

For meeting
on 21 November 2017

Legislative Council Panel on Manpower

Review of Continuing Education Fund and Proposed Funding Injection

Purpose

This paper briefs Members on the findings pursuant to the review of Continuing Education Fund (CEF) and the proposed enhancement measures to improve the operation of CEF, as well as the proposal to inject \$1.5 billion into the CEF.

Review of CEF

2. CEF was established in June 2002 to encourage local workers to pursue further education by providing them with subsidies for continuing education and training, with a view to facilitating Hong Kong's transition to a knowledge-based economy and adaptation to an increasingly globalised economy. The total funding provision for CEF is \$6.2 billion¹.

3. In order to explore measures to enhance the operation of CEF, Office of CEF (OCEF) engaged a consultant in June 2016 to conduct a review of CEF². The Consultancy Study comprised a literature review³, focus group discussions and a user survey. Through holding more than 50 focus group discussions with 250 stakeholders and conducting user surveys involving over 2 000 participants, the Consultant collected the views of learners, course providers, employers, non-governmental organisations (NGOs), etc. on the various aspects of CEF operation. The Consultant completed the Consultancy Study in September 2017 and made a number of recommendations as at **Annex A**. The Government accepts the Consultant's recommendations generally, with detailed justifications set out in the following paragraphs.

¹ This comprises the initial and subsequent injection of \$5 billion and \$1.2 billion in 2002 and 2009 respectively.

² The last major review of CEF was conducted in 2007 and reported to this Panel in May 2007. This Panel was also consulted on the last injection of funding into CEF and further improvement measures in June 2009. Separately, the Panel was briefed on the monitoring of courses registered under CEF in July 2010.

³ The literature review comprised a review on the schemes with the objective of promoting continuous learning in a number of economies, with a frame of relevance to Hong Kong, in order to establish reference points for the changes that may need to be made to CEF.

Proposed Enhancement Measures

4. Taking into account the findings of the Consultancy Study, recommendations made by the Consultant, as well as the opinions received from various organisations and the public during the review, we propose the following enhancement measures -

- (A) **relax the upper age limit for CEF applicants** from 65 to 70 so as to promote active ageing;
- (B) **expand the scope of CEF courses** with a view to better meeting the changing social and occupational needs as well as long-term development of Hong Kong;
- (C) **allow greater flexibility for CEF applicants by lifting the restrictions on validity period and maximum number of reimbursement claims** and streamline other administrative arrangements; and
- (D) **enhance the quality assurance of CEF courses and safeguards** to better protect CEF applicants.

A table comparing the existing CEF arrangements and the proposed enhancement measures is at **Annex B**.

(A) Age Limit

5. We propose that the upper age limit for CEF applicants be raised from 65 to 70⁴. The Consultancy Study revealed that the stakeholders in general considered that the current age limit of 65 too low and suggested to relax the limit to 70. Owing to longer life expectancy, it is projected that the proportion of persons aged 65 or above in the total population would increase from 16% (i.e. 1.17 million) in 2016 to 34% (i.e. 2.63 million) in 2066. As featured in the Report of “Population Policy – Strategies and Initiatives” released in January 2015, the Government’s objective is to build an age-friendly environment, promote active ageing and tap the valuable pool of elderly persons. The Elderly Services Programme Plan which is accepted by Government also recommended, among others, that opportunities should be provided to encourage elderly persons to live to their full potential, promote active lifestyle and to encourage empowerment. More support should be provided to elderly persons to participate in continuous learning and promoting other learning

⁴ The current age eligibility for CEF applicants is 18 to 65. The upper age limit has been relaxed from 60 to 65 years since September 2007, in view of the fact that a good proportion of the people in the age group of 60 to 65 are still in the labour force.

activities, such as by relaxing the age limit for the CEF. The proposed relaxation of age limit is in line with the above. It is roughly estimated that the number of eligible CEF applicants would increase by about 390 000 upon relaxation of the age limit to 70.

(B) Scope of CEF Courses

6. We propose to expand the scope of CEF courses from the current eight specified domains⁵ and Specifications of Competency Standards (SCS)-based courses⁶ to all courses registered in the Qualifications Register (QR). The Qualifications Framework (QF) defines clear and objective standards applicable to qualifications in the academic, vocational and professional, as well as continuing education sectors. Its primary objective is to promote lifelong learning with a view to continuously enhancing the quality, professionalism and competitiveness of our workforce. All academic and vocational learning programmes (i.e. training courses) recognised under the QF and registered in the QR are offered by self-accrediting universities⁷ or accredited by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ)⁸, regardless of the sectors or aspects concerned. With the proposed expansion, there will be no more specified course domains under CEF. Courses on a wide spectrum of aspects or skills can be registered as CEF courses as long as they are registered under the QR⁹.

⁵ The eight specified domains are: Business Services; Financial Services; Logistics; Tourism; Creative Industries; Design; Languages (English, written Chinese, Putonghua, French, German, Japanese, Spanish, Korean, Italian, Russian and sign language); and Interpersonal and Intrapersonal Skills for the Workplace.

⁶ At present, there are 19 industries for which training courses can be registered as SCS-based courses under the Qualifications Register: Automotive; Banking; Beauty; Hairdressing; Catering; Electrical & Mechanical Services; Elderly Care Service; Import & Export; Information & Communications Technology; Insurance; Jewellery; Logistics; Manufacturing Technology (Tooling, Metals and Plastics); Printing & Publishing; Property Management; Retail; Security Service; Testing, Inspection & Certification; and Watch & Clock.

⁷ Under Schedule 2 of the Accreditation of Academic and Vocational Qualifications Ordinance (Cap. 592), self-accrediting operators in Hong Kong are: The Chinese University of Hong Kong, City University of Hong Kong, Hong Kong Baptist University, The Education University of Hong Kong (for learning programmes in teacher education only), The Hong Kong Polytechnic University, The Hong Kong University of Science and Technology, Lingnan University, The Open University of Hong Kong, and The University of Hong Kong.

⁸ HKCAAVQ is appointed under the Accreditation of Academic and Vocational Qualifications Ordinance (Cap. 592) as the Accreditation Authority and QR Authority under QF.

⁹ Registered QR courses include: (a) the **Specification of Generic (Foundation) Competencies (SGC)-based courses** which set out the foundation competencies from QF Level 1 to QF Level 4, covering four strands of generic skills: English, Chinese (including Cantonese and Putonghua), Information Technology, and Numeracy; (b) **SCS-based courses** (already covered under CEF) which adopt the SCS formulated by various Industry Training Advisory Committees under QF as the main basis for curriculum design; and (c) all **other non-SCS/SGC-based courses** categorised under 14 Areas of Study and Training which are: (i) Architecture and Town Planning; (ii) Arts, Design and Performing Arts; (iii) Business and Management; (iv) Computer Science and Information Technology; (v) Education; (vi) Engineering and Technology; (vii) Humanities; (viii) Languages and Related Studies; (ix) Law; (x) Mass Media and Communications, Journalism and Public Relations; (xi) Medicine, Dentistry and Health Sciences; (xii) Sciences; (xiii) Services (such as Domestic Services, Elderly Care Service, Hotel and Tourism, etc.); and (xiv) Social Sciences (such as Security and Disciplinary Forces Studies, Social Services, etc.)

7. The Consultancy Study revealed that some respondents considered the existing course domains as inflexible and outdated. For example, neither the course domains of Business Services or Financial Services covered content about Fintech. The course coverage should be regularly updated, in order to cover new and emerging industries. The domains suggested to be added by a majority of views included healthcare, information and communication technology (ICT) and environmental studies. Other suggested course areas included occupational safety, Science, Technology, Engineering and Mathematics (STEM), arts and music, early childhood education and services, etc.

8. Indeed, to better equip people to seize the opportunities in the present and future social and economic development of Hong Kong, and to increase Hong Kong's long-term competitiveness, the aim of CEF should progress to encourage Hong Kong residents to enrich their knowledge through continuing education, including to strengthen their family and social integration skills and cultural literacy, and enhance their work abilities and capabilities in serving the community. In addition, expanding the scope of CEF courses can help enhance Hong Kong's ability to respond to the challenges of the ageing population, improve the physique and health of elderly persons, create an age-friendly community and develop the silver hair industry.

9. With the proposed expansion, on top of the existing 7 800 registered CEF courses, an addition of around 4 000 courses currently registered in the QR¹⁰, which cover basically all course areas as suggested by the stakeholders, will become eligible for registration as CEF courses. This will greatly increase the choices for learners. The proposed expansion of scope of CEF courses would not only increase choices for learners but also incentivise course providers to keep CEF course contents updated in response to the changing needs of the community and learners. The proposal can also facilitate the awareness and recognition of the QR amongst the public and industries.

(C) Validity Period, Maximum Number of Claims and Other Administrative Arrangements

10. Currently, a CEF account holder may submit up to a maximum of four claims within a four-year validity period before he/she reaches the upper age limit (whichever is the earlier)¹¹. We propose to lift the limits on the number

¹⁰ They exclude programmes funded by the University Grants Committee and programmes provided by the Employees Retraining Board.

¹¹ Before 2007, applicants might make a maximum of two reimbursement claims within two years from the date their account applications were approved or before he/she reached the age limit. Enhancement measures were introduced in 2007 to increase the validity period to four years, and the maximum number of claims to four. Each reimbursement claim may cover more than one reimbursable course.

of claims and the validity period. To illustrate, for example, under the existing arrangement, a 60-year-old CEF applicant would have to use up the \$10,000 subsidy among selected CEF reimbursable courses by making at most four claims and within four years effective from the day that he/she opens his/her CEF account, and in any event before he/she reaches 65. With the proposed relaxation, an applicant who opens his/her CEF account and finish his/her first CEF course when he/she is 60 years old may choose to make more than four claims for studying CEF courses anytime until he/she reaches 70 years old, or until he/she has used up his/her subsidy of \$10,000, whichever is earlier. This would help achieve the policy objective of encouraging lifelong learning by allowing more flexibility for the applicants to meet their learning needs.

11. We also propose to relax the current application requirements by allowing a learner to submit application to open a CEF account together with application for the first reimbursement claim after successful completion of the course, instead of the current requirements of submitting the application before commencement of the course. This will streamline the application procedures by reducing the number of submissions to be made by applicants. To facilitate learners' completion and submission of applications, OCEF will also develop an online submission system for CEF applications, expected to roll out in mid-2019.

(D) Quality Assurance of CEF Courses and Safeguards to Protect Applicants

12. Upon the launch of the QF and QR in 2008, all new courses seeking registration under CEF are required to be recognised under the QF and registered in the QR. To further enhance the quality of CEF courses, we propose to enhance the quality assurance by requiring around 1 800 CEF courses that were registered by non-self-accrediting institutions before the launch of the QF in 2008 to go through accreditation for registration under the QR before they can continue to be registered as CEF courses within a transitional period of four years. We also propose to impose a validity period of registration, for every CEF course, of four years or until the expiry of the respective QR registration, whichever is shorter. A more robust documentation checking system would be put in place for the renewal procedures. To more effectively deter non-compliance of the CEF terms and conditions, on top of the existing regulatory tools of issue of warning letters and cancellation of registration, we propose to introduce a probation list, which records course providers who have repeated or serious contraventions of the CEF terms and conditions, for publication on CEF's website. In addition, course providers will be required to establish regular channels for learners to express their views on the CEF courses concerned.

13. These proposed enhancement measures have taken into account the stakeholders' view as revealed from the Consultancy Study that CEF courses accredited by the HKCAAVQ should be an effective means in safeguarding learners' interests. With these proposed enhancement measures, all CEF courses would be subject to robust accreditation to guarantee course quality¹². All courses registered under the QR are quality-assured by the appropriate accreditation authorities, i.e. HKCAAVQ or self-accrediting universities. Such courses have the key features as award-bearing, having formal assessment, and/or rated in terms of levels in accordance with QR's Generic Level Descriptors¹³.

14. In consultation with HKCAAVQ, we will work out the timeline and approach in assisting the course providers concerned to have their courses accredited, and roll out the probation list. The Accreditation Grant Scheme under QF Fund provides partial or full accreditation grant for course providers of self-financing programmes, including course providers of the CEF courses.

Subsidy Ceiling

15. The Consultant also included a recommendation for the Government to review the maximum subsidy limit. There are also public views that the maximum subsidy limit should be adjusted to take into account inflation such that the "purchasing power" of the CEF subsidy is maintained. Some asked that the ceiling should be increased to \$12,000 or even to \$40,000. At present, Hong Kong residents¹⁴ may, upon completion of CEF courses, be reimbursed the course fees which are equal to 80% of the fees paid or up to a ceiling of \$10,000 (whichever is the less). After careful consideration, we propose to maintain the existing subsidy ceiling of \$10,000 and the arrangement of requiring the learner to co-pay 20% of the course fees.

¹² To obtain the accreditation for QR registration, the course providers and the learning programmes (i.e. training courses) concerned have to go through the HKCAAVQ's Quality Assurance Process. The process in general includes Initial Evaluation, Learning Programme Accreditation and Periodic Review. Course providers who wish to have their learning programmes accredited are required to present evidence (through submission of documentary proof and site visits) that they meet the required standards as specified in the Quality Assurance Process.

¹³ Under 7-level hierarchy of the QF, "QF level" of a programme/qualification is determined in accordance with a set of Generic Level Descriptors which specifies the outcome standards expected of the qualifications at each level.

¹⁴ "Hong Kong residents" are defined as those who have the right of abode or the right to land or to remain in Hong Kong without restriction; or those who have settled in Hong Kong on the strength of one-way permits from the Mainland.

16. Since the establishment of CEF in 2002, a cumulative total of about 760 000 eligible Hong Kong residents have opened CEF accounts, equivalent to 15% of the eligible population aged 18 to 65. In other words, a majority of the eligible population or some 4.16 million potential learners have not used CEF. This figure will increase to 4.55 million with the proposed new upper age limit of 70. Therefore, we take it as a priority task to encourage more eligible population to go for lifelong learning and benefit from the enhancement measures we are proposing to improve CEF. Against this background, we also note that among the 666 000 closed accounts of CEF beneficiaries¹⁵, more than half (or around 380 000) actually did not use up the subsidy of \$10,000.

Proposed Implementation Arrangements

17. Subject to the approval of Finance Committee (FC) of the Legislative Council on the proposed injection into CEF (see paragraphs 18 and 19 below), the enhanced measures would be implemented in two phases –

Phase I: 1 April 2018 or from the first day of the month when FC has approved the funding proposal

The relaxation of the age limit, lifting of restriction on the maximum number of and the validity period of claim submissions, and streamlining of the requirements of submitting applications (i.e. the proposals under sections (A) and (C) in paragraphs 5, 10 and 11 above) would be implemented under Phase I effective from 1 April 2018. A learner with his/her CEF account yet to be closed on that date may continue to submit reimbursement claims until the full amount of the subsidy has been used up or he/she reaches the new age limit of 70 years old.

We aim to seek and hopefully obtain FC's approval for the proposed injection in the first quarter of 2018, so that Phase I will start on 1 April 2018. In the event that the necessary adjustment of computer system is ready earlier than expected, we will implement the enhancement measures under Phase I on the first day of the calendar month which FC approved the funding proposal.

Phase II: By end of 2018

Phase II would cover remaining enhancement measures, particularly about the scope and quality assurance of CEF courses as in sections (B) and (D) in paragraphs 6 – 9 and 12 – 14 above. The Government will

¹⁵ A CEF account is closed when the validity period of account has expired, the number of claims has reached the maximum limit, the maximum limit of subsidy was claimed, or the applicant has reached the age limit.

take time to finalise the operational details. The course providers will also need to prepare for compliance with the new terms and conditions.

Proposed Funding Injection into CEF

18. As at end September 2017, CEF has a total commitment of about \$5.2 billion¹⁶ and an uncommitted balance of about \$1 billion. Assuming that CEF will run on the present parameters (i.e. not taking into account the proposed enhancement measures), the funding balance would be used up by 2020. To sustain the operation of CEF, the Government announced in the Policy Address in January 2017 and the 2017-18 Budget that an additional \$1.5 billion would be injected into CEF in 2017-18.

19. Subject to the approval of FC, the total funding provision for CEF will increase from \$6.2 billion to \$7.7 billion. The funding will be used to meet the payment of subsidy and costs for administering CEF. The actual cash flow and duration of CEF will depend on the speed at which eligible applicants come forward and seek reimbursement as well as the amount of subsidy sought under the enhanced measures. For illustration and budgetary purposes, we estimate that with the \$1.5 billion injection, CEF may continue to operate until late 2024, assuming the number of new applications will arise at the current pace. Nevertheless, assuming there is an obvious increase of, say 50% (i.e. from 35 000 to 52 500 per year), the Fund may operate until 2022.

Promotion and Publicity

20. We will step up the publicity of the proposed enhancement measures, so that the public could be better informed of the enhancement measures, and more eligible Hong Kong residents would be encouraged to pursue continuing education. OCEF will work out a comprehensive publicity plan in due course.

Way Forward

21. Subject to Members' comments, we plan to seek FC's approval for the proposed injection of \$1.5 billion into CEF in the first quarter of 2018. We will also prepare for the implementation of the various enhancement measures as set out in paragraphs 5 – 14 above. In the meantime, the Government will continue to closely monitor the response to and operation of the enhanced CEF

¹⁶ Including \$4.4 billion of subsidy disbursed to learners and administrative cost, and \$0.8 billion of commitment earmarked to learners who have opened accounts but have not made reimbursement claims within the four-year validity period.

to ensure prudent use of public money and safeguard the interests of CEF learners.

Advice Sought

22. Members are invited to note and comment on the proposed funding injection and the enhancement measures for CEF set out in the paper.

Labour and Welfare Bureau
November 2017

**Review of Continuing Education Fund (CEF)
A summary of recommendations of the Consultant**

- (a) In view of the positive impact of the CEF, the Government should continue to provide funding to the CEF to provide the financial incentive in motivating people to pursue continuing education.
- (b) The upper age limit of CEF should be raised from 65 to 70.
- (c) Three new domains in the CEF, namely health care, information and communication technology and environmental studies are suggested to be included.
- (d) Measures should be taken, leveraging on information and communication technology, to streamline the application procedures, with a view to facilitating applicants and claimants on the one hand and course providers on the other.
- (e) The Government should step up monitoring the practices of CEF course providers and the quality of CEF courses. Consideration should be given to establish a mechanism for allowing CEF applicants and claimants to provide feedbacks on the CEF.
- (f) The Government should step up efforts in promoting the CEF through the mass media and social media, targeting in particular elderly persons and employers.
- (g) The focus of future promotion activities should be placed on explaining more clearly to the public the procedures for applying for CEF, and in promoting to employers the importance of continuing education for their employees.
- (h) On the premise that continuing education is essential to individuals in order to help them cope with changing job requirements, in the spirit of continuing education, the Government should review the maximum subsidy limit, in order to motivate more individuals to continue to pursue continuing education. Consideration should also be given to revise the maximum subsidy limit taking into account inflation such that the “purchasing power” of the CEF subsidy is maintained.

Annex B

A comparison of existing Continuing Education Fund (CEF) arrangements and the proposed enhancement measures

Existing arrangements	Proposed enhancement measures
<i>a) Age Limit</i>	
- Between 18 and 65	- Between 18 and 70
<i>b) Scope of CEF courses</i>	
- Within the eight specified domains of CEF; - Specification of Competency Standards-based (SCS-based) courses under the Qualifications Register (QR)	- All registered courses under the QR, including SCS-based courses; Specification of Generic (Foundation) Competencies-based (SGC-based) courses; and non SCS/SGC-based courses which are divided into 14 classified Areas of Study and Training
<i>c) Validity period, maximum number of claims and other administrative arrangements</i>	
<u><i>Validity period for submission of CEF claims</i></u> - Four years since the opening of CEF accounts	- No validity period
<u><i>Maximum number of CEF claims submission</i></u> - Four claims	- No limit
<u><i>Application procedures</i></u> - To submit the application for opening an account before commencement of the applicant's first CEF course	- To submit application for opening an account together with application for the first reimbursement claim after the successful completion of the applicant's first CEF course

Existing arrangements	Proposed enhancement measures
<i>d) Quality assurance of courses and safeguards to better protect CEF applicants</i>	
<p><u>QR registration of CEF courses</u></p> <ul style="list-style-type: none"> - No such requirement before May 2008 - Since May 2008, all new CEF courses must be registered under the QR 	<ul style="list-style-type: none"> - All new CEF courses must be registered under the QR - CEF courses registered before May 2008 are required to be registered under the QR within a transitional period of four years
<p><u>Validity period of CEF course registration</u></p> <ul style="list-style-type: none"> - For courses which have a validity period of QR registration, the validity period of the CEF registration will expire on the end date of their QR validity period - For other CEF courses, no expiry date of the CEF registration 	<ul style="list-style-type: none"> - Every CEF course will have a validity period of four years, or until the expiry of their respective QR registration, whichever is the shorter - A more robust documentation checking system for the renewal procedures
<p><u>Deterrence of non-compliance with CEF terms and conditions</u></p> <ul style="list-style-type: none"> - Issue of warning letters upon infringement of terms and conditions - For severe non-compliance, cancellation of course registration or referral to law enforcement agencies for formal investigation 	<ul style="list-style-type: none"> - In addition to the existing sanctions, set up a probation list which records course providers that have repeated/serious contraventions of terms and conditions, and publicise the list on CEF's website