

Motion Debate on “Helping young people cope with the financial tsunami” at Legislative Council Meeting on 18 February 2009

Progress Report

Purpose

At the Legislative Council (LegCo) meeting of 18 February 2009, the motion moved by Hon Tanya Chan, as amended by Hon. Starry Lee, Hon. Wong Sing-chi and Hon. Lee Cheuk-yan on “Helping young people cope with the financial tsunami”, was carried. The wording of the passed motion is at the Annex. This report briefs Members on the work progress of the major areas covered by the motion.

Student Finance

2. It is the Government’s student finance policy to ensure that no student is deprived of education because of a lack of means. We therefore have in place various student financial assistance schemes, including means-tested and non-means-tested loan schemes, to assist needy students.

3. The non-means-tested loan scheme provides a source of finance to students who do not wish to, or fail to, go through the means test under the relevant assistance schemes. Given that the loans are not subject to means tests and are unsecured, we consider it unjustified for taxpayers to subsidise the operation of the scheme. Therefore, the non-means-tested loan scheme operates on a no-gain-no-loss and full-cost-recovery basis. The interest rate is set at the Government’s no-gain-no-loss interest rate plus a 1.5% risk-adjusted factor (to cover the Government’s risk in disbursing unsecured loans).

4. Under the current mechanism, the Government will review the no-gain-no-loss interest rate at the end of each month according to changes in the average best lending rate of note-issuing banks in the month and will adjust the rate with effect from the first day of the following month. Since April 2006, the interest rate of the non-means-tested loan schemes has been adjusted downwards 10 times. The current interest rate is 4.132%, which is

much lower than the interest rate for unsecured loans in the market. We therefore do not see an imminent need to lower the rate.

5. Regarding the suggestion on changing the commencement date for calculating the interest under the non-means-tested loan schemes, as the interest rate is much lower than the interest rate for unsecured loans in the market and the schemes have to be operated on a no-gain-no-loss and full-cost-recovery basis, we consider it appropriate for the interest to be charged on the capital once the loan is drawn down. In fact, loan borrowers are not required to repay their loans during the study period. They are allowed to repay their loans and interests in 40 quarterly instalments within 10 years upon completion of their studies.

6. As regards the means-tested loan, it did not bear any interest prior to the 1987/88 academic year. An interest rate of 2.5% was imposed since then pursuant to the recommendations of the Public Accounts Committee of LegCo that student loans should be interest-bearing to ensure the effective use of public money. In fact, the means-tested loan is interest free during the study period. The actual interest rate varies depending on the length of the study and repayment period. Assuming that a loan borrower studies for three years and obtains the same amount of loan every year and the repayment period is 5 years, the actual interest rate is only 1.4%, which is at a reasonable level.

7. Regarding the suggestion on suspending the collection of repayments from loan borrowers and waiving the interests on loans, we appreciate that individual loan borrowers may encounter difficulties in repaying their loans. The Student Financial Assistance Agency (SFAA) has put in place an effective mechanism for handling such situations. If individual loan borrowers are unable to repay their loans owing to financial hardship, further studies or serious illness, they may apply to SFAA for assistance. SFAA will, on the basis of individual merits, approve a deferment of loan repayment, temporary adjustment of the quarterly repayment amount or extension of the repayment period. In the 2007/08 academic year, under the various student loan schemes, SFAA has approved around 5,500 such applications. In general, the Administration considers it more appropriate to adopt a flexible approach by making special arrangements and providing assistance to the loan borrowers according to their needs. We do not see the need to defer the loan repayment and waive the interests across-the-board for all loan borrowers. We would continue to

closely monitor the situation, and provide assistance to individual loan borrowers with repayment difficulties.

8. In fact, SFAA has been closely monitoring the operation of various financial assistance schemes. Reviews will be conducted as and when necessary. In fact, SFAA has been improving various assistance schemes in recent years. For instance, the Financial Assistance Scheme for Post-secondary Students has been enhanced since the 2008/09 academic year to cover sub-degree graduates pursuing full-time locally-accredited self-financing degree or top-up degree programmes, and to provide means-tested loans to eligible students to cover their living expenses.

9. In addition, SFAA has commissioned a consultancy study in September 2007 to review the current mechanism of calculating the living expenses loan under the Tertiary Student Finance Scheme – Publicly-funded Programmes in order to set up a more appropriate and effective mechanism for deriving the levels of financial assistance for eligible students. The consultancy study is still in progress and we shall consult the stakeholders at an appropriate time.

Creation of jobs and internship opportunities

10. The Administration has been sparing no efforts to create jobs and internship opportunities. The Financial Secretary announced in his 2009-10 Budget Speech that the Government will introduce targeted measures to provide various types of jobs and internship opportunities. The Administration will launch an Internship Programme for University Graduates (the Programme) in the middle of the year to provide an additional option to facilitate university graduates to gain work experience, broaden their horizon, as well as nurture talent for Hong Kong. On 19 March 2009, we briefed the LegCo Panel on Manpower on the key features of the Programme as follows –

- (a) The Programme will provide about 4 000 places for interested graduates to work as interns and receive training in local or Mainland enterprises for a period of 6 to 12 months;
- (b) For local internships, graduates will receive internship training in their capacity as employees, and will be paid wages

commensurate with the duties, responsibilities and training contents of the posts¹. During the period of internship, an employer will be eligible to receive from the Government a training subsidy of \$2,000 per intern per month;

- (c) For Mainland internships, an intern will be entitled to a living allowance of \$3,000 and, depending on circumstances, an accommodation allowance of \$1,500 per month payable by the Government. Considering the relevant labour laws on the Mainland, no employment relationship will be established for internships on the Mainland. The Government will take out an insurance policy to insure against the risk of personal accidents and public liabilities, etc. for interns on the Mainland; and
- (d) All the twelve degree-awarding tertiary institutions in Hong Kong will support the implementation of the Programme. They will provide job-matching and follow-up services to their graduates (including students from the Mainland and other places). Graduates of universities outside Hong Kong (including Mainland universities) who are Hong Kong citizens may join the Programme through the Labour Department (LD).

11. LD is working out the parameters and modus operandi of the Programme with the participating tertiary institutions and relevant stakeholders. We have approached business chambers and enterprises and received their positive feedback and support.

12. About \$140 million has been earmarked for subsidising the internships and meeting related expenses under the Programme. We plan to seek the funding approval of the LegCo Finance Committee at its meeting in May 2009 for launching the Programme.

13. Apart from the above Programme, the Budget also introduces other employment opportunities for different job seekers (including young people). The employment opportunities will span various academic requirements, professions and job categories. Details are as follows –

¹ Vetting of internship places will take into account a whole range of factors including the job nature and training contents of the posts as well as whether the wages offered are on par with the market wage levels. Wages offered by employers should in no case be less than \$4,000 per month.

- (a) the Government will introduce a two-year “Operation Building Bright” campaign for the maintenance of 1 000 dilapidated buildings, including those without owners' corporations. The campaign will create 10 000 jobs in the next two years;
- (b) the Government will host more attractive events in the areas of arts, culture and sports over the next three years to further promote Hong Kong as an events capital of Asia. It is expected that such activities will create some 2 800 jobs;
- (c) the Government will promote and organise community involvement activities under the theme of “Green, Cultural, Dynamic Games”, publicise the 2009 East Asian Games and celebrate the 60th anniversary of the founding of the People’s Republic of China. It is expected that such activities will create about 260 jobs in project co-ordination, publicity and promotion;
- (d) to teach Internet users, especially young students, how to use the Internet appropriately and safely, the Government will conduct a one-year education programme. It is expected that this programme will create about 500 jobs; and
- (e) the Government will carry out works to enhance energy efficiency of government buildings and public facilities. It is expected that this measure will create some 200 jobs while helping to improve the quality of public buildings.

14. On the other hand, the Construction Industry Council Training Academy is actively carrying out the preparation works for the “Construction Industry Youth Training Scheme”. It is expected that recruitment of trainees can commence in mid-2009. The Construction Industry Council has also been actively recruiting students for its various training courses. Besides, the application period for the 135 training posts provided under the “Graduate Training Scheme” in 2009-10 was closed at end March. Recruiting departments are conducting shortlisting and qualification assessment work for the received applications, and arranging interview for suitable candidates. From August to November 2009,

successful applicants will progressively start their 2 to 4 year training programme designed according to their professional discipline.

15. With the progressive implementation of more public works projects in 2009-10, it is anticipated that relevant contractors will gradually provide practical training opportunities for about 160 technician apprentices and about 120 building and civil engineering graduates as required under Government works contract provisions.

16. As regards the environmental protection industry, to take forward the policy objective of building a low carbon economy as pledged in last year's Policy Address, the Environment and Conservation Fund has allocated \$450 million to subsidise building owners to conduct energy-cum-carbon audits and energy efficiency projects. The three-year funding schemes were launched on 8 April 2009. The schemes will bring about substantial business opportunities to the engineering sectors and will provide job opportunities for young people.

Providing young people with more employment counselling and support

17. LD administers the Youth Pre-employment Training Programme (YPTP) and the Youth Work Experience and Training Scheme (YWETS) to provide comprehensive pre-employment and on-the-job training to young people aged 15 to 24 to increase their employability and help them enter into the labour market for sustainable employment opportunities.

18. YPTP has trained over 85 000 young people. Apart from those pursuing further studies on completion of the programme, over 70% of the trainees have secured employment. YWETS assisted 60 000 young people to secure employment. Among them, over 40 000 were placed as trainees in various industries.

19. Through cross-sectoral collaboration, YPTP and YWETS actively organise special training-cum-employment projects to meet the employment needs of young people. New projects include the Construction Industry Youth Training Programme in collaboration with the Construction Industry Council Training Academy and the project in collaboration with the Community Inclusion and Investment Fund to enhance the employability of youth people through making use of the social capital.

20. The Financial Secretary announced in his 2009-10 Budget Speech that LD will enhance and integrate various employment programmes to provide training and employment opportunities. Among other things, the YPTP and YWETS will be further enhanced and integrated into a through-train programme providing seamless and comprehensive youth training and employment support to strengthen the support services rendered to young people. On 19 March 2009, we briefed LegCo Panel on Manpower on the suggested initiatives. We plan to seek the funding approval of the LegCo Finance Committee at its meeting in May 2009 for launching the measures. Subject to the approval of the Finance Committee, we will launch the above measures in the new Programme year.

21. On the other hand, LD has set up two Youth Employment Start (Y.E.S.) in December 2007 and March 2008 respectively to provide one-stop advisory and support services on employment and self-employment to young people to enhance their employability, facilitate their access to the latest labour market information and help them secure firm footing in the labour market for sustainable development. The target users of Y.E.S. include graduates of the YPTP and YWETS, school leavers, young job-seekers, young people seeking alternative employment, self-employed youths and youths contemplating to start their own business.

22. In 2008, the two centres have provided services to some 63 600 young people. From January to March 2009, the centres have provided services to some 21 500 young people. LD will continue to provide employment support services to young people through the Y.E.S.

23. Besides, the Support and Consultation Centre for SMEs (SUCCESS) run by the Trade and Industry Department continues to provide free business information and consultation services to SMEs. It collaborates with various industrial and trade organisations, professional bodies, private enterprises and other Government agencies to provide SMEs (including new business starters) with a comprehensive range of practical and reliable business information, advice and facilities.

24. For the creative industry, the Commerce and Economic Development Bureau (CEDB) is working on the establishment of a dedicated office – Create HK, to drive the development of the creative industries in Hong Kong. The Government has also announced plans to put

aside \$300 million for the establishment of the CreateSmart Initiative to support the development of Hong Kong's creative economy in the coming three years. Nurturing young creative talents is a major strategic area that the proposed CreateHK will work on. The preliminary development strategy of CreateHK covers the following seven strategic areas –

- (a) nurturing a pool of creative talent;
- (b) facilitating start-ups and the development of creative establishments;
- (c) generating demand and expanding local market size for the creative industries;
- (d) promoting creative industries on the Mainland and overseas to help explore outside markets;
- (e) fostering a creative atmosphere within the community;
- (f) developing creative clusters in the territory to generate synergy and facilitate exchanges; and
- (g) promoting Hong Kong as Asia's creative capital.

25. CEDB aims to seek the approval for the establishment of the CreateHK and CreateSmart Initiative from LegCo Finance Committee in May with a view to establishing CreateHK by mid-2009.

Education Bureau

Labour and Welfare Bureau

Development Bureau

Environment Bureau

Commerce and Economic Development Bureau

April 2009

Helping young people cope with the financial tsunami

Hon Tanya CHAN: (Translation)

That, being struck by the financial tsunami, Hong Kong's economy will most probably slacken off substantially and young people will definitely face pressure from various fronts, including the financial burden arising from repaying student loans and the employment difficulties caused by reduction in jobs etc; this Council urges the Government to show concern for the needs of young people amid economic adversities and offer suitable support to help them alleviate their pressure, develop their career and contribute to the society, with specific measures which include:

- (a) removing the existing 1.5% risk rate for the "Non-means Tested Loan Scheme" and making changes to the effect that the interest will be calculated after a student has completed the relevant programme;
- (b) suspending the collection of repayments from all borrowers of student loan schemes for one year and waiving the interests on all loans for that year;
- (c) providing young people with more employment counselling and support, especially by increasing the resources allocated to the environmental protection and creative industries, with a view to helping them find suitable jobs;
- (d) creating temporary jobs and placements which are suitable for young people, including those in the fields of environmental conservation, survey studies, community relations, publicity and promotion etc, to give them opportunities to accumulate working experience;
- (e) exploring various forms of support, including appropriate training, counselling services, subsidies or loan arrangements, for young people who aspire to start a business or become self-employed; and
- (f) expeditiously implementing the recommendations of the Task Force on Economic Challenges which target at young people's needs and putting forward specific work plans as well as announcing the details.

Hon Tanya CHAN's motion as amended by Hon. Starry Lee, Hon. Wong Sing-chi and Hon. Lee Cheuk-yan: (Translation)

That, *as the global economy slows down, the Hong Kong is* ~~being struck by the financial tsunami, Hong Kong's economy will most probably slacken off substantially and~~ young people will definitely face pressure from various fronts, including the financial burden arising from repaying student loans and the employment difficulties caused by reduction in jobs etc; this Council urges the Government to show concern for the needs of young people amid economic adversities and offer suitable support to help them alleviate their pressure, develop their career and contribute to the society, with specific measures which include:

- (a) ~~removing~~ *standardizing* the existing ~~1.5% risk rate~~ *interest rate* for the "Non-means Tested Loan Scheme" ~~and at a flat rate of 2.5%~~ making changes to the effect that the interest will be calculated after a student has completed the relevant programme *and secured employment, as well as changing the means-tested loans to interest-free loans;*
- (b) suspending the collection of repayments from all borrowers of student loan schemes for one year and waiving the interests on all loans for that year;
- (c) providing young people with more employment counselling and support, especially by increasing the resources allocated to the environmental protection and creative industries, with a view to helping them find suitable jobs;
- (d) creating temporary jobs and placements which are suitable for young people, including those in the fields of environmental conservation, survey studies, community relations, publicity and promotion etc, to give them opportunities to accumulate working experience;
- (e) exploring various forms of support, including appropriate training, counselling services, subsidies or loan arrangements, for young people who aspire to start a business or become self-employed; and
- (f) expeditiously implementing the recommendations of the Task Force on Economic Challenges which target at young people's needs,

introducing an attachment allowance scheme for tertiary graduates whereby the Government will offer allowances to Hong Kong and Mainland enterprises which provide attachment places with a view to helping fresh graduates tackle employment difficulties and putting forward specific work plans as well as announcing the details;

- (g) reviewing various financial assistance schemes for post-secondary students, relaxing the eligibility criteria, and raising the amount of grants and loans, so as to alleviate the financial burden on tertiary students; and
- (h) considering giving tertiary students more flexibility in repayment, including repaying a smaller amount during the first three years after graduation; and
- (i) establishing a training contract system to enable young school leavers to have training opportunities and working experience.

註： 李慧琼議員的修正案以**粗斜字體**或刪除線標示。

黃成智議員的修正案以下加單橫線標示。

李卓人議員的修正案以下加雙橫線標示。