to cover their living expenses, thereby bringing them on par with their counterparts under TSFS. The SC sees a case for further improving the FASP to strengthen our support to needy students of self-financing programmes. In this regard, the SC recommends that the Government should, subject to the availability of resources, consider providing **mean-tested loans for living expenses** under FASP.

15. Although sub-degree graduates normally prefer to further their studies at the University Grants Committee (UGC)-funded institutions, there is, realistically, a limit to which the Government (as well as the institutions) can expand the number of senior year places within a short period of time. The SC considers that the self-financing degree sector could play a pivotal role in meeting the articulation aspirations of a good portion of the sub-degree graduates. However, at present students who wish to "top-up" their studies in self-financing degree programmes are not eligible for financial assistance under the FASP if they have obtained any sub-degree or above qualifications. To support sub-degree graduates' articulation to self-financing top-up degree programmes, the SC recommends that the Government should consider, subject to funding availability, **extending FASP** to provide financial assistance to eligible applicants pursuing **self-financing full-time locally-accredited degree or top-up degree studies** in Hong Kong.

(e) Enhancing Employability and Articulation Opportunities of Sub-degree Graduates (Recommendations 15 to 21)

16. The sub-degree qualifications, AD and HD alike, are intended to prepare graduates both for work and for further studies.

^{Note} According to the FASP at present, students who have a qualification at sub-degree level or level are not eligible for financial assistance when pursuing self-financing degree or top-up degree studies.

Based on the statistics available, it is noted that over 90% of the sub-degree graduates were able to articulate or find a job shortly after graduation. This reflects general receptiveness and recognition in our society of sub-degrees being valuable intermediate or exit qualifications.

17. The SC agrees that sub-degree education helps upgrade the quality of our manpower, particularly that of the younger generation by equipping them with the necessary knowledge and skills (generic and specialized) and broadening their horizon beyond that of the secondary school leavers. However, the HD qualification, which has a longer history in Hong Kong, has fared better than AD in terms of recognition by employers. AD, on the other hand, has a relatively short history in Hong Kong and is perceived more as a bridging qualification to further studies. To improve the community's understanding of AD, the SC recommends that the Government should, building on the efforts made in the past, **intensify publicity efforts** in conjunction with the post-secondary institutions to promote better understanding and recognition of the AD qualification for employment purpose.

18. The SC also recommends that the Government should continue to take the lead in enhancing recognition for AD qualification, particularly in respect of civil service appointment. In particular, the Government should emphasise to the public that AD qualification is broadly equivalent to that of HD qualification for civil service appointment purpose. AD graduates should also be eligible to apply for government posts requiring academic qualification below the HD level. Furthermore, AD graduates should be granted additional salary point on top of the benchmark pay of the ranks they are appointed to disciplined services ranks with multiple entry points and requiring academic qualifications at matriculation or below. The Government should also continue to explore whether AD graduates can apply for civil service grades that currently only accept degree holder.

19. To sustain **industry-academia collaboration** and enhance students' employability, institutions should engage in regular dialogues with professional bodies, employers' federations and the business sector in curriculum development and internship arrangements, and provide students with opportunities to serve the community so as to broaden their horizon and exposure. The SC further recommends that efforts (such as an **online job information system**) should be made to facilitate job search by sub-degree students, that **career counseling and employment/placement services** should be provided by institutions for their students, and that **regular employer opinion surveys and tracking**

surveys be conducted to gauge the progression pathways and workplace performance of sub-degree graduates.

20. To speed up the provision of articulation opportunities at the UGC-funded institutions, the SC recommends that the Government should discuss with the UGC to **bring forward the creation of all the committed senior year places at intake level** to the 2008/09 academic year (originally scheduled for the 2010/11 academic year). In other words, a total of 1 927 Year 2 places will be available in the UGC-funded institutions for articulation by the 2008/09 academic year (of which 967 have already been created in the 2006/07 academic year). On the other hand, recognizing the limit in increasing the number of articulation places in the UGC sector and the need to prepare for the intake of an additional year of undergraduate students (3+3+4) by 2012, the SC also recommends the Government to provide suitable support measures to facilitate the development of self-financing degree-awarding institutions and private universities in Hong Kong, thereby increasing articulation opportunities for sub-degree graduates. Nonetheless, to ensure the **healthy and sustainable development of a high-quality self-financing degree sector**, the SC recommends that quality assurance and transparency measures for the self-financing degree sector should be put in place from the outset, and that the QA agencies responsible for degree programmes, including the HKCAAVQ and the Quality Assurance Council of the UGC, should jointly discuss QA issues relating to the self-financing degree sector in due course. The Government should play a facilitating and coordinating role in this regard.

(f) Updating the Legislative Framework (Recommendation 22)

21. Broadly speaking, educational institutions offering post-secondary programmes in Hong Kong can be divided into two broad categories: (a) local statutory institutions governed by their respective statutes; and (b) local non-statutory post-secondary institutions governed by either the Post Secondary Colleges Ordinance (Cap. 320) or the Education Ordinance (Cap. 279). As for non-local higher and professional education courses conducted in Hong Kong, they are regulated under the Non-local Higher and Professional Education (Regulation) Ordinance (Cap. 493).

22. Considering the evolution of the post-secondary education sector and the changing needs of the community for higher education, the SC recommends that the Government should **review the Post Secondary Colleges Ordinance** (Cap. 320), which was enacted some 40 years ago,

with a view to providing a more up-to-date, streamlined and comprehensive legislative framework for regulating the non-statutory post-secondary education institutions operating local, in particular sub-degree, programmes.

The Way Forward

23. The SC has submitted its report to the Government for consideration. While some of the recommendations which have been put forth by the SC may require further deliberations and are subject to resources availability, we consider that a number of recommendations, in particular those relating to improving quality and transparency, should be implemented as a matter of priority. In particular, in view of the importance of enhancing quality and transparency of the sub-degree sector, we have already kick-started initial preparatory work for those recommendations related to these areas, such as establishing the Tripartite Liaison Committee, initiating discussions on developing the Good Practices for the Sub-degree Sector, launching the information portal for self-financing locally accredited sub-degree programmes, etc. As for those recommendations which carry significant financial implications such as further improvements to FASP and launching a new Quality Enhancement Grant Scheme, the Government will examine the financial implications of the proposals carefully and consult the Finance Committee of the LegCo on any new or modified funding proposals at a later date.

24. We strongly believe that the support of post-secondary education providers, students and the community as a whole is of crucial importance in facilitating the long-term development of a quality post-secondary education sector. It is only through the concerted efforts of all parties that we will be able to sustain the vibrancy of the sector.

List of Phase 2 Review Recommendations

[Recommendation 1](#): We recommend that the **Associate Degree and Higher Diploma qualifications** should co-exist but **should be better defined and differentiated** through the promulgation and updating of the Common Descriptors for Higher Diploma and Associate Degree respectively.

[Recommendation 2](#): We **reaffirm the value of the sub-degree (Associate Degree and Higher Diploma) qualifications** in a knowledge-based economy and envisage their increasing importance in preparing our younger generation for employment especially following the implementation of the new academic structure (3+3+4). We therefore recommend that the Government should step up efforts in changing the misconception about Associate Degree in the society and that the institutions should seek to enhance the employability of their Associate Degree graduates.

[Recommendation 3](#): We recommend that the Hong Kong Council for Academic Accreditation & Vocational Qualifications and the Joint Quality Review Committee should seek to strength the Quality Assurance process for course providers, paying particular attention to ensuring compliance of admission and exit standards.

[Recommendation 4](#): We recommend that a **Tripartite Liaison Committee** comprising Education Bureau, the Joint Quality Review Committee and the Hong Kong Council for Academic Accreditation & Vocational Qualifications should be established to facilitate an on-going dialogue among the quality assurance (QA) agencies of the sub-degree sector, to provide a forum for discussing quality-related issues concerning the sub-degree sector and to enhance comparability of the QA mechanisms and the programmes offered by institutions with and without self-accrediting status.

[Recommendation 5](#): To promote the sharing of good practices and provide references for the sub-degree sector, we recommend that a set of **“Good Practices for the Sub-degree Sector”** should be drawn up in consultation with the post-secondary education institutions and be promulgated by the Government.

[Recommendation 6](#): To enhance transparency of the self-financing sub-degree programmes and accessibility of information, we recommend that the Government should launch a new and comprehensive **information portal on self-financing locally-accredited sub-degree programmes** based on input from the post-secondary institutions.

[Recommendation 7](#): We recommend that **the Joint Quality Review Committee and the Hong Kong Council for Accreditation of Academic and Vocational Qualifications** should step up publicity and increase the public awareness of their quality assurance work including their work plans, processes, standards adopted and achievements.

[Recommendation 8](#): We recommend that the Government's support measures should gear towards quality enhancement rather than increasing the supply of sub-degree places further. In this regard, **the Start-up Loan Scheme and the Land Grant Scheme should be modified** so as to allow institutions to obtain loans and/or land to enhance teaching, learning and other ancillary facilities, and/or for reprovisioning existing college premises.

[Recommendation 9](#): To complement Recommendation 8 above, we recommend that the Government should identify suitable **vacant school premises** for post-secondary education use (as an alternative to building new campuses) and invite the institutions concerned to submit proposals.

[Recommendation 10](#): We recommend that the Government should consider **extending the maximum loan repayment period** of medium-term loans taken out by the institutions under the Start-up Loan Scheme from 10 to 20 years, subject to interest payment after the first 10 years and institutions' proven financial difficulties, so as to relieve the financial burden on the institutions and enable them to devote more resources to improving the quality of teaching and learning.

[Recommendation 11](#): We recommend that **accreditation grants** should continue to be provided to encourage the provision of quality-assured post-secondary programmes, and such grants can be subsumed into the financial assistance schemes to be launched by the Government in support of the Qualifications Framework.

[Recommendation 12](#): Subject to funding availability, we recommend that the Government should consider launching a new **Quality Enhancement Grant Scheme** whereby non-recurrent grants will be provided to institutions and educational bodies to support worthwhile projects/initiatives that could improve students' learning experience and language proficiency, encourage development and adoption of effective teaching methods or approaches, as well as strengthen quality assurance and student support / career guidance services.

[Recommendation 13](#): Subject to the availability of resources, we recommend that the Government should consider providing **means-tested loans for living expenses** under the Financial Assistance Scheme for Post-secondary Students to bring further financial relief to students studying self-financing sub-degree programmes.

[Recommendation 14](#): Subject to the availability of resources and the proposed parameters, we recommend that the Government should consider **extending the Financial Assistance Scheme for Post-secondary Students** to cover sub-degree graduates pursuing self-financing full-time **locally-accredited degree or top-up degree studies** in Hong Kong.

[Recommendation 15](#): We recommend that the Government should continue to take the lead in enhancing recognition for AD qualifications and should intensify **publicity efforts**, in conjunction with the institutions, to promote better understanding of the sub-degree qualifications for employment purpose in both the business community and the public sector.

[Recommendation 16](#): To enhance the **employability** of the sub-degree graduates, we recommend that the post-secondary institutions should engage in regular dialogues with professional bodies, employers' federations and the business sector in the **curriculum development and internship arrangements** to improve employers' involvement in the development of sub-degree programmes and to provide pre-employment job experience for sub-degree students. We also recommend that sub-degree students be given the opportunities to serve the community so as to broaden their horizon and exposure.

[Recommendation 17](#): We recommend that the Government should facilitate the setting up of an **online job information system**, similar to the Joint Institutions Job Information System (JIJIS) for UGC-funded institutions, for the self-financing sub-degree sector, and that the self-financing post-secondary institutions should strengthen **career counseling and employment/placement services** for their sub-degree students.

[Recommendation 18](#): We recommend that **regular employer opinion surveys and tracking/longitudinal surveys** should be conducted to provide feedback on the sub-degree graduates' performance and progression pathways for reference by the Government, the institutions, the business sector and the community at large.

[Recommendation 19](#): We recommend the Government, in consultation with the University Grants Committee (UGC), should **bring forward the creation of all the committed senior year places at intake level** in the UGC-funded institutions to the 2008/09 academic year.

[Recommendation 20](#): Noting the limits of providing top-up degree places in the University Grants Committee sector, we recommend that the Government should provide suitable support measures to facilitate the development of **self-financing degree-awarding institutions and private universities**, thereby expanding the articulation opportunities for sub-degree graduates.

[Recommendation 21](#): Recognizing the importance of ensuring the **healthy and sustainable development of the self-financing degree sector** (including top-up degrees), we recommend that (a) quality assurance and transparency measures for the self-financing degree sector should be put in place from the outset; and (b) the quality assurance (QA) agencies responsible for degree programmes, including the Hong Kong Council for Accreditation of Academic and Vocational Qualifications and the Quality Assurance Council of the University Grants Committee, should jointly discuss QA issues relating to the self-financing degree sector.

[Recommendation 22](#): To support the long-term and sustainable development of the self-financing sub-degree and degree sector, we recommend that the Government should **review the Post Secondary Colleges Ordinance (Cap. 320)** with a view to providing a more up-to-date, streamlined and comprehensive legislative framework for regulating the non-statutory post-secondary education providers operating local programmes.

IMPLICATIONS OF THE PROPOSAL

Financial and Civil Service Implications

The financial implications^{Note 1} of the improvement measures are set out below –

- (a) Modified Land Grant Scheme – as the 60% target participation ratio has already been attained, the granting of new land at nominal premium to support quality enhancement of the post-secondary education sector under the modified scheme will result in additional land premium forgone. It is not possible to estimate the actual demand.
- (b) Quality Enhancement Grant Scheme – non-recurrent expenditure of \$100 million over three academic years from 2008/09.
- (c) Extending the loan repayment period of medium-term loan under the Start-up Loan Scheme – since interest on a no-gain-no-loss basis will be charged on the remaining loan during the extended repayment period, there will be no interest forgone.
- (d) Further improving the Financial Assistance Scheme for Post-secondary Students (FASP) – the proposed provision of new means-tested loan for **post-secondary students** under the existing FASP to cover their living expenses will incur means-tested loans of about \$390 million in the 2008/09 academic year rising to about \$420 million in the 2012/13 academic year. As a result of the proposal, the funding requirement under the Non-means-tested Loan Scheme for Post-secondary Students (NLSPS) will be reduced by about \$116 million in the 2008/09 academic year to about \$124 million in the 2012/13 academic year due to decrease in demand for non-means-tested loans. The financial implications for the Government will be interest forgone of

^{Note 1} The financial implications were assessed on the assumption that the interest rate would remain constant at the prevailing rate of 5.132% as at end February 2008, notwithstanding that it has come down to 4.882% with effect from 1 March 2008.

about \$69 – 73 million in respect of the new means-tested loans to be granted in 2008/09 to 2012/13 due to lower interest rate chargeable for means-tested loan.^{Note 2}

- (e) The proposed extension of FASP to cover **top-up degree students** will –
- (i) increase the disbursement of means-tested grants from about \$561 million in the 2007/08 academic year by about \$52 million in the 2008/09 academic year rising to by about \$301 million in the 2012/13 academic year;
 - (ii) increase the disbursement of means-tested grants under the Student Travel Subsidy Scheme by about \$3 million in the 2008/09 academic year rising to by about \$17 million in the 2012/13 academic year;
 - (iii) provide means-tested loans for living expenses from \$23 million in the 2008/09 academic year rising to about \$129 million in the 2012/13 academic year, thereby leading to an interest forgone of about \$23 million in respect of the loans to be granted in the 2012/13 academic year; and
 - (iv) provide non-means-tested loans^{Note 3} under NLSPS of about \$23 million in the 2008/09 academic year rising to about \$133 million in the 2012/13 academic year for covering the part of (iii) above in which the applicants cannot pass the means test for receiving means-tested assistance in full.

2. SFAA will require additional resources to implement the improvement measures (including capital expenditure of about \$2 million to upgrade its computer systems and recurrent expenditure of about \$7.9 million in the 2008/09 academic year rising to about \$17.7 million in the 2012/13 academic year for staffing and other departmental expenses). EDB will seek creation of posts through established procedures.

^{Note 2} The amount is estimated based on the difference between the interest charged for means-tested and non-means-tested loans.

^{Note 3} Charged at the no-gain-no-loss interest rate plus 1.5% per annum risk adjustment factor, with the interest rate pitched at 5.132% per annum as at end February 2008.

Economic Implications

3. Hong Kong is moving towards a knowledge-based society. The proposal helps ensure that students would not be denied access to post-secondary education for lack of means. It is conducive to a healthy and sustainable post-secondary education sector and in turn helps enhance the quality and competitiveness of our workforce. Moreover, the development of a self-financing degree sector is expected to bring substantial economic benefits, as the social rate of return of education investment on degree students is usually high. Indeed, according to an estimate prepared by the Government Economist, the social rate of return of university education in Hong Kong is around 4 percentage points higher than the average in several OECD countries.

4. The proposal is also justified on social equity ground. As students facing financial difficulties are provided opportunities to acquire further education and professional training, their earning capability will be lifted. This has positive effect on social mobility and is conducive to social harmony.

Sustainability Implications

5. In line with the sustainability principle of enabling individuals to fulfill their potential by providing universal access to adequate and appropriate educational opportunity, the proposal should enable more people to pursue quality post-secondary education and would help enhance the quality and competitiveness of our workforce in the long run.