

**Speaking Note for Secretary for Labour and Welfare
at the Special Meeting of the Finance Committee
for Examination of the 2012-13 Draft Estimates
on 8 March 2012**

Labour

Chairman and Honourable Members,

Recurrent spending on labour and manpower development in 2012-13 is estimated to be \$1,540 million, representing an increase of \$250 million (or 19%) over the revised estimate of \$1,290 million last year. It accounts for 0.6% of the total recurrent government expenditure. In 2012-13, we are committed to providing employment support and training to enhance employment and labour productivity. We will also continue to strive to promote harmonious labour relations, combat illegal employment and wage offences, safeguard employees' entitlements to statutory minimum wage (SMW), and protect employees' rights and benefits. In parallel, we will continue to improve occupational safety and health to ensure adequate protection of workers. We will also continue with our efforts in manpower development. I am going to highlight some key areas of our work.

Promoting Employment

2. All along, the HKSAR Government has been committed to promoting employment. We have proactively adopted a multi-pronged approach to facilitate employment of job seekers. There was a notable improvement in the local employment market in 2011. Employment surged to a record high while the unemployment rate remained at a low level throughout the year. The annual unemployment rate had declined by one percentage from 4.4% in 2010 to 3.4% in 2011. The Labour Department's (LD) recruitment service had also received a record high of 900 564 private sector vacancies in 2011, up 19.7% over the figure of 752 323 in 2010, and significantly up 52.8% over the figure of 589 564 in 2009.

3. As the uncertainty of the external environment may have adverse impact on the local economy and employment market, promoting the employment opportunities of the vulnerable groups remains as our primary concern. LD will continue to administer various specialised programmes to

cater for job seekers in need of employment support. Financial incentives are offered to employers for providing the young people, the middle-aged and persons with disabilities with on-the-job training and employment opportunities. Over the years, these programmes have effectively helped enhance the employability and employment prospects of the vulnerable groups.

4. To further enhance employment support to job seekers, a pioneer one-stop employment and training centre named as “Employment in One-stop” was set up in Tin Shui Wai in December last year with a view to streamlining, integrating and enhancing the existing employment, training, and retraining services provided by LD, the Social Welfare Department and the Employees Retraining Board (ERB). In addition to the facilities and services available at Job Centres, the “Employment in One-stop” provides enhanced services, including case management and employment support services rendered by registered social workers to job seekers with special employment difficulties, so as to help them find work most effectively.

Promoting Labour Relations

5. We are committed to maintaining and fostering harmonious labour relations, which underpin Hong Kong’s social harmony and economic prosperity. In 2011, Hong Kong has continued to record economic growth albeit the increasing uncertainty in the external economic environment, and the labour relations scene was by and large stable. In 2011, LD handled a total of 18 172 labour disputes and claims, down 11% on 2010. The successful rate of conciliation was 71.7% in the year.

6. Despite a solid foundation of our economy, the local inflationary pressure coupled with the uncertain external environment will pose certain challenges to labour relations in Hong Kong. We will continue to closely monitor the labour relations scene and provide appropriate assistance to employers and employees in need.

7. To enhance public awareness on employment rights and benefits, we will promote the Employment Ordinance (EO) through production of publicity materials, organisation of talks and roving exhibitions etc. We will also make use of various channels, such as through the network of 18 Human Resources Managers Clubs in different trades and industries and nine industry-based Tripartite Committees, to continuously encourage employers to adopt good people management and family-friendly employment practices.

Promoting Paternity Leave

8. Building up a family-friendly working environment requires the concerted efforts of the community. LD has been actively encouraging employers to adopt various family-friendly practices, including the provision of paternity leave, to facilitate employees fulfilling both their work and family responsibilities. These efforts are yielding results and there has been a steady upward trend in the number of local enterprises offering paternity leave in recent years. We would continue to intensify the messages being disseminated, and among others, have published a leaflet focusing on the benefits of paternity leave and providing practical guidelines for employers in January of this year.

9. On the other hand, as set out in the Policy Agenda of 2011-12, we are conducting a study on whether to legislate for territory-wide provision of paternity leave. As the implementation of statutory paternity leave may affect the operation of enterprises and increase business cost of employers, such decision has to strike a balance between the interest of employees and the affordability of employers. Besides, as the policy design of paternity leave involves the notion of family and marriage or, to certain extent, moral issues, that would likely cause the concerns of certain sectors in the community, in all considerations we need to be particularly prudent and thorough. The relevant policy has to take into account Hong Kong's actual circumstances and be built upon consensus reached amongst the community. When the study has come to some preliminary findings, we would consult the Labour Advisory Board, and then, basing on the result of the consultation, seek the views of the Panel on Manpower in the second quarter of this year.

Protecting Employee's Rights and Benefits

10. Since the implementation of the Minimum Wage Ordinance (MWO) on 1 May 2011, the state of law-compliance has been satisfactory. During May to December 2011, of the 24 000 workplace inspections conducted by labour inspectors, only 77 cases (0.32%) involving possible breaches of SMW were detected. Follow-up action on all such cases confirmed that most employees have received wages not less than SMW. LD will continue to launch targeted enforcement action at district and territory levels to ensure compliance. All complaints about breaches of MWO will be swiftly and thoroughly investigated.

11. We have spared no effort in combating wage offences and defaults of the Labour Tribunal or Minor Employment Claims Adjudication Board awards. Last year, we secured a total of 876 convictions against wage offences, a drop over that of 1 481 convictions in 2010 (down by 41%). At the same time, there were 161 summonses where company directors or responsible persons were convicted of wage offences, also representing a decrease when compared with 476 summonses of such nature in 2010 (down by 66%). With the improved economic condition last year, and the stringent enforcement action of LD to clamp down on employers evading their wage liabilities, the above prosecution statistics shows that the situation of defaulting wages had been significantly improved. LD will not lower its guard and will continue to strengthen intelligence gathering and evidence collection and proactively conduct inspections to detect wage offences. If there is sufficient evidence, we will prosecute the employer and responsible persons involved for the wage defaults.

12. To safeguard the employment opportunities of local workers, the Government takes rigorous enforcement action against illegal employment. In 2011, together with the Police and the Immigration Department, LD mounted 193 joint operations to raid establishments suspected to have employed illegal workers. The concerned departments will continue to work closely to exchange intelligence and take targeted action on combating illegal employment.

13. In 2011, the Protection of Wages on Insolvency Fund (PWIF) recorded a decrease of applications by 16% as compared with that of 2010. The local economy is currently under the impact of uncertainties incurred by external factors. LD will continue to monitor the trend of business closures and assist affected employees with ex gratia payments through the PWIF. In July 2011, we have introduced a bill into the Legislative Council to extend the PWIF's coverage to include pay for untaken annual leave and untaken statutory holidays under EO. At present, the bill is under scrutiny by the Legislative Council. We look forward to its early passage so as to benefit the employees.

Statutory Minimum Wage

14. The implementation of SMW represents a significant breakthrough in protecting our grassroots workforce. Since its introduction, the mandatory wage floor has been functioning smoothly. Thanks to the buoyant economy, the latest seasonally adjusted unemployment rate (November 2011 – January 2012) fell by 0.4 percentage point to 3.2%, when

compared with the pre-SMW situation (i.e. February – April 2011). Total employment surged to an all-time high of 3 634 800.

15. SMW has brought substantial improvement to the employment earnings of low-income workers. The latest figures in October – December 2011 showed that the average employment earnings of the lowest decile full-time employees registered a year-on-year hike of 14.1% (or an increase of 8.4% net of inflation), which was much higher than the overall average increase of 6.3%. When the post-implementation wage distribution data for May to June 2011 become available this month, the Minimum Wage Commission will review the SMW rate by conducting comprehensive studies and analyses based on the wage distribution data and results of other surveys, taking fully into account the views of various stakeholders.

Work Incentive Transport Subsidy (WITS) Scheme

16. We have updated the household income and asset limits of the WITS Scheme with effect from this month (March) to keep pace with changes in Hong Kong's economic situation and the income levels of our target beneficiaries. We will, in accordance with our original timetable, carry out a mid-term review of the Scheme to take account of the operational experience in the first year and conduct a comprehensive review after three years of operation.

Enhancing Occupational Safety and Health

17. For the first three quarters of 2011, the number of occupational injuries in all workplaces stood at 30 256, down by 4.2% in the corresponding period in 2010. The injury rate per thousand employees dropped from 15.6 to 14.5, down by 7.0%. Nonetheless, in the corresponding period last year, the construction industry recorded 2 301 industrial accidents, up by 7.2%. 23 fatal cases in construction industry were recorded in 2011, while there were only nine in 2010. In anticipation of the growth in the number of construction projects in the years ahead and the associated challenges, LD will organise, in conjunction with the Occupational Safety and Health Council, a "Construction Safety Forum" on 12 March this year, providing an opportunity for stakeholders to exchange views on how to further enhance the occupational safety and health performance of the industry.

Manpower Development

18. The ERB and the Vocational Training Council (VTC) will continue to provide comprehensive and diversified training services to help the labour force enhance their employability and competitiveness, as well as acquire recognised qualifications.

19. The ERB plans to offer 130 000 training places in 2012-13, allocating additional resources for the provision of placement-tied courses for the unemployed and people seeking employment. Adequate resources have also been reserved for providing an additional 30 000 training places. This will enable ERB to respond promptly to the demand from training bodies for increasing or redeploying the training places to meet contingencies, for instance, if there should be significant changes in the conditions of the economy and the labour market. ERB will also continue to provide tailor-made courses for people with special training needs, such as new arrivals, ethnic minorities and youths.

20. In addition, VTC will provide 188 000 training places in the 2012/13 academic year for those seeking to pursue vocational training. In 2012-13, LWB's related recurrent subvention to VTC will reach about \$180 million. On youth training, VTC has also launched in end-2011 a pilot traineeship scheme for the service industries, with the beauty care and hairdressing industries as the starting point, providing structured on-the-job training. The pilot scheme will offer about 1 000 training places annually.

21. Chairman, this concludes my opening remarks. My colleagues and I shall be happy to respond to questions from Members.

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