

Employees Retraining Board

The Audit Commission ("Audit") conducted a review of the Employees Retraining Board ("ERB"). Audit reviews on the subject were previously conducted and reported in October 2000¹ and October 2011.²

2. Hon SHIU Ka-fai declared that he was unremunerated honorary adviser or honorary member to some non-governmental organizations or trade associations.

3. In 1992, ERB was established as a statutory body under the Employees Retraining Ordinance (Cap. 423) ("ERO"). Under ERO, the functions of ERB are, among others, to consider the provision, administration and availability of retraining courses and supplementary retraining programmes intended or designed for the benefit of eligible employees in adjusting to changes in the employment market by acquiring new or enhanced vocational skills, and to engage the services of training bodies for the purpose of providing or conducting retraining courses. Since December 2007, ERB has extended its scope of service targets to include people aged 15 or above with education attainment at sub-degree level or below. The governing body of ERB is its Board. ERB has established six Committees and an Investment Group to carry out different functions. ERB provided 130 000 training places and appointed about 70 training bodies to provide around 800 training courses in 2018-2019. In 2018-2019, ERB's income was \$637.3 million and the expenditure was \$949.3 million.

4. The Committee noted the following findings from the Director of Audit's Report:

- the number and percentage of young trainees aged 15 to 29 admitted to ERB training courses among all trainees decreased from 13 423 (12.2%) in 2014-2015 to 10 695 (8.4%) in 2018-2019;
- despite the low number of admitted trainees of ethnic minorities (i.e. 374 in 2014-2015 and 225 in 2018-2019) and decreasing utilization rate of planned places of courses for ethnic minorities (i.e. 47% in 2014-2015 to 28% in 2018-2019), the number of planned places had not been adjusted;

¹ Chapter 9 of Director of Audit's Report No. 35 – "Employees Retraining Scheme".

² Chapter 2 of Director of Audit's Report No. 57 – "Employees Retraining Board".

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- no review on the rates of retraining allowances for placement-tied courses had been conducted over 10 years since April 2009;
- from 2014-2015 to 2018-2019, some training courses did not meet targets on key performance indicators (e.g. capacity utilization rate, attendance rate and graduation rate) and reference indicators (e.g. relevancy rate and continuous employment rate);
- from 2014-2015 to 2018-2019, 60 (47%) of 127 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, contrary to the ERB Guidelines;³
- ERB did not always take follow-up actions on training bodies' non-compliances with course-end assessment guidelines found in assessment observations, for example:
 - (a) for the Foundation Certificate in Dim Sum Cook Training Course, trainees were found to be allowed to prepare stuffing prior to the commencement of the course-end assessments since June 2015 involving five classes. No re-assessments were conducted for the trainees involved; and
 - (b) the practical skills assessment for the Certificate in Health Worker Training Courses held in 2015-2016 was not conducted in accordance with the ERB Guidelines. No inspections were conducted to follow up whether improvement measures had been taken;
- from 2014-2015 to 2018-2019, the number and percentage of accredited courses by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications⁴ decreased from 469 (95% of total courses with trainees enrolled) to 308 (58%);
- responses from the service providers were lukewarm for the tender exercises from 2015 to 2019 for the operation of the Service Centre

³ According to the ERB Guidelines, if a training body obtained Group 1 rating in the on-site annual audits performed by ERB in the last two consecutive years, the training body would be allowed to undertake self-evaluation for one year.

⁴ The Hong Kong Council for Accreditation of Academic and Vocational Qualifications is an independent statutory body to undertake Qualifications Framework-related assurance.

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(Tin Shui Wai) and the Service Spots.⁵ Only one to two conforming tenders were received and one of them was usually the incumbent service provider;

- for the Smart Living Scheme,⁶ from 2014-2015 to 2018-2019, the annual service targets on the number of vacancies registered, number of vacancies filled and number of helpers placed were not met by some Smart Living - Regional Service Centres. Despite the unsatisfactory performance of two operators in two consecutive quarters of 2019-2020, ERB still renewed the engagement agreements with them for the Smart Living Scheme;
- for the Smart Baby Care Scheme,⁷ from 2016-2017 to 2018-2019, service requirements were not always met for two of six key performance indicators (i.e. number of vacancies registered and satisfaction rate of employers on the services of fresh graduates);
- requests for declarations of interests were not issued to Board/Committee members in a timely manner. Of the 92 declarations submitted by Board/Committee members for the period from 2015-2016 to 2019-2020, 17 (18.5%) were submitted after the submission deadlines stipulated by ERB;
- ERB incurred a deficit every year, ranging from \$142 million to \$401 million (averaging \$296 million) from 2014-2015 to 2018-2019. The balance of the Employees Retraining Fund⁸ decreased from \$16,280 million in 2014 to \$14,802 million in 2019; and

⁵ ERB has set up a district-based Service Centre in Tin Shui Wai and 37 Service Spots in collaboration with different social service organizations in various districts to provide training services and information on training courses available to local residents.

⁶ The Smart Living Scheme is a one-stop free referral platform for employers to recruit "Smart Helpers" for domestic, care and massage services. Graduates of related ERB courses can also utilize the platform to expand their employer networks and enhance their employment opportunities.

⁷ In June 2013, ERB launched the Smart Baby Care Scheme to centrally follow up post-natal care and infant and child care job vacancies, and to provide one-stop referral services for household employers as well as graduate trainees of related courses offered by ERB.

⁸ ERB is the body corporate responsible for administering the Employees Retraining Fund. Under ERO, the Employees Retraining Fund shall be used to make provisions for the payment of retraining allowances in respect of trainees attending retraining courses or supplementary retraining programmes and to defray the costs of those courses and programmes.

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- effectiveness of providing financial incentives to trainees in encouraging attendance and deterring the provision of false information was doubtful.

5. The Committee asked for written responses regarding the management of training services, quality assurance, training support services, corporate governance and administrative issues. The replies from **Executive Director, ERB** and **Secretary for Labour and Welfare** are in *Appendices 37* and *38* respectively.

6. After studying the above replies, the Committee decided to hold a short public hearing on 12 June 2020 to seek details from the Administration and ERB on the measures that had been/would be taken to address/rectify the inadequacies identified in the Audit Report. **Dr LAW Chi-kwong, Secretary for Labour and Welfare**, made an opening statement at the beginning of the Committee's short public hearing held on 12 June 2020. The full text of Secretary for Labour and Welfare's opening statement is in *Appendix 39*.

7. At the short public hearing, **Mr Byron NG, Executive Director, ERB** further explained to the Committee about the financial positions of ERB given the concern over its deficits in the past few years and the measures taken by ERB to attract young trainees to attend training courses of ERB, retain employees and monitor the submissions of declarations of interests.

8. The Committee made further enquiries about the relevancy rates of training courses and the latest development of the Regional Service Centres of the Smart Living Scheme. The supplementary written responses provided by **Executive Director, ERB** after the short public hearing are in *Appendix 40*.

9. The Committee wishes to be kept informed of the progress made in implementing the various recommendations made by Audit.