

ITEM FOR FINANCE COMMITTEE

**HEAD 90 – LABOUR DEPARTMENT
Subhead 700 General other non-recurrent
New Item “ Graduate Employment Training Scheme”**

Members are invited to approve a new commitment of \$26 million for launching the Graduate Employment Training Scheme in 2003-04.

PROBLEM

University graduates with little or no working experience, particularly those leaving universities this summer, are expected to encounter difficulty in securing employment under the current economic climate. We need to provide special employment assistance to them.

PROPOSAL

2. The Secretary for Economic Development and Labour proposes to create a new commitment of \$26 million for the Labour Department (“LD”) to introduce the Graduate Employment Training Scheme (“the Scheme”) with a view to encouraging employers to employ university graduates and provide them with on-the job training.

/JUSTIFICATION

JUSTIFICATION

Need for Special Employment Assistance to University Graduates

3. Given the prolonged and persistently high unemployment rate, the civil service recruitment freeze from 1 April 2003 and the continued economic downturn, we expect that university graduates will encounter greater difficulty in securing their first job this year. With the present highly competitive labour market, many employers tend to prefer experienced candidates to fresh graduates when they recruit new staff. To enable fresh graduates to gain working experience and to improve their job-related skills thereby enhancing their employability, we need to introduce a special employment programme for them.

The Scheme

Target Participants

4. Hong Kong residents holding bachelor degrees awarded by local universities or universities outside Hong Kong in 2003-04 will be eligible to join the Scheme. Past local and overseas graduates receiving their bachelor degrees within two years prior to 2003-04 may also in exceptional cases (e.g. those who have special or proven difficulty in finding jobs) be allowed to join the Scheme. The participant must be a Hong Kong resident legally employable in Hong Kong. We expect about 2 000 graduates to benefit from the Scheme.

Training Allowance

5. Employers who employ graduates and provide on-the-job training to them under the Scheme will be paid a monthly training allowance of \$2,000 for each trainee engaged. The allowance will be paid for a maximum of six months.

Employers' Obligation

6. Training vacancies will come from the private sector. Employers joining the Scheme will need to draw up training plans for their trainees and provide them with suitable training during the employment period. They are required to pay the trainees wages at market rate which will be freely negotiated between both parties. There will thus be a formal employer-employee relationship between the participating employer and the graduate trainee employed. In addition, employers must undertake not to displace existing employees with the trainees. They are also encouraged to offer long-term employment to the graduate trainees upon the latter's satisfactory completion of training.

/Placement

Placement of Graduates

7. The seven universities funded by the University Grants Committee will be responsible for placing their own graduates to training posts offered under the Scheme. In this connection, they will canvass suitable vacancies according to the circumstances and needs of their graduates. Having regard to the universities' experience in providing career planning and development service to their graduates, and their knowledge about the needs of their graduates, we consider that this is the most effective arrangement for placing graduates from local universities. The LD will be responsible for securing suitable vacancies for graduates of other local institutions including the Open University of Hong Kong and Hong Kong Institute of Education and overseas graduates and for placing them in vacancies under the Scheme. The LD will also be responsible for making payment of training allowance to all employers participating in the Scheme.

Monitoring and Evaluation

8. The LD will oversee the overall operation of the Scheme and work closely with the relevant institutions. We will put in place a monitoring mechanism to prevent abuses by employers and will investigate all complaints received. If there is sufficient evidence to show that an employer has abused the Scheme, he will be disqualified from receiving the training allowance. We will evaluate the effectiveness of the Scheme in consultation with the universities after its completion.

Implementation Timetable

9. Subject to the approval of the commitment by this Committee, we will launch the Scheme in August/September 2003.

FINANCIAL IMPLICATIONS

10. The Scheme will require a commitment of \$26 million, of which \$24 million (2 000 persons x \$2,000 x 6 months) will be for payment of training allowance and \$2 million for publicity and administrative costs. As the training period, lasting up to six months, for placements starting in the latter part of 2003-04 may straddle the first few months of 2004-05, part of the training allowance will be effected in 2004-05. The cash flow projection is as follows -

/Training

	2003-04 (\$ million)	2004-05 (\$ million)	Total (\$ million)
Training allowance for trainees	14	10	24
Publicity and administration cost	2	0	2
Total	16	10	26

BACKGROUND INFORMATION

11. The Financial Secretary announced in his 2003-04 Budget Speech that the Government had earmarked \$26 million for the provision of attachment training for 2 000 university graduates to enhance their job-related skills.

12. We briefed the Legislative Council Panel on Manpower on 24 April 2003 on the proposed scheme. Members were supportive.

Economic Development and Labour Bureau
May 2003