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Panel on Manpower

**Background brief prepared by the Legislative Council Secretariat
for the meeting on 19 November 2013**

Employees Retraining Board

Purpose

This paper summarizes past discussions by the Panel on Manpower ("the Panel") and the two subcommittees formed to study the Employees Retraining Ordinance (Amendment of Schedule 3) Notice 2008 and the Employees Retraining Ordinance (Amendment of Schedule 3) (No. 2) Notice 2008 on issues relating to the future directions and funding arrangements for the Employees Retraining Board ("ERB").

Background

2. ERB is an independent statutory body established in 1992 under the Employees Retraining Ordinance (Cap. 423) ("ERO"). It is responsible for providing training and retraining courses and related placement services under the Employees Retraining Scheme ("ERS") for the purpose of helping local employees adjust to changes in the employment market arising from Hong Kong's economic restructuring by acquiring new or enhanced vocational skills. Since its establishment, the primary service target groups were the unemployed aged 30 or above and with education attainment of Secondary Three or below.

3. Following the announcement by the Chief Executive ("CE") in his 2007-2008 Policy Address, ERB extended its service targets to include people aged 15 or above with education level of sub-degree or below since December 2007. ERB conducted a strategic review and released a public consultation document on its future role and functions in January 2008. The consultation document recommended, inter alia, that ERB should provide more

comprehensive and diversified training and retraining services for the local labour force. To better reflect its new missions and scope of services, ERS was rebranded as "Manpower Development Scheme" in July 2008.

4. According to the Administration, ERB has since its establishment offered more than 1.7 million training places. About half of the trainees attended full-time placement-tied courses offered by ERB for the unemployed. In 2013-2014, ERB plans to offer 130 000 training places covering entry-level job skills courses to professional certification trainings.

Employees Retraining Levy

5. Since the commencement of ERO in 1992, all employers of labour imported under the labour importation schemes designated under ERO have been required under ERO to pay an Employees Retraining Levy ("the Levy") of \$400 for each imported employee for each month of service. The Levy is remitted to the Employees Retraining Fund ("ERF"), which is administered by ERB for funding the training and retraining programmes for local workers. Following the approval of CE in Council in February 2003, employers of foreign domestic helpers ("FDHs") were also required to pay the Levy.

6. To relieve the burden on middle-class families hiring FDHs, CE in Council approved on 30 July 2008 the suspension of the obligation of employers of all imported labour, including FDHs to pay the Levy for two years with effect from 1 August 2008. The suspension of Levy collection came into effect immediately upon gazettal of the Employment Retraining Ordinance (Amendment of Schedule 3) Notice 2008 on 1 August 2008. On 11 November 2008, the CE in Council approved the suspension period be further extended for a period of five years up to 31 July 2013, which came into effect immediately upon the gazettal of the Employment Retraining Ordinance (Amendment of Schedule 3) (No.2) Notice 2008 on the same day.

Past discussions by Members

Role and positioning of ERB

7. Some members expressed concern about the policy to relax the eligibility criteria of ERS to cover people aged between 15 and 29. In their view, the young people should be either continuing their mainstream senior secondary education or receiving vocational training as an alternative path under the Government's education framework. Members were concerned that ERB's work, covering both training and retraining, would possibly overlap with that of other training providers, including the Vocational Training Council ("VTC"),

and the Labour Department. There was a view that ERB should avoid competing with the stakeholders in organizing similar courses and should focus its efforts on enhancing the quality rather than quantity in training provision.

8. According to the Administration, the new strategic role of ERB was to offer more comprehensive and diversified training and retraining services for the local workforce. Statistics showed that there was a relatively high unemployment rate among young people aged below 30 and there was a need to assist the relatively less-educated in adjusting to the changing labour market. ERB would, in collaboration with experienced training institutions particularly VTC, provide vocational skills training and foundation skills training under the pilot Youth Training Programmes targeting non-engaged young persons aged from 15 to 20. The Administration stressed that ERB had a distinct role from that of training providers. Instead of running training programmes itself, ERB was a funding and co-ordinating body. It would continue to fund the training programmes through a network of training bodies, including VTC.

9. Some members suggested that ERB should in the long term develop training courses to meet the development needs of different industries, in particular the six economic areas (i.e. testing and certification; medical services; innovation and technology; cultural and creative industries; environmental industry; and education services) identified by the Task Force on Economic Challenges. Some members took the view that the design of ERB courses should be practical in nature such that the graduates could secure employment upon completion of ERB courses. ERB should also consider providing training to the unemployed who wished to start up their own business but did not have the relevant knowledge and experience.

10. The Administration advised that the direction provided by the Government on the long-term opportunities for Hong Kong's economic growth was conducive to ERB's planning of its courses. ERB would liaise with the relevant government bureaux/departments and industry stakeholders in respect of manpower planning and development as necessary. ERB would work with the training bodies to enhance the course quality so as to meet the requirements of the Hong Kong Council for Accreditation of Academic and Vocational Qualifications and be listed on the Qualifications Register and recognized under the Qualification Framework ("QF"). On the other hand, ERB also offered training courses to help self-employed people to start and run business.

Annual expenditure of ERB

11. Some members noted with concern that the annual expenditure of ERB amounted to some \$900 million in 2008-2009, which represented an increase of

about 125% as compared with some \$400 million in the past few preceding years. Concern was also expressed about the absence of an independent body to monitor ERB's expenditure.

12. The Administration explained that ERB's overall expenditure was estimated to increase from about \$393 million in 2007-2008 to about \$877 million in 2008-2009. About 66% of the overall expenditure (i.e. about \$582 million) would be used for provision of training and retraining courses, 13% (i.e. about \$113 million) for disbursement of retraining allowance, and the remaining 21% (i.e. about \$182 million) for supporting the development of new training and employment support schemes or enhancement of existing schemes, payment of administrative charges to the Immigration Department for collection of the Levy, general administrative and operating costs of ERB's executive office, as well as installation and maintenance of information technology system and facilities, etc. The Administration stressed that ERB was a statutory body subject to close monitoring by the Administration. Apart from government representatives, ERB comprised members from various sectors of the community, including representatives of employees', employers' and the vocational training, retraining or manpower planning sector.

Provision of retraining allowance

13. Some members noted with concern that many unemployed low-skilled workers who attended full-day and half-day mixed mode ERB courses were not entitled to receiving retraining allowance for the half-day sessions. Another concern was the provision of retraining allowance for young persons aged below 30 taking QF Level 1 and Level 2 full-time placement-tied courses. Some members expressed reservations about young persons being attracted to the courses merely because of the retraining allowance. Concern was also raised about the difference in the provision i.e. trainees attending full-time placement-tied courses would receive a lower retraining allowance at \$70 per day of attendance while trainees belonging to the original target group attending full-time placement-tied courses of QF Levels 1 and 2 would receive the original retraining allowance of \$153.8 per day of attendance.

14. The Administration advised that following the Levy suspension from August 2008, ERB had to make optimum use of its limited resources and provide retraining allowance only to those mostly in need. Given ERB's pivotal role in enhancing the employability of local employees by offering a great variety of training and retraining courses and related placement services, retraining allowance should not be a major element of employees retraining. ERB's current provision of retraining allowance was made after having consulted the public and the Panel, including taking into account some members' reservations about providing young trainees and trainees with better

academic background with the same amount of retraining allowance for the original target groups aged 30 or above and with education attainment of Secondary Three or below.

Abolition of the Levy

15. Members noted that to ease the financial burden on families employing FDHs, CE announced in his 2013 Policy Address the abolition of the Levy imposed on FDH employers when the suspension of its collection expired on 31 July 2013. While raising no objection to the proposal and noting that the Levy receipts had been the major financial source of ERB, some members expressed concern about the financial impact on ERB arising from the abolition of the Levy and the long-term arrangements for ERB.

16. The Administration advised that as a long-term commitment to provide sustained and stable financial support to ERB for enhancing the productivity of the local workforce, the Secretary for Labour and Welfare would make a proposal to the Financial Secretary ("FS") on the long-term financial arrangement for ERB. According to the Administration, as at January 2013, the balance of ERF was \$2.19 billion. On the basis of the existing utilization of training places, it was estimated that ERF could sustain ERB's service until the end of 2015.

Recent development

17. To give effect to the abolition of the Levy on FDH employers, CE in Council at the meeting of the Executive Council held on 14 May 2013, de-designated the importation of FDHs as a labour importation scheme under section 14(3) of ERO and section 40(2)(c) of the Interpretation and General Clauses Ordinance (Cap. 1). The de-designation gave effect to the abolition of the Levy imposed on employers of FDHs when the suspension of its collection expired on 31 July 2013, as announced by CE in his Policy Address delivered in January 2013.

18. To provide ERB with long-term support, FS has proposed in the 2013-2014 Budget to inject \$15 billion into ERB to sustain its current level of service and operation by generating investment income from the seed money. The Administration will brief the Panel on the funding proposal at the meeting on 19 November 2013.

Relevant papers

19. A list of relevant papers which are available on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
13 November 2013

Appendix

Relevant papers on Employees Retraining Board

Meeting	Date of meeting	Paper
Panel on Manpower	21.2.2008 (Item III)	Agenda Minutes
Subcommittee on Employees Retraining Ordinance (Amendment of Schedule 3) Notice 2008		Report
Subcommittee on Employees Retraining Ordinance (Amendment of Schedule 3) (No. 2) Notice 2008		Report
Panel on Manpower	16.4.2009 (Item IV)	Agenda Minutes
Panel on Manpower	25.1.2013 (Item V)	Agenda Minutes

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