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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 12 July 2010**

Continuing Education Fund

Purpose

This paper summarizes past discussions by the Panel on Manpower ("the Panel") on the Continuing Education Fund ("CEF").

Background

2. In the 2001 Policy Address, the Chief Executive announced that the Government would set aside \$5 billion to subsidize those with learning aspirations to pursue continuing education and training programmes. The aim was to help people to pursue continuous learning, thereby preparing them for the knowledge-based economy. The Finance Committee approved in April 2002 a commitment of \$5 billion for launching CEF in June 2002.

3. Under CEF, Hong Kong residents aged between 18 and 60 without a university degree were eligible to apply for an account under CEF from which he could obtain reimbursement of 80% of the course fee upon successful completion of an approved course. Each eligible applicant was entitled to a reimbursable amount of \$10,000 within the two-year period. Approved courses eligible for reimbursement belonged to four industry sectors (logistics, financial services, China business and tourism) and three generic domains (language, design and interpersonal skills for the workplace).

4. The Administration advised that it would review the operational arrangements of CEF one year after its implementation with a view to making necessary improvements in the light of the latest manpower requirements.

Review of CEF

5. At its meeting on 17 July 2003, the Panel was briefed on the results of the Administration's review on CEF. The Administration informed members that whereas applicants for CEF were previously confined to those without a university degree, the coverage of CEF would be expanded to cover degree holders with effect from 1 September 2003. The Administration advised that the level and amount of subsidy as well as the application procedures would remain unchanged. As there were potential sectors or domains to which CEF might extend, the Administration would consult academics, business figures and other stakeholders and consider the appropriateness of including such sectors under CEF.

6. Some members were of the view that the scope of CEF, which covered courses on only four sectors and three generic domains, was too narrow. Although the Administration had encouraged people to develop local economy and creative industry, it had not proposed any assistance under CEF to nurture talents in these two sectors, let alone other sectors. While degree holders should pursue continuing education, they did not see the need for such pursuit to be funded by CEF. They questioned the basis for recommending relaxation of the eligibility criteria to include degree holders.

7. The Administration explained that the review was commissioned to an independent consultant who had made reference to two other surveys conducted by the Census and Statistics Department, namely the Household Survey on Employment Concerns and Training Needs, and Establishment Survey on Manpower Training and Job Skills Requirements. The recommendation to relax the eligibility criteria to include degree holders was based on two considerations. First of all, many of the respondents had expressed the need for CEF to cover degree holders. Secondly, taking into account the utilization rate of CEF, it was anticipated that the recommendation would not have enormous impact on the funding available to the other eligible applicants. In fact, consideration had been given to include degree holders even before the establishment of CEF. It was out of resources consideration that CEF was restricted to non-degree holders.

8. Some members considered that the scope of CEF should be expanded to include other sectors. They pointed out that with the signing of the Closer Economic Partnership Arrangement and other new economic developments, there was a need for the Administration to relax the scope of CEF to prepare workers of the relevant sectors to take up new challenges and opportunities. Some members requested the Administration to consider including the medical and health sector under CEF, as health care workers were obliged by their profession to pursue continuing education to upgrade their skills and knowledge.

9. The Administration assured members that it was well aware that there were other potential sectors or domains to which CEF might extend. To take this forward, the Administration would consult academics, business figures and other stakeholders and consider the appropriateness of including these sectors under CEF. The Administration would also make reference to the projection results of the Report on Manpower Projection to 2007.

10. In January 2004, the Administration informed the Panel that it had decided to -

- (a) accept the proposal to include the creative industry, which covered advertising, film and video, television and video and digital entertainment, under CEF;
- (b) expand the coverage of the economic domain of CEF to include training in business management; and
- (c) include training in three additional foreign languages, namely French, German and Japanese, under the language domain of CEF.

Further review of CEF

11. At the Panel meeting on 17 May 2007, the Administration informed the Panel that, to ascertain the effectiveness of CEF, it had engaged an independent consultant to conduct surveys among a random sample of CEF learners. The survey results showed that CEF had helped learners to enhance their knowledge and skills which could be usefully applied in the workplace. The major findings were as follows -

- (a) the majority of the respondents considered that CEF courses were very helpful or helpful in improving their vocational skills (79%), self-confidence (70%) and adaptability at work (67%);
- (b) 72% of the respondents who were employed indicated that they could apply what they had learned from CEF courses. Among those who were not employed, 82% believed that CEF courses would or probably would help them find a job;
- (c) 73% of the respondents considered that CEF courses were very helpful or helpful in arousing their interests in continuing education;
- (d) 83% of the respondents considered the level of subsidy, i.e. 80% of the course fee, reasonable, while half of them considered the maximum subsidy of \$10,000 reasonable; and

- (e) 43% of the respondents indicated they would probably or definitely not pursue further education/training without CEF subsidy. 30% of them said that they could not afford the tuition fees without the subsidy.

The consultant concluded that the funding and application arrangements for CEF were appropriate.

12. In the light of the survey findings and the views received from stakeholders, the Administration reviewed the scope and operation of CEF and proposed a number of improvement measures aiming to enhance the quality and relevance of CEF courses, strengthen the monitoring of course operation and widen the scope of CEF to cover more sectors and domains. The Administration informed the Panel that -

- (a) there were calls to expand the sectoral coverage of CEF so that workers outside the eight sectors/domains could benefit from the subsidy. In this regard, the Administration considered that further expansion of the scope of CEF should tie in with and support the development of the Qualifications Framework ("QF"). It proposed that courses designed in accordance with the Specification of Competency Standards developed by Industry Training Advisory Committees be allowed to register under CEF;
- (b) it had received requests from the business community and consulates to include Spanish and Korean under the language domain of CEF. In view of the close economic relationship of these economies with Hong Kong and the popularity of these languages, the Administration proposed that Spanish and Korean courses should be supported by CEF;
- (c) there were calls from different sectors of the community to raise the upper age limit. Having regard to the aging population of Hong Kong and the fact that a good proportion of the people in the 60-65 age group were still in the labour force, the Administration proposed to relax the upper age limit to 65 so that learners aged 65 or below can enjoy the subsidy;
- (d) to ensure that courses made available to learners under CEF were of a good quality, the Administration proposed that new course providers would be accepted for registration under CEF only if they had two or more years of relevant experience in the provision of education and training. The Administration proposed to apply this requirement to new providers who registered their courses under CEF for the first time, but not existing providers who had already registered courses under CEF;

- (e) it would introduce a standard refund policy statement for all providers under CEF;
- (f) it proposed requiring new training providers registering their courses under CEF for the first time to collect fees for a course by equal monthly instalments; and
- (g) the previous requirement that a CEF applicant was required to complete his courses and submit a maximum of two claims within two years from the date his account was opened would be relaxed to a maximum of four claims within four years.

13. Some members asked whether the Administration had considered any measures to enhance the skills level and language abilities of people of ethnic minorities. They also sought information on the number of CEF-approved training courses designed to meet the specific needs of these people.

14. The Administration responded that ethnic minorities were eligible for CEF subsidies. The Vocational Training Council had been offering career-oriented training programmes for these people to enhance their employability and adaptability in the labour market.

Monitoring of CEF courses

15. At the Panel meeting on 17 May 2007, some members expressed concern about possible abuse of CEF. They questioned whether the Independent Commission Against Corruption ("ICAC") had received complaints of this nature, and enquired about the measures adopted by the authorities in monitoring improper course operations.

16. The Administration responded that it had from time to time received complaints about improper course operations which might adversely affect the interests of learners and the reputation of CEF. Taking into account recommendations made by the Audit Commission and ICAC, the Administration had stepped up its efforts in monitoring CEF courses. The Office of CEF ("OCEF") would conduct surprise visits to course providers to authenticate attendance records of learners, assessment results and their claims for reimbursement, and to ensure compliance with the conditions of approval. To enhance the effectiveness of the inspections, a risk-based approach was adopted.

17. The Administration advised that in 2006-2007, a total of 14 CEF courses offered by three different course providers were de-registered from the CEF-approved course list, and about five complaint cases involved formal

investigations by the Police or ICAC.

18. At the Panel meeting on 18 June 2009, the Administration informed the Panel that the Hong Kong Council for Accreditation of Academic and Vocational Qualifications ("HKCAAVQ") was responsible for processing applications for course registration under CEF. Courses might be registered as reimbursable courses under CEF after assessment by HKCAAVQ and approval by the Labour and Welfare Bureau ("LWB").

19. Some members enquired about the mechanism for monitoring the operation of CEF to prevent abuses. The Administration responded that OCEF and HKCAAVQ would step up their inspection efforts by conducting more surprise visits and class inspections. A written warning would be issued to the course provider in case of any non-compliance. If the breach was serious or repetitive in nature, the Administration would consider de-registering the concerned courses from the list of CEF reimbursable courses. In case of any suspected criminal activities, such as fraud, deception or bribery, the Administration would immediately refer the case to the relevant law enforcement agencies for follow-up. As at the end of May 2009, a total of 51 courses involving 11 course providers had been de-registered from the list of CEF reimbursable courses since the launch of CEF.

20. A member enquired about the measure to prevent CEF learners from enrolling in courses offered by course providers which had been involved in running previous de-registration courses. The Administration responded that it would issue press release after each de-registration. In addition, the list of the de-registered courses would be published on the OCEF website for public information. The Administration would also pay attention to the name of the responsible person of a company in vetting new applications for course registration under CEF to ensure that the course was not run by a person involved in previous de-registration cases.

21. A member enquired about the mechanism for monitoring the operation of course providers which were not registered schools. He was concerned that when some of these course providers discontinued their business, course participants who had already paid their course fees in full could suffer substantial financial loss. He commented that the Administration had the responsibility to ensure that quality teachers and safe venue were provided to learners. He enquired whether the Administration would consider requiring course providers to register as schools in order to tighten monitoring.

22. The Administration explained that in vetting applications, HKCAAVQ would require course providers to provide information on the qualification of teachers, course contents, and venue etc. The Administration saw the need for more stringent control over CEF course providers to better protect CEF learners' interests. At the moment, all new course providers registering their

courses under CEF for the first time in or after February 2008 were required to collect fees for CEF courses by equal monthly instalments. The Administration proposed that this requirement be extended to cover all course providers, irrespective of their first registration date under CEF.

23. The Administration supplemented that given the universal and non-discriminatory nature of CEF which allowed people from all walks of life to apply, the courses offered under CEF were diversified. In this connection, the Administration would not confine CEF course providers to registered schools because many courses were not academic in nature. As part of the monitoring mechanism, LWB held regular meetings with OCEF and HKCAAVQ and maintained close liaison with the Education Bureau. If there was non-compliance by a course provider, LWB would take appropriate actions and, where the course provider was a registered school, the Education Bureau would be informed for taking appropriate actions.

24. A member enquired how the Administration would prevent course providers from using unethical tactics to promote their courses. The Administration responded that hiring of agents to recruit learners was a common practice in the market. The Administration would remind course providers not to overstep the line when carrying out promotional activities. In the past, some courses had been de-registered because of the course providers' improper administration of courses and malpractices in carrying out promotional activities.

25. At the meeting of the Finance Committee on 3 July 2009, a member expressed grave concern about abuses of CEF. The member pointed out that some course providers were found to have colluded with students to deceive OCEF. The Administration responded that to guard against abuses, it had stepped up inspection visits to course providers and conducted surprise class inspections to deter bogus classes and students. Upon the implementation of QF in May 2008, all new courses were required to undergo a formal accreditation exercise and be uploaded onto the Qualifications Register. Courses could be de-registered from the list of CEF reimbursable courses if there was non-compliance with the conditions of approval.

26. The Administration advised that surprise inspection visits were conducted to deter malpractices. For 2006-2007 and 2007-2008, 47 inspections and 163 inspections had been conducted respectively. In 2008-2009, the number of inspections had further increased to 194. As for 2009-2010, OCEF and HKCAAVQ aimed to conduct about 330 inspection visits to course providers. Based on risk assessment, the Administration would focus its attention on some 100 "target" course providers, which accounted for a significant percentage of all the 298 course providers.

Related information

27. Questions relating to CEF were raised by Members at the following Council meetings -

- (a) at the Council meeting on 20 June 2007, Hon James TO raised a question on the details of complaints in relation to CEF courses, the arrangement of courses under investigation, and the reimbursement arrangements of de-registered courses;
- (b) at the Council meeting on 7 November 2007, Hon James TO raised a question about channels for releasing CEF-related information, measures to enhance the vetting process for CEF-recognized courses, and penalties with deterrent effect against malpractices in relation to CEF courses;
- (c) at the Council meeting on 25 February 2009, Hon WONG Yuk-man raised a question on subsidy and scope of CEF, and the monitoring mechanism of CEF; and
- (d) at the Council meeting on 20 January 2010, Dr Hon PAN Pey-chyou raised a question on complaints in relation to CEF courses between 2007 and 2010, and the monitoring mechanism regarding CEF course instructors and promotions.

Relevant papers

28. Members are invited to access the website of the Legislative Council (<http://www.legco.gov.hk>) for details of the relevant papers and minutes of meetings.

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