

For information on
18 December 2008

Legislative Council Panel on Manpower

Creation of Job Opportunities and Employment-related Support Services

Purpose

This paper aims to inform Members of the measures put in place by different policy bureaux and departments (b/ds) of the Government for the creation of job opportunities and the provision of employment-related support services.

Recent performance of the job market

2. The financial tsunami has caused significant impact on economies around the globe, including Hong Kong – a small and externally oriented economy. The Administration shares the same concern as Members over the impact brought about by the adverse economic conditions, especially on the local employment situation.

3. As a result of the economic slowdown and uncertain economic outlook, employers have become more cautious in recruiting staff. While the unemployment rate remains relatively low, it is beginning to climb, reversing the earlier trend. The seasonally adjusted unemployment rate increased to 3.5% in August-October 2008. As labour statistics are lagging in nature, unemployment is expected to rise further in the near term.

Government's overall policy and responding measures

4. Speaking after the second meeting of the Task Force on Economic Challenges (TFEC), the Chief Executive said that the Government's priority is to preserve employment and support enterprises so that lay-offs and closures can be reduced. It will also use its resources to stimulate the economy and create jobs so as to ease the impact of the recession. The Chief Executive has announced the creation of over 60 000 jobs next year through expediting major and minor infrastructure projects, recruiting civil servants and creating temporary jobs. These jobs will span various academic requirements,

professions and job categories in order to provide employment opportunities for different job seekers. Furthermore, other measures announced by the Chief Executive, such as making the best use of various Government Funds, facilitating the construction projects of various organisations and expediting the approval process of private projects, will also create employment opportunities.

5. At present, b/ds are studying possible measures on all fronts that can help create jobs, strengthen employment support services, facilitate the dissemination of job market information as well as enhance job-matching. The relevant measures of the b/ds are detailed below –

Creation of job opportunities

(A) Expedite works projects

6. On job creation, the Government is committed to promoting economic development through infrastructure projects, thereby increasing employment opportunities during the construction stage. As such, we will expedite the implementation of the Ten Major Infrastructure Projects and carry out more minor works. In addition, we will raise the expenditure of the Government's Capital Works Programme and the Housing Authority (HA) in 2009-10 to about \$40 billion, providing 55 000 jobs, 12 000 more than those provided in 2008-09. Expenditure under Government's Capital Works Programme will reach \$29 billion, providing 45 300 job opportunities, of which 4 400 are for professional/technical staff and 40 900 are for labourers. The \$9.8 billion's works to be carried out by the HA in 2009-10 will provide 10 000 jobs, of which 800 are for professional/technical staff and the rest are for labourers.

7. The Administration will press ahead with the planning of the Ten Major Infrastructure Projects. Save for the procedures required by the relevant legislation, we will streamline our workflow as far as possible, while continuing to undertake comprehensive public engagement with a view to seeking a well balanced way forward to fulfil the different aspirations of the community. Among the three of the Ten Major Infrastructure Projects spearheaded by the Development Bureau, the Kai Tak Development project has entered the implementation stage. We intend to seek funding for another five design and construction works items at a total cost of some \$2.4 billion in mid-2009. Following the Government's decision in end-September 2008 to fund the construction of the cruise terminal, we have started the preparatory work for the site formation and cruise terminal building works with a view to commissioning the first berth in mid-2013. On Lok Ma Chau Loop, we have set up a joint task force with the Shenzhen Municipal Government, namely the "Hong Kong – Shenzhen Joint Task Force on Boundary District Development" (JTF), to

accelerate studies on the planning and development in respect of the areas in proximity to the boundary. We will be seeking funding approval from the Legislative Council (LegCo) later this year to embark on a comprehensive planning study in early-2009. On New Development Areas, we commissioned in June 2008 “the North East New Territories New Development Areas (NDAs) Planning and Engineering Study”, which will formulate a development plan to guide implementation of the NDAs, namely the three-in-one covering Kwu Tung North, Fanling North and Ping Che/ Ta Kwu Ling. The current target is to complete the study in 2011, and to provide the necessary infrastructure facilities to enable the first population intake to take place in 2019. As regards the other NDA at Hung Shui Kiu, we plan to commence the planning and engineering study in mid-2009 for completion by 2012.

8. After the second meeting of the JTF held on 18 September 2008, The Hong Kong SAR and Shenzhen Municipal Governments formally announced the decision to implement the Liantang/ Heung Yuen Wai Boundary Control Point project, which is expected to be in operation in 2018. Since announcement of the project, we have commenced preparation for the Investigation and Preliminary Design study. If funding application for the study is approved by the LegCo Finance Committee (the Finance Committee) in January 2009, we shall start the study in April 2009 for completion by the end of 2011.

9. The transport infrastructure projects are in good progress. The feasibility study of the Hong Kong – Zhuhai – Macao Bridge has been completed. The tender for the preliminary design of the Main Bridge was invited on 1 December. We will continue to work hard towards commencing the construction of the project as soon as possible. The railway scheme of the Hong Kong Section of Guangzhou – Shenzhen – Hong Kong Express Rail Link was gazetted last month. The design and public consultation of the project are underway. We hope construction can begin by the end of next year. As for the proposed Hong Kong – Shenzhen Airport Rail Link, the preliminary study is targeted for completion within this month. Regarding local projects, the planning of the MTR West Island Line has come to the final stage. Our target is to start construction next year. We are also pressing full steam ahead with the design of and public consultation on the Shatin to Central Link, the South Island Line (East), the Tuen Mun Western Bypass and the Tuen Mun – Chek Lap Kok Link.

10. Apart from the Ten Major Infrastructure Projects, we will also press ahead with other works projects that are equally important for city development. Such projects include various campus improvement projects in the light of the new “3+3+4” academic structure, the Central – Wan Chai Bypass and Wan Chai Development Phase II, Central Kowloon Route, Cross Bay Link and Tseung Kwan O – Lam Tin Tunnel, Replacement and Rehabilitation of Watermains

(Stage 4), Expansion of Tai Po Water Treatment Works, drainage projects, decking and beautification of nullahs, and cycle tracks. The total number of these projects is large and will create substantial job opportunities.

11. As a result of our effort to expedite works progress, the Finance Committee approved some 81 capital works projects at a total cost of \$47.1 billion (excluding the item on the \$21.6 billion endowment fund to West Kowloon Cultural District Authority) in the 2007-08 LegCo session. This is a substantial increase over the total sum of \$26.2 billion approved in the 2006-07 session. In the 2008-09 LegCo session, we plan to submit about 100 projects to the LegCo for approval. If the community supports the implementation of the Central – Wan Chai Bypass and Wan Chai Development Phase II, which have entered into gazettal stage, the Administration will endeavour to take forward the project before summer 2009. In other words, the total cost of funding support to be submitted to the LegCo this year will exceed \$100 billion.

12. We will also take forward more minor works projects, i.e. those with project cost not exceeding \$21 million each item, at district level. These minor works projects include renovation of Government buildings, greening works, and landslip preventive measures. In 2008-09, the approved block allocation for minor works has increased from the provision of \$6.1 billion in 2007-08 to some \$6.9 billion. On 3 December, the Administration obtained the LegCo Public Works Subcommittee's approval to recommend to the Finance Committee to further raise the 2009-10 allocation to \$7.6 billion, thereby creating more job opportunities for the construction industry.

13. As minor works can be implemented more speedily and are more effective in job creation in the short term, works departments have critically reviewed the projects under their purview and have identified some 22 additional minor works projects with projected 2009-10 expenditure of \$900 million. In other words, the spending on minor works will be increased to \$8.5 billion in 2009-10, or 23% increase from this year's allocation. These additional minor works are of two themes. The first theme comprising 14 items is to enhance the Government's assets management. The exceptionally heavy rainfall last summer demonstrates clearly the need to better manage our assets, with measures such as flood prevention, landslip mitigation and watermains rehabilitation, which are important to provide a quality life to our community. Projects under this theme include refurbishing the exterior of 50 government buildings, renovating aged protective surface of 500 slopes, improving the landscaped works of drainage facilities and the serviceability of aged stormwater drains and sewers, and enhancing the odour control and management of sewage treatment facilities. We will also upgrade the electrical and mechanical installations of various departments. The second theme is environmental protection or green initiatives, comprising 8 items. Examples include the

construction of green roofs in 40 government buildings, retrofitting plumbing appurtenance with water saving devices in government schools and buildings, and refurbishment of the building services installations in 100 government buildings to incorporate energy efficient features including energy efficient lighting systems.

14. On the other hand, the Government has been collaborating closely with its partner organisations, namely the Urban Renewal Authority (URA) and the Hong Kong Housing Society (HKHS), to promote building safety and timely maintenance. These two organisations have already mapped out new measures to further assist building owners to carry out building maintenance works. The URA has earmarked some \$250 million to enhance the level of subsidies provided under its building rehabilitation schemes and to carry out 10 community beautifications works projects. The HKHS has planned to allocate \$1.5 billion in the coming five years to renovate its housing estates including carrying out building structure repairs, face-lifting of external walls, replacement of lifts, etc. It also plans to increase the level of subsidies to eligible building owners to encourage building maintenance works. The Government and these two organisations are jointly working out further special measures to encourage and facilitate building maintenance works in Hong Kong. In addition, works related to signboards are also an area being explored by the Government. We will announce the proposed measures in due course.

(B) Provide support for small and medium enterprises (SMEs)

15. SMEs constitute a large proportion (about 98%) of the business establishments in Hong Kong. It is therefore crucial to render support to SMEs in our attempt to securing employment. Unemployment rate can be lowered if layoffs and closures of enterprises can be reduced. To address the tightening of credit by banks and to help Hong Kong enterprises tide over the current credit crunch, the Commerce and Economic Development Bureau (CEDB) has embarked on three series of measures to help SMEs solve their immediate cashflow problems. In the first stage, the measures adopted include provision of greater flexibility in the loan amount under the SME Loan Guarantee Scheme¹ and extension of the maximum guarantee period for Working Capital Loan. In the second stage, a Special Loan Guarantee Scheme for Small and Medium Enterprises (SpGS) was set up, under which the amount of Government guarantee was increased to 70%. The SpGS is further enhanced to provide a total Government guarantee of up to \$100 billion, which would help make available loans of about \$142 billion in the commercial lending market. Details of the SpGS are as follows –

¹ Under this scheme, the government will provide 50% guarantee to loans for SMEs.

- (a) the maximum amount of loan that each enterprise may obtain is increased from \$1 million to \$6 million. Within this ceiling, up to \$3 million may be used for a revolving credit line;
- (b) apart from being used as working capital, the loans can also be used for commercial overdraft or letters of credit, etc.;
- (c) to allow all Hong Kong companies other than listed companies to apply so that more companies can be benefited;
- (d) the maximum guarantee period for each loan is extended from 30 months to 36 months, and a grace period of 6 months will continue to be allowed, during which the borrower may repay interest only; and
- (e) greater flexibility will be given for the participating lending institutions in the loan assessment process.

16. At the same time, with the economic downturn in some traditional markets like the US and Europe, many SMEs are facing a reduction in orders and may have to explore new markets and seek new customers. In this respect, CEDB has implemented measures to enhance the Export Marketing Fund. The maximum amount of grant for each SME has been increased from \$100,000 to \$150,000; and the sub-ceiling for each successful application has been increased from \$30,000 to \$50,000. In addition, the scope of reimbursable items has been expanded to facilitate SMEs in exploring more new markets and enhancing their marketing effort.

17. To strengthen our support for SMEs, the Hong Kong Export Credit Insurance Corporation (ECIC) has launched a series of enhancement measures. For example, ECIC will be as accommodating and flexible as possible to the SMEs' requests for export credit insurance and increase the cover, within the bounds of prudent credit assessment and risk management. Where risk allows, it will also provide higher credit limits for exporters to emerging markets. Moreover, ECIC will expedite the processing of applications for small credit limits.

18. In addition, the Administration has appealed to banks to continue carrying out their lending function and to adopt an accommodative and flexible attitude in processing funding applications of SMEs within the bounds of prudent credit management, with a view to helping SMEs face the difficulties, maintain operation and develop new markets.

(C) Stimulate the economy

19. The Government has all along been committed to providing a stable, transparent and conducive business environment that keeps abreast with the needs of the market. In view of the global financial crisis, the Government strives to explore and bring in more business opportunities. Tourism is one of the important pillars of the Hong Kong economy and drives sectors such as retail and catering. The Hong Kong Tourism Board has already repositioned its promotional strategy to focus on high potential markets, attract high-yield segments, develop new source markets, explore new promotional windows other than peak seasons as well as package new tourism products to cater for the needs of visitors of different consumption power and preferences. The Mainland is our largest visitor source market. The Government will continue to liaise with relevant Mainland authorities on measures to facilitate more Mainland residents to visit Hong Kong. We hope that these measures will further promote the development of tourism in Hong Kong, stimulate the economy and help tide us over the financial crisis.

(D) Make best use of Government Funds and encourage non-governmental development

20. To ensure that our economy would not shrink to an excessive extent, the Government will not compress its expenditures. On the contrary, given rising unemployment, the Government will take the opportunity to make best use of the funded Government Funds to create jobs, promote innovation and technology development, promote environmental awareness, and encourage people to upgrade their competence and skills. The expenditures of the Government Funds, including the Innovation and Technology Fund, Environment and Conservation Fund, Lotteries Fund, and several education-related funds, will rise from some \$3 billion this year to some \$5 billion next year. Relevant b/ds will examine the spending of their Funds to ensure such Funds will perform its social function in a timely and effective manner at this most critical juncture.

21. For years, a number of voluntary organisations have contemplated plans for expansion or relocation, such as redevelopment of the David Trench Home for the Aged of the Tung Wah Group of Hospitals, development of a new headquarters of the Hong Kong Girl Guides Association, redevelopment of the headquarters of the Hong Kong Island Region of the Scout Association of Hong Kong into a training and arts and performance centre, etc. The Government is now in close and proactive liaison with the relevant organisations, to help further the development of such organisations on the one hand, and to provide a

diversified infrastructure blueprint with participation of non-governmental organisations (NGOs) to help create mid-term employment opportunities on the other hand.

(E) Advance recruitment of civil servants and create temporary and other jobs

22. B/ds will advance their recruitment exercises to fill 7 700 civil service vacancies from now to 2009-10 as early as possible. In addition, b/ds will, through various measures, help provide some 4 000 temporary and other positions, the number of which will be adjusted in the light of the market needs. These 4 000 positions will be mainly provided by the Hospital Authority, non-governmental organisations and service contractors, etc. Relevant b/ds/organisations are now working on the details of creation of these positions.

Provision of employment-related support services

(A) Provide suitable training

23. In the face of economic restructuring and uncertain economic conditions, skills upgrading is undoubtedly conducive to facilitating employment. The Employees Retraining Board (ERB) endeavours to provide training and retraining courses for the unemployed and the local workforce, and assist its trainees in acquiring vocational skills and qualifications recognized under the Qualifications Framework with a view to enhancing their employability and competitiveness. In 2008-09, the ERB plans to provide 120 000 training places covering a wide spectrum of industries (including tourism, hotel, healthcare, education and recreation, logistics, etc.) to meet the needs of its service targets as well as the labour market.

24. In the face of the global financial tsunami, the ERB will closely monitor the changes in the labour market, adjust the allocation of training places flexibly, and process training bodies' applications for transfer of training places in a flexible manner in order to cater for the needs of the market. Since November this year, the ERB has allowed its training bodies to transfer a maximum of 10% of the training places allocated to them for offering full-time placement-tied courses to half-day or evening non-placement-tied courses, in order to provide training to and better equip those who plan to change their jobs.

25. For the construction sector, with the Government's effort to accelerate the implementation of various small to large scales public works projects, it is necessary to match with corresponding manpower training. In this regard, the Construction Industry Council (CIC) and its Construction Industry Council Training Academy have been actively strengthening the training of construction

workers. Measures taken include the plan to set up the Council's fifth training centre in Tin Shui Wai to facilitate the young generation and residents in the north west New Territories to take part in the Academy's full time training courses. The centre can save the trainees' travelling expenses and efforts during the training period. It is expected to attract youngsters, especially new emigrants and ethnic minorities, in Tin Shui Wai and Yuen Long District to join the courses. The Government has taken co-operative action and is prepared to lease the required land to the CIC through short-term tenancy for setting up of the training centre. Furthermore, the CIC will strengthen and re-structure its adult short courses to meet the needs of new entrants to the industry, ethnic minorities and industry practitioners wishing to uplift their skill level. There is a new course related to the repair and maintenance of buildings to address the community's present demand for this type of personnel. The CIC is also planning to introduce a construction industry youth training scheme. Through the provision of training subsidy by the CIC and Labour Department's Youth Work Experience and Training Scheme, the scheme can provide more opportunities for in-service trainees to receive on-job training. The salaries of these trainees will gradually increase as they attain higher skill level at different stages of the training.

26. Apart from the ERB and CIC, we also collaborate with other training institutions to provide a wide variety of vocational education and training programmes for persons with different backgrounds and age groups, including ethnic minorities, the under-employed, and young people, so as to enhance their work ability.

(B) Facilitate job search

27. The Labour Department (LD) adopts a variety of measures to promote the efficiency of the employment market and facilitate the dissemination of vacancy information with a view to helping job seekers enter or re-enter the labour market.

28. In November 2008, LD posted 44 647 private sector vacancies, representing a decrease of 20.1% over November 2007 and a decrease of 23.9% over October 2008. The average number of vacancies posted per working day was about 2 200.

29. To strengthen the dissemination of vacancy and employment information and offer user-friendly service to the job seekers, LD organises large-scale job fairs in shopping malls and community halls at various districts from time to time. Employers and job seekers can arrange on-the-spot job

interviews at the job fairs. In the first eleven months of 2008, a total of ten large-scale job fairs were organised, attracting over 22 000 job seekers.

30. To cater for the needs of employers and job seekers in the vicinity, LD also organises mini-job fairs in Job Centres. LD will actively invite job seekers registered with the Job Centres to join the job fairs. In the first eleven months of 2008, 182 mini-job fairs were held, attracting an average of 130 job seekers per job fair.

31. To assist job seekers of different background who are facing difficulties in securing employment, LD administers various employment programmes, including the Job Matching Programme, the Employment Programme for the Middle-aged, the Work Trial Scheme, the Work Orientation and Placement Scheme, the Youth Pre-employment Training Programme and the Youth Work Experience and Training Scheme to enhance their employability and help them find suitable jobs.

32. Information on all civil service vacancies is uploaded on the website of the Civil Service Bureau to facilitate job seekers interested in applying for these positions to acquire the relevant information. B/Ds may also advertise these vacancies through various media and channels (such as newspapers).

33. We will closely monitor the employment situation and proactively render support to the employees whose employment has been jeopardized by the economic turmoil. In major closure or redundancy cases, LD will set up a hotline for enquiries and special counters at Job Centres to provide priority referral and job matching services to the employees made redundant. LD will appeal to prospective employers to provide suitable vacancies and communicate the vacancy information to the affected employees to facilitate their job search. LD will also provide affected employees with intensive and customised placement support and refer them to the ERB for retraining services where appropriate.

(C) Assist the disadvantaged to obtain employment

34. We understand that the financial tsunami may affect the employment opportunities of the disadvantaged. Therefore, the Government will continue to provide the disadvantaged with employment assistance through provision of education, training, re-training and services in job-hunting. The Social Welfare Department (SWD) has also been implementing the Support for Self-reliance (SFS) Scheme under the Comprehensive Social Security Assistance (CSSA) Scheme to provide unemployed able-bodied CSSA recipients with employment assistance services, so as to assist them to move from “welfare to self-reliance”.

35. Apart from ordinary employment assistance services, the SFS Scheme also provides intensive employment assistance services, such as basic social skills, job seeking skills and skills upgrading training, as well as other support services such as counseling services. Between October 2003 and end-August 2008, a total of 54 257 people have participated in the Intensive Employment Assistance Projects, in which 25 278 (47%) of the participants have successfully secured full-time paid employment, including 18 651 CSSA recipients (45% of total CSSA recipients participated in the programme) and 6 627 near-CSSA recipients (53% of total near-CSSA recipients participated in the programme).

36. The Home Affairs Department (HAD) will continue to implement the “Enhancing Self-Reliance Through District Partnership (ESR) Programme” to provide seed grants for eligible social enterprises (SEs) to subsidise their initial operations, so as to provide job opportunities to the disadvantaged people. Since the implementation of the ESR Programme in June 2006, a total grant of about \$76 million has been approved to some 80 new SE projects creating some 1 400 jobs for the socially disadvantaged. Amidst the financial tsunami, the operating environment of the SEs would become more difficult. HAD will implement measures to enhance support of SEs. If SEs approved under the ESR Programme were unable to achieve a balanced budget in view of the deteriorating operating environment, HAD will consider providing supplementary grants to these SEs to subsidise their operating expenses, with a view to improving their operations and enhancing their sustainability.

Social security and other measures

37. If the backlash of the financial tsunami persists, some of the working population may inevitably become unemployed. We have in place a comprehensive social security system which may help alleviate the impact of unemployment. Under our safety net, unemployed individuals with financial difficulties may apply for CSSA to meet their basic needs. Low-earning under-employed individuals may also consider applying for CSSA. There is a mechanism to adjust the CSSA standard rates in accordance with the movement of the Social Security Assistance Index of Prices. The rates were adjusted upward by 2.8% on 1 February and 4.4% on 1 August this year, and will be adjusted upward by 4.7% on 1 February next year.

38. Besides, the Labour and Welfare Bureau has already obtained approval from the Finance Committee on 5 December, to create a new commitment of \$100 million for providing short-term food assistance. SWD then invited proposals from NGOs to render such services on 8 December, with an aim of launching the service projects as early as possible. During this transitional

period, SWD has allocated resources, through redeployment of internal resources, to St. James' Settlement and Kwun Tong Methodist Social Service, so as to strengthen short-term food assistance currently provided by these two NGOs and provide assistance to individuals and families in need. We expect that, upon full implementation, about 50 000 persons will benefit from the service projects.

Way forward

39. The TFEC members had come up with proposals for creating employment and stimulating the economy. The Government has agreed to implement some of these recommendations and will study others in detail. The Government undertakes to implement feasible measures without delay. Furthermore, the Financial Secretary is consulting the public on the 2009-10 Budget and hopes to introduce further measures to create jobs, stimulate the economy and provide economic relief for the public.

40. "Employment forms the basis of people's livelihood, and is the cornerstone of social harmony". As such, the Government will closely monitor the creation of new jobs and employment situation. We will continue to adopt a multi-pronged approach, with multifarious measures, to promote economic activities so as to create job opportunities.

Labour and Welfare Bureau
Development Bureau
Commerce and Economic Development Bureau
Transport and Housing Bureau
December 2008