

ITEM FOR FINANCE COMMITTEE

**HEAD 159 – GOVERNMENT SECRETARIAT:
DEVELOPMENT BUREAU (WORKS BRANCH)
Subhead 700 General non-recurrent
New Item “Investing in Construction Manpower”**

Members are invited to approve a new commitment of \$100 million to support the latest effort of the Construction Industry Council to enhance training and trade testing for prospective fresh blood and in-service construction personnel, and to enhance promotion and publicity activities to attract more people to join the industry.

PROBLEM

We need to work together with the construction industry, through the Construction Industry Council (CIC), to nurture a quality workforce and maintain sufficient construction manpower by attracting new blood to join the industry and enhancing the skills and competitiveness of the existing workforce so that the construction industry manpower could meet the rising demand in the coming years and uphold the quality of works.

PROPOSAL

2. The Secretary for Development proposes a one-off funding of \$100 million to support the latest effort of CIC to enhance the training and trade testing for prospective fresh blood and local in-service construction personnel, and to enhance promotion and publicity activities to attract more people to join the construction industry.

/BACKGROUND

BACKGROUND AND JUSTIFICATION

Challenges faced by construction industry

3. The construction industry is one of the main pillars of our economy, employing about 8% of the workforce. Manpower is one of the most valuable assets in the industry. The smooth and effective delivery of construction projects depends on the quality input of different disciplines and trades at professional, technical/supervisory and worker levels in all stages from project inception through design and implementation to completion. We therefore need to nurture and retain a quality workforce capable of, and committed to, delivering high quality construction.

4. The construction workforce is facing an increasingly acute ageing problem, particularly for workers. According to information provided by the Construction Workers Registration Authority (CWRA) in early April 2010, of the 269 800 registered workers in the construction industry, about 40% are aged over 50 whereas those aged below 25 account for only about 5%. On skills distribution, about 60% of the registered construction workers are general workers without specialised skills. To meet the demands of the construction industry, we need more new entrants and more skilled workers through training and re-training.

5. In recent years, due to the expanded opportunities for further education and the relatively unpleasant working conditions in construction sites, the construction industry has encountered difficulties in attracting young people and in retaining those who have already joined the workforce. This is reflected by the increasing recruitment difficulties faced by CIC especially for some trades such as bar bending and fixing, formwork carpenter (civil construction), metal formwork erection and drainlaying.

6. At the same time, skills mismatch and decrease in overall construction output amidst the financial tsunami have contributed to the unemployment rate in the construction industry, peaking at 12.7% in the first quarter of 2009. Our efforts to press ahead with infrastructure development (including the ten major infrastructure projects) and expand the minor works programmes including building maintenance helped lower the unemployment rate from the peak to 8.0% in the first quarter of 2010.

7. In 2010-11 and over the next few years, the Government will continue to invest heavily in infrastructure to promote economic development,

create employment opportunities and enhance the long-term competitiveness of Hong Kong. With the various projects coming on stream, the estimated capital works expenditure will increase from \$45.1 billion in 2009-10 to \$49.6 billion in 2010-11. There will be a significant increase in the demand for construction workers and site supervisors in the coming years. We estimate that in 2010-11, the public sector major and minor projects will sustain 62 500 full year jobs in the construction industry, comprising 6 600 job opportunities for professional/technical staff and 55 900 job opportunities for workers.

Efforts made by CIC

8. Since its establishment in 2007 and upon its amalgamation with the former Construction Industry Training Authority, CIC has been building up the capacity and acquiring valuable experience in developing construction manpower resources at the technical/ supervisory and worker levels locally through training and trade testing. CIC has an operating expenditure for training and trade testing related activities of around \$200 million in 2008 and 2009. More information on CIC's efforts is given in Enclosure 1.

Encl. 1

9. In view of the challenges ahead, the Administration considers it appropriate to help strengthen the various efforts of CIC and other parties in the construction industry. The Financial Secretary announced in the 2010-11 Budget Speech that \$100 million has been earmarked to support CIC for strengthening its work to attract more people, especially young people, to join the construction industry and to upgrade workers' skills, through training and trade testing. A focused and coordinated promotion and publicity strategy will supplement CIC's training efforts by raising the appeal of a construction career.

10. Accordingly, we propose to allocate the one-off funding of \$100 million to the following areas of work over the next few years -

- (a) not less than \$80 million for reimbursing CIC of the training allowances, and trade testing and course fees benefiting trainees and workers; and
- (b) not more than \$20 million for Works Branch of Development Bureau (DEVB(WB)) to enhance promotion and publicity activities in conjunction with CIC and other stakeholders to attract more people to join the construction industry.

The proposed allocation is elaborated in the ensuing paragraphs.

/IMPLEMENTATION

IMPLEMENTATION

11. On the funding in paragraph 10(a) above, it is proposed to be used for supporting CIC to implement the following initiatives:

Training and trade testing**(i) *Enhanced construction manpower training for selected trades***

By providing trainees with enhanced training allowance to enable them to maintain basic living expenses during the training period, the initiative supports CIC in attracting more people to attend its training courses, especially for trades with problems of acute ageing, labour shortage and difficulties in recruiting new trainees.

CIC intends to provide trainees in selected trades with an average monthly training allowance of about \$5,000 (against \$90 a day which amounts to about \$2,000 a month at present). When the trainees complete their training and are employed by firms participating in the initiative¹, they may receive a wage of no less than \$8,000 a month which will be further increased to no less than \$10,000 a month after six months from their employers.

CIC intends to use the funding received to provide the \$5,000 allowance to about 3 000 additional trainees under the initiative. CIC will meet the staff cost and other operating expenses of these training programmes.

(ii) *Advanced training course for senior construction workers*

This is a completely new course to be provided free of charge to in-service senior workers to equip them with necessary language and basic management skills. This will facilitate the building up of a career ladder for senior workers to advance to the frontline supervisory/management level. Upon gaining sufficient experience, they may take further supervisory level training courses to acquire higher qualifications or start their own business in the trades.

CIC intends to use the funding received to provide about 1 500 training places under the initiative.

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¹ Response from contractors is very positive. As at 12 May 2010, over 90 firms have agreed to take part in the scheme.

(iii) Enhanced construction supervisor / technician training

CIC plans to attract more people to join its Construction Supervisor / Technician Programme by offering trainees an enhanced daily training allowance of \$150 (against the current amount of \$105 a day).

CIC intends to use the funding received to provide about 600 training places under the initiative. CIC will meet the staff cost and other operating expenses of the training programme.

(iv) Subsidy for fees of trade tests, specified training courses² and skills enhancement courses

According to registration figures of CWRA, about 60% of the registered construction workers are general workers. However, it is estimated that some of the workers do possess prerequisite trade skills or experience to be registered as skilled workers or semi-skilled workers, subject to passing the respective trade tests or attending the Specified Training Courses (STCs). In this regard, and especially for trades with problems of acute ageing, shortage and difficulties in recruiting new trainees, CIC intends to use the funding received to provide a fee subsidy capped at \$500 for workers to attend trade tests or STCs, and to arrange skills enhancement courses in order to attract or facilitate them to become registered skilled workers.

CIC intends to use the funding received to provide a total of about 18 000 places i.e. about 6 000 places each for trade tests, skills enhancement courses and STCs under the initiative.

Details of the proposed measures as compared with the existing arrangement of CIC are at Enclosure 2.

Encl. 2

12. While we will provide funding to support CIC to pay for the relevant training allowance, course fees and subsidies, CIC will **increase its investment correspondingly** to cover the core expenses on instructing staff, workshop training and operating expenses, training sundry expenses, capital expenses in furniture and equipment, overheads etc. required for providing the additional training places under the various new initiatives set out in paragraph 11 above. In 2011, CIC budgets to spend about \$238 million on training and trade testing related activities, an increase of almost 20% over its previous year's budget.

/Promotion

² Pursuant to s.41 of the Construction Workers Registration Ordinance (Cap. 583), experienced construction workers satisfying certain registration requirements may attain registered skilled workers qualification through attending a specified training course designated by CWRA and passing the corresponding skill assessment.

Promotion and publicity

13. On the funding in paragraph 10(b) above, it is proposed to be used by DEVB(WB) to support CIC in attracting more people to join the construction industry. In particular, DEVB(WB) will provide seed-money to support CIC to set up Resource Centre as a one-stop platform where potential new entrants and job-seekers can gain easy access to information including training opportunities, types of trades available and career development of the construction industry. Other promotion and publicity activities such as promoting the achievements of the industry through various media and channels, reaching out to people of different background and providing information of the industry to potential new entrants, etc. would also be considered. Some initial proposals include producing publicity materials such as career brochures, educational packs and posters to explain and illustrate different trades of the construction industry; organising road shows, career talks, career expos and setting up a dedicated website as the one-stop shop for training pathways in the construction industry. In addition to involving CIC, we will also work in collaboration with other relevant stakeholders such as employers, professional institutes, trades unions and labour unions in rolling out these activities.

Monitoring and control

14. CIC will keep its training and trade testing programmes under regular and rigorous review. Together with CIC and the construction industry, we will closely monitor the response to the proposed measures in paragraphs 11 and 13 above and will adopt a flexible approach in the allocation of funds across the proposed measures according to the prevailing market and manpower situation. CIC will rigorously monitor the progress and achievements of the various initiatives taking into account of the attendance records, the performance of participants etc. and will report them to DEVB(WB) regularly.

FINANCIAL IMPLICATIONS

15. We propose to create a new commitment of a one-off funding of \$100 million to implement the proposed measures in paragraphs 11 and 13 above with the following indicative breakdown –

/ \$

	\$ million (Indicative*)
(a) Initiatives to enhance the training and trade testing of CIC	(not less than) 80
(i) Enhanced construction manpower training for selected trades	45
(ii) Advanced training course for senior construction workers	3
(iii) Enhanced construction supervisor / technician training	20
(iv) Subsidy for fees of trade tests, specified training courses and skills enhancement courses	12
(b) Promotion and publicity activities to attract more people to join the construction industry	(up to) 20
(i) One-off seed money for CIC to set up Resource Centre	6
(ii) Media production	5
(iii) Other promotion and publicity activities e.g. road shows, career talks and expos, dedicated websites	6
(iv) Staff cost or consultancy	3
Total	100

* We propose to adopt a flexible approach under which funds may be redeployed from (b) to (a) above and redistributed amongst items (i), (ii), (iii) and (iv) under (a) in the light of actual needs and responses. This will ensure maximum benefits to be accrued to construction personnel and to the construction industry.

16. The estimated cash flow requirement is as follows –

Financial Year	\$ million
2010 – 11	6
2011 – 12	27
2012 – 13	28
2013 – 14	21
2014 – 15	18
Total	100

PUBLIC CONSULTATION

17. On 24 February 2010 and 30 April 2010, CIC discussed the Government's proposed funding support for CIC to implement the initiatives in question. CIC welcomes the proposal of the Government. On training, CIC undertakes to provide additional training places of its existing courses at its own expenses. On promotion and publicity, CIC will support the setting up of Resource Centre. CIC will also encourage employers to take part in relevant initiatives.

18. On 30 March 2010, we briefed the Legislative Council Panel on Development on the proposal. Members in general supported the proposal.

19. We also liaised with trade unions including Hong Kong Construction Association, Hong Kong General Building Contractors Association etc. which expressed support for the various initiatives in meeting the manpower needs of the industry. Labour unions also expressed support for the various initiatives on the grounds that such initiatives would help upgrade the skills and competitiveness of workers.

The Construction Industry Council (CIC)

CIC was established in February 2007 to forge consensus on long-term strategic issues, convey the industry needs and aspirations to the Government and to provide a communication channel for the Government to solicit advice on construction related matters. CIC has the following key functions in relation to the construction industry:

- (a) to advise the Government on strategic matters, major policies and legislative proposals;
- (b) to provide training courses;
- (c) to establish and maintain industrial training centres;
- (d) to assess the standards of skills achieved, to conduct examinations and tests, to issue or award certificates of attendance or competence etc.;
- (e) to formulate codes of conduct;
- (f) to administer registration and rating schemes;
- (g) to steer forward research and manpower development;
- (h) to facilitate adoption of construction standards; and
- (i) to promote good practices.

2. For the main functions set out in (b) and (c) of paragraph 1 above, CIC has recently initiated the following measures to enhance the facilities and programme content of its training -

- (a) doubled the training quota of CIC's full-time courses in the 2009-10 training year;
- (b) launched the Construction Industry Youth Training Scheme to address the acute ageing problem in some trades;
- (c) offered special training course to train up more shotfirer for tunneling work in coming years;
- (d) launched the Contractor Cooperative Training Scheme in cooperation with contractors to offer training in various trades which are difficult or not cost effective to be conducted in CIC's training centres, such as tunnel boring machine operator;

- (e) provided some training courses in English to facilitate the ethnic minorities to receive construction training;
- (f) offered training course to facilitate in-service formwork carpenters (building construction) to carry out civil engineering carpentry work;
- (g) set up a new training centre at Tin Shui Wai in September 2009 to facilitate trainees in the northwest New Territories to receive training; and
- (h) offered Specified Training Courses to enable Registered Skilled Worker (Provisional) to obtain skilled worker qualification under the Construction Workers Registration Ordinance.

3. CIC has been publicising its training courses through various channels, such as newspaper advertisements, career expos, road shows, training centre open day, direct marketing materials, etc. It also conducts career talks and organises school visits to various training centres and training grounds of CIC to offer first-hand experiences to potential new entrants.

**Comparison between the Proposed Measures
to Enhance Training and Re-training of Construction Personnel and the Existing
Provisions of the Construction Industry Council**

Existing Provision	Proposed Measures	Objectives of Measures
(i) Enhanced construction manpower training for selected trades		
<p>Trainees of full-time adult short courses of the Construction Industry Council (CIC) are entitled to a training allowance of \$90 a day, which amounts to about \$2,000 a month, during the training period lasting from two to thirteen weeks.</p>	<ul style="list-style-type: none"> • Increase the training allowance to an average of about \$5,000 per month for trainee of selected trades to be provided by the proposed funding at a total estimated cost of about \$45 million. The average duration of the course is about three months but it will depend on the trades to be included into the initiative in consultation with stakeholders. • Employers will be encouraged to employ graduates and pay them a wage of not less than \$8,000 a month, which will be further raised to not less than \$10,000 a month after six months. • The staff cost and other operating expenses of these training programmes will be met by CIC. • Target no. of trainees – about 3 000 	<p>Attract more people to join the training with the enhanced training subsidy and trainees can also know the estimated salary in the first year after graduation. This may encourage more people to come forward for training.</p>

Existing Provision	Proposed Measures	Objectives of Measures
(ii) Advanced training course for senior construction workers		
New course	<ul style="list-style-type: none"> • Provide free of charge language and basic management training courses to in-service senior construction workers to be covered by the proposed funding at an estimated total cost of about \$3 million, i.e. around \$2,000 per trainee. • CIC will be responsible for organising the advanced training course. • Target no. of trainees – about 1 500 	Provide appropriate training to facilitate the building up of a career ladder for in-service senior construction workers to advance to frontline supervisory/ management level.
(iii) Enhanced construction supervisor / technician training		
Trainees will receive a training allowance of about \$105 a day during the training period.	<ul style="list-style-type: none"> • Increase the training allowance to \$150 a day to be provided by the proposed funding at a total estimated cost of about \$20 million. The duration of the course will be about 1 year. • CIC will be responsible for all operating expenses for the provision of the additional training places. • Target no. of trainees – about 600 	Attract more people to join the training programme in order to meet the industry's demand for construction supervisors/ technicians.

Existing Provision	Proposed Measures	Objectives of Measures
(iv) Subsidy for fees of trade tests, specified training courses (STCs) and skills enhancement courses		
<p>Applicants for CIC's trade test have to pay a test fee. Most of trade tests are charged at \$500 per test.</p>	<ul style="list-style-type: none"> • Applicants of selected trade tests will be provided with a no more than \$500 fee subsidy per test. • Provide new skills enhancement courses free of charge for workers of some trades to facilitate their taking of the trade tests. The subsidised course fees are estimated to be about \$1,000 per place. • Target no. of places—about 6 000 each for trade test and skills enhancement courses 	<p>Attract in-service construction workers possessing prerequisite trade skills to take the trade tests and be qualified as registered skilled workers.</p>
<p>Applicants for STCs need to pay the course fee. Most of the courses are charged at \$500 per course.</p>	<ul style="list-style-type: none"> • Applicants for selected STCs will be provided with a no more than \$500 fee subsidy per course • Target no. of places – about 6 000 	<p>Attract in-service construction workers with prerequisite experience to attend STCs so as to enable them to qualify for registration as skilled workers.</p>

Existing Provision	Proposed Measures	Objectives of Measures
	<ul style="list-style-type: none">• While CIC will be responsible for all administrative/ operating costs related to the provision of the trade tests and STCs and the organisation of the skills enhancement courses, the subsidies for the fees of taking the trade tests and STCs as well as the skills enhancement courses are to be provided by the proposed funding.	
