

## **LEGISLATIVE COUNCIL BRIEF**

### **Manpower Development Plan For Textiles and Clothing Industry**

#### **INTRODUCTION**

At the meeting of the Executive Council on 19 May 2009, the Council ADVISED and the Chief Executive ORDERED that the Manpower Development Plan for Textiles and Clothing Industry (MDP) be shelved indefinitely with effect from 1 July 2009. Employers seeking to import skilled textiles and clothing (T&C) workers thereafter could resort to the Supplementary Labour Scheme (SLS), as was the case before the MDP was launched.

#### **JUSTIFICATIONS**

2. Following the imposition of quota restrictions by the United States (US) and the European Union (EU) on a wide range of Mainland-made T&C products in 2005, some Hong Kong manufacturers indicated their intention to relocate part or all of their operation in the Mainland back to Hong Kong or expand their production here, as products made in Hong Kong were not subject to similar quantitative restrictions. However, the difficulty in recruiting sufficient skilled local workers was seen by the industry as the major hurdle to return to Hong Kong or expand their production lines here.

3. Against this background, the MDP was launched in early 2006 to provide the industry with sufficient skilled workers to carry out major manufacturing processes in Hong Kong to qualify the products with Hong Kong origin. Four job titles for this purpose were identified to be in short supply, namely General Sewing Machine Operator, Special Sewing Machine Operator, Knitting Machine Operator and Linking Machine Operator.

4. However, the international trade environment and textile market has been fast changing since the implementation of the MDP in early 2006. With agreements reached between the Mainland and the US and EU

respectively on quotas for Mainland T&C exports, such quotas were increased by EU gradually from 2006 to 2007 and by the US from 2006 to 2008. Following bilateral consultations between the Mainland and EU, the quantitative restrictions and the subsequent joint surveillance measures on Mainland T&C exports to EU lapsed in January 2008 and January 2009 respectively. The US quantitative restrictions on Mainland T&C exports also expired in January 2009. These significant developments in international T&C trade have eroded Hong Kong's advantage vis-à-vis the Mainland on unrestrained market access of T&C products to importing countries.

5. As a corollary, the numbers of establishments, employees and job vacancies in the T&C industry of Hong Kong have continued to dwindle over the past years. Comparing December 2005 and December 2008, the numbers of T&C establishments, employees and job vacancies plunged across-the-board: by 11.2% to 2 243, 34.0% to 27 710 and 91.8% to 61 respectively.

6. Against the background set out in paragraphs 4 and 5, the anticipated substantial and urgent needs for skilled workers by T&C employers in Hong Kong had simply not materialised, resulting in a lukewarm response to the MDP.

7. By close of 2008, the Labour Department (LD) had received a total of 52 applications from 38 employers for importation of skilled T&C workers under the MDP. Of these applications, 13 were withdrawn by the employers, mostly owing to their diminishing manpower needs after submission of the applications. Hence, LD had processed 39 applications only and permitted the importation of 171 workers as a result. Nonetheless, obviously because of the reduced manpower needs, the concerned employers actually imported only 117 workers under the MDP. As at end-December 2008, 71 such imported workers remained in employment with 11 employers in Hong Kong.

8. A key objective of the MDP is to increase the local labour supply and create more employment opportunities for local job-seekers. Employers who wish to import workers under the MDP are required to go through a local recruitment exercise so that local job-seekers can have higher priority to fill the job vacancies. However, despite the efforts made, local employers in the T&C industry had employed a total of only 57 local workers under the MDP as at end-December 2008.

9. Given the above developments, there appears little justification to continue operating a separate industry-specific scheme to cater for the manpower needs of the T&C industry. In fact, other than the four job titles specified under the MDP (see paragraph 3 above), the local T&C industry can apply to import workers under the SLS<sup>1</sup>, in the same manner as applications for other job categories of imported workers. These applications would be subject to the same vetting procedures and monitoring by the Labour Advisory Board (LAB). We can simply revert to these well-established arrangements under the SLS after shelving of the MDP.

### **Effective date**

10. In view of the lukewarm demands for skilled workers by the local T&C industry, the MDP will be shelved with effect from 1 July 2009.

## **IMPLICATIONS OF THE PROPOSAL**

### **Economic, Financial, Civil Service and Sustainability Implications**

11. The proposal does not have economic, financial, civil service and sustainability implications.

### **Basic Law, Human Rights, Productivity and Environmental Implications**

12. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. It has no productivity or environmental implications.

## **PUBLIC CONSULTATION**

13. In 2005, a Quadrilateral Committee on Manpower Development for the T&C Industry comprising representatives of the LAB, T&C manufacturers, industry-specific labour unions, training bodies and relevant Government bureaux/departments, was set up to monitor the

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<sup>1</sup> The SLS, which commenced operation on 1 February 1996, operates on the twin cardinal principles of ensuring priority of employment for local workers while allowing employers who have demonstrated genuine difficulties in finding suitable staff locally to import workers at technician level or below to fill available vacancies. Workers imported under the SLS should be paid at least the median wage of the same/similar post. Local workers of the same post employed during the mandatory recruitment period should also be paid at least the median wage. It is a non-industry-specific scheme and there is no quota ceiling. All applications are considered on a case-by-case basis.

adequacy of the labour supply for the industry and the effectiveness of the flexibility measures to import skilled labour to meet the manpower shortfall.

14. The Committee met in May and December 2008 to examine the latest statistics and performance of the MDP, having regard to the prevailing international trade environment and textile market. Members were of the view that the mission of the MDP was over. After thorough deliberation, the consensus was that the SLS could already adequately address the manpower needs for skilled workers by employers in the T&C industry and that the MDP should be shelved indefinitely so as to provide flexibility in reviving the MDP in future, if situations warrant.

## **PUBLICITY**

15. We shall issue a circular letter to the relevant stakeholders (including employers in the T&C industry, employer associations and labour unions) to inform them of shelving of the MDP and resumption of the SLS for importation of the four types of T&C skilled workers. A press release will also be issued.

## **BACKGROUND**

16. The MDP consists of two key elements -

- (a) active recruitment and structured training provided by a central recruitment-cum-training centre set up under the Clothing Industry Training Authority (CLITA) to attract local workers to enter/re-enter the industry; and
- (b) flexibility measures for importation of skilled workers under the SLS to ease the immediate manpower shortage and to create employment opportunities for local workers. Key features of the flexibility measures include a fixed recruitment ratio of local workers to imported workers ranging from 1:1 to 1:4. Relevant employers are also required to provide a basic income for local workers of the four job titles. The flexibility measures are subject to the overall monitoring by the LAB.

17. The CLITA has been engaged to set up and administer the central recruitment-cum-training centre under the MDP. Set up in January 2006 with a one-off grant of \$2.5 million funded from within LD's existing

resources, the centre had conducted 27 retraining courses and turned out 356 graduate retrainees. The centre also conducted trade tests to assess the skill levels of local workers who were interested to take up employment in the T&C industry. Altogether 513 skilled workers passed the trade tests. The centre would provide placement services to both graduate retrainees and skilled workers. However, owing to the small number of T&C job vacancies on the market resulting in a low placement level for graduate retrainees, the centre had ceased running retraining courses under the MDP with effect from April 2007. So far the centre has spent \$1.6 million. The remaining balance would be returned to the Government.

18. As at end-December 2008, of the entire cohort of 869 graduate retrainees/skilled workers, the centre had placed 100 in T&C jobs, while 414 had secured employment in other areas.

## **ENQUIRIES**

19. Enquiries on this brief should be addressed to Mr FONG Ngai, Assistant Commissioner for Labour (Policy Support and Strategic Planning), at 2852 3633.

Labour and Welfare Bureau  
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