

ITEM FOR FINANCE COMMITTEE

Head 90 – LABOUR DEPARTMENT

Subhead 700 General other non-recurrent

New Item “Re-employment Training Programme for the Middle-aged”

Members are invited to approve a new non-recurrent commitment of \$60 million for the introduction of the Re-employment Training Programme for the Middle-aged starting from 2003-04.

PROBLEM

A large number of middle-aged persons are unemployed. We need to provide special employment assistance to help them return to the labour market.

PROPOSAL

2. The Secretary for Economic Development and Labour proposes to create a new commitment of \$60 million for the Labour Department (LD) to introduce a Re-employment Training Programme for the Middle-aged (RTP).

JUSTIFICATION

Need for Assistance to the Middle-aged Unemployed

3. According to statistics released by the Census and Statistics Department, the number of unemployed persons in the quarter October - December 2002 was 252 600. Among them, 112 000 persons or 44.3% are aged between 40 and above. In the face of persistently high unemployment, the middle-aged unemployed, in particular those with a low level of education and skill, have found it increasingly difficult to secure employment. The longer they stay idle, the more difficult it would be for them to re-enter the labour market. As many of them are breadwinners of families, their prolonged unemployment will bring hardship to their families.

4. The LD launched a re-employment pilot programme for the middle-aged for two years starting from February 2001. This pilot programme has placed over 5 000 persons who are aged 40 or above and have been unemployed for three months or more in jobs. We have reviewed this pilot programme and concluded that it was effective in helping this difficult group to re-integrate into the employment market. We now propose to introduce the RTP to provide, over a two-year period, on-the-job training places for about 12 000 middle-aged unemployed. We plan to start the RTP in late April/early May 2003 and will, if necessary, adjust the actual completion date having regard to the response of eligible job registrants and employers.

Details of the Proposed RTP

Target participants

5. The programme aims at assisting those aged 40 or above who have been unemployed for three months or more. The LD will strengthen its services in job matching and arranging interviews with a view to helping them secure employment. Where necessary and appropriate, workshops will also be organised for them.

On-the-job training allowance

6. Under the RTP, employers who employ participants of the RTP will need to provide them with on-the-job training for a period of three months. These employers will receive a training allowance of \$1,500 per month, for up to three months, for each trainee employed. Payment will be effected on completion of the three-month training period.

7. In deciding on the length of the training period, we have drawn on the experience of the Re-employment Pilot Programme for the Middle-aged. Under the pilot programme, a one-month induction training was provided by employers. While the induction training proved most useful for the participants to adapt to the new working environment, both employers and participants alike indicated that the one-month training period was too short for the latter to acquire the essential job-specific skills and to integrate into the new job. Accordingly, a three-month training period is now proposed for the RTP.

/Criteria

Criteria for employers to join the RTP

8. To ensure that the RTP will achieve its objective and will not affect the employment of existing employees, we will require employers applying to join the RTP to -

- (a) hold a valid Business Registration Certificate;
- (b) offer full-time jobs to RTP participants with wages at market rate;
- (c) prepare a training plan and offer on-the-job training for at least three months;
- (d) assign experienced staff as mentors of participants; and
- (e) undertake not to displace existing staff with the participants.

9. During the training period, there will be an employment relationship between an employer and an employee engaged under the RTP. We hope that employers will continue to employ the RTP participants upon their satisfactory completion of the three-month training.

Monitoring and Evaluation

10. The LD will put in place a monitoring mechanism to prevent abuses and will investigate all complaints received. If there is sufficient evidence to show that an employer has abused the Programme, he will be disqualified from receiving the training allowance. We will conduct an interim review of the effectiveness of the RTP one year after it has been implemented. A full review will be carried out towards the end of the Programme.

FINANCIAL IMPLICATIONS

11. The proposal will require additional non-recurrent expenditure totalling \$60 million. Of this, \$54 million (\$4,500 training allowance for each trainee employed x 12 000 places) will be for payment of training allowance to employers and \$6 million will be used for publicity and programme administration. The cash flow projection is as follows -

/Training

	2003-04 (\$ million)	2004-05 (\$ million)	2005-06 (\$ million)	Total (\$ million)
Training allowance for trainees	17.0	27.5	9.5	54.0
Publicity and programme administration cost	3.0	2.5	0.5	6.0
Total :	20.0	30.0	10.0	60.0

12. Although the RTP is intended to be completed in two years, we expect the cash flow to spread across three years. This is because payment of training allowance for placements arranged during the last few months of 2004-05 will be effected around mid-2005.

13. The proposal is estimated to incur \$20 million in 2003-04. If Members approve the proposal, we shall offset the provision required in 2003-04 by deleting an amount of \$10 million under Head 157 – Government Secretariat : Economic Development and Labour Bureau (Labour Branch) and another \$10 million under Head 106 Miscellaneous Services Subhead 789 Additional Commitments. The provision required in the subsequent years will be included in the Estimates for the relevant financial years.

BACKGROUND INFORMATION

14. In conjunction with the Chief Executive's Policy Address in January 2003, we announced under the "Policy Agenda" a new initiative to implement new measures to help place the middle-aged unemployed in jobs. The original intention is to implement a RTP costing about \$10 million to help about 2 000 middle-aged unemployed. In his 2003 Budget, the Financial Secretary has earmarked an additional \$50 million to expand the capacity of the RTP from 2 000 to 12 000 places.

15. We briefed the Legislative Council Panel on Manpower on the proposal at its meeting on 28 March 2003. Members were supportive.
