

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 90 – LABOUR DEPARTMENT**

#### **Subhead 700 General non-recurrent**

**New items “Pilot Employment Navigator Programme” and  
“Special Employment Project for Vulnerable Youths”**

#### **Subhead 000 Operational expenses**

Members are invited to approve –

- (a) a new commitment of \$124.5 million for the introduction of a Pilot Employment Navigator Programme;
- (b) a new commitment of \$33 million for the introduction of a special employment project for vulnerable youths; and
- (c) an increase in the ceiling placed on the total notional annual mid-point salary value of non-directorate posts in the permanent establishment of the Labour Department in 2010-11 from \$703,182,000 by \$7,756,020 to \$710,938,020 to create 19 non-directorate civil service posts for two years for administering the Pilot Employment Navigator Programme at (a) above.

### **PROBLEM**

Certain industries find it difficult to fill their job vacancies, whereas some job-seekers, especially youths with low educational qualifications, emotional and behavioural problems or learning difficulties, face problems in securing suitable jobs. We need to implement measures to help address the mismatch in the labour market and provide enhanced and timely employment assistance to the unemployed, especially vulnerable youths, to help them settle in employment.

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## PROPOSAL

2. The Commissioner for Labour (C for L), with the support of the Secretary for Labour and Welfare, proposes to create a new commitment of \$124.5 million for the Labour Department (LD) to introduce a Pilot Employment Navigator Programme (ENP) and a new commitment of \$33 million to launch a special employment project for young people with acute employment difficulties. To administer the Pilot ENP, C for L also proposes to increase the establishment ceiling of LD in 2010-11 by \$7,756,020.

## JUSTIFICATION

### Pilot ENP

3. Currently, LD is operating a Job Matching Programme (JMP) to provide personalised employment assistance to job-seekers. JMP placement officers help job-seekers mainly by referring to them job vacancies that suit their preferences and qualifications. LD proposes to launch a two-year Pilot ENP to replace JMP to address the problem of manpower mismatch<sup>Note</sup>, fully utilise our labour productivity and encourage employment through the provision of more intensive counselling to the unemployed and cash incentive to those who successfully secure and stay in a job.

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<sup>Note</sup> LD's operational statistics illustrate the mismatch in the demand and supply of manpower in some occupations, as follows –

<b>Job Titles</b>	<b>As at 7 May 2010</b>	
	<b>No. of vacancies posted by LD</b>	<b>No. of job-seekers registered with LD</b>
Waiter/Waitress	3 698	994
Sales Representative	1 860	145
General Office Clerk	2 406	6 232

Remuneration and working hours may not be the only factors affecting the relative supply and demand of manpower for certain jobs. For example, for job registrants with no relevant experience, the median monthly salary offered for the most-sought-after General Office Clerk vacancies in the first quarter of 2010 was \$6,500. For Sales Representative posts with similar experience and working hour requirements, the same median salary of \$6,500 was offered, exclusive of commission which is often payable for such posts. Yet, the number of job registrants interested in Sales Representative vacancies falls far short of demand.

4. Under the Pilot ENP, placement officers in LD will gauge the employment and training needs of job-seekers and advise them of any mismatch between their knowledge and skills sets and the requirements of the jobs that they are looking for, and the need to adjust their expectations or to bridge the identified gap through, for example, retraining. Placement officers will also assist job-seekers in developing their job search action plans. Review meetings will be conducted with job-seekers from time to time to fine-tune the action plans and provide additional support e.g. training on job search skills and attendance of retraining courses, as may be required.

5. In the light of our experience in the provision of employment services, the initial three months of employment is critical to a job-seeker's subsequent retention in a job. Owing mainly to adjustment problems, the turnover rate is usually highest in the first month of employment. With the building up of skills, experience and social network, the turnover rate will gradually decline and stabilise after some three months of employment.

6. To encourage a job-seeker to secure and stay in a job for at least three months, an incentive of up to \$5,000 will be offered to each eligible Pilot ENP participant in three stages, including \$500 upon reporting duty to a new job, \$1,500 after staying in the job for one month and \$3,000 after staying in the job for three months. To be eligible for the incentive, a Pilot ENP participant must be –

- (a) unemployed before joining the Pilot ENP and has received services under ENP for at least one month;
- (b) employed to fill a vacancy listed under LD's employment service; and
- (c) employed in a full-time permanent post offering a salary of \$6,500 or less per month.

7. The Pilot ENP will operate for two years. During this period, a participant will be eligible for each stage of payment once. It is estimated that altogether 22 000 job-seekers will benefit from the Pilot ENP.

### **Special employment project for vulnerable youths**

8. LD has been offering a host of employment services and special employment projects for youths of different backgrounds and needs through the Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme. However, we consider it necessary for LD to provide more customised employment services for young people with acute employment difficulties, in particular those with low educational attainment, emotional/behavioural problems, social handicaps, learning difficulties or other employment barriers. Some of these prospective service users may not even be ready for private sector employment. To enhance their employability and support their career development, and in response to requests made by some non-governmental organisations (NGOs) specialising in youth outreach services, LD proposes to launch a special employment project to offer on-the-job training and internship opportunities of 12 months' duration to vulnerable youths aged 15 to 24 through placements in NGOs.

9. Under the project, NGOs will nominate vulnerable youths for appointment to on-the-job training positions. Upon approval, trainees will work at the host NGOs for a period of 12 months and will be paid monthly wages of \$4,500. The NGOs will assume the role of employers and be responsible for the day-to-day supervision, counselling and training of their trainees. NGOs will also have to –

- (a) assign staff as mentors to provide customised support to the trainees to help them settle in their jobs and deliver outcomes in line with organisational requirements;
- (b) formulate a training plan for the trainees, setting out, among other things, the objectives, mode and duration of training as well as performance milestones;
- (c) review the performance of the trainees from time to time in conjunction with their case managers;
- (d) grant training leaves to the trainees to facilitate their attendance of off-the-job training programmes; and
- (e) report the progress of the trainees as required by LD.

10. Through intensive and customised training and employment support, the project will help nurture the knowledge, work attitude and skills sets of the participating young people so as to enhance their competitiveness and facilitate their eventual employment.

11. The project is expected to benefit 500 disadvantaged young people. In determining the proposed scale of the project, we have taken into account the demand for training vacancies in a previous project for similar target participants and the result of a survey on the estimated supply of training and internship vacancies by NGOs that will likely participate in the project.

12. LD will provide participating NGOs with funding to cover the remuneration, statutory benefits and employer's contributions to the Mandatory Provident Fund. Besides, LD will arrange pre-employment training on life skills and job skills to the trainees to help them settle in their jobs as soon as possible. Trainees receiving on-the-job training will be encouraged to attend off-the-job training courses to further enhance their skills and may apply for reimbursement of course and examination fees of up to \$4,000 from LD. We have consulted NGOs which may have an interest in joining the project and they find the proposed arrangements acceptable.

## **FINANCIAL IMPLICATIONS**

13. We propose to create two new commitments of \$124.5 million and \$33 million respectively for implementing the Pilot ENP and the special employment project for vulnerable youths. The cash flow projection for the two measures is as follows –

	<b>2010-11 (\$ million)</b>	<b>2011-12 (\$ million)</b>	<b>2012-13 (\$ million)</b>	<b>2013-14 (\$ million)</b>	<b>Total (\$ million)</b>
(a) Pilot ENP	4.1	62.2	58.2	-	124.5
(b) Special employment project for vulnerable youths	7.1	16.0	9.5	0.4	33.0
<b>Total</b>	<b>11.2</b>	<b>78.2</b>	<b>67.7</b>	<b>0.4</b>	<b>157.5</b>

Encls. 1&2 The estimated cost breakdowns for the two programmes are at Enclosures 1 and 2.

14. The administration of the Pilot ENP will entail an additional non-recurrent staff cost of \$15.5 million, with which LD will create 19 non-directorate civil service posts for two years, including 15 Labour Officer grade staff and 4 Clerical grade staff. To enable the creation of such posts, C for L proposes to increase the establishment ceiling of LD from \$703,182,000 by \$7,756,020 to \$710,938,020. The Government will meet the funding requirements for 2010-11, and reflect those for subsequent years in the Estimates of those years.

15. The total financial implications of the Pilot ENP and the special employment project will therefore be \$173 million.

### **IMPLEMENTATION PLAN**

16. Subject to Members' approval, we plan to launch the above two measures by end 2010.

### **PUBLIC CONSULTATION**

17. We consulted the Legislative Council Panel on Manpower on 26 April 2010. Members were in general supportive of the proposed measures.

### **BACKGROUND**

18. In the 2010-11 Budget Speech, the Financial Secretary announced that the Government would provide an additional funding \$173 million to launch a Pilot ENP and a special employment project for vulnerable youths to support job-seekers.

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**Enclosure 1 to FCR(2010-11)25**

**Estimated Cost Breakdown for the Two-year Pilot ENP**

	<b>Item</b>	<b>Amount (\$ million)</b>
(a)	Cash incentive to ENP registrants (\$5,000 x 22 000 registrants)	110.0
(b)	Administrative costs including enhancement of computer system and engagement of non-civil service contract staff	12.5
(c)	Publicity and promotion	0.5
(d)	Contingency	1.5
	<b>Total</b>	<b>124.5</b>

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**Enclosure 2 to FCR(2010-11)25**

**Estimated Cost Breakdown for  
the Special Employment Project for Vulnerable Youths**

	<b>Item</b>	<b>Amount (\$ million)</b>
(a)	Disbursement of salary, benefits, Mandatory Provident Fund contributions, etc. to the participating NGOs	29.7
(b)	Pre-employment training cost	1.3
(c)	Off-the-job training course and examination fees	2.0
	<b>Total</b>	<b>33.0</b>

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