

Legislative Council Meeting of 18 March 2015
Motion on “Expanding the ratio of the middle-class population”

Progress Report

At the Legislative Council meeting of 18 March 2015, the motion on “Expanding the ratio of the middle-class population” moved by Hon Andrew LEUNG as amended by Prof Hon Joseph LEE was passed. The wording of the motion is at Annex. Upon consulting the relevant bureaux, we now report to Members on the latest position of the issues relating to the motion.

Economic Development

Maintaining a fair and facilitating business environment

2. The Government has from time to time implemented policies and measures to solidify the economic basis of Hong Kong and develop an environment conducive to business operation and industry development. Taking account of the advice of the Business Facilitation Advisory Committee and its task forces, the Government has formulated a number of measures to facilitate business compliance with relevant regulations. The Government has also been taking forward the “Be the Smart Regulator” Programme to continuously improve Hong Kong’s overall business licensing environment and long-term competitiveness. The Government will continue to partner with the business community and stakeholders in making concerted efforts to explore how to enhance Hong Kong’s competitiveness in respect of the regulatory environment for businesses.

3. The Competition Ordinance as enacted in June 2012 provides a legal framework for tackling anti-competitive conduct in various sectors, with a view to maintaining fair and sustainable competition in the market. The Government, the Competition Commission and the Judiciary are respectively handling the preparatory work necessary for the full commencement of the Competition Ordinance. Subject to the smooth completion of such work, the Competition Ordinance is expected to come into full effect by end 2015.

4. Small and medium enterprises (SMEs) are the backbone of Hong Kong's economy. The Financial Secretary has announced in the Budget this year various measures to support SMEs, including extending the application period of the special concessionary measures under the SME Financing Guarantee Scheme by one year up to end February 2016, so as to continue to assist enterprises in obtaining loans in the commercial lending market; and injecting \$1.5 billion into the SME Export Marketing and Development Funds, expanding the scope of the SME Export Marketing Fund, and increasing the maximum amount of funding support for each project under the SME Development Fund from \$2 million to \$5 million, so as to strengthen the support to SMEs in exploring export markets and enhancing competitiveness. The Government has consulted the Small and Medium Enterprises Committee on the measures, and would consult the Legislative Council Panel on Commerce and Industry before seeking funding approval from the Finance Committee.

5. The Government will continue to closely monitor the changes in the economic situation and review the existing support measures in order to provide appropriate support to enterprises.

Promoting the diversification of industries

6. The Government attaches importance to developing diversified industries. By diversifying the products and services of existing industries and identifying new areas for development, the needs of Hong Kong people for start-up initiatives, investment, business operation and employment can be met. The Government will continue to expand and strengthen the four pillar industries (namely trading and logistics, tourism, financial services and business and professional services), while supporting emerging potential industries, so as to promote diversified and further development of the economy for Hong Kong to better respond to the changing international economic situation.

7. For the pillar industries, the Government has studied and implemented a number of projects to upgrade Hong Kong's infrastructure and ancillary facilities, including the promotion of transport infrastructure construction, the negotiation on the park extension project with the Hong

Kong Disneyland, the study on developing logistics sites etc., so as to consolidate and strengthen the growth of the pillar industries. The Government is also committed to assisting Hong Kong enterprises and professional services sector to develop the Mainland market under the preferential policy measures offered by the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA). In light of the national “One Belt One Road” initiative, the Government is proactively formulating relevant plans with a view to exploring business opportunities for Hong Kong businesses.

8. In addition, the Government attaches importance to identifying emerging industries and markets, so as to probe new development opportunities for broadening the economic base of Hong Kong and exploring new development potential. The Policy Address and the Budget this year have proposed a number of support measures, including making another injection into the CreateSmart Initiative and the Innovation and Technology Fund, facilitating start-ups, launching the Art Development Matching Grants Pilot Scheme etc., with a view to encouraging industries to enhance technology application and competitiveness, thus creating an environment and atmosphere conducive to creativity, expanding and tapping into new markets.

9. The Economic Development Commission (EDC) as established by the Chief Executive since 2013 has been exploring and identifying growth sectors or clusters of sectors which present opportunities for Hong Kong’s further economic growth. In the past two years, the EDC has progressively submitted to the Government specific recommendations on the policy and measures for supporting individual industries. For example, regarding the promotion of the development of the fashion industry, the Government has accepted the EDC’s recommendations and will consolidate existing resources and invest new resources totalling \$500 million in the next three years to launch a series of measures on a pilot basis. These include rolling out an incubation programme for up-and-coming fashion design start-ups, providing fashion design graduates with overseas internships and study opportunities, improving fashion promotional activities, setting up an advisory body for the trade etc., to promote the sustainable and high-value added development of the fashion industry.

Nurturing of Talents and Vocational Education

Further education

10. The Government attaches great importance to the development of post-secondary education and strives to provide young people with flexible and diversified articulation pathways with multiple entry and exit points in order to improve their upward mobility. The Government promotes the complementary development of the publicly-funded and self-financing sectors through various support measures. Currently, 46.1% of the young people in the relevant age cohort have access to degree-level education. With the sub-degree programmes, the rate of youth pursuing post-secondary courses is nearly 70%, forming a pool of talents for the future development of Hong Kong. In the 2014 Policy Address, the Chief Executive announced a series of initiatives to broaden the opportunities to receive higher education, as for example, progressively increasing publicly-funded senior-year undergraduate intake places in University Grants Committee-funded institutions, introducing the Hong Kong Scholarship for Excellence Scheme to subsidise outstanding students to study in renowned non-local universities, implementing the Mainland University Study Subsidy Scheme etc., providing school leavers with broader and more diversified articulation pathways.

On-the-job training

11. Vocational education integrates education and employment, providing comprehensive and flexible learning opportunities for people with different education levels and occupations. It nurtures the requisite human capital in support of the diversified development of Hong Kong and strengthens Hong Kong's competitiveness.

12. The Government supports and promotes vocational education through the Vocational Training Council (VTC). Measures include launching a pilot training and support scheme which integrates structured apprenticeship training programmes with clear career progression pathways so as to attract and retain talents for industries with a keen demand for labour; and allocating a recurrent funding of about \$18 million to the VTC from the 2014-15 academic year for providing industrial attachment opportunities to students mainly in Higher Diploma programmes and certain Diploma in

Vocational Education programmes so as to enhance their employability. The VTC has also been invited to draw up a strategic development plan for its campuses to foster synergy and provide state-of-the-art facilities pivotal to enhancing the quality of vocational education.

Qualification Framework

13. The Government encourages lifelong learning, in order to enhance the quality and competitiveness of the working population. Since the launching of the Qualifications Framework (QF) in 2008, Industry Training Advisory Committees have been formed for 20 industries, proactively mapping out clear progression pathways for different industries. The QF Fund of \$1 billion was established on 1 September 2014 to support the sustainable development and implementation of the QF. Separately, the Recognition of Prior Learning mechanism under the QF enables employees to receive formal recognition of the knowledge, skills and experience acquired, so that a starting point could be determined to facilitate continuing education for further career development and improvement of the opportunity for upward mobility.

Youth development

14. The Government has always placed emphasis on youth development, and will continue to encourage young people to actively equip themselves and broaden their horizon. In 2015-16, the Government will allocate more funding to exchange and internship schemes on the Mainland and overseas, and will also introduce new schemes to encourage young people to participate in volunteer work in different places.

15. Moreover, the Chief Executive has announced in the Policy Address this year the setting up of the \$300 million Youth Development Fund to support innovative youth development activities which are not covered by existing schemes, including providing subsidy in the form of matching funds for non-Governmental organisations to assist young people in starting their own businesses. The Government is consulting the Commission on Youth on the concrete operational arrangements of the Fund, and will announce the details as appropriate.

Relief Measures

16. The Financial Secretary has announced a series of relief measures in the Budget this year, which should help alleviate the financial burden of the citizens, stimulate consumption, stabilise the economy and preserve employment. These measures include one-off tax reduction and rates exemption as well as increase in child allowances. The Government has introduced into the Legislative Council the relevant subsidiary legislation and amendment bill for the measures concerned.

Conclusion

17. Members are invited to note the above progress report.

Commerce and Economic Development Bureau
May 2015

**Motion on
“Expanding the ratio of the middle-class population”
moved by Hon Andrew LEUNG
at the Council meeting of 18 March 2015**

Motion as amended by Prof Hon Joseph LEE

That, given the trend of the dwindling middle-class population in Hong Kong in recent years, this Council urges the SAR Government to formulate feasible policies and measures to increase the opportunities for upward social mobility, formulate a widely recognized definition for the middle class and promote diversification of industries, so as to establish a clear career ladder for them and enhance their development potentials, thereby expanding the ratio of the middle-class population and enhancing Hong Kong’s competitiveness; at the same time, the SAR Government should formulate policies to assist middle-class people in coping with difficulties, in order to alleviate their burdens.