

ITEM FOR FINANCE COMMITTEE

**HEAD 159 – GOVERNMENT SECRETARIAT :
DEVELOPMENT BUREAU (WORKS BRANCH)
Subhead 700 General non-recurrent
Item 868 “Investing in Construction Manpower”**

Members are invited to approve an increase in commitment from \$100 million by \$220 million to \$320 million under Head 159 – Government Secretariat: Development Bureau (Works Branch) to further enhance the construction manpower in collaboration with the Construction Industry Council to ensure the timely and effective delivery of infrastructure projects.

PROBLEM

We need to continue to work together with the construction industry, through enhancing the funding support for the Construction Industry Council (CIC), to nurture a quality workforce and maintain sufficient construction manpower so that the construction industry manpower can meet the rising demand in the coming years and uphold the quality of works.

PROPOSAL

2. The Secretary for Development proposes to inject an additional funding of \$220 million to further enhance CIC’s training for prospective fresh blood and local in-service construction personnel.

/JUSTIFICATION

JUSTIFICATION

Challenges faced by construction industry

3. The construction industry is one of the main pillars of our economy, employing about 8% of the workforce. The smooth and effective delivery of construction projects depends on the quality input of different disciplines and trades at professional, technical/supervisory and worker levels in all stages from project inception through design and implementation to completion. We therefore need to nurture and retain a quality workforce capable of, and committed to, delivering high quality construction works.

4. The construction workforce is facing an increasingly acute ageing problem. According to the information provided by the Construction Workers Registration Authority (CWRA), in end December 2011, about 40% of the some 287 000 registered construction workers are aged over 50 whereas only about 6% are below the age of 25. In respect of skills distribution, about 60% of the registered workers are non-skilled general workers. Further, the increasing portion of infrastructure projects in the coming years has given rise to skill mismatch as many skilled workers only possess trade skills specifically for building construction which used to dominate the construction market over the past decades. These two key manpower challenges i.e. acute ageing and skills mismatch, have been confirmed by a study¹ commissioned by CIC.

5. The Government has been implementing a massive infrastructure development programme comprising construction projects of varying scales since 2007-08. Capital works expenditure rose substantially from \$20.5 billion in 2007-08 to \$58.2 billion² in 2011-12. It is expected to increase to \$62.3 billion in 2012-13 and then to over \$70 billion per year in the next few years. A chart showing the overall Government expenditure on capital works programme from 2001-02 to 2012-13 is in Enclosure 1.

Encl.1

6. Our on-going efforts to press ahead with the ten major infrastructure projects, together with social and community projects as well as minor works items and building maintenance under the “Operation Building Bright” have helped lower the unemployment rate in the construction industry from the peak of 12.8% in February to April 2009 to 5.1% in December 2011 to February 2012. The

/median

¹ CIC commissioned CityU Professional Services Limited in 2008 to study the manpower situation for construction workers, supervisors and technicians. The findings of the study revealed that the local construction industry is facing an acute ageing problem and possible skills mismatch in individual trades.

² \$58.2 billion is the revised estimate of 2011-12.

median wage of workers has increased from the post-tsunami trough of \$9,000 to \$11,000 recently. Since early/mid 2011, the composite labour wages of civil engineering and building contracts have surged by about 9% to 10% yearly, which is a more significant increase as compared with the more modest 3% to 4% before. All these reflect an increasingly tight labour situation.

7. At the same time, private sector construction is also picking up. Given the sustained high level of workload, the modest increase in the number of new entrants to the construction industry, the retirement of about 10% of the workforce in the coming five to ten years, manpower in the industry will become increasingly tight.

Efforts made by CIC and latest progress

8. To prevent the worsening manpower situation from affecting the delivery of infrastructure projects in terms of “quality”, “on time” and “within budget”, we have taken early action to enhance the local construction manpower by training more skilled workers and attracting more people to join the industry through a multi-pronged approach. Measures adopted include strengthening CIC’s training and trade-testing functions, and enhancing promotion and publicity. The Finance Committee (FC) approved on 28 May 2010 for creation of a new commitment of \$100 million to support some of these initiatives. Details of the initiatives launched under the commitment and progress made to date are set out in Encl. 2 & 3 Enclosure 2. The role and functions of CIC are provided in Enclosure 3.

9. Despite CIC’s efforts, industry stakeholders have expressed that they have experienced increasing difficulties in recruiting skilled workers in specific trades. Owing to the physically demanding and unpleasant nature of construction work, it is not uncommon for trainees to drop out half-way through the training schemes. Even after completion of training, some of them fail in the trade tests. The overall wastage rate of the Enhanced Construction Manpower Training Scheme (ECMTS) is about 16%. This reflects the diminished attractiveness of the present ECMTS.

FURTHER INVESTMENT IN CONSTRUCTION MANPOWER

10. To tackle the manpower problem in a timely and effective manner, the Administration considers it appropriate to further strengthen CIC’s efforts in training more workers and supervisors to support the healthy development of the industry. Specifically, we propose to provide further funding support of \$220 million for enhancing the two key initiatives, namely the ECMTS and the Enhanced Construction Supervisor/Technician Training Scheme (ECSTS), by way of increasing their training quota, duration and allowance.

/Enhanced

Enhanced Construction Manpower Training Scheme (ECMTS)

Training Quota

11. In June 2011, the Development Bureau (DEVB) comprehensively reviewed the manpower situation and conducted a manpower workshop with key industry stakeholders³. We have reached a view that although there would be adequate construction workers in total head count over the next five years, individual trades (such as Bar Bender and Fixer, Carpenter (Formwork), Concretor etc.) will face skills shortage and/or ageing labour during this period. Taking into account possible variations from the projection, the magnitude of replenishing the retired, the wastage during and after training due to drop-out and job changes, we propose to increase the training quota from the original target of 3 000 to about 6 000.

Training Duration

12. While the estimated training duration of three months under the existing ECMTS represents the average duration of an adult short course provided by CIC prior to the selection of trades under ECMTS, CIC's experience indicates that the training duration of selected trades under ECMTS, which are of higher skills, is mostly about four to six months. To meet the actual training need, we propose to revise the average training duration from about three months to about five months.

Training Allowance

13. According to CIC's interview with the drop-out trainees of ECMTS, about 34% of the trainees expressed that they had found jobs in other sectors with a more attractive wage than the current training allowance of about \$5,000 per month. Taking into account the more physically demanding nature of construction works especially the ECMTS trades and the need to attract a lot more new blood to deliver our massive capital works programme, we need to offer sufficiently attractive terms/incentives for recruiting trainees. For this purpose, we propose to set the training allowance at about \$8,000 per month⁴ (an increase by about \$3,000 from \$5,000) on par with the non-skilled construction workers' median wages. We will

/review.....

³ The stakeholders include CIC, CWRA, major employers including the MTR Corporation Ltd, the Real Estate Developers Association and the Housing Authority, trade associations and unions, training institutes and other government departments.

⁴ It is worth noted that instead of relying solely on our enhancement of the training allowances, the trade associations have also pledged to employ graduated workers at a higher wage to sustain their interest to remain in the industry, representing a partnership endeavour between the Government and the trade associations in action and a win-win situation to the three parties.

review the latest labour market situation to firm up the exact training allowance. To encourage trainees to complete their training, we will consider with CIC about withholding part of the training allowance and releasing it only upon completion of training.

Enhanced Construction Supervisor/Technician Training Scheme (ECSTS)

Training Quota

14. To maintain the level of works supervision and technical support, we consider it necessary to increase the training quota of construction supervisors/technicians in line with that of construction workers. In consultation with the industry, CIC projects that the shortage would become more serious from 2013 onwards. Industry stakeholders have expressed that they have experienced increasing difficulties in recruiting quality construction site supervisors and called for enhanced measures to increase the supply of supervisors through enhanced training package. Adopting a percentage increase with reference to that of worker trainees, we propose to increase the training quota of construction supervisors/technicians from about 600 by 400 to about 1 000.

Training Duration

15. ECSTS is the only initiative that has not been implemented due to contractors' strong views that the proposed duration of about nine months to one year is too short to equip a trainee with sufficient knowledge and experience to assume supervisory position after graduation. Consultation with industry stakeholders indicates that a duration of about 15 months will be more appropriate to ensure that the trainees will have acquired sufficient classroom knowledge and on-site experience. CIC is already geared up to launch the new course with a duration of about 15 months once funding becomes available. We therefore propose to increase the duration accordingly to meet the industry demands.

Training Allowance

16. The current training allowance of about \$150 per day under ECSTS was originally set on the assumption that training would follow the conventional classroom mode for a relatively short period of nine months. However, the above longer training duration of about 15 months requires an appropriate increase in the allowance in order to attract and retain trainees.

17. With reference to the median wage of non-skilled workers of all industry sectors, which has increased from \$5,000 in end 2009 by 20% to about \$6,000 currently, we propose to increase the \$150 daily rate of training allowance of ECSTS by the same rate of 20% to \$180 during the initial 9-month classroom training period which is equivalent to about \$4,300 per month for 24 training days a month. During the subsequent site training period, the trainees will need to work on site under the more demanding working environment. We propose that they should be given an allowance of \$250 per day during the subsequent 6-month site training period, which is equivalent to about \$6,000 per month for 24 training days a month and similar to the median wage of non-skilled workers of all industry sectors. We will review the latest labour market situation to firm up the exact training allowance. To encourage trainees to complete their training, we will consider with CIC about withholding part of the training allowance and releasing it only upon completion of training.

Encl. 4 18. Details of the above proposed enhanced measures as compared with the existing ones under the approved commitment of \$100 million are at Enclosure 4.

Monitoring and Control

19. CIC will keep its training and trade testing programmes under regular and rigorous review. Together with CIC, we will closely monitor the response of the construction industry to the proposed measures in paragraphs 11 to 18 above. CIC will rigorously monitor the progress and achievements of the various initiatives taking into account the attendance records, the performance of participants etc. and will report them to the Works Branch of DEVB regularly.

FINANCIAL IMPLICATIONS

20. The indicative breakdown of the additional funding of \$220 million for implementing the proposal detailed in paragraphs 11 to 18 above is set out as below –

/ \$ million.....

	\$ million ⁵
(i) Enhanced construction manpower training for selected trades	165
(ii) Enhanced construction supervisor/technician training	55
Total	220

Encl. 5 21. A comparison of the breakdown of the proposed \$220 million and those under the approved commitment of \$100 million is at Enclosure 5. The estimated cash-flow in respect of the proposed additional \$220 million is set out as follows –

Financial Year	\$ million
2012 – 13	7
2013 – 14	56
2014 – 15	69
2015 – 16	69
2016 – 17	19
Total	220

PUBLIC CONSULTATION

22. On 28 February 2012, in collaboration with CIC, we briefed the Legislative Council Panel on Development on the proposal. Members supported the proposal.

23. We also liaised with trade unions including the Hong Kong Construction Association, the Hong Kong General Building Contractors Association, etc. and labour unions. They all expressed support for the proposal to enhance construction manpower training to meet the manpower needs of the industry.

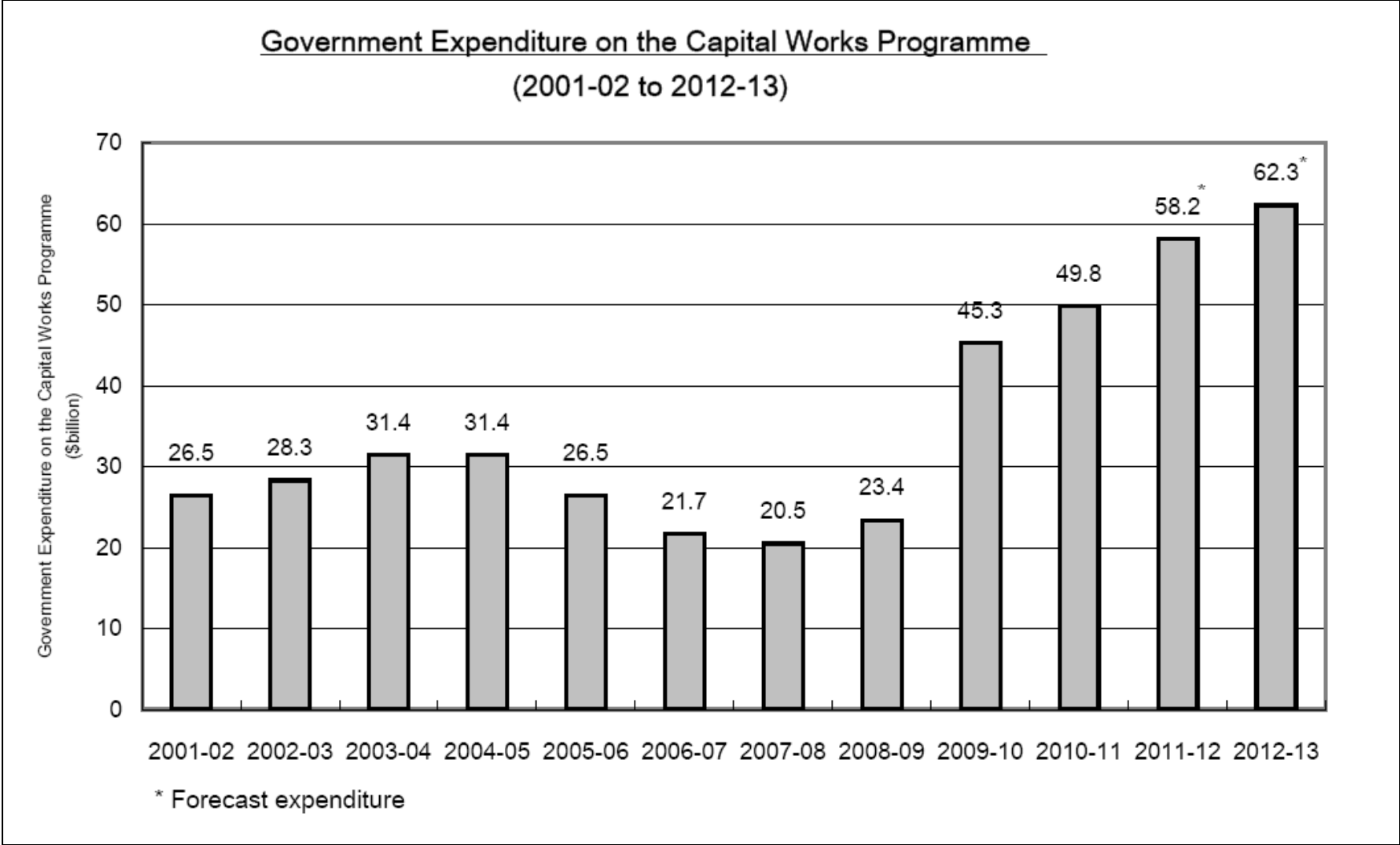
/24.

⁵ We propose to adopt a flexible approach under which funds may be redistributed amongst items (i) and (ii) under \$220 million as well as across the items in the approved \$80 million as mentioned in paragraph 2 of Enclosure 2 in the light of actual needs and responses. This will ensure maximum benefits to be accrued to construction personnel and to the construction industry.

BACKGROUND

24. On 28 May 2010, FC approved, vide FCR(2010-11)20, a non-recurrent commitment of \$100 million to support the efforts of CIC to enhance training and trade testing for prospective fresh blood and in-service construction personnel, and to enhance promotion and publicity activities to attract more people to join the industry. The Financial Secretary announced in his 2012-13 Budget Speech the proposal to earmark an additional \$220 million to support CIC in enhancing manpower training in order to bring fresh blood into the industry to meet the demand of future infrastructure developments.

Development Bureau
April 2012



Note : For 2008-09, the expenditure does not include the one-off endowment of \$21.6 billion to the West Kowloon Cultural District Authority.

**Description and progress as at end February 2012 of
the existing initiatives under the approved \$100 million funding**

The following is a report on the progress of initiatives launched upon the approval of the Finance Committee on 28 May 2010 for a new commitment of \$100 million to support the efforts of the Construction Industry Council (CIC) to enhance training and trade testing for prospective fresh blood and in-service construction personnel, and to enhance promotion and publicity activities to attract more people to join the industry.

Strengthening the training and trade-testing functions of CIC

2. Of the funding of \$100 million approved, not less than \$80 million is earmarked for reimbursing CIC of training allowances and trade testing and course fees benefiting trainees and workers. Since September 2010, CIC has been implementing in phases various training and trade-testing initiatives. The description and progress of such initiatives are given below –

(i) Enhanced construction manpower training for selected trades

Description

- Increase the training allowance to an average of about \$5,000 per month for trainees of selected trades under the Enhanced Construction Manpower Training Scheme (ECMTS) to be provided by the approved funding at a total estimated cost of about \$45 million. The average duration of the course is about three months but it will depend on the trades to be included into the initiative in consultation with stakeholders.
- Employers will be encouraged to employ graduates and pay them a wage of not less than \$8,000 per month, which will be further raised to not less than \$10,000 per month after six months.
- The staff cost and other operating expenses of these training programmes will be met by CIC.
- Target number of trainees – about 3 000.

/Progress

Progress

- The ECMTS was rolled out in September 2010 and has been progressively extended to cover seven trades experiencing more acute worker shortage, namely Bar-bender and Fixer, Carpenter (Formwork), Drainlayer, Metal Formwork Erector and Concretor, Metal Worker, Leveller and Site Surveying Officer.
- To further enhance the ECMTS, the Hong Kong Construction Association (HKCA) announced on 24 January 2011 a pledge that the participating contractors will employ the graduates at a monthly wage no less than \$10,000 and then no less than \$15,000 after six months of the employment.
- Up to end February 2012, 1 025 trainees (excluding 206 dropped out) have participated in the scheme and among them, about 60% were aged below 35 and many were new entrants, indicating that the new initiative has succeeded in attracting more young people to join the construction industry.

(ii) Advanced training course for senior construction workers

Description

- Provide free-of-charge language and basic management training courses to in-service senior construction workers to be covered by the approved funding at an estimated total cost of about \$3 million, i.e. around \$2,000 per trainee.
- This is a completely new course to be provided free-of-charge to in-service senior workers to equip them with necessary language and basic management skills. This will facilitate the building up of a career ladder for senior workers to advance to the frontline supervisory/management level. Upon acquiring sufficient experience, they may take further supervisory level training courses to acquire higher qualifications or start their own business in the trades.
- CIC will be responsible for organising the advanced training course.
- Target number of trainees – about 1 500.

Progress

- The course was launched in May 2011. Up to end February 2012, about 90 trainees have joined the courses, and 17 of them have graduated.

(iii) Enhanced construction supervisor/technician training

Description

- Increase the training allowance of the Enhanced Construction Supervisor/Technician Training Scheme (ECSTS) to \$150 per day to be provided by the approved funding at a total estimated cost of about \$20 million. The duration of the course will be about nine months to one year.
- CIC will be responsible for all operating expenses for the provision of the additional training places.
- Target number of trainees – about 600.

Progress

- CIC has adjusted the existing training programme of ECSTS in consultation with industry stakeholders making it more suitable for meeting the need of the industry. Subject to the funding approval to extend the course duration as mentioned in paragraph 15 of the paper, CIC plans to launch the new course under ECSTS in early 2012.

(iv) Subsidy for fees of trade tests, specified training courses (STCs)¹ and skills enhancement courses

Description

Trade tests

- Applicants of selected trade tests will be provided with no more than \$500 fee subsidy per test.
- Provide new skills enhancement courses free-of-charge for workers of some trades to facilitate their taking of the trade tests. The subsidised course fees are estimated to be about \$1,000 per place.
- Target number of places – about 6 000 each for trade test and skills enhancement courses.

/STCs

¹ Pursuant to s.41 of the Construction Workers Registration Ordinance (Cap. 583), experienced construction workers satisfying certain registration requirements may attain registered skilled workers qualification through attending a specified training course designated by the Construction Workers Registration Authority and passing the corresponding skill assessment.

STCs

- Applicants for selected STCs will be provided with no more than \$500 fee subsidy per course.
- Target number of places – about 6 000.
- While CIC will be responsible for all administrative/operating costs related to the provision of the trade tests and STCs and the organisation of the skills enhancement courses, the subsidies for the fees of taking the trade tests and STCs as well as the skills enhancement courses are to be provided by the approved funding.

Progress

- Subsidy for fees of trade tests and STCs has been extended to cover 38 trades. Up to end February 2012, CIC received 1 673 applications for the subsidy for trade tests and 295 applications for the subsidy for STCs.
- CIC has also organised skills enhancement course for trades with relatively low passing rate of trade test, such as plumbing. Up to end February 2012, there were 135 applicants of the courses, and 115 of them have completed the courses.
- Notably, this initiative will also provide incentive for in-service workers to become multi-skilled through continual learning, say, by taking trade tests of more than one trade so as to enhance its competitiveness and employability in the construction industry.

3. Nevertheless, owing to the physically demanding and unpleasant nature of construction work, it is not uncommon that trainees would drop out half-way through the training courses. Even after completion of training, some of them failed the trade tests. For those who had acquired the trade qualifications, some chose not to enter or stay in the industry. The overall wastage rate is about 16%.

Promotion and Publicity Activities

4. Out of the approved commitment of \$100 million, up to \$20 million is earmarked for enhancing promotion and publicity activities to uplift the construction industry's image with a view to attracting more people to the industry. Since May 2011, we have rolled out a 3-year intensive publicity campaign, "Build

/Up

Up Publicity Campaign”, through various media channels. With more construction information publicised and the public interest in the industry raised with its better economic outlook and prospect, we are encouraged by the increase in the construction labour force², which now stands at about 300 000, the highest record in five years. As revealed from a recent survey conducted by the Development Bureau, the general public also had slightly more positive perception of the construction industry after the Campaign launch.

5. Other than organising publicity programmes, we have provided seed money of \$6 million for CIC to set up a Resource Centre as a one-stop platform where job seekers can access to job and training opportunities and other construction related information. The Centre has come into operation since 23 February 2012. CIC has also launched the Construction JobsNet³ for employers to upload job vacancies for workers to search for suitable jobs on-line, initiating cultural change to the current rather non-transparent labour job market of the construction industry.

² In accordance with the General Household Survey of the Census and Statistics Department, the labour force refers to the land-based non-institutional population aged 15 and over who can take up employment.

³ As at 12 March 2012, 246 contractors uploaded 1 450 vacancies over 442 job titles to the Construction JobsNet and about 229 000 job seekers (including repeated visitors) browsed it.

The Construction Industry Council (CIC)

CIC was established in February 2007 to forge consensus on long-term strategic issues, convey the industry needs and aspirations to the Government and to provide a communication channel for the Government to solicit advice on construction related matters. CIC has the following key functions in relation to the construction industry –

- (a) to advise the Government on strategic matters, major policies and legislative proposals;
- (b) to provide training courses;
- (c) to establish and maintain industrial training centres;
- (d) to assess the standards of skills achieved, to conduct examinations and tests, to issue or award certificates of attendance or competence etc.;
- (e) to formulate codes of conduct;
- (f) to administer registration and rating schemes;
- (g) to steer forward research and manpower development;
- (h) to facilitate adoption of construction standards; and
- (i) to promote good practices.

2. CIC has recently taken the following measures to enhance its main functions set out in (b) to (d) of paragraph 1 above –

- (a) implemented the training and trade-testing initiatives under the \$100 million funding approved by the Finance Committee of the Legislative Council on 28 May 2010;
- (b) launched more Contractor Cooperative Training Schemes in cooperation with contractors to offer training in various trades to enhance CIC's training capacity flexibly; to provide an arrangement of securing employment before training to attract new entrants; and to enhance the trainees' site training to enable them to accustom to construction site environment as early as possible;

/(c)

- (c) launched the Construction Jobsnet in October 2011, which provides a one-stop employment platform for employers to upload job vacancies and workers to seek suitable jobs online, initiating cultural change to the current rather non-transparent labour job market of the construction industry; and
- (d) commissioned a Resource Centre (RC) for the construction industry in February 2012, which was partly funded by \$6 million seed money from the approved \$100 million mentioned in paragraph 2(a) above. The RC will serve as a one-stop platform to provide comprehensive information on training, jobs and good construction practices, through multi-media in an interactive and interesting manner to attract young people in particular.

3. CIC has been publicising its training courses through various channels, such as newspaper advertisements, career expos, road shows, training centre open day, direct marketing materials, internet, etc. It also conducts career talks and organises school visits to various training centres and training grounds of CIC to offer first-hand experiences to potential new entrants.

Comparison between the proposed measures and existing measures

Existing measures under the commitment of \$100 million approved by the Finance Committee on 28 May 2010	Proposed measures under the additional funding of \$220 million	Objectives of Measures
(i) Enhanced construction manpower training for selected trades		
<ul style="list-style-type: none"> • Target no. of trainees – about 3 000. • The training allowance of trainees of selected trades has been increased from about \$2,000 per month to an average of about \$5,000 per month for an average duration of about three months, which depends on the trades to be included into the initiative in consultation with stakeholders. The total estimated cost is about \$45 million. • The staff cost and other operating expenses of these training programmes will be met by the Construction Industry Council (CIC). • Employers will be encouraged to employ graduates and pay them a wage of no less than \$8,000 per month, which will be further 	<ul style="list-style-type: none"> • Target no. of trainees will be increased to about 6 000 to meet anticipated demand. • Increase the training allowance to an average of about \$8,000 per month for trainees of selected trades to be provided by the proposed additional funding at a total estimated cost of about \$165 million. The average training duration should be revised to an average of about five months according to the trades selected. • The staff cost and other operating expenses of these training programmes will be met by CIC. 	<p>To maintain the attractiveness of the construction industry to the new entrants and encourage in-service workers for skills upgrading, and increase the training output to meet the anticipated demand.</p>

<p>Existing measures under the commitment of \$100 million approved by the Finance Committee on 28 May 2010</p>	<p>Proposed measures under the additional funding of \$220 million</p>	<p>Objectives of Measures</p>
<p>increased to no less than \$10,000 per month after six months. On 24 January 2011, Hong Kong Construction Association pledged to increase them to \$10,000 and \$15,000 respectively for building and civil engineering trades. The Hong Kong Federation of Electrical and Mechanical Contractors will be consulted in regard to the post training employment package for electrical and mechanical engineering trades.</p>		
<p>(ii) Enhanced construction supervisor / technician training</p>		
<ul style="list-style-type: none"> • Target no. of trainees – about 600. • The training allowance has been increased from about \$105 to \$150 per day for a course duration of about nine months to one year. The total estimated cost is about \$20 million. 	<ul style="list-style-type: none"> • Target no. of trainees will be increased to about 1 000. • Increase the training allowance to \$180 per day, which is equivalent to about \$4,300 per month for 24 training days a month, during the initial about 9-month classroom training period, and then to \$250 per day, which is equivalent to about \$6,000 per month for 24 training days a month during the subsequent about 6-month site training period, to be provided by the proposed additional funding at a total estimated cost of 	<p>Ditto</p>

Existing measures under the commitment of \$100 million approved by the Finance Committee on 28 May 2010	Proposed measures under the additional funding of \$220 million	Objectives of Measures
<ul style="list-style-type: none">• CIC is responsible for all operating expenses for the provision of the additional training places.	<p>about \$55 million. The average duration of the course will be about 15 months.</p> <ul style="list-style-type: none">• CIC is responsible for all operating expenses for the provision of the additional training places.	

**Comparison between breakdown of
the proposed additional funding and the existing provision**

	Existing provision*	Revised estimate taking into account the proposed additional funding*	Proposed additional funding*
	\$ million	\$ million	\$ million
(a) Initiatives to enhance the training and trade testing of the Construction Industry Council			
(i) Enhanced construction manpower training for selected trades	45	210	165
(ii) Advanced training course for senior construction workers	3	3	-
(iii) Enhanced construction supervisor/technician training	20	75	55
(iv) Subsidy for fees of trade tests, specified training courses and skills enhancement courses	12	12	-
(b) Promotion and publicity activities to attract more people to join the construction industry	(up to) 20	(up to) 20	-
Total	100	320	220

* We propose to adopt a flexible approach under which funds may be redeployed from (b) to (a) above and redistributed amongst items (i) to (iv) under (a) in the light of actual needs and responses. This will ensure maximum benefits to be accrued to construction personnel and to the construction industry.
