

First Meeting of the Economic and Employment Council

Agenda Item 3(a) : Measures to promote employment

Introduction

This paper sets out the present unemployment situation, the work of the former Task Force on Employment and measures taken by the Administration to promote employment.

Background

2. Hong Kong's economic slowdown and restructuring into a knowledge-based economy have led to a marked worsening in the employment situation in recent years. The problem is both cyclical and structural in nature. At the same time, there has been an on-going shift of "blue-collar" jobs, and in more recent years, "white-collar" ones as well, to the Mainland and other offshore places, where the operating cost is much lower than in Hong Kong. To stay competitive, corporations have also been substituting labour with capital equipment and undergoing downsizing to try to improve efficiency and achieve greater cost-savings. Enterprises are cautious in their recruitment. As a result, unemployment soared. The unemployment rate largely hovered between 5% to 8% since 1998 and reached an all-time high of 8.7%, with some 309 400 unemployed, in the summer of 2003 after the outbreak of the Severe Acute Respiratory Syndrome (SARS). The unemployment situation has subsequently improved alongside the revival of the economy. The unemployment rate for the last quarter of 2003 was 7.3%, with 253 000 unemployed.

3. The impact of high unemployment is particularly serious to those with low education, low skill and limited work experience. They are finding it increasingly difficult to enter/re-enter the labour market which now emphasizes on knowledge and skills.

4. The Administration attaches great importance to tackling unemployment, and has adopted a multi-pronged strategy in dealing with it. In the short term, we have created temporary jobs in the public sector to ease unemployment. In the medium term, we will continue to improve the business environment so as to attract more foreign investment and facilitate

economic development, which are conducive to creating employment. In the long term, we will continue to upgrade our workforce in order to enhance their employability and reduce skills mismatch.

Work of the Former Task Force on Employment

5. To tap the views of the business community, labour sector, academia and training institutions on how best to tackle unemployment, the Administration set up the Task Force on Employment (TFE) in 1998. It was expanded in 2002 to include representatives from political parties in the Legislative Council. The TFE, chaired by the Financial Secretary, served as the Government's think-tank on employment issues.

6. The TFE discussed and endorsed a number of measures to revive the economy, create jobs and promote employment. These included accelerating public works projects, upgrading the skills of the workforce, developing local community economy, promoting the creative and recycling industries, strengthening employment services and implementing various employment-related programmes. The TFE also discussed in depth how best to assist youths and the middle-aged unemployed to enter the labour market. Details of the key measures are given in paragraphs 7 to 29 below.

Measures to promote employment

7. To promote employment and assist the unemployed to re-enter the labour market, the Labour Department (LD) has introduced a series of measures ranging from job creation, providing training and employment opportunities for the vulnerable groups to strengthening its employment service.

Creation of temporary jobs in the public sector

8. To tackle unemployment, the Administration created a number of jobs, including permanent, project-based and temporary jobs, in 2000 and 2001. These include:

- (a) the Initiatives for Wider Economic Participation (IWEP) announced in the 2000 Policy Address to improve the environment and increase greenery, enhance welfare and hospital services, and implement small environmental improvement and community building projects as well as health campaign; and

- (b) the initiatives announced in the 2001 Policy Address to accelerate works projects and enhance property management, education, welfare, health and other services and environmental improvement work.

9. In response to the outbreak of SARS, the Administration introduced in 2003 two employment-cum-training packages¹ to improve the environmental hygiene of streets, country parks and public leisure venues and assist the needy to enhance the hygienic condition of their home. Temporary jobs for youths were also created in areas covering tourism, leisure, arts and cultural sectors and community building. A total of 53 550 employment-related/training openings were created at a cost of \$1.15 billion.

10. These measures have created thousands of employment opportunities, of which some 29 800 are low-skilled temporary jobs. They are designed to meet ad hoc operational needs and provide short-term relief to the unemployed, especially low-skilled workers.

11. Although the unemployment rate has come down from the all-time high of 8.7% during May to July 2003 to 7.3% for the last quarter of 2003, the Administration, as announced by the Chief Executive (CE) in his 2004 Policy Address, would extend 11 700 temporary jobs at an estimated cost of \$873 million to provide relief to those with less education, lower skills and limited work experience. This decision was made after careful consideration of the operational needs for retaining the jobs by the relevant departments.

12. Of the 11 700 temporary jobs to be extended, some 3 500 are for youths and the remaining for other age groups, primarily the middle-aged. The types of jobs to be extended are summarized at *Annex*.

Schemes to provide assistance to vulnerable groups most affected by unemployment

Youths

13. Youngsters, especially first-time job-seekers, find it difficult to secure employment owing to their limited practical skills and working experience, especially in a slack labour market. In 1999 and 2002, the LD

¹ The two packages were the \$432-million package implemented in May 2003 and the \$715-million package launched in August 2003.

launched the Youth Pre-employment Training Programme (YPTP) and the Youth Work Experience and Training Scheme (YWETS) respectively to enhance the employability of youths. In his 2004 Policy Address, the CE announced that a \$30 million pilot scheme, the Youth Self-employment Support Scheme (YSSS), would be launched to train and assist 1 000 youths to become self-employed.

Youth Pre-employment Training Programme (YPTP)

14. The YPTP was launched in September 1999 with the objective of enhancing the employability of school leavers aged 15 to 19 through a wide range of employment-related training which would help them build confidence, upgrade their interpersonal, communication, computer and job specific skills. So far, over 45 000 young persons have been trained under the programme. Apart from those who have decided to pursue further study on completion of the programme, close to 70% of the trainees have secured employment.

15. To ease the adverse economic impact as a result of the outbreak of SARS last year, the number of training places under YPTP for 2003/04 has been increased by 6 000 from 12 000 to 18 000. More courses will be on offer this year so that trainees can have a wider choice and exposure. The programme is delivered in two phases each year. For the first phase of the programme year 2003/04, which commenced in September 2003, there are over 7 000 trainees. The second phase will begin in March 2004. Recurrent funding has been arranged for YPTP to continue to run, initially until 2006/07.

Youth Work Experience and Training Scheme (YWETS)

16. YWETS was launched in July 2002 to provide work experience and on-the-job training for about 10 000 young people aged 15 to 24, with education attainment below degree level, with a view to enhancing their employability. The training period lasts between six to 12 months. The CE has announced in his 2004 Policy Address that YWETS would be extended for another two years at a cost of \$300 million to place another 10 000 youths into employment.

17. Under YWETS, trainees are placed in training vacancies and provided with on-the-job training under the guidance of mentors appointed by the employers. Additional support (*for example, counselling service*) is available from case managers, who are registered social workers. Trainees are encouraged, during the period of training, to attend suitable courses

leading to vocational qualifications. They are also entitled to reimbursement of the related training course and examination fees from YWETS, subject to a maximum of \$4 000 per trainee.

18. Participating employers receive a monthly training subsidy of \$2 000 for each trainee engaged during the employment and training period up to one year, as well as full-package support services.

19. As at end-January 2004, some 11 400 trainees have been successfully placed in training vacancies. In addition, another 7 800 trainees were able to find jobs in the open market with the assistance of their case managers.

Youth Self-employment Support Scheme

20. To allow youngsters to explore self-employment as an alternative to traditional employment, the Administration, having considered suggestions put forward by some TFE members and non-governmental organizations (NGOs), proposes to launch a one-year pilot scheme costing \$30 million to train and assist young people who have motivation, entrepreneurship and innovation to become self-employed. The Scheme will be administered by LD and NGOs, with the Hong Kong Council of Social Service playing a coordinating role. It is expected that 1 000 youths aged 18 to 24 will be trained and assisted to become self-employed, in areas such as information technology and multimedia application (*e.g. graphic design, web page editing, computer animation, desk-top publishing*), personal care (*e.g. hair-dressing, nail polishing, beauty therapy, aroma treatment, manicure*) and public performances (*e.g. magic show, hip-hop dance*) according to their interests and creativity. Our immediate objective is to promote self-employment, and will not require the trainees to start their own business during the training period. The Scheme will not provide any start-up capital support to trainees. Even for those who end up not becoming self-employed, the training and practical experience so obtained would be useful for future career development.

21. The Scheme is scheduled to be launched in the second quarter of 2004. Under the Scheme, NGOs will organise training by qualified instructors for young people during their first four months of participation. Trainees will receive vocational training on work skills and basic training on self-employment including market research, marketing strategy, sales technique and customer service, financial management and budgeting, interpersonal and social skills.

22. NGOs will provide a full range of facilities and administrative support for securing business to trainees during the training period. These include providing the venue for conducting business, making available the necessary equipment and hardware support on a loan basis, and assisting in networking with the appropriate bodies and organizations. NGOs will also provide follow-up services to young people in need of assistance on completion of the Scheme.

23. To enhance the understanding of trainees on the various aspects of self-employment by hands-on practices, and to allow them to critically assess whether self-employment is a viable option, NGOs will also act as business managers to help trainees establish business connections for development of self-employment potential for a period of no less than eight months.

Middle-aged low-skilled workers

24. In addition to extending some 11 700 temporary jobs, many of which are suitable for middle-aged workers with low education attainment or skills level, an average of HK\$29 billion per year would be earmarked for capital works projects for the next five years. Together, these projects are expected to create 45 000 construction and technical jobs each year. Furthermore, LD has also launched various schemes to assist the middle-aged to re-enter the labour market.

Re-employment Training Programme for the Middle-aged (RTP)

25. The RTP, launched in early May 2003, aims at assisting those aged 40 or above who have been unemployed for three months or more to secure employment through the provision of a training allowance to encourage employers to hire them. Employers who engage participants of the programme in full-time permanent posts and offer them on-the-job training receive a training allowance of \$1500 per month, for up to three months per trainee. As at mid-January 2004, the programme has placed some 2 300 into employment. They are mainly engaged as security guards, cleaners and labourers. LD will continue to run this programme in 2004 for about 10 000 job-seekers.

Incentive allowance scheme for local domestic helpers (LDHs)

26. To address the mismatch in supply and demand in the LDH market and to promote LDH service to enhance the hygienic conditions in households after the outbreak of SARS, the Administration launched the

incentive allowance scheme in June 2003. Qualified LDHs² who work in a district different from the one in which they reside or during unsocial hours (*i.e. 5 pm to 9 am*) may apply for a daily allowance of \$50 per day for a maximum of 24 days per month or 144 days in a year. The maximum allowance to be obtained for each LDH is \$7 200. As at end-January 2004, there are 1 406 approved applications (*555 for cross districts and 851 for unsocial hours*). Compared with the same period in 2002, 27% and 18% more “cross district” and “unsocial hours” vacancies respectively were filled during June to December 2003.

The strengthening of LD's employment services

27. LD has strengthened its employment service to canvass more vacancies. In 2003, LD placed a record-high of 66 100 job-seekers in employment. During the same year, LD received 225 106 vacancies from the private sector, also an all-time high. Many of these vacancies came from the small and medium-sized enterprises (SMEs). In an effort to reach out to more SMEs with a view to soliciting more vacancies from the private sector, LD has recently sent publicity leaflets to some 80 000 SMEs to introduce its employment services. A pamphlet has also been sent to those employers of sectors covered by the Closer Economic Partnership Arrangement with the Mainland (CEPA) to promote LD's employment services so as to facilitate their taking advantage of the Arrangement.

28. To optimize the use of job vacancies, LD has augmented its employer-focused recruitment service to speed up the rate and time for filling up vacancies, especially from employers with a large number of job openings. To respond more promptly to the recruitment needs of employers, in addition to the usual major ones, mini-job fairs are held at LD's major Job Centres to enable job-seekers to be interviewed on the spot and assist employers to recruit staff.

29. Furthermore, to facilitate recipients of comprehensive social security allowance to find jobs, user-friendly vacancy search terminals will be installed at 38 social security units of the Social Welfare Department by the first quarter of 2004.

² Those who (1) have completed the LDH training offered by the Employees Retraining Board (ERB); (2) are in possession of a competency card; and (3) take up a job through the referral of ERB's Integrated Scheme for LDHs.

Conclusion

30. The causes for the current high unemployment in Hong Kong are multi-faceted. They include economic restructuring, globalization, intensified competition, and corporate restructuring. In tackling the problem, the Administration will continue with its multi-pronged approach: upgrading the local workforce so that it is well-equipped for a knowledge-based economy and is competitive; improving the local business environment to maintain Hong Kong's attractiveness to foreign investment; and providing temporary relief to those with low education, less skills and limited work experience to tide over this difficult period of time. It is a strategy which combines pragmatism with vision.

31. Members are invited to comment on the employment measures undertaken so far by the Administration and advise on the way forward.

Economic Development and Labour Bureau
Labour Department
February 2004

A summary of temporary jobs to be extended under the 2004 Policy Address

<i>Department concerned</i>	<i>Type of jobs</i>	<i>Number of jobs³</i>	<i>Duration (months)³</i>	<i>Estimated funding required (\$ million)</i>
Agriculture, Fisheries and Conservation Department	Jobs to provide cleansing and maintenance services to country parks as well as to maintain hygiene standards and animal welfare in animal management centres	280	12	23.00
Food and Environmental Hygiene Department	Jobs to provide cleansing and cleansing-related services to streets and public venues/places	3 287	6 to 12	270.00
Home Affairs Department	Jobs for community building, local community economy, building management and environmental improvement	358	Up to 12	17.70
Hospital Authority	Care assistants and general workers to provide support to clinicians, nurses and other health professionals; construction workers and other staff to carry out minor repair and maintenance works in hospitals and clinics	2 420	10 to 12	204.72
Leisure and Cultural Services Department	Trainees to provide assistance to, for example, the operation of public libraries, as well as sports and cultural venues/programmes; workers to provide cleansing services for some 1 400 public leisure venues	1 349	3 to 12	73.31

³ To provide flexibility and to maximize the resources allocated to the extension exercise, the number and duration of jobs extended might vary.

<i>Department concerned</i>	<i>Type of jobs</i>	<i>Number of jobs³</i>	<i>Duration (months)³</i>	<i>Estimated funding required (\$ million)</i>
Social Welfare Department	Community work organizers (<i>to reinforce the Support for Self-reliance Scheme</i>); youth ambassadors (<i>to assist in the organization of promotional activities on personal hygiene among the elderly and for Team Clean</i>); peer counsellors (<i>to help social workers in providing assistance to Form 3 school leavers</i>); programme assistants (<i>to help social workers in the organization of activities for the disabled, elderly, family and youth</i>); care assistants (<i>to enhance the personal care services for frail elders</i>); employment assistance co-ordinators (<i>to implement the Active Employment Assistance Programme</i>)	3 855 ⁴	10 to 12	277.66 ⁵
Tourism Commission	Tourism Development Assistants to help ease the flow of visitors at the immigration clearance counters, distribute information leaflets on personal health and hygiene, and introduce tourist attractions to visitors from the Mainland	205	6	6.90
<i>Overall Total</i>		<i>11 754⁴</i>		<i>873.29⁵</i>

⁴ Of these, 120 (26 community work organizer and 94 employment assistance coordinator openings) will be extended through SWD's internal redeployment of resources.

⁵ Of this, \$37.25 million is to be redeployed from existing resources of SWD.