

**For discussion
on 26 May 2015**

Legislative Council Panel on Development

**New Measures for the Training of
Skilled Workers for the Construction Industry**

PURPOSE

This paper seeks Members' views on the proposal to create a commitment of \$100 million under Head 159 Government Secretariat: Development Bureau (Works Branch) to support the Construction Industry Council (CIC) in launching new measures under a pilot scheme for training semi-skilled construction workers to become skilled workers.

BACKGROUND

2. With a view to improving people's livelihood and meeting the needs of the community, the Government has continued to implement infrastructure and public housing works. Coupled with the private sector works, the construction industry has been facing a keen demand of construction manpower in recent years.

3. All along, CIC has mainly provided training for workers to bring them to semi-skilled level. To address the manpower demand, CIC has gradually increased its training capacity since 2009 and so far trained up more than 14 000 semi-skilled workers through various in-house and collaborative training courses. Government has been supportive of the CIC's training and has also been collaborating with it to attract new entrants to join the construction industry. A commitment of \$100 million and then an increase in the commitment by \$220 million to \$320 million was approved by the Finance Committee (FC) of the Legislative Council on 28 May 2010 and 20 April 2012 respectively to support CIC to strengthen its training and enhance promotion and publicity efforts. With the above funding support, the "Enhanced Construction Manpower Training Scheme" (ECMTS) has been launched as one of the key measures, targeting at trades with projected labour shortage, acute ageing or recruitment difficulties with enhanced training allowances. So far, about 6 900 of them graduated from ECMTS.

4. As at end April 2015, the total actual expenditure amounted to \$208 million and CIC will continue funding such initiatives with its own resources upon

expending the respective funding earmarked under the commitment of \$320 million. A summary of the measures launched and the respective funding earmarked for the various initiatives is provided in **Annex 1**.

JUSTIFICATIONS

5. While the supply of semi-skilled workers has been steadily and substantially increased, the construction industry still faces a pressing need for skilled workers. According to CIC's manpower forecast, the industry needs additional skilled workers of about 10 000 to 15 000 in the coming years, having taking into account the latest forecast of construction output, training of semi-skilled workers and other relevant factors. Sufficient supply of skilled workers is essential to timely delivery of worthwhile infrastructure projects for maintaining the competitiveness of Hong Kong and public housing projects to meet the pressing demand. Industry stakeholders advise that semi-skilled workers are required to nurture their skills through working on construction sites to become skilled workers, and depending on individual trades, it usually takes about three to four years. With the relatively high construction output of the industry, quite a number of contractors and sub-contractors are competing for skilled workers in the market to meet the manpower demand as well as the works progress because of their higher productivity.

6. In the past few years, in addition to in-house training, CIC rolled out collaborative training with contractors and sub-contractors to provide training of semi-skilled workers on sites so as to enable the trainees to acquire site experiences at an early stage. Furthermore, CIC has collaborated with labour unions to train semi-skilled workers. Built on the experience in training semi-skilled workers, CIC suggests that a similar training approach be adopted as a trial to provide structured training of skilled workers. In the long term, the training of skilled workers is expected to help address demand of skilled workers for the sustainable development of the industry.

7. To underpin the sustainable development of the industry, we propose to provide financial support to CIC to kick-start the new initiative to help address the needs of the industry. In this regard, in the 2015 Policy Address, the Government announced that \$100 million will be provided for CIC to strengthen their work to train skilled workers for the industry.

NEW MEASURES FOR TRAINING OF SKILLED WORKERS

The Pilot Scheme

8. CIC plans to launch new measures under a Pilot Scheme in the second half of 2015 for training semi-skilled workers to become skilled workers. The Pilot Scheme will provide a total of about 1 000 training quota.

9. In the past few months, CIC has conducted intensive consultations with relevant industry stakeholders including trade associations and labour unions in devising the Pilot Scheme. Making reference to previous collaboration experience, it is proposed to adopt the collaborative training mode for training skilled workers for which contractors and sub-contractors can provide on-the-job training on site, while labour unions would be providing skills enhancement courses for in-service workers. The two approaches, namely on-the-job training and skills enhancement, are detailed as below. Semi-skilled workers participating in either on-the-job training or skills enhancement course will be trained to become skilled workers.

On-the-Job Training

10. For workers who have recently been trained to be semi-skilled workers, the industry considers that on-site training is the most suitable approach for developing their skills towards a full-fledged level. CIC will collaborate with contractors and sub-contractors to provide on-the-job training with about 800 to 900 training quota. As it also aims to provide articulation with the existing semi-skilled training, it mainly covers semi-skilled workers who have recently completed CIC's in-house training or collaborative training within one year and are registered as semi-skilled workers. Similar to the existing Contractor Cooperative Training Scheme (i.e. first-hire-then-train) administered by CIC for training semi-skilled workers on construction sites, the eligible semi-skilled workers will be employed by the contractors or sub-contractors and undergo on-the-job training. Depending on the requirements of individual trades, the training period ranges from one to two years. The training content will be tailor-made for the trades and it will also include elements for acquiring skills of other relevant trades in order to equip the trainees with multi-skills. This would help build the competence and enhance the employability of the trainees as well as encourage them to stay in the industry for career development. In the long term, the industry targets to build up a core team of local quality workforce with multi-skills for the sustainable development of the construction industry.

11. The participating employers will undertake to pay a minimum monthly salary to the trainees during the training period, while CIC will provide training subsidy to the employers. The subsidy includes a monthly training allowance of \$5,000 or \$6,000 per trainee and a trainer subsidy. The monthly allowance subsidizes employer's training costs associated with administration, lower productivity of the trainee, tools, equipment, etc. while the trainer subsidy is to compensate for the loss of productivity of the skilled workers who are engaged as trainers. Semi-skilled trainees who pass the trade tests and who are registered as skilled workers at the end of the training will also receive a bonus, ranging from \$8,000 for passing the trade test, and \$4,000 for passing each intermediate trade test or trade test of other skills with a maximum of up to three trades of other additional skills.

Skills Enhancement

12. In addition, industry stakeholders consider appropriate to provide training to in-service workers with one to three years experiences through skills enhancement courses. CIC plans to collaborate with labour unions to launch skills enhancement courses providing about 100 to 200 quota for in-service semi-skilled workers with post-registration experiences ranging from one to three years to upgrade their skills to the levels of skilled workers. Participating semi-skilled workers will attend value-added learning activities in weekday evenings or at weekends. CIC is working out the training subsidy to the labour unions for their training costs which include administration cost, tutors, training equipment, material and workshop, etc. and will provide a bonus of \$8,000 to the trainees who pass the trade tests and are registered as skilled workers at the end of the training. The key features of the Pilot Scheme are set out in **Annex 2**.

Promotion and Publicity Activities

13. We, together with CIC, will formulate promotion and publicity activities for the Pilot Scheme with emphasis on the enhanced professional development for construction workers. This will also complement CIC's on-going publicity effort in promoting positive image of the construction industry to the public and attract aspiring new entrants, especially young people, to join the construction workforce.

Monitoring and Review

14. CIC is working with industry stakeholders and labour unions on the detailed syllabus of the on-the-job training and the skills enhancement courses. CIC will implement various control measures such as, conducting on-site visits on a regular basis to ensure that on-the-job training is provided to the trainees in accordance with the training syllabus; effecting payments on a reimbursement basis for the training allowances, subsidies and bonus upon verification of the required supporting documents and compliance with the training requirements; conducting interim assessment near the middle of the training period in order to ensure that the training progress is satisfactory; and following up on the progress of the trainees, and rendering support to the participating contractors, sub-contractors and labour unions as necessary.

15. CIC will closely monitor the number of applications for joining the scheme, and will adopt a flexible approach in the allocation of the training quota amongst trades and between the two approaches of on-the-job training and skills enhancement courses.

16. Together with CIC and the relevant industry stakeholders, we will closely monitor the operation and progress of the Pilot Scheme taking into account various performance indicators having regard to relevant data such as the attendance

records, the percentage of trainees who passed the interim assessment and the trade tests, the retention rate of trainees, etc. CIC will conduct two interim reviews on the effectiveness of the Pilot Scheme in the first and second years of implementation respectively; and a final review at the end of implementation, with a view to deciding the way forward. If the Scheme is found effective in training skilled workers, we will explore with CIC and industry stakeholders on how to continue with the Scheme.

Budget

17. CIC has budgeted with \$217 million for the Pilot Scheme which includes the amount of \$100 million to be funded by the Government. The proposed commitment of \$100 million will cover training allowance for the on-the-job training while CIC will fund the other costs and outstanding balance for training allowance. A breakdown of CIC's budget is set out in **Annex 3**.

FINANCIAL IMPLICATIONS

18. The estimated cash flow requirement for the commitment of \$100 million from 2015-16 to 2018-19 is as follows –

<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>Total</u>
\$ million	\$ million	\$ million	\$ million	\$ million
2	23	46	29	100

ADVICE SOUGHT

19. Members are invited to lend support to the proposal as set out in paragraphs 8 to 18 above. Subject to Members' support, we will seek approval from FC to create the commitment of \$100 million under Head 159 Government Secretariat: Development Bureau (Works Branch) for the purpose.

Development Bureau
May 2015

**Summary of measures to support CIC in training and promotion
under the approved commitment of \$320 million**

Measures Implemented and Achievements

(I) Enhanced Construction Manpower Training Scheme

- The “Enhanced Construction Manpower Training Scheme” (ECMTS) is the key training initiative targeting to train 6 000 semi-skilled workers for trades with projected labour shortage, acute ageing or recruitment difficulties, and attracting new entrants with enhanced training allowances. To diversify the modes of training and provide more training places, CIC has launched various collaborative training schemes with contractors and sub-contractors, under which trainees are hired and then trained on-site so as to acquire site experience at an early stage. Up to end March 2015, about 6 900 ECMTS trainees have graduated under CIC’s in-house training and collaborative training. About 60% of ECMTS trainees were aged below 35 (versus 47 for all registered workers in late 2014) and most of them were new entrants, indicating that more young people have joined the industry.
- To address the keen manpower demand, we have redeployed¹ more provisions than those originally earmarked to enhance the training of semi-skilled workers for a higher target of about 7 640 under the ECMTS. The revised earmarked funding and training quota are tabulated in Section (V) below.

(II) Enhanced Construction Supervisor/Technician Training Scheme

- To meet the industry’s demand for construction supervisors and technicians, we have in collaboration with CIC launched the “Enhanced

¹ As stated in the submissions to the Finance Committee of the Legislative Council for creating the commitment of \$320 million to support 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, a flexible approach can be adopted under which funds may be redistributed amongst the measures in the light of actual needs and responses, and this would ensure maximum benefits to be accrued to construction personnel and to the construction industry. As such, we have revised the funding earmarked and training quota of individual measures upon consultation with the Construction Industry Training Board under CIC

Construction Supervisor/Technician Training Scheme” (ECSTS) in October 2012, with a target for training a total of 1 000 construction supervisors and technicians. As at end March 2015, about 480 trainees have undertaken the training courses. Among them, about 100 trainees graduated. CIC will continue this programme for the coming three years with a view to meeting the above target.

(III) Subsidies to Fees of Trade Tests and Training Courses for In-service Workers

- To advance the skill levels of the in-service workers and cope with skills mismatch, subsidies are provided for fees of trade tests, specified training courses, skills enhancement courses and advanced training courses for senior workers. There were about 12 500 in-service workers who have completed the subsidised trade tests and these courses. As the target quota for trade tests has been met, the remaining funding originally earmarked for the trade tests and the courses have been redeployed to ECMTS for training more semi-skilled workers to meet the manpower demand.

(IV) Promotion and Publicity Activities

- In May 2011, we collaborated with CIC to launch the “Build-Up Publicity Campaign”² to project a positive image of the industry. Initial results of the latest image tracking survey in early 2015 has revealed that since the launch of the campaign, the percentage of young people interviewed who are willing to join the industry has been increased significantly from about 8% to about 26%. The number of registered construction workers has also increased by about 25% during the same period. The average age of the newly registered construction workers in 2014 is 38 (versus 47 for all registered workers in late 2014). All these indicate that the promotional effort has helped attract more young people to join the industry.

² Major initiatives under the “Build Up Publicity Campaign” included launching two series of RTHK TV drama “Dreams Come True” on the construction industry, launching the Build Up Ambassadors, displaying of selected trade and industry posters, organising roving exhibitions, outreaching to schools, arranging visits to the Construction Industry Resource Centre, etc.

(V) Summary table

Measures	Funding originally earmarked (\$million)	Original Training quota	Revised funding earmarked (\$million)	Revised Training quota	Achievements*
(i) ECMTS	210	6 000	221.9	7 640	6 900
(ii) ECSTS	75.0	1 000	75.0	1 000	480
(iii) Senior worker management course	3.0	1 500	0.3	164	140
(iv) Skills enhancement courses	6.0	6 000	0.1	370	350
(v) Specified training courses	3.0	6 000	0.7	2 380	2 380
(vi) Subsidy for fees of trade tests	3.0	6 000	2.0	9 650	9 650
(vii) Promotion	20.0	--	20.0	--	--
Total	320.0		320.0		

* Status as at 31 March 2015.

**Key features of the pilot scheme
for training of skilled workers for the construction industry**

(a) On-the-job Training

Training quota	About 800 to 900
Trainees	Semi-skilled workers graduated within one year from the Construction Industry Council's (CIC) in-house training or collaborative training
Training mode	Collaborative, first-hire-then-train, with contractors and sub-contractors
Trades involved	Initial list includes 18 trades, but subject to further discussion with stakeholders.
Training period	One to two years, exact duration depend on individual trades.
Training content	Training syllabus covering required skillsets on core trade for training the trainees to become skilled workers, plus multi-skill elements including skills training/practice for secondary trade and attending classes/seminars/site visits. CIC is working with industry stakeholders to formulate the detailed syllabus.

Minimum monthly salary	<p>The participating employers will undertake to provide minimum daily wages as set out in consultation with relevant industry stakeholders including trade associations and labour unions. Depending on individual trades, the minimum daily wages is in a range of about \$600/day to \$980/day and \$660/day to \$1,060/day for the first and second year of training respectively. Taking 25 working days per month, the trainee can receive up to about \$15,000 to \$24,500 per month for the first year of training and about \$16,500 to \$26,500 per month for the second year of training.</p> <p>In addition, the participating employer will undertake to provide a basic monthly salary of not less than about \$12,000 to \$15,000 depending on individual trades. Exact figures are to be further discussed with industry stakeholders including trade associations and labour unions.</p>
Training subsidy	<p><i>(a) Training allowance:</i></p> <p>With respect to the average daily wages of individual trades, the incentive training allowance to participating employer is set at two tiers, \$5,000 per month and \$6,000 per month. Details of payment are to be further discussed with industry stakeholders including trade associations and labour unions.</p> <p><i>(b) Trainer subsidy:</i></p> <p>Trainer subsidy to participating employer will base on half of the average daily wages of skilled workers for individual trades taking into account the reduction in productivity of trainer and the ratio of trainer and trainees.</p>

Trainee bonus	\$8,000 for trainees passing the trade test upon completion of training- and \$4,000 for trainees passing the intermediate trade test or trade test for other skills (up to three skills)
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(b) Skills Enhancement Courses

Training quota	About 100 to 200
Trainees	Semi-skilled workers with post-registration experiences between one and three years.
Training mode	Part-time mode with classroom and workshop training conducted by labour unions who are providing training courses on relevant trades to in-service workers.
Trades involved	Initial list includes bricklaying, plastering, tiling, painting, plumbing, metal scaffolding, etc. but subject to further discussion with labour unions.
Training period	About a total of 90 hours in weekday evening or weekend day-time covering a period of half a year to one year. Exact duration depends on individual trades.
Training content	Training syllabus covering required skillsets for training the trainees to become skilled workers. CIC is collaborating with industry stakeholders to formulate the detailed syllabus.
Training subsidy	CIC is working out the training subsidy to the labour unions for their training costs which include administration cost, tutors, training equipment, material and workshop, etc.

Trainee bonus	\$8,000 for trainees passing the trade test upon completion of training
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**Cost items for the Pilot Scheme
budgeted by the Construction Industry Council (CIC)**

Items	Funding earmarked (\$ million)
(i) Training allowance	132*
(ii) Trainer subsidy	69
(iii) Trainee bonus for passing trade test and intermediate trade test	14
(iv) Promotion and Publicity	2
Total	217

- * The amount includes a Government funding of \$100 million to be provided to CIC. Subject to the approval of the Finance Committee of the Legislative Council, a commitment of \$100 million will be created under Head 159 Government Secretariat: Development Bureau (Works Branch) for the purpose. CIC will fund the residual amount with its own resources.
