

**Speaking Note for Secretary for Labour and Welfare
at the Special Meeting of the Finance Committee
for Examination of the 2009-10 Draft Estimates
to be held on 26 March 2009**

Labour

Chairman and Honourable Members,

Recurrent spending on labour and manpower development in 2009-10 will reach \$1,200 million, representing an increase of \$48 million (+4.2%) over the Revised Estimate last year. It accounts for 0.5% of the Government's recurrent expenditure. In 2009-10, our priority is to strengthen employment services as well as promote the efficiency of the employment market and facilitate the dissemination of vacancy information, thereby helping job seekers enter or re-enter the labour market. We will also strive to promote labour relations, combat illegal employment and wage offences, and protect employees' rights and benefits. In addition, we aim to introduce the Minimum Wage Bill into the Legislative Council (LegCo) in this legislative session. We will continue to improve occupational safety and health, and strengthen training and retraining services. Let me highlight how my Bureau will make use of our resources.

Promoting Employment

2. As a result of the economic slowdown and uncertain economic outlook, the latest unemployment rate has increased to 5%. In the first two months of this year, the Labour Department (LD) posted 81 176 private sector vacancies, representing a decrease of 19% over the corresponding period in 2008 (100 329). In the face of slackened labour market amidst the financial tsunami, the Government will do its best to help the affected employees and job seekers.

3. In his Budget this year, the Financial Secretary has announced a range of measures to strengthen the employment services of LD. In 2009-10, LD will enhance and integrate its various employment programmes, including the Youth Pre-employment Training Programme, the Youth Work Experience and Training Scheme, the Employment Programme for the Middle-aged and the Work Orientation and Placement Scheme to strengthen the training and employment support for the vulnerable groups of youth, the middle-aged and people with disabilities. These include more demand-led

and flexible mode of operation, enhanced training subsidies and post-placement support, where appropriate. These enhanced employment programmes are expected to provide 44 000 training and employment opportunities in the next two years.

4. LD will also adopt a proactive approach in providing employment assistance to employees who have lost their jobs in redundancy and closure exercises. We will provide additional manpower to LD's 12 Job Centres to monitor closely redundancy and closure exercises and reach out to the retrenched employees. We will offer them priority job matching and referral services, canvass suitable vacancies from employers, and organise thematic job fairs targetted at hard-hit industries as well as district-based job fairs at shopping centres and community halls for the dissemination of vacancy and employment information.

5. In anticipation of a marked reduction in job opportunities for university graduates, LD will launch an Internship Programme for University Graduates. The Programme will provide about 4 000 places for interested graduates to work as interns and receive training in local or Mainland enterprises for six to 12 months. The objectives of the Programme are to broaden the horizon of the graduates and help them gain experience, as well as to nurture talent for the industrial and business sectors.

6. Upon approval by the Finance Committee for items above, we will implement the measures as soon as possible.

Promoting Labour Relations

7. Good labour relations underpin Hong Kong's social harmony and economic prosperity. In 2008, the number of labour disputes and claims handled by LD dropped by 5% as compared to that in 2007. This is the lowest level since 1998. For labour disputes and claims handled by LD, the settlement rate exceeded 70% (72.7%) - the highest since 1994. However, the onset of the financial tsunami in September 2008 has triggered a series of business closures, insolvencies and redundancies. The number of labour disputes handled by LD from October 2008 to February 2009 increased sharply by 57%.

8. In times of economic downturn, we make extra efforts to maintain stable and harmonious labour relations with a view to minimising the adverse impact of retrenchments and pay cuts. We appeal to enterprises to hold frank and sincere discussions with their employees before making important

decisions that would adversely affect their rights and benefits. Upon receipt of intelligence of pay cuts or retrenchments, we will intervene the soonest possible so as to forestall and defuse potential labour disputes. We stand ready to provide conciliation service to assist employers and employees in resolving their disputes and render timely assistance to the affected employees in case of bankruptcy or company winding-up.

9. We will continue with our promotional work in enhancing harmonious labour relations. We will encourage employers to adopt “employee-oriented” good people management measures, and impress on them the importance of effective communication and staff consultation in times of economic adversities. We will also promote family-friendly employment practices with a view to assisting employees to maintain a balance between work and family responsibilities. In addition, LD will stage roving exhibitions to enhance public understanding of the Employment Ordinance. We will also continue to work closely with the nine industry-based tripartite committees to foster good labour relations.

Protecting Employee’s Rights and Benefits

10. To protect the employment opportunities of local workers, the Government takes rigorous enforcement action against illegal employment. In 2008, together with the Police and the Immigration Department, LD mounted 186 joint operations to raid establishments suspected of employing illegal workers. We will keep up with our enforcement and publicity efforts to bring home the message that the Government will not tolerate illegal employment.

11. We have also spared no efforts to combat wage offences. Last year, we secured a total of 958 convictions against wage offences, at a level similar to that of 2007. Nevertheless, as a result of more targeted enforcement action, there were 199 summonses where company directors or responsible persons were convicted of wage offences, representing an increase of 57.9% compared with 126 such summonses in 2007. LD will continue to strengthen intelligence gathering and evidence collection and proactively conduct inspections. If there is sufficient evidence that an employer has no genuine financial problem and yet has defaulted on wage payment, we would prosecute the employer and responsible persons involved.

12. In the face of deteriorating external economic environment, the Protection of Wages on Insolvency Fund (PWIF) received a total of 6 448 applications in 2008, an increase of 33% over the figure of 4 836 in 2007.

For January and February 2009, PWIF received a total of 1 703 applications, an increase of 126% over the figure of 755 in January and February 2008. Over the last few months, LD has developed new arrangements whereby LD would facilitate the submission of preliminary applications to PWIF the very moment bankrupt employers or Provisional Liquidators announce the decision to wind-up the companies. LD will strive to assist employees affected by closure of business by expediting the processing of PWIF applications in order to reduce their financial hardship.

13. Besides, we conduct reviews of labour legislation from time to time in the light of socio-economic development in Hong Kong. Although the modes of execution of Labour Tribunal (LT) awards are an integral part of the whole system for seeking civil remedies, we are deeply concerned about the failure of some employers to effect payment to their employees as awarded by LT. After consultation with the Labour Advisory Board and LegCo Panel on Manpower, the Government decided to introduce a new criminal offence on non-payment of LT awards. Additional measures will also be introduced to empower LT to order defaulting employers to pay additional sums to employees and to disclose financial details. We are working closely with the Department of Justice and the Judiciary to tackle various legal issues and implementation details and aim to introduce a bill into LegCo in the 2008-09 legislative session.

14. Furthermore, in 2008 to strengthen protection for our workforce, amendments were made to the Pneumoconiosis (Compensation) Ordinance to extend its coverage to cancerous mesothelioma.

15. This year, we plan to improve the statutory benefits for persons with occupational deafness under the Occupational Deafness (Compensation) Ordinance. Under the proposal, employees suffering from monaural hearing loss will also be entitled to compensation. The maximum reimbursable amount for the expenses incurred in purchasing, repairing and replacing hearing assistive devices will be increased. Employees who have already received compensation under the Ordinance will be entitled to further compensation in respect of additional hearing loss sustained as a result of continued employment in noisy occupations. An amendment Bill will be introduced into LegCo shortly to give effect to these changes.

16. We will also adjust the proportion of Employees' Compensation Insurance Levy distributed to the Employees Compensation Assistance Fund Board and the Occupational Deafness Compensation Board to cater for their respective financial positions.

Statutory Minimum Wage

17. The Chief Executive announced in his Policy Address 2008-09 that a statutory minimum wage (SMW) will be introduced and we aim to introduce the Bill into LegCo in this legislative session.

18. Some sectors of the business community have suggested that introduction of the SMW Bill should be deferred in light of Hong Kong's current difficult economic conditions. The Government recognises that flexibility of wages and prices is crucial to Hong Kong's competitiveness and resilience to external shocks, given our high degree of external economic orientation. Nevertheless, safeguarding the interests of the vulnerable and enhancing social harmony are equally important social policy objectives.

19. The Provisional Minimum Wage Commission (the Commission) was established on 27 February 2009 to advise the Chief Executive on the initial SMW rate. The Chairperson and Members are appointed on an ad personam basis. The Commission will adopt an evidence-based approach to objectively reach a recommendation which will ensure a sensible balance between forestalling excessively low wages, minimising the loss of low-paid jobs while sustaining Hong Kong's economic growth and competitiveness. The Commission will undertake extensive consultation with relevant stakeholders on the SMW rate in the course of its deliberations.

20. Overseas experience suggests that the possible economic impact of an SMW can be mitigated by proper design and careful implementation. LD is working closely with the relevant government departments including the Economic Analysis and Business Facilitation Unit of the Financial Secretary's Office and the Census and Statistics Department to enhance the wage and other data collection in order to provide the necessary data to facilitate an informed deliberation by the Commission.

Enhancing Occupational Safety and Health

21. Safety and health at work in Hong Kong has improved significantly in the past decade, and there has been a steady decline in both the number and the rate of occupational accidents in 2008¹ as compared with

¹ For the first three quarters of 2008, the number of occupational injures in all workplaces stood at 32 056, a decrease of 3.9% over the corresponding period in 2007. The injury rate per thousand employees also dropped from 17.1 to 16.1, down by 5.8%. During

2007. We will keep up our efforts in further promoting occupational safety and health and reducing the accident tolls.

22. We will continue to actively promote safety and health at work through enforcement, publicity and education. In view of the impending commencement of major infrastructure projects and acceleration of minor works by the Government to create jobs, we will in this financial year focus our enforcement efforts on construction hazards such as work-at-height, repair and renovation works, use of electricity, tower crane operations, construction vehicles and mobile plants to deter unsafe practices. On occupational health, we will step up publicity and enforcement efforts to ensure adequate protection of workers from heat stroke at work, and will launch publicity programmes to raise employers' and employees' awareness of the prevention of occupational diseases.

Training and Retraining Services

23. The Employees Retraining Board (ERB) will continue to provide comprehensive and quality training and retraining services to help the local labour force adapt to the changing market needs and manpower requirements of the Hong Kong society.

24. To meet the training needs of its expanded target clientele (i.e. those aged 15 or above with education level at sub-degree or below), and in the face of the financial tsunami and its adverse impact on local employment, the ERB will provide at least 123 000 training places in 2009-10 and has reserved resources for providing an additional 20 000 training places in anticipation of an increasing training demand. The ERB will continue to closely monitor the changes in the labour market and adjust the allocation of training places flexibly to meet the coming challenges.

25. Chairman, this concludes my opening remarks. My colleagues and I shall be happy to respond to questions from Members.

– End –

the same period, the construction industry recorded 2 253 industrial accidents with an accident rate of 60.8, representing a decrease of 2.6% and 1.0% respectively.