**For discussion on**
**27 March 2006**

# Legislative Council Panel on Education
# Review of the Post-secondary Education Sector and Financial Assistance Schemes for Post-secondary Students

## INTRODUCTION

The Education and Manpower Bureau has initiated a review of the development of the post-secondary education sector since the policy objective was set in 2000. The review will proceed in two stages. This paper summarises the views expressed by the various stakeholders and sets out the key findings and recommendations in the first stage of the review, including measures to improve financial assistance for students of locally accredited, self-financing post-secondary programmes. Members are invited to offer their views to facilitate Phase 2 of the review.

## BACKGROUND

2. Hong Kong is fast becoming a knowledge-based economy. To improve the competitiveness of our workforce and upgrade the quality of our manpower, the Chief Executive announced in his 2000 Policy Address a policy objective to make provision for 60% of our senior secondary school leavers[1] to receive tertiary education within ten years.

3. The prime objective of the policy is to upgrade the quality of the workforce by providing more opportunities for people with educational attainment at secondary level to pursue further studies. In support of this policy, we have been focusing our efforts and resources, over the past five years, on the promotion of locally accredited self-financing post-secondary programmes.

4. With the announcement of the policy and the implementation of a package of support measures, coupled with a quality assurance infrastructure, we have witnessed a robust response from education service providers leading to a remarkable growth in the number of self-financing places at both degree and sub-degree levels. The post-secondary education participation rate has increased from about 33%

[1] The term "senior secondary school leavers" means Secondary 5 and 7 graduates.

in the 2000/01 academic year to an estimated 66% in the 2005/06 academic year.

5. Given that the policy objective has been achieved, it is necessary to consider the way forward. Furthermore, the pace of development has aroused concerns about quality and the existing operating environment. Against this background, EMB has initiated a review of the post-secondary education sector and established a Steering Committee (SC) comprising representatives of service providers, quality assurance agencies and members of the community to oversee the review.

6. Phase 1 of the Review mainly takes stock of the development of the post-secondary education sector since the announcement of the 2000 policy objective; thrashes out the issues; and summarises the views received, based on which some recommendations are made. Phase 2 of the Review will focus on the implementation details of the Phase 1 recommendations, and other higher level policy and structural issues requiring more detailed analysis and deliberation.

7. The SC completed its deliberations on Phase 1 of the review in January 2006 and made a total of 14 recommendations. The full report on Phase 1 of the review is available at www.emb.gov.hk/consultation. Opportunity is also taken to review the Financial Assistance Scheme for Post-secondary Students (FASP) to identify areas for improvement.

## VIEWS AND CONCERNS EXPRESSED BY STAKEHOLDERS AND THE PUBLIC

### Service providers

8. We have consulted all current service providers of full-time self-financing post-secondary programmes. Their major views pertain to the following two broad areas.

*Enhancement of Support Measures by the Government*

9. To promote the development of a self-financing post-secondary education sector, the Government has launched a series of support measures including a $5 billion interest-free Start-up Loan Scheme for service providers to develop college campuses, a Land Grant Scheme which offers sites at nominal premium to non-profit-making courses providers, and a $30 million Accreditation Grant Scheme to help

institutions meet initial accreditation expenses. As at 31 December 2005, some $4 billion of start-up loans have been approved, five sites have been granted for post-secondary college development, and institutions have together received some $15 million accreditation grants. The Government has also launched financial assistance schemes (which cover grants and loans) for students enrolled in accredited self-financing post-secondary programmes.

10. Some service providers have suggested modifications and enhancements to the existing support measures, such as extending the repayment period of the Start-up Loan to beyond ten years, extending the Accreditation Grant to cover the cost of programme re-validation, and providing hostels for non-local students.

*Assurance of a Level Playing Field*

11. Some non-self-accrediting service providers feel that they are unfairly prejudiced because of the disparity in the existing quality assurance mechanisms. They argue that their readiness and responsiveness to changing needs are undermined by the cost, time and manpower required for external accreditation, as well as the stringent accreditation requirements. Some service providers also consider that increasing concentration of market share in the hands of a few big players may deter new entrants and eventually undermine students' choices, to the detriment of the long-term development of the sector. They suggest that the Government should provide positive discrimination measures in favour of new and smaller players to ensure that they can successfully establish themselves and meaningfully compete with the major players on equal footing.

**Students**

12. Enrolment at intake level for full-time locally accredited post-secondary programmes between the 2000/01 and 2004/05 academic years has shown a strong and increasing demand for further education opportunities from our younger generation. During our consultation with student bodies, they have expressed keen interests in articulation opportunities, employment prospects, and improvements to student financial assistance schemes.

*Articulation Opportunities and Employment Prospects*

13. Sub-degree programmes include programmes leading to a qualification at the level of Associate Degree (AD), Higher Diploma (HD) or Professional Diploma. There is a common misconception that AD is primarily a bridging qualification for admission to degree programmes; whereas HD, which has a longer history in Hong Kong, is traditionally regarded as more vocational in nature, thereby leading to direct employment. There have been suggestions that there should be a clearer distinction between the two, so that both students and employers can more easily identify the courses and qualifications they look for. In reality, both AD and HD are independently recognized credentials for further studies or employment.

14. As the number of sub-degree holders increases, there is increasing demand and expectation for articulation places, especially in the publicly-funded sector. Students also acknowledge that a credit transfer mechanism would enable them to have access to a wider range of study programmes in different institutions, and would also like to see better recognition of sub-degree qualifications by employers.

*Improvement of Student Financial Assistance*

15. Students of accredited post-secondary programmes have access to means-tested grants, means-tested loans and non-means-tested loans. Under the Financial Assistance Scheme for Post-secondary Students (FASP), students who pass the means test receive full grant to cover the tuition fee. Those who fail the test may apply for a means-tested loan, the amount of which depends on the household income level. Student groups have called for improvements to the financial assistance schemes, drawing reference from the Local Student Finance Scheme (LSFS) for students of publicly-funded programmes which offers 17 levels of grants according to household income. Students generally are concerned that cumulative loans under the FASP create a heavy financial burden on them.

## Public Concerns

*Supply and diversity of Post-Secondary Places*

16. The robust development of the post-secondary education sector over the past five years has invited questions as to whether there is an over-supply of post-secondary places, leading to unhealthy competition which might result in a deterioration in programme quality. There are also

concerns about the similarity of the programmes run by different institutions.

*Quality Assurance*

17. Noting the disparity in the quality assurance (QA) processes between self-accredited institutions and those requiring external accreditation by the Hong Kong Council for Academic Accreditation (HKCAA), some have raised questions on the comparability of the QA mechanisms and standards among institutions.

*Prudent Use of Government Resources*

18. With the 60% policy objective having been met, some have suggested that the remaining resources under the various Government support measures should be redeployed to other areas instead of further expansion of post-secondary education places.

## KEY FINDINGS AND RECOMMENDATIONS

### Supply and Use of Resources

19. Having examined the actual enrolment[2] at intake level for full-time locally accredited post-secondary programmes against the planned provision[3] of full-time student places for fresh intakes since the 2000/01 academic year, it is observed that actual enrolment against planned provision is generally satisfactory, indicating a genuine and robust demand for post-secondary education which is met by a market-responsive self-financing sector in a timely manner. While the policy target of 60% participation rate has been accomplished, there is no sign of excessive supply of post-secondary places. There has also been an increase in the number of programmes offered, from 20 programmes in the 2000/01 academic year to over 260 in the 2005/06 academic year. The programmes encompass a variety of academic categories, including Business and Administration, Science and Technology, Arts and Social Science, Education and Languages and General Studies.

20. The SC considers that the rapid expansion of the sector demonstrates the community's capacity and readiness to invest in post-secondary education in response to a clear demand for further

[2] The figures on actual intake are collected from the institutions in the middle of each academic year.
[3] The figures on planned provision are provided by the institutions before an academic year begins.

educational opportunities at post-secondary level. It also reflects the success of the self-financing model in help bridging the supply of and demand for tertiary education, facilitated by resources support. The SC takes the view that the 60% policy target should not be regarded as an absolute limit which will frustrate demand. In our consultation with the Education Commission and the Manpower Development Committee, the two advisory bodies unanimously took the view that the provision of post-secondary places is conducive to the long-term economic and social development of Hong Kong. Not only has post-secondary education offered a more comprehensive and diversified learning environment, it has also supplemented the conventional articulation pathway by opening up alternative routes for further studies and better employment prospects at the junior professional or managerial levels. The two advisory bodies shared the views of the SC that the 60% policy target should not be construed as a cap.

21. In addition, as part of our efforts in developing Hong Kong as an education hub in the region, new policies have been implemented to internationalise the student intake of post-secondary courses. The Government has relaxed the immigration control in respect of the types of institutions and programmes which could admit non-local students (including students from the Mainland) with effect from the 2005/06 academic year. The admission of more non-local students will open up student sources for post-secondary education institutions and contribute to the healthy development of the sector through a more diversified student body. In view of the above and having regard to the Government's policy on post-secondary education, the SC recommends that the provision of self-financing courses should primarily be demand-led, and the Government should be prepared to increase the provision of publicly-funded sub-degree courses, where justified, under the established funding criteria[4]. The SC also recommends that more emphasis should now be put on consolidation of the strengths built up in the sub-degree sector, development of articulation pathways, and quality enhancement at all levels. Strengthening our post-secondary education sector in these aspects will not only benefit local students, but also enable our institutions to attract non-local talents and compete at the regional level.

**Support Measures**

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[4] Sub-degree programmes which are remained to be publicly-funded are those that –

(a) require high start-up and maintenance costs or access to expensive laboratories/equipment;
(b) meet specific manpower needs; or
(c) can be regarded as "endangered species", i.e. lacking market appeal to the course provider and the average student, such as pure arts or science.

22. Many of the service providers have made good use of the financial and land resources that the Government provides. On the Start-up Loan Scheme, the SC noted that most institutions were able to provide sound financial plans based on a ten-year repayment period for the purpose of applying for the loans, and the vast majority of them have been operating in a healthy and viable manner. On the suggestion of extending the repayment period of interest-free loans, since this would involve substantial Government revenue foregone and also an additional subsidy to the borrower, it would require very strong justifications for the Government to vary the existing loan terms which is an established practice and without exception for government loans.

23. For the Land Grant Scheme, only five sites have been successfully allocated under the Scheme based on the agreed criteria in the past five years. The limited allocation was partly attributed to the rigorous scrutiny of the Selection Committee which recommended granting the land only to highly justifiable applications, and partly due to the fact that some institutions were able to address their accommodation needs either by expanding in situ, or leasing/purchasing properties in the market (and meeting the costs with loans approved under the Start-up Loan Scheme). In view of the substantial amount of land premium foregone in land grants, the SC supports the Government's vigilance in approving land grants and the prudent use of public resources.

24. In view of the latest positions of the Start-up Loan and Land Grant schemes, the SC considers that there is no immediate need for further injection of additional resources, but recommends that the remaining resources in the schemes should be used with a clear emphasis on enhancing the quality of service provision and encouraging diversity, rather than solely for increasing student places.

25. As regards the Accreditation Grant Scheme, the objective of the Scheme is to assist course providers who do not have a self-accrediting status to pursue academic accreditation with the HKCAA by relieving their financial burden in the initial years of operation, thus allowing them to gear up their capacity and meet other start-up expenses without passing the costs on to students. It is questionable whether the assistance should become recurrent as the institutions and the courses offered become more established. Nonetheless, the SC considers that there is merit in providing financial support to encourage the upgrading of institutions, such as funding Institutional Reviews which are conducted for the purpose of enabling individual post-secondary institutions to achieving self-accrediting status in defined programmes areas (i.e. programme area

accreditation status).

26. As regards the institutions' suggestion for the Government to provide assistance in hostel provision for non-local students of self-financing post-secondary programmes, the SC recommends that provision of such accommodation should primarily be the institution's choice and responsibility, and that the Government should play a facilitating role. While the SC recognises that there is increasing demand for hostel accommodation for non-local students and the benefit of providing non-local student hostels in promoting Hong Kong as an education hub in the region, it acknowledges that the provision of land is scarcely limited and there is competing priority for precious sites for teaching facilities. It is also arguable if the Government should commit resources to assist in the provision of hostels for self-financing programmes when the demand for hostels for publicly-funded programmes has not yet been fully met.

27. The SC has taken note of the concerns expressed by relevant parties on suggestions to improve the student financial assistance schemes for students of self-financing courses. The SC recommends that the suggestions to expand the scope, raise the level of assistance, and relax the eligibility criteria of the existing financial assistance for students of self-financing post-secondary courses should be taken into account in the separate review on the student financial assistance schemes. The review has just been completed. Our proposals are set out in paragraphs 37 to 40 below.

**Level Playing Field**

28. Insofar as the Government's support measures are concerned, service providers compete on fair and equal terms under the same set of pre-determined eligibility/selection criteria. While the Government is committed to assisting the development of the post-secondary education sector as a whole, the SC believes that the Government's prime concern should continue to be focused on quality rather than quantity, and that the "market share" among operators should remain a matter of healthy competition amongst providers based on their niches and responsiveness to the demand. It considered that artificially sustaining the operation of non-competitive operators through positive discrimination measures may not be in the interest of the public, and may mean ineffective use of public resources.

29. To maintain healthy dynamics, we will encourage role

differentiation and collaboration amongst institutions so that they can pool resources together and share their expertise in curriculum development, pedagogy and institutional administration. The SC also recommends enhancing market transparency by releasing more information on the development of the post-secondary sector so as to provide a conducive environment for a healthy and sustainable development of the sector.

**Quality Assurance**

30. The Government reckons that quality assurance (QA) is the cornerstone of our education system and holds the firm view that quality must not be compromised for the sake of expediency. In expanding the post-secondary sector, full-time programmes of self-accrediting institutions must be subject to their own internal QA mechanisms; for non-self-accrediting institutions, their programmes have to be validated by an external QA agency recognized by the Government, such as the HKCAA.

31. While we acknowledge that there is a difference in the QA processes, we believe that sound QA mechanisms do not necessarily require equivalence in processes – nor would that be entirely appropriate given the different backgrounds of the institutions. Self-accreditation and external accreditation are different forms of QA mechanisms applicable to different institutions, as is appropriate to their stages of development. The UGC-funded institutions have well-established internal QA mechanisms and proven output standards, and so there may not be strong reasons to require them to conform to the same process which HKCAA adopts for external assessment. Nonetheless, the Government welcomes the recent actions taken by institutions in reinforcing QA efforts, notably the formation of a new body known as the Joint Quality Review Committee (JQRC) to oversee the self-financing programmes of UGC-funded institutions at sub-degree level. There is cross membership between the JQRC and the HKCAA to facilitate communication and the benchmarking of standards among post-secondary programmes. The SC welcomes the Heads of Universities Committee (HUCOM)'s JQRC initiative and believes the community will look to JQRC to upkeep and sustain the quality of UGC-funded institutions' self-financing sub-degree programmes. The SC recommends a closer dialogue between the HKCAA and the JQRC, to ensure assurance and comparability in quality and standards of programmes at the same academic level. Exit standard is an area of concern that will be addressed in Phase 2 of the review, and on which views are being invited from course providers, professional bodies, students and employers.

32. In preparation for the implementation of the Qualifications Framework and the "3+3+4" academic structure, the SC also recommends a comprehensive review of the Common Descriptors[5] for sub-degrees to evaluate past experience and recommend adaptations to meet changing needs.

**Articulation and Employment**

33. In terms of differentiating between AD and HD, a clear line may not be easily drawn. While AD is more broad-based and generic in coverage, it prepares students for both work and further studies. On the other hand, it would not be helpful to equate HD with vocational training, as the trend is to enhance its generic elements. The SC recommends that the Government should continue to promote both AD and HD as alternative progression pathways leading to qualifications at comparable academic level, and that there should continue to be no difference between the two in terms of Government subsidy or support measures.

34. We appreciate the aspirations of sub-degree students to further their studies. To provide more articulation opportunities and improve mobility between the sub-degree and university sectors, we have already committed to creating a total of 1,680 publicly-funded senior year places by phases since the 2005/06 academic year. On the other hand, however, we must recognise that it would not be realistic to provide articulation places for all sub-degree graduates without giving due regard to academic quality. Where to draw the line would depend on available resources, allocation priorities and standards. That said, as the sector continues to expand, we recognize a rising expectation for more opportunities to obtain a degree. Both the publicly-funded and self-financing sectors will have a shared responsibility in catering for these needs. The SC recommends that, where resources permit and standards are upheld, more publicly-funded articulation places should be provided, and that institutions should be encouraged to develop credit transfer mechanisms to facilitate articulation.

35. Furthermore, we should acknowledge that sub-degree is

[5] At present, the "Common Descriptors" sets out programme objectives, learning outcomes, programme structure, entry requirements, quality assurance and exit qualifications of Associate Degree.

valuable as an exit qualification on its own. Members of the Education Commission and the Manpower Development Committee also commented that realistically, and in line with the principle of “multiple entry and exit points”, not all graduates of sub-degree programmes can or should immediately articulate to degree studies, and agreed that the Government should enhance the promotion of sub-degree as exit qualifications.

36. A sub-degree qualification equips graduates with skills that enable them to start work as junior managers and associate professionals. Over 20 professional bodies from the business, engineering, finance, accounting, IT and logistics sectors already recognize our AD qualifications for the purpose of granting exemptions from parts of their professional examinations. In addition, there are currently 13 civil service grades that accept accredited AD qualifications for appointment purposes. To promote local sub-degree qualifications among employers, the SC recommends conducting tracking surveys to gauge the opinions of employers on the performance of self-financing sub-degree graduates. Moreover, with the establishment of the QF, sub-degree qualifications would be benchmarked against other qualifications under the QF. This will enhance better understanding of the qualifications of sub-degree holders. Further publicity can also help promote the recognized qualifications that AD programmes have brought to the market.

**Student Finance**

37. There is a clear and welcome demand for post-secondary education to better equip secondary school leavers to meet the needs of the globalized, knowledge-based economy. To help achieve a more equitable distribution of resources, it remains Government policy to provide financial assistance to needy students rather than subventing programme providers.

38. To reduce the financial burden on students pursuing locally accredited, self-financing programmes, we propose to bring the means-tested grant under the FASP on par with that of LSFS with effect from the 2006/07 academic year by –

(a) applying the same 17-level scale for determining the amount of grant for each applicant so that the less needy students may also benefit;

(b) providing a grant to cover academic expenses up to $3,000[6], which is subject to annual adjustment based on the Consumer Price Index A; and

(c) consequential to (b) above, increasing the maximum loan ceiling for NLSPS to cover academic expenses, in addition to tuition fees and living expenses, for those students who do not receive maximum grant.

39. In effect, FASP applicants who meet the means test for full grant assistance would continue to receive full grant assistance for payment of tuition fees up to $55,890[7] and would also receive maximum grant assistance for payment of academic expenses at $3,000 per annum. With the proposed improvements, needy students who are currently eligible for means-tested loans for tuition fees would receive partial grant assistance for both tuition fees and academic expenses ranging from 95% to 4% of the maximum grant per annum.

40. We estimate that the above proposal would bring very significant improvements to the FASP as illustrated in the table below -

| | 2005/06 | 2006/07 | 2010/11 |
|---|---|---|---|
| Estimated amount of grant to be disbursed<br><br>(increase over 2005/06) | $215m | $537m<br><br>(+$322m, or 150%) | $780m<br><br>(+$565m, or 260%) |
| Estimated number of beneficiaries | 5 200 | 18 200 | 26 400 |

[6] Because of the wide spectrum of self-financing post-secondary programmes, it is not practicable to introduce an elaborate scale for determining the level of academic expenses for different disciplines of studies. The proposed maximum grant level is applicable to all disciplines and worked out with reference to the average grant of about $3,700 disbursed to undergraduate applicants under the LSFS in the 2004/05 academic year and funding availability.

[7] Prevailing in the 2005/06 academic year. Dollar figures in this paragraph are subject to annual price adjustments.

## WAY FORWARD

41. The aim of Phase 1 of the review is primarily to take stock of the development of the post-secondary education sector since 2000. We welcome views from all sectors of the community on the findings and preliminary recommendations to facilitate our consideration on the way forward. Many of the recommendations would need to be further discussed and refined in the light of public comments and support.

42. Subject to the views collected, we intend to start work on Phase 2 of the review, which will focus on refining the implementation details of the Phase 1 recommendations, and on other higher level and structural issues including the effectiveness of the existing statutory and regulatory framework for accredited post-secondary education programmes, examination of overseas practices and experiences, and merits of pursuing initiatives in other directions to provide further post-secondary education opportunities. We aim to finalise Phase 2 of the review within the next 12 months.

43. We will also seek the approval of the Finance Committee to implement the proposed improvement measures for the FASP in paragraph 38 above with effect from the 2006/07 academic year.

Education and Manpower Bureau
March 2006