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19 December 2013

Clerk to Public Works Subcommittee  
Legislative Council Secretariat  
Legislative Council Complex  
1 Legislative Council Road  
(Attn.: Mr Derek LO)

By E-mail

Dear Mr LO,

Legislative Council  
Public Works Subcommittee

Follow-up to meeting on 27 November 2013

At the captioned meeting on 27 November 2013, members raised the following issues:

Item	Issue
PWSCI (2013-14)11	<p>1. Noting the already heavy demand for manpower in the construction industry arising from government projects, such as the Operation Building Bright Programme and the Mandatory Building Inspection Scheme, Hon. WU Chi-wai requested the Administration to provide the following information:</p> <p>(a) a forecast of the additional manpower requirement in the construction industry in the upcoming one to two years arising from the implementation of the proposed list of public works projects; and</p> <p>(b) an assessment of the impact of shortage in construction workers on the project costs of public works projects.</p>

## Response

Following up on the issues raised by Hon. WU Chi-wai at the meeting, we now provide the following information:

- (a) To fulfill our policy objective of promoting economic growth as well as to create job opportunities and enhance the long term competitiveness of Hong Kong through infrastructure development, Government has been maintaining its investment in capital works over the past few years.

Take last three years' spending performance as example, the actual capital works expenditure has been increased from \$58.4 billion in 2011-12 to \$62.4 billion in 2012-13. In 2013-14, capital works expenditure is anticipated to reach \$70 billion.

In the coming one to two years, the annual capital works expenditure would exceed \$70 billion. With the completion of some capital works projects and the commencement of new ones, the demand for manpower would be comparable with those for this financial year.

Nevertheless, the construction industry mainly comprises the public sector and the private sector, both of them have mutual influence on the manpower demand. Therefore, we have been closely monitoring the changes and forecast of the overall works expenditure so as to have a better planning on manpower demand.

Starting in March this year, we have been collaborating with the Construction Industry Council (CIC), through its website, to publish the expenditure forecasts on public and private construction works for the next few years for the industry stakeholders' reference so as to facilitate their longer-term planning on the number of construction projects, manpower resources and materials to be ordered. According to the latest forecast at the end of October, the overall construction expenditure forecasts over the next few years will reach the level of \$170 billion per year.

Based on this overall expenditure forecast and with some of major infrastructure projects entering the construction peak, the manpower demand of the construction industry is going to be relatively strong in the next few years. In particular, the construction industry is also facing problems such as increasing manpower demand, skill mismatch, as well as ageing workforce.

To address the construction manpower demand, Government had applied

funding from the Legislative Council in 2010 and 2012 totalling \$320 million to support CIC to strengthen training for local construction personnel and attract new entrants, particularly the youth, to the construction industry through promotional and publicity activities.

In May 2011, we have also collaborated with CIC to launch the “Build-up Publicity Campaign” to uplift the image of the industry. The number of registered construction workers has been increasing over the past two years, reflecting the effectiveness of the promotional efforts.

In addition, we cooperated with CIC to implement the “Enhanced Construction Manpower Training Scheme” to attract more new entrants to the construction industry, targeting trades with projected manpower shortage, acute ageing or recruitment difficulties. To provide more training places, CIC launched the “Contractor Cooperative Training Scheme”, under which trainees can be hired and trained on-site to facilitate early acquisition of site experience.

In the long run, we endeavour to meet the construction manpower demand through training local workers and attracting new entrants to the construction industry. In the next few years, the construction industry will face overall manpower shortage. Under the principle of not affecting the employment of local construction workers, we shall fully make use of the “Supplementary Labour Scheme” to timely import workers at technician level to alleviate manpower shortage and meet the demand of training up the new entrants. This can allow sufficient time for the fresh graduates to work under the instruction and guidance of skillful workers to further enhance their skills and subsequently reach the productivity level of the skillful workers.

Moreover, we will review with CIC from time to time the progress of various construction projects and their impact on the construction manpower demand, and adopt appropriate measures in a timely manner and provide training to ensure that the construction manpower resources can meet the needs arising from the construction projects.

We will also adopt procurement strategies to enhance productivity, including the wider use of mechanisation and prefabricated components, with a view to minimising the demand for construction workers in short supply.

- (b) The increase in demand for construction workers has not affected the progress of public works projects. Over the past few years, we managed to achieve the spending target set for capital works expenditure (as shown below) at the beginning of the financial year, and the overall performance was satisfactory. This shows that various measures formulated by the Government and the industry could effectively support the implementation and timely completion of capital works projects.

Financial Year	Original Estimate (\$ Billion)	Actual Expenditure (\$ Billion)
2010-11	49.6	49.8
2011-12	58.3	58.4
2012-13	62.3	62.4
2013-14	70.1	# 70.1

# Forecast expenditure

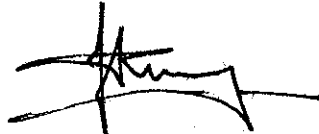
On the other hand, we have been closely monitoring the impact on public works expenditure due to the increase in labour wages arising from the high labour demands. In fact, the construction labour wages are affected by the need and overall employment situation of the market. As from the figures released by the Census and Statistical Department, the median of the monthly salary of construction workers had exhibited an increase of about 33%<sup>1</sup> from the trough in 2009 to the present level in 2013. Since labour wage in general accounts for not more than 40% of the construction cost, and as such, the impact of changes in public works expenditure due to high labour demand will not be too high.

In conclusion, we will continue to closely monitor the number of future infrastructure projects and the overall capacity of the construction industry, and take forward the works projects in an orderly manner.

<sup>1</sup> Special attention is drawn that the average salary of employees up to supervisory level in Hong Kong during the same period has also exhibited a 26% increase. This shows that, apart from those trades with labour shortage, the salary increase for construction labour is just a bit higher than for employees up to supervisory level.

I would be grateful if you could distribute this letter to all members of the Public Works Subcommittee for their reference.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'John Kwong', written over a horizontal line.

(John Kwong)  
for Secretary for Development

cc Secretary for Financial Services and the Treasury  
(Attn.: Ms Joyce HO)