

## ITEM FOR FINANCE COMMITTEE

**HEAD 156 – GOVERNMENT SECRETARIAT : EDUCATION BUREAU**  
**Subhead 700 General Non-recurrent**  
**New Item “Grant to the Vocational Training Council for implementing the Pilot Training and Support Scheme”**

Members are invited to approve a new commitment of \$144 million for the Vocational Training Council to implement the Pilot Training and Support Scheme.

### PROBLEM

We need to attract young people to pursue vocational education and develop a career in some industries or trades requiring specialised skills, as well as facing labour shortage and ageing problems.

### PROPOSAL

2. The Secretary for Education proposes to create a new commitment of \$144 million for the implementation of the Pilot Training and Support Scheme (the Pilot Scheme) by the Vocational Training Council (VTC).

### JUSTIFICATION

#### *Vocational education and manpower development*

3. Vocational education plays a pivotal role in integrating education and employment. It provides young people and in-service personnel with comprehensive and diversified opportunities in articulation and career development, nurturing the requisite human capital in support of Hong Kong's development. At the same time, some local industries have been experiencing problems in recruiting and retaining sufficient manpower with specialised skills to

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sustain their development. If we can attract young people to pursue vocational education and develop a career in these industries, we will not only provide more opportunities for youngsters to pursue professional development but also help meet the manpower needs of these industries.

4. In the 2014 Policy Address, the Chief Executive announced that the Government would implement measures to strengthen vocational education. They include launching the Pilot Scheme to attract and retain talent for industries with a keen demand for labour by integrating structured apprenticeship training programmes with clear career progression pathways.

### *The Pilot Scheme*

5. Under the Pilot Scheme, apprenticeship training for targeted industries will be provided to students alongside a guaranteed level of salary and incentive allowance. The training will normally last for four years. The students will study full-time foundation programmes<sup>1</sup> at VTC during the initial phase (normally one year full-time study period); after that, they will attend part-time study whilst working on-the-job (study-cum-work period).

6. To enhance the attractiveness of the Pilot Scheme amongst young people, participating students will be provided the following salary and incentive allowances –

(a) During the training period –

- (i) employers will commit to pay a minimum monthly salary of \$8,000 to the students during the study-cum-work period from the second to fourth years;
- (ii) the industries/employers will offer an incentive allowance of \$30,800 in total to each student (on top of their monthly salary) over the entire four-year training period; and
- (iii) the Government will offer each student an average monthly incentive allowance of \$2,000 during the study-cum-work period from the second to fourth years; and

(b) Upon graduation, employers will commit to pay a minimum monthly salary of \$10,500 to the students.

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<sup>1</sup> Under the Government's 12-year free education policy, Secondary 3 school leavers joining the Pilot Scheme are not required to pay tuition fees. Students would have to pay for their own tuition fees if the 12-year free education has been exhausted.

7. Depending on the nature and circumstances of each industry, the level and duration of studies as well as the timing and amount of incentive allowances to be given to students may vary from industry to industry. An illustrative example showing the mode of training and income to be received by a student under the Pilot Scheme is as follows –

Year	Mode of Study	Minimum Monthly Salary (\$)	Incentive Allowance		Total Monthly Income (\$)
			Monthly Subsidy (\$)	Funding Source	
1 <sup>st</sup>	Full-time	--	2,800 (for 11 months) *	Industry/ employer	2,800
2 <sup>nd</sup>	Part-time study alongside on-the-job training	8,000	1,500	Government	9,500
3 <sup>rd</sup>		8,000	2,000	Government	10,000
4 <sup>th</sup>		8,000	2,500	Government	10,500
Completion		10,500	--	--	10,500

\* The total allowance offered by the industry/employer will be \$30,800 (\$2,800 x 11 months).

8. Students will normally attain a Diploma of Vocational Education (Qualifications Framework (QF) Level 3) on completion of the apprenticeship training under the Pilot Scheme. Thereafter, the VTC will provide a seamless academic progression pathway for those interested in pursuing further studies to obtain higher level qualifications on a part-time basis, including higher diploma (QF Level 4) and bachelor's degree (QF Level 5).

### ***Industries to be covered***

9. The Pilot Scheme aims to cover industries meeting the following criteria –

- (a) the industry is facing labour shortage and/or ageing problems, and it has difficulties in hiring and retaining young people;
- (b) the relevant trades covered under the industry are very specialised and with a high level of technology contents; and
- (c) the industry is committed to provide allowance or subsidy to trainees and to offer a certain salary level to trainees who have completed the apprenticeship training and are willing to join relevant industries.

10. The Pilot Scheme will initially cover the electrical and mechanical industry, which includes building services engineering, air-conditioning and refrigeration, fire services, electrical engineering, lift and escalator, mechanical engineering, and welding. The VTC will explore extending the Pilot Scheme to other industries which meet the criteria in paragraph 9.

### ***Implementation and Review***

11. It is estimated that the Pilot Scheme will benefit 2 000 students in total for two cohorts of intakes admitted to VTC's training programmes for specific industries in the 2013/14<sup>2</sup> and 2014/15 academic years, targeting Secondary 3 to Secondary 6 school leavers and eligible adult learners. The Pilot Scheme may be extended in case there are unexpended funds after implementing the Pilot Scheme for these two cohorts.

12. As the implementation agent of the Pilot Scheme, the VTC will assist in job-matching, follow up on the training progress of the students, and render support to the industries and participating employers. The VTC will review the operation of the Pilot Scheme having regard to relevant data such as the percentage of trainees who successfully completed the apprenticeship training, the percentage of trainees who subsequently joined the relevant trades as apprentices and the retention rate of participants in the relevant industries.

### **FINANCIAL IMPLICATIONS**

13. The proposal will incur a non-recurrent expenditure of \$144 million from the Government. The estimated cash flow requirement from the 2014-15 to 2018-19 financial years is as follows –

<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<b><u>Total</u></b>
\$ million	\$ million	\$ million	\$ million	\$ million	<b>\$ million</b>
10.5	32	49	40	12.5	<b>144</b>

14. The estimated expenditure only covers the allowance to be provided by the Government to students, and the VTC will provide administrative support for the Pilot Scheme using existing manpower resources.

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<sup>2</sup> The electrical and mechanical industry is now paying incentive allowance to students admitted in the 2013/14 academic year who are in their first year of training. Subject to the approval of the Finance Committee, the Government will join in to offer incentive allowance to these students from their second year of training.

## PUBLIC CONSULTATION

15. The proposal was discussed at the meeting of the Education, Employment, and Training Task Force under the Commission on Poverty on 25 April 2013. Members supported the Pilot Scheme in principle.

16. We consulted the Legislative Council Panel on Education on the proposal amongst other initiatives in the 2014 Policy Address on 27 January 2014. Members had no objection to the proposal.

## BACKGROUND

17. In the 2014 Policy Address, the Chief Executive announced that the Government will launch a pilot training and support scheme to attract and retain talent for industries with a keen demand for labour by integrating structured apprenticeship training programmes with clear career progression pathways. The Government and participating industries will provide a grant or an allowance for apprentices in the first year of training and the ensuing three years of apprenticeship. These industries must undertake to employ trainees who have completed training at a particular salary level and provide them with clear career progression pathways. The VTC will be responsible for implementing the Pilot Scheme, which will benefit 2 000 trainees.

18. The VTC is a statutory subvented organisation providing a wide range of full-time and part-time vocational education programmes which lead to formal qualifications from post-Secondary 3 up to degree levels (i.e. QF Levels 2 to 5) with multiple entry and exit points and clear articulation pathways within the entire VTC system. The VTC provides about 250 000 training places each year, offering people of different education levels with pre-employment and in-service vocational education and training programmes, including higher diploma and diploma courses, in-service short training programmes, training programmes for non-engaged youths and apprenticeship training.