

ITEM FOR FINANCE COMMITTEE

HEAD 90 – LABOUR DEPARTMENT

Subhead 700 General non-recurrent

New Item “Internship Programme for University Graduates”

Members are invited to approve a new commitment of \$140 million for launching an Internship Programme for University Graduates.

PROBLEM

In the face of a deteriorating employment market amidst the widespread repercussions of the financial tsunami, recent university graduates are expected to encounter particular difficulty in securing or finding employment. We need to provide targeted assistance to help equip them for the labour market when the economy revives.

PROPOSAL

2. The Commissioner for Labour, with the support of the Secretary for Labour and Welfare, proposes to create a new commitment of \$140 million to launch an Internship Programme for University Graduates (the Programme) with a view to encouraging enterprises to offer workplace training and employment opportunities to recent university graduates at this particular time of economic downturn.

/JUSTIFICATION

JUSTIFICATION

3. We anticipate a marked reduction of job opportunities for university graduates this year amidst the current economic climate. To assist recent graduates, we propose to introduce a special internship programme to provide an additional option to facilitate their acquisition of experience in a workplace. The objectives of the Programme are to encourage the provision of internship opportunities for the graduates amidst the economic downturn, and with these opportunities broaden the horizon of the graduates and help them gain experience, hence enhancing their employment prospects so that they would be better equipped for the employment market when the economy revives.

The Programme

4. The Labour Department (LD) will launch the Programme to provide about 4 000 places for interested graduates to work as interns and receive training in local or Mainland enterprises for a period of six to 12 months. For planning purposes, of the 4 000 places, no more than 1 000 places will be earmarked for Mainland internship opportunities.

Eligibility of interns

5. Hong Kong residents holding full-time bachelor or higher degrees awarded by local tertiary institutions or universities outside Hong Kong (including Mainland universities) in 2008 and 2009 will be eligible to join the Programme, with priority to be given to graduates of 2009. Non-local students (including those from the Mainland and other places) pursuing full-time bachelor or above studies in Hong Kong tertiary institutions will also be eligible to join the Programme.

Role of participating enterprises

6. Enterprises joining the Programme will be required to draw up training plans for the internship places offered, provide interns with suitable training and appoint experienced employees to serve as mentors of the interns. Internship training for each graduate is expected to last for six to 12 months. The participating enterprises will also need to provide an undertaking that the interns will not displace existing employees.

/Role

Role of participating tertiary institutions (PTIs)

7. All the 12 degree-awarding tertiary institutions¹ in Hong Kong will support the implementation of the Programme. We plan to first distribute 70% of the 4 000 places to the PTIs according to the number of their full-time first-degree graduates in 2009 (with the remaining 20% to be retained for Hong Kong residents who graduated from universities outside Hong Kong and 10% as a buffer for subsequent allocation). The PTIs will provide job-matching and follow-up services to their graduates (including students from the Mainland and other places graduating from PTIs). They will also help canvass suitable internship places according to the circumstances and needs of their graduates and having due regard to the training contents of the internship proposals and the likely benefits to the graduates. Follow-up services, in terms of assistance to enterprises and interns in resolving issues throughout the course of internships and regular liaison with interns on progress of internship training, etc. will be available to graduates under the Programme. The PTIs will also be responsible for disbursing the training subsidy/living allowance/accommodation allowance (please also see paragraphs 9 and 10 below) to the participating enterprises or graduates as appropriate.

8. With direct and extensive experience in providing career planning and development services to their graduates and first-hand knowledge of their employment needs, PTIs are best placed to provide placement assistance to their graduates under the Programme. As the placement and support services offered by PTIs under the Programme are broader in terms of range and duration than their normal placement services, the Government of the Hong Kong Special Administrative Region (HKSAR) will provide each PTI with an administrative fee for carrying out the above services (paragraph 16(c) below). Hong Kong residents who are graduates of universities outside Hong Kong (including Mainland universities) may join the Programme through LD.

Local internship

9. 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 posts. Internship places for local graduates and graduates of universities outside Hong Kong will be vetted by PTIs

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¹ The 12 tertiary institutions are the University of Hong Kong, the Chinese University of Hong Kong, the Hong Kong University of Science and Technology, the Hong Kong Baptist University, the Hong Kong Polytechnic University, the City University of Hong Kong, the Lingnan University, the Open University of Hong Kong, the Hong Kong Institute of Education, the Hong Kong Shue Yan University, the Chu Hai College of Higher Education and the Hong Kong Academy for Performing Arts.

and LD respectively against a whole range of factors, including the job nature and training contents of the posts and hence the likely benefits that the interns will be able to derive from the internship arrangements, as well as whether the wages offered are on a par with the market wage levels for similar positions². During the period of internship, an employer will be eligible to receive from the HKSAR Government a training subsidy of HK\$2,000 per intern per month.

Mainland internship

10. Interns on the Mainland will be entitled to receive a monthly living allowance of HK\$3,000 from the HKSAR Government during the internship period. Depending on the circumstances, an accommodation allowance of HK\$1,500 per month may be payable to participating enterprises for arranging accommodation on the Mainland for the interns. Considering the relevant labour laws on the Mainland, no employment relationship will be established for internships on the Mainland. The HKSAR Government will take out an insurance policy to insure against the risk of personal accidents and public liabilities, etc. for the interns.

11. The primary objectives of Mainland internships are to broaden the horizon and exposure of university graduates to the Mainland business and work environment. This is particularly beneficial to the future development of Hong Kong and the interns themselves given that the Mainland is widely recognised as an economic growth engine in the world. PTIs (in respect of local graduates) and LD (in respect of graduates of universities outside Hong Kong) will take into account a host of factors, including training contents, likely benefits of the offers to the interns in terms of, among others, job experience to be acquired as well as the availability of follow-up support services, in deciding whether internship offers will be accepted.

12. Apart from assistance to be provided by the career/placement offices of the respective PTIs and LD, the Office of the Government of HKSAR in Beijing and the Hong Kong Economic and Trade Offices in Guangdong, Shanghai and Chengdu will provide support and assistance to Mainland interns as necessary, in the same vein as they serve Hong Kong residents on the Mainland.

/Administrative

² Wages offered by employers should in no case be less than \$4,000 per month.

Administrative arrangement

13. To facilitate the implementation of the Programme, LD will enter into service agreements with PTIs. These agreements will set out the respective roles and responsibilities of PTIs and LD in carrying out the Programme. In respect of participating enterprises and graduates, LD will also prepare scheme rules encapsulating the parameters of the Programme, guidelines for participating enterprises and interns, a standard employment contract (for local internships) and a training agreement (for Mainland internships).

Monitoring and Evaluation

14. LD will oversee the overall operation of the Programme and work closely with PTIs. We will regularly evaluate the progress of placements in consultation with PTIs with a view to fine-tuning the implementation arrangements. To ensure the deployment of resources to their best possible uses, we will review on a quarterly basis the utilisation of overall quotas for local and Mainland internships as well as the utilisation of quotas by individual PTIs, and make the necessary adjustment in the light of the actual take-up rates. PTIs and LD will regularly follow up with interns on progress of the internship training. On completion of the training period, both the participating enterprises and interns will be invited to complete an evaluation questionnaire on the internships arranged. We will investigate complaints received and, together with PTIs, jointly follow up on any irregularities identified. If there is sufficient evidence to show that an enterprise has breached the conditions of the Programme, the enterprise will be disqualified from joining the Programme and from receiving the training subsidy/accommodation allowance. The disqualified enterprise may also be required to refund to the HKSAR Government the training subsidy/accommodation allowance received.

Implementation

15. Subject to Members' approval of the proposal, we plan to launch the Programme in August 2009. We have consulted PTIs whose advice is that the above timing would be most appropriate in helping recent graduates.

FINANCIAL IMPLICATIONS

16. We propose to earmark non-recurrent funding of \$140 million for the Programme, calculated on the basis of providing 4 000 internship places (including 1 000 Mainland internship places) for 12 months. The estimated cost breakdown is as follows –

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Item	\$ million
(a) Training subsidy for local interns ((\$2,000 x 12 months x 3 000 internship places)	72.0
(b) Living and accommodation allowances for Mainland interns ((\$4,500 x 12 months x 1 000 internship places)	54.0
(c) Administrative fees for PTIs ³	4.0
(d) Insurance premium for interns on the Mainland	2.0
(e) Publicity and promotion	1.5
(f) Administration support ⁴	2.0
(g) Contingency	4.5
Total	140.0

17. The estimated cash flow is as follows –

Financial Year	\$ million
2009-10	122.0
2010-11	18.0
Total	140.0

We will provide supplementary provision under Head 90 for launching the Programme in 2009-10 and include sufficient funds in the Estimates for 2010-11 for meeting the cash flow required. The actual cash flow may vary depending on the actual number and duration of internships offered by participating enterprises

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³ The administrative fees for PTIs include an initial set-up sum of \$100,000 for each PTI and a top-up sum equivalent to 3% of the training subsidy (for local internships) and the living allowance (for Mainland internships) for internships arranged by PTIs.

⁴ This item covers the expenses for the engagement of temporary staff by LD to assist in the administration of the Programme.

and the take-up rates by graduates. As this is a time-limited initiative, the Programme will lapse when the provisions sought under the \$140 million commitment have been fully committed or by a specified application deadline to be determined following discussion with PTIs, whichever is the earlier.

PUBLIC CONSULTATION

18. We consulted the Legislative Council Panel on Manpower on the proposal on 19 March 2009. Members generally raised no objection to the proposal. However, some Members expressed concern about the misconception in some quarters of the requirement for employers to pay wages of not less than \$4,000 as the *minimum* wages that the local interns will get. In this connection, we briefed Members on the criteria for vetting internship proposals as set out in paragraph 9 above. The consensus of PTIs and LD is that only vacancies offering wages commensurate with the duties, responsibilities and training contents of the posts as well as the market wages for similar positions will be accepted.

19. We have briefed business chambers, organisations representing small and medium enterprises, enterprises and students of PTIs. The overall feedback received is positive and supportive.

BACKGROUND

20. As one of the measures to tackle the financial tsunami, the Chief Executive announced after the meeting of the Task Force on Economic Challenges on 22 January 2009 that the Government had explored with business chambers and associations the possibility of introducing internship and training opportunities for university graduates. In the 2009-10 Budget Speech, the Financial Secretary further announced that the Government would earmark about \$140 million for subsidising the internships and other related expenses under the Programme. About 4 000 graduates will be benefited.
