

**Speaking Note for Secretary for Labour and Welfare  
at the Special Meeting of the Finance Committee  
for Examination of the 2013-14 Draft Estimates  
on 11 April 2013**

Labour

Chairman and Honourable Members,

Recurrent spending on labour and manpower development in 2013-14 is estimated to be \$1,740 million, representing an increase of \$320 million (or 23%) over the revised estimate of \$1,420 million last year. The increase in provision is mainly for promoting employment. In 2013-14, 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, safeguard employees' entitlements to Statutory Minimum Wage (SMW), combat illegal employment and wage offences, and protect employees' rights and benefits. In parallel, we will continue to safeguard the occupational safety and health of the working population through enforcement and education. We will also continue with our efforts in manpower development. I am going to highlight some key areas of our work.

**Promoting Employment**

2. Employment is the key to people's livelihood. The Hong Kong Special Administrative Region Government has all along been committed to providing comprehensive employment services to assist job seekers to find jobs. The annual unemployment rate in Hong Kong in 2012 is 3.3%, signifying a stage of virtually full employment for local workers. Despite that, some young people without working experience, middle-aged persons with low educational attainment and skills and persons with disabilities often encounter various degrees of difficulties in looking for or changing jobs. To enhance the employability and employment opportunities of young people, middle-aged persons and persons with disabilities, The Labour Department (LD) will increase the allowance payable to employers under the Youth Pre-employment Training Programme and Youth Work Experience and Training Scheme (YPTP&YWETS), the Employment Programme for the Middle-aged (EPM) and the Work Orientation and Placement Scheme (WOPS) so as to encourage employers to offer them more openings and

provide them with on-the-job training.

3. At present, an employer is granted a monthly training allowance of \$2,000 for employing a young or middle-aged person and providing him/her with on-the-job training under YPTP&YWETS and EPM. The payment period of the training allowance for YPTP&YWETS is six to 12 months while that for EPM is three to six months. Under the enhancement measures, on condition that the young or middle-aged person is employed according to the programme requirements and paid \$6,000 or above a month, the allowance payable to the employer will be increased to \$3,000. Moreover, to encourage participation in workplace attachment training under YPTP&YWETS, the allowance payable to the trainee who has completed the one-month attachment will be increased from \$2,000 to \$3,000. As for WOPS, an employer is granted an allowance for employing a job seeker with disabilities and providing him/her with appropriate training, support and assistance. The amount of allowance is equivalent to two-thirds of the monthly salary of the employee with disabilities (subject to a maximum of \$4,000 per month). The payment period of allowance is up to six months. LD will also enhance WOPS by paying an additional allowance up to a maximum of \$5,500 per month for two months to an employer who employs a person with disabilities with employment difficulties. It is estimated that around 10 000 people would benefit when the aforementioned enhancement measures of the three employment programmes are implemented, involving an additional recurrent expenditure of about \$82.5 million per year.

4. In addition, LD will set up a job centre in Tung Chung in 2013-14 to strengthen employment services to residents living in remote areas. By then, job seekers residing on Lantau Island, including areas like Tung Chung, Mui Wo and Tai O can seek employment support in this job centre, thus reducing the time required by job seekers in the region for receiving employment services and saving their travelling expenses.

### **Enhancing Work Incentive Transport Subsidy (WITS) Scheme**

5. Starting from the claim month of January 2013, the WITS Scheme has been enhanced to the effect that applicants may apply for the subsidy on an individual basis, as an alternative to household-based applications (i.e. the “dual track” approach). The income and asset limits for WITS have also been relaxed contemporaneously. LD is proceeding with the publicity and preparatory work on the implementation of these enhancement measures. Eligible applicants may apply for subsidy amounting to \$3,600 for the period from January to June 2013 starting this July.

## **Promoting Labour Relations**

6. We are committed to maintaining and fostering harmonious labour relations, which underpin Hong Kong's social harmony and economic prosperity. In 2012, the overall economy of Hong Kong was supported by the relatively resilient domestic demand albeit the unfavourable external economic environment, and the labour relations scene was generally stable. Whilst the number of claims handled by LD in 2012 registered a slight increase of 5% (from 18 086 to 18 920) over 2011, the number of labour disputes (involving over 20 employees) decreased by 8%. In the year, the successful rate of conciliation stood at a relatively high level of over 70% (73.2%). We will continue to closely monitor the labour relations scene and provide timely assistance to employers and employees in need.

7. We will keep up our efforts to enhance public awareness on the Employment Ordinance (EO) and family-friendly employment practices through various channels such as publications, talks and roving exhibitions, etc. Meanwhile, with a view to fostering harmonious labour relations, we will promote good people management practices through the human resources managers clubs and industry-based tripartite committees, a new television Announcement in the Public Interest as well as a large-scale seminar for employers and employees.

## **Amending the Reinstatement and Re-engagement Provisions of EO**

8. To enhance employees' protection in circumstances of unreasonable and unlawful dismissal under EO, we plan to introduce a Bill into the Legislative Council later this year to amend the reinstatement and re-engagement provisions of the Ordinance.

9. Under the existing provisions, if an employee is unreasonably and unlawfully dismissed, the Labour Tribunal (LT) may, subject to the mutual consent of the employer and the employee, make an order for reinstatement or re-engagement. However, in the absence of the employer's consent, LT has no power to make an order for reinstatement or re-engagement even if it considers such an order appropriate.

10. The amended provisions will empower LT to, without the need to first secure the agreement of the employer, make a compulsory order for reinstatement or re-engagement of an employee who has been unreasonably

and unlawfully dismissed, if LT considers making such an order appropriate and compliance by the employer reasonably practicable. An employer who fails to comply with the order will be required to pay a further sum to the employee. Under the proposal, failure to pay the further sum is an offence.

### **Legislating for Statutory Paternity Leave**

11. The Hong Kong community attaches increasing importance to a father's responsibilities in the family. There are views that the Administration should legislate for the provision of paternity leave by employers so as to benefit all male employees.

12. After careful study and thorough deliberations, the Labour Advisory Board supported in November 2012 legislating for three days' paternity leave with pay at four-fifths of the employee's average daily wages. After consulting the Panel on Manpower of the Legislative Council in January 2013, the Administration is now formulating the relevant details of the proposal with a view to taking forward the legislative exercise promptly.

### **Implementing Statutory Minimum Wage**

13. The implementation of SMW is smooth. While the employment market has remained generally stable, low-income employees have enjoyed substantial improvement in their employment earnings. The latest seasonally adjusted unemployment rate (December 2012 – February 2013) fell by 0.2 percentage point to 3.4%, when compared with the pre-SMW situation (i.e. February – April 2011). Total employment surged to an all-time high of 3 712 000.

14. LD is actively preparing for implementation of the new SMW rate of \$30 per hour which will take effect from 1 May 2013 (i.e. the Labour Day). According to the data of the 2012 Annual Earnings and Hours Survey, some 210 300 low-paid employees would be covered. Extensive publicity and promotional activities are being organised to familiarise the community with the new rate and to assist employers and employees in understanding their respective obligations and entitlements. Moreover, LD will undertake targeted enforcement action to ensure employers' compliance with the new requirements. LD will also adjust the monthly wages of young people with employment difficulties employed under Action S5 to \$6,725 accordingly.

## **Protecting Employees' Rights and Benefits**

15. Since the implementation of the Minimum Wage Ordinance (MWO) on 1 May 2011, the state of law-compliance has been satisfactory. During May 2011 to December 2012, labour inspectors conducted 60 834 workplace inspections. Including reported cases, 144 cases (0.24%) involving suspected violation of MWO were detected. Follow-up action on all such cases confirmed that most employees had received SMW or recovered the shortfall of wages. 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. As at end-2012, 34 convicted summonses of 8 cases against employers for underpayment of SMW were recorded.

16. The Employment (Amendment) Ordinance 2010 has come into operation with effect from 29 October 2010. Under EO, a new criminal offence is introduced against employers who wilfully and without reasonable excuse fail to pay any sum under the LT or the Minor Employment Claims Adjudication Board (MECAB) award comprising wages and entitlements attracting criminal sanction under EO. As at end-2012, 67 convicted cases involving 110 convicted summonses under the new ordinance were recorded.

17. To safeguard the employment opportunities of local workers, the Administration takes rigorous enforcement action against illegal employment. In 2012, together with the Police and the Immigration Department, LD mounted 241 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. We have also spared no effort in combating wage offences and defaults of LT or MECAB awards. Last year, we secured a total of 525 convictions against wage offences, a drop over 876 convictions in 2011 (down by 40%). At the same time, there were 115 summonses where company directors or responsible persons were convicted of wage offences, representing a decrease when compared with 161 summonses in 2011 (down by 29%). With the improved economic situation last year, and the stringent enforcement action of LD to clamp down on employers evading wage liabilities, the above prosecution statistics show that the situation of defaulting wages had been improved. Nevertheless, we will not be complacent. LD will continue to strengthen intelligence gathering, evidence collection and proactively conduct inspections to detect wage offences. If there is sufficient evidence, we will prosecute the employers and responsible persons involved for the wage defaults.

18. In 2012, the Protection of Wages on Insolvency Fund (PWIF) recorded a decrease of applications by 20% as compared with that of 2011. At present, the local economy is still 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 PWIF. Last year, we revised the Protection of Wages on Insolvency Ordinance to expand the scope of PWIF to cover pay for untaken annual leave and statutory holidays under EO, thus enhancing protection to employees. The revision has come into operation with effect from 29 June 2012.

### **Studying Standard Working Hours**

19. The Standard Working Hours Committee, as mentioned by the Chief Executive in the 2013 Policy Address, has just been set up on 9 April. It comprises representatives of labour unions and employers' associations, academics, community leaders and government officials. The Committee, which will have its first meeting as soon as possible, will serve as a platform for society to carry out informed and in-depth discussion on working hours, build consensus and map out the way forward.

### **Enhancing Occupational Safety and Health**

20. In the first three quarters of 2012, the number of occupational injuries in all workplaces stood at 30 152, which was more or less the same as that in the corresponding period in 2011, while the injury rate per thousand employees was about 14. Nonetheless, with the commencement of mega infrastructure projects (MIPs) and a large number of old building repair works in recent years, the number of construction workers continued to increase. These developments pose challenges to the occupational safety situation of the sector. In the first three quarters last year, 2 354 industrial accidents were recorded in the construction sector, up 2.3% as compared to the same period in 2011. The number of fatal construction accidents increased from 23 in 2011 to 24 in 2012. LD has been stepping up inspection of construction sites and taking rigorous enforcement actions against contractors who disregard work safety. We will enhance the collaboration with the Development Bureau and works departments to urge MIP contractors to implement safety management system and step up scrutiny of safety audit reports. We will also strengthen our efforts in inspection, education and promotion with focus on high-risk processes such as work-at-height and electrical works. Through a multi-pronged strategy,

the Administration will continue to promote occupational safety and health in collaboration with the industry, unions and workers.

### **Manpower Development**

21. The Employees Retraining Board (ERB) and the Vocational Training Council (VTC) will continue to provide diversified training services, with a view to helping the labour force enhance their skills and competitiveness, thereby meeting the changing manpower needs of the economy.

22. In 2013-14, ERB plans to offer 130 000 training places. Adequate resources have also been reserved for providing an additional 40 000 training places. This will enable ERB to respond promptly to the demand from training bodies for increasing or redeploying the training places should there be significant changes in the economy and the labour market. The ERB will also continue to provide tailor-made courses for people with special training needs, such as the new arrivals, ethnic minorities and youths.

23. In his Budget, the Financial Secretary proposed to inject \$15 billion into ERB to provide it with long-term support. We will explore the injection arrangements with relevant parties and seek funding approval from the Legislative Council Finance Committee in due course.

24. Moreover, VTC will provide 193 000 training places in the 2013/14 academic year for those seeking to pursue vocational training. In 2013-14, LWB's related recurrent subvention to VTC will reach \$195.8 million. To cater for the training needs of the youth and service industries, VTC has launched a pilot Traineeship Scheme, with beauty care and hairdressing industries as the starting point. In the coming year, VTC will consult other service industries facing manpower shortage (e.g. retail, catering and elderly services industries) with a view to exploring the feasibility of extending the pilot scheme to these trades and the relevant arrangements.

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

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