

4 June 2020

Clerk to Public Accounts Committee,
Legislative Council
Legislative Council Complex
1 Legislative Council Road,
Central, Hong Kong
(Attn.: Mr Anthony Chu)

Dear Mr Chu

**Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No. 74
Employees Retraining Board**

I refer to your letter of 21 May 2020 on the subject and LWB's subsequent request for extension of deadline. Please find the English version of our response to the matters set out in Part (I) of the Appendix to your letter.

If you have any further questions, please feel free to contact me on 3129 1188 or Ms Eliza Leung on 3129 1484.

Yours sincerely,



(Byron Ng)
Executive Director
Employees Retraining Board

Encl.

c.c. Secretary for Labour and Welfare (Attn: Mr Daniel Fong)
(fax no. 2537 3539)
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Director of Audit (fax no. 2583 9063)

**Public Accounts Committee
Consideration of Chapter 3 of the Director of Audit's Report No. 74
Employees Retraining Board**

The Employees Retraining Board (ERB)'s Reply

Part 2: Management of training courses

Question 1) According to paragraph 2.5, the number and percentage of young trainees aged 15 to 29 admitted to the Employees Retraining Board (“ERB”) training courses among all trainees decreased. According to paragraph 2.6, the number of trainees admitted under youth training courses was low, ranging from 374 to 508, averaging 441, and decreased by 19% from 508 in 2014-2015 to 412 in 2018-2019. According to paragraph 2.24(b), ERB had set up a “Focus Group on Training for Youth” with a view to reviewing and thus improving the attractiveness of its existing courses while developing and exploring new measures to tackle the special needs of young people. Recommendations of the Focus Group were endorsed by the Course and Service Development Committee in January 2020 and the proposed measures would be rolled out in 2020-2021 onwards. What were the recommendations and the proposed measures of the Focus Group? What was the progress so far?

- Answer 1) The Employees Retraining Board (ERB) has reviewed its dedicated youth programmes in late 2019 and set up a “Focus Group on Training for Youth”, which comprises representatives from employers, youth concern groups, social service organisations, government departments and training bodies. The first meeting of the Focus Group was held in December 2019, with major recommendations and follow-up actions as follows:
 - a) Build up a progression pathway for young trainees to pursue further studies or employment. Part-time skills upgrading courses should be provided to those graduate trainees of full-time placement-tied courses who intend to pursue further training whilst in employment. In this context, ERB is developing a part-time course on “Computer-aided Design and Publishing

Techniques” for young trainees who have completed the “Foundation Certificate in Comic Arts Assistant Training” with a view to encouraging them to continue their studies in related field;

- b) To enhance the digital literacy of young trainees, ERB has planned to improve the training contents on innovation and technology skills (e.g. coding) in its youth programmes through consultation with the Course Steering Group comprising representatives from Training Bodies, technical advisors and relevant stakeholders;
 - c) Develop more featured courses appealing to youth. In this respect, ERB has designed brand-new dedicated youth courses namely “Foundation Certificate in Professional Security Services Training”, “All-rounded Performing Artist Training” and “Community Education and Culture Guide Training” aiming to attract more young trainees. The first above-named course is specially designed to be more attractive in that a number of professional qualifications will be awarded through completion of the course, including the Quality Assurance System for the Recognition Scheme of Security Training Courses (QASRS), Mandatory Basic Safety Training Course (Construction Work) (Green Card Training Course), Certificate in First Aid (with Adult Cardio-Pulmonary Resuscitation Course) and Automated External Defibrillation Provider Course (AED). The young trainees will be awarded with relevant certificates upon passage of required assessments. This training course has been endorsed by the Course and Service Development Committee and will be submitted to the Hong Kong Council for Academic and Vocational Qualifications (HKCAAVQ) for accreditation with a view to having the course recognized under the Qualifications Framework (QF), thus ensuring the quality of the course and paving the way for future articulation of the trainees to more advanced studies or acquiring higher qualifications. This course is expected to be rolled out in late 2020.
- The above follow-up actions and progress will also be reported to the Focus Group at its upcoming meeting in the third quarter of 2020 in order to collect members’ views on the improvement measures taken.
 - In response to the recommendations stated in the Audit Report, ERB has planned to conduct a survey on youth programmes in the current financial year of 2020-21 to explore the training needs of youth and ascertain the underlying reasons of low enrollment of youth in ERB’s training courses. Findings will be

reported to the Course and Service Development Committee of ERB with improvement measures proposed so as to attract more young people to enroll in training courses offered by ERB.

Question 2) According to paragraph 2.12, no review on the existing rates of retraining allowances had been conducted for over 10 years since April 2009. The retraining allowance of the Youth Training Programme (i.e. \$30 per day) was set on a par with the training allowance of \$30 per day of the then Youth Pre-employment Training Programme of the Labour Department which subsequently became the Youth Employment and Training Programme. The amount of training allowance of the Youth Employment and Training Programme had been revised twice since 2009. The current rate of training allowance of the Youth Employment and Training Programme (i.e. \$70 per day) was more than double the retraining allowance of \$30 per day of the Youth Training Programme. Why had the rates of training allowances not reviewed for such a long time?

Answer 2)

- Adjustment to the retraining allowance (RA) payable under ERB's Youth Training Programme (YTP) launched in 2008 has been in line with the overall policy on disbursement of RA for all course categories, with reference to the resource allocation and long term financial sustainability of ERB, as well as the impact on different stakeholders. In view of the long time since the RA was last adjusted in 1995, ERB has proposed to increase the maximum amount of monthly RA from \$4,000 to \$5,800 (i.e. by 45%) under Schedule 4 of the Employees Retraining Ordinance (ERO) through legislative amendment. With the new maximum monthly allowance coming into effect on 25 May 2020, the rates of retraining allowance per day for all course categories, including YTP, has been increased by 45% accordingly (please also see LWB's reply to Question 15). ERB will further examine the amount of the daily RA for YTP under the new maximum RA amount, having due regard to the original objective and intended purpose of providing retraining allowance as well as the financial impacts in the context of ERB's Three-year Strategic Plan (2021-22 to 2023-24)

Question 3) According to paragraph 2.25, the Labour and Welfare Bureau, in conjunction with ERB, had been taking forward a legislative amendment exercise to increase the maximum amount of monthly allowance per trainee by 45% from \$4,000 to \$5,800. After the passage of the legislative amendment, ERB would consider the corresponding adjustment of the daily rates of various retraining allowances, including that for young trainees. What was the latest position of the legislative amendment? Had the daily rates of the retraining allowances been adjusted? If so, what were the new daily rates of various retraining allowances, including that for young trainees?

Answer 3)

- Please see Labour and Welfare Bureau’s reply to question 15 on the latest position of the legislative amendment to increase the maximum amount of monthly allowance per trainee by 45% from \$4,000 to \$5,800. The rates of retraining allowance (RA) per day for all course categories have been increased by 45% accordingly with effect from 25 May 2020, which are tabulated as follows:

Training Courses	Trainees	Original allowance per day	New allowance per day, with effect from 25 May 2020
Full-time Courses offered under Love Upgrading Special Scheme	All eligible trainees	Full-day session: \$153.8	Full-day session: \$223
		Half-day session: \$76.9	Half-day session: \$111.5
Part-time Courses offered under Love Upgrading Special Scheme		\$76.9	\$111.5
Placement-tied “Foundation Certificate” Courses	Original service targets (Trainees aged 30 or above and with education attainment of F.3 or below)	\$153.8	\$223
	Other eligible trainees	\$70	\$102
Youth Training Programme Courses		\$30	\$44
Placement-tied “Certificate” or “Diploma” Courses	All eligible trainees	\$70	\$102

Question 4) According to paragraphs 2.33 and 2.40, in the period from 2014-2015 to 2018-2019, some training courses did not meet the performance targets on key performance indicators ("KPIs") and reference indicators. Also, the overall retention rate decreased. According to paragraph 2.46, ERB had agreed to continue to monitor the performance of training courses on various KPIs and reference indicators, and endeavour to improve the various aspects of the training services with a view to improving the quality of the services. What measures had ERB taken to improve the training services?

With reference to paragraph 2.46(d), had ERB consulted the Quality Assurance and Review Committee on reviewing various KPIs and reference indicators? What were the results of the consultation?

Answer 4)

- In the past 3 years, the overall rates of three key KPIs (Capacity Utilization Rate, Attendance Rate and Graduation Rate) have well exceeded respective target rates.

Details are as follows :

	Capacity Utilisation Rate (target rate 85%)	Attendance Rate (target rate 80%)	Graduation Rate (target rate 80%)
2017-18	92%	94%	95%
2018-19	92%	94%	95%
2019-20	91%	92%	95%*

(*provisional figure)

- Only individual courses may occasionally fall outside the above KPI targets for various reasons such as finding employment, family/personal commitment or health issues etc.
- The overall placement rate of ERB placement-tied courses is generally above the target level (70%). In the past three years (2017-18 to 2019-20), the overall placement rate is around 83%.
- Individual courses may not be able to meet the target placement rate partly due to personal or special reasons of trainees such as family commitment, health issue and work aspiration, etc., resulting in unsuccessful employment within the placement follow-up period, whereas trainees of dedicated courses for ethnic

minorities, rehabilitated offenders and new arrivals are facing greater employment difficulties.

- ERB has built in measures to monitor various KPIs. These include:
 - a) Capacity Utilization Rate, Graduation Rate and Placement Rate are used in the calculation of marks for allocation of training places;
 - b) Attendance rate will affect the entitlement of trainees to RA and the need for payment of course fees;
 - c) ERB regularly reviews the design of courses with relevant stakeholders (including Course Steering Group) for continuous improvement of course quality. During the process, ERB makes reference of the performance indicators of relevant courses;
 - d) ERB has formulated a mechanism to monitor the performance of training bodies in providing placement services and to ensure that the training bodies delivered services in compliance with the “Placement Service Guidelines”. In case of irregularities and deficiencies, training bodies concerned will be required to provide written explanations and improvement plan.

- “Relevancy Rate to Training”, “Continuous Employment Rate” and “Retention Rate” are not KPIs but are formulated as internal reference indicators to provide reference information for ERB in course planning and development. These indicators are not meant for measuring the performance and effectiveness of training bodies or ERB training courses.

- The outcome performance of various KPIs are reported to Quality Assurance and Review Committee (QARC) on a regular basis. Review of the KPIs and reference indicators as well as the recommendations will be deliberated at QARC in 2020-21.

Part 3 : Quality assurance

Question 5) According to paragraph 3.4, contrary to the ERB Guidelines, of the 127 self-evaluations conducted in the period from 2014-2015 to 2018-2019, 60 (47%) self-evaluations were performed by training bodies which did not obtain Group 1 rating in the on-site annual audits performed by ERB in the last two consecutive years. Why did this happen?

Question 6) According to paragraph 3.14(a), ERB had agreed to ensure that on-site annual audits and self-evaluations were conducted according to the ERB guidelines. What measures had ERB taken? ERB had also agreed to update the guidelines to state more clearly about the arrangement of self-evaluation. Had the guidelines been updated'?

Answers 5 and 6

- “Self-evaluation” was introduced as part of the Annual Audit system in ERB. If training bodies obtained Group 1 rating (i.e. the best rating) in two consecutive on-site annual audits performed by ERB, they were eligible to perform “self-evaluation” in the next year and ERB would conduct on-site annual audit in the following year. However, the wording of the requirement might not be clear enough in the related ERB Guidelines.
- The relevant ERB Guidelines have been updated and effective from April 2020. The updated Guidelines state more clearly that if training bodies perform “self-evaluation” this year, their next annual audits must be performed by ERB. Besides, in accordance with the training bodies’ risk levels and performance in “regular monitoring” and “case management”, ERB could consider cancelling the training bodies’ qualification of “self-evaluation” in annual audit.

Question 7) According to paragraphs 3.14(f), ERB had agreed to ensure that the course-end assessments were conducted by training bodies in accordance with the ERB Guidelines. What measures had ERB taken?

Answer 7)

- ERB strives to ensure that the assessments are conducted by training bodies in accordance with the guidelines. In recent years, ERB has strengthened the communication with training bodies, and proactively reminded training bodies to conduct assessments in accordance with the guidelines at all possible occasions.
- ERB will take immediate actions to follow up with training bodies if non-compliances with the assessment guidelines were spotted out. For the cases of non-compliances, ERB will continue to take appropriate follow-up actions, including consultations with technical advisors/ assessment observers, conducting follow-up assessment observations, etc., in order to monitor the improvements made by the training bodies and ensure the training bodies to conduct assessments in accordance with guidelines.

Question 8) According to paragraph 3.14(h), ERB had agreed to consider whether remedial actions were necessary for those trainees who had passed the assessment but the assessment had not been conducted according to the ERB Guidelines. What was the result of ERB's consideration?

Answer 8)

- ERB will enhance the mechanism of Assessment Observation (AO). For the Assessment Observation with unsatisfactory result, ERB will consider the impact on the trainees' performance and take remedial actions after consultation with technical advisors / assessment observers.
- After AO, ERB will take immediate actions to follow up the advice made by technical advisors. The actions include consultations with other technical advisors or assessment observers when required and following up with the training bodies to take remedial actions by conducting follow-up Assessment Observation and making evaluations. ERB will also request training bodies to arrange re-assessments if required.

Question 9) According to paragraph 3.18, in the period from 2014-2015 to 2018-2019, the number of accredited courses decreased from 469 to 308 and the percentage of accredited courses among courses with enrolled trainees decreased from 95% to 58%. According to paragraphs 3.20 and 3.21, ERB had agreed to endeavour to increase the number of accredited training courses to promote recognition of the qualifications of ERB graduates. What had ERB done in this regard?

Answer 9)

- From 2014-2015 to 2018-2019, the percentage of accredited courses among courses with enrolled trainees was decreased. The main reason was that 485 ERB courses expired by 4 May 2015 on Qualification Register (QR) and certain number of these courses were no longer with market demand. To ensure the effective use of resources and after consulting various stakeholders, it was decided to arrange re-accreditation of around 270 courses only. Therefore, the percentage of accredited courses decreased from 96% in 2014-15 to 64% in 2015-16. Such percentage has also been maintained around 60% in recent years.
- ERB has been following the development of QF by selecting suitable courses for submitting to HKCAAVQ for accreditation and re-accreditation. ERB will

review the progress of introducing new courses in order to actively select suitable courses for accreditation.

Question 10) According to paragraph 3.21(a), ERB would review the progress and criteria for selecting suitable courses for accreditation and re-accreditation in the coming three years according to the Three-year Strategic Plan. What was the progress so far?

Answer 10)

- ERB is consolidating preliminary data for the review of previous exercises on accreditation and re-accreditation. Information will be scrutinized so as to facilitate further review on the work flow of the accreditation process as well as the selection criteria for suitable courses for accreditation.
- In addition, ERB has obtained the Programme Area Accreditation (PAA) status for the sub-area of "Catering, Food and Beverage Services". ERB also is now liaising with HKCAAVQ in applying for the second PAA status for the sub-area of "Information & Communications Technology" so that more ERB courses in these sub-areas can be uploaded to QR more expeditiously after obtaining the status.

Part 4 : Training support services

Question 11) According to paragraph 4.16, in the period from 2014-2015 to 2018-2019, the annual service targets on the number of vacancies registered, vacancies filled and helpers placed were not met by 5 to 10, 4 to 7 and 4 to 8 Smart Living - Regional Service Centres respectively. For 2 to 5 Smart Living - Regional Service Centres, the required annual composite performance score of 90 was not met. Please inform this Committee:

- a) According to paragraphs 4.30(a) and 4.31, ERB had agreed to endeavor to improve the performance of the operators of the Smart Living Scheme. What measures had ERB taken in this regard; and**
- b) According to paragraph 4.31(a), the "ERB Helper" mobile application was officially launched on 30 March 2020 for registered helpers of the Smart Living Scheme to search vacancies and apply for jobs. How effective was the mobile application in assisting the operators of the Smart Living Scheme to improve their performance?**

Answer 11(a)

- ERB has formulated in the “Smart Living Operation Guidelines”, a mechanism to monitor the performance of the operators on a monthly, quarterly and yearly basis, and will take appropriate follow-up actions in case of performance deficiencies.
- ERB assesses the performance of the operators by an annual composite score. In general, the operators are able to achieve the annual composite score of 90 marks or above and be disbursed with full fund for the year. In 2014-15 to 2018-19, the average annual composite performance score was 97 marks. ERB will continue to closely monitor the performance of all operators.
- ERB has formulated a performance-tied disbursement mechanism and other measures to motivate operators to improve their performance.
- Regular operational meetings are conducted with the operators to review service progress and performance as well as to exchange good practices and share experience.
- ERB launched the “ERB Helper App” on 30 March 2020 for use of registered helpers and operators. ERB will be developing an “Employer App” in 2020-21 to further boost the service efficiency.
- ERB launched diverse marketing campaigns including online and offline advertisements, printed materials, social media promotion, seminar, expos and media interviews over the years to promote the brand and services of Smart Living.
- ERB will review the feasibility of expanding the service scope of Smart Living to cover more domestic services with a view to increasing the employment opportunities of graduate trainees of related ERB courses.

Answer 11(b)

- The “ERB Helper App” was launched on 30 March 2020. As at 26 May 2020, about 3,000 trainees have registered as users.
- The “auto-referral” function of the App facilitates speedy matching of vacancies and helpers, and hence enhancing the efficiency of referral.

- According to survey findings, 89% of the helper users agreed that the App is user friendly and 90% of them agreed that the App is helpful for job search.
- Operators opined that the usages of the App are convenient and efficient, thereby shortening the referral time and reinforcing the service competitiveness.

Question 12) According to paragraph 4.19, according to the Operation Guidelines for the Smart Living Scheme, if an operator had a composite performance score below 80 for two quarters within a year, ERB might consider terminating the agreement unless the operator improves and achieves at least 80 marks in the following month upon written request. According to paragraph 4.20, three operators of the Smart Living - Regional Service Centres had a score below 80 for the first two quarters of 2019-2020. According to paragraph 4.22, ERB decided to renew the engagement agreements with two operators who had unsatisfactory performance in two consecutive quarters of 2019-2020 for another two years from 1 April 2020.

According to paragraphs 4.30(b) and 4.31, ERB had agreed to continue to closely monitor the performance of the operators of the Smart Living Scheme who had failed to achieve service targets laid down in the engagement agreements and where necessary, take appropriate follow-up actions if the operators do not achieve the service targets again. Had the performance of the two operators improved? Did they fail to achieve the service targets again? If so, what follow-up actions had been taken?

Answer 12)

- There were two operators whose quarterly composite score fell short of the target level in Q1 and Q2 of 2019-20. One of them had improved its performance in the designated period (December 2019) to the required level for contract renewal. The other operator also recorded continuous improvement very close to the required level for contract renewal.
- Due to the epidemic outbreak in early 2020, the domestic service market was adversely impacted. With consideration of the service sustainability and that the performance of one operator was only marginally below the required level, the relevant committee of ERB approved to renew the service contract of the operator.

- Owing to the severe pandemic situation, Smart Living could only provide limited and basic services in February to April 2020. Many household employers cancelled or suspended registration of vacancies, and helpers inclined to work less in order to minimize the risk of infection, directly affecting the performance of the operators.
- In light of the special circumstances, the Board of ERB approved to exercise discretionary and flexible arrangements on monitoring the performance of the operators. Nevertheless, ERB still continues to follow up with operators on their improvement measures during the period.

Part 5 : Corporate governance and administrative issues

Question 13) According to paragraph 5.11(a), for the period from 2015-2016 to 2019-2020, ERB sent the requests for declarations of interests to Board members and non-Board co-opted members of the Committees on average 74 and 57 days respectively subsequent to their appointments or re-appointment. According to paragraph 5.11(b), for the same period, 17(18.5%) of the 92 declarations of interests were submitted by Board/Committee members after the submission deadlines stipulated by ERB.

According to paragraphs 5.12(e) and 5.13, ERB had agreed to enhance procedures of making declarations of interests by Board/Committee members. Had ERB enhanced the procedures? What enhancements had ERB made/would ERB make?

Answer 13)

- ERB has reviewed and enhanced the procedures of making declarations of interests by members and non-Board co-opted members of the Committees. From April 2020, ERB sent requests for declarations of interests to members within 1 month upon commencement of each year / upon their appointments. Reminders were sent to relevant members to facilitate their timely submission of returns. All members have already returned the completed declaration forms for 2020-21.

Question 14) According to paragraph 5.34, the amount of financial incentives recovered from the trainees who had low attendance rate or had provided false information was low. According to paragraphs 5.39(a) and 5.40, ERB had agreed to explore other effective measures to encourage trainees to achieve a high attendance rate and to deter them from providing false information. Had ERB completed your review? Did ERB's review come up with any feasible effective measures?

Answer 14)

- ERB will review and strengthen the income surveillance measures for detecting cases of providing false information within 2020-21. ERB will also enhance the efficiency of recovering financial incentives from trainees by providing additional payment channels for trainees (e.g. payment at convenience stores).
- For attendance rate, the overall attainment of non-placement-tied courses is already above 90%. For trainees who failed to attain the minimum attendance requirement (i.e. 80%), their absences were mainly due to illness, employment, other personal and family reasons. Feasible measures to encourage trainees to achieve a high attendance rate will be explored in coming review of mechanisms in recovering the financial incentives from trainees according to the Three-year Strategy Plan (2020-21 to 2022-23).

Employees Retraining Board
June 2020