

# EMPLOYMENT SERVICES PROVIDED BY THE LABOUR DEPARTMENT

## Executive Summary

1. The Labour Department (LD) provides general employment and recruitment services to job seekers and employers through 13 job centres, 3 industry-based recruitment centres (namely the Recruitment Centre for the Catering Industry (RCCI), the Recruitment Centre for the Retail Industry (RCRI) and the Construction Industry Recruitment Centre (CIRC)), a Telephone Employment Service Centre, a Job Vacancy Processing Centre, and an Interactive Employment Service (iES) website and an iES mobile application (mobile app). LD also provides dedicated employment services for job seekers with special needs to promote their employment, including young job seekers, elderly and middle-aged job seekers, ethnic minority (EM) job seekers and job seekers with disabilities. As at 31 December 2018, the number of staff providing employment services was 443 (comprising 422 civil service staff and 21 non-civil service contract staff). In 2017-18, the total expenditure for providing employment services was \$365.7 million. The Audit Commission (Audit) has recently conducted a review of the employment services provided by LD.

### General employment services for all job seekers

2. *Decreasing number of registered job seekers.* LD reports the number of registered job seekers in the Controlling Officer's Report (COR) as one of the performance indicators. Audit analysed the number of unemployed persons and the number of LD's registered job seekers in Hong Kong in the period from 2008 to 2017. Audit noted that, while the number of unemployed persons decreased by 3.6% from 128,000 in 2008 to 123,400 in 2017, the number of LD's registered job seekers decreased by 70.8% from 168,740 in 2008 to 49,233 in 2017. This might suggest that more and more job seekers chose not to register with LD. Since the number of job seekers using mobile devices to seek jobs is increasing and they may make direct applications to employers without registering with LD, it appears that the number of registered job seekers is no longer a good indicator to reflect the performance of LD (paras. 2.7, 2.8 and 2.10).

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3. ***Decreasing number of job referrals and direct placements through LD's referrals.*** Audit analysed the numbers of job referrals and direct placements through LD's referrals for registered job seekers from 2014 to 2018 and noted that: (a) the total number of job referrals decreased by 59,354 (45%) from 131,869 in 2014 to 72,515 in 2018. In particular, the number of job referrals arranged by the job centres and recruitment centres decreased by 50,069 (47.6%) from 105,154 in 2014 to 55,085 in 2018; and (b) the number of direct placements through LD's referrals for registered job seekers decreased by 7,415 (48.8%) from 15,202 in 2014 to 7,787 in 2018 (para. 2.12).

4. ***Decreased number of visitors to job centres and a recruitment centre.*** Audit analysed the number of visitors of the 13 job centres and 3 recruitment centres for the period from 2016 to 2018 and noted that: (a) the number of visitors of 13 job centres decreased by 69,350 (18%) from 381,762 in 2016 to 312,412 in 2018; (b) 12 of the 13 job centres recorded a decrease in the number of visitors. The percentage of decrease ranged from 3% in Tai Po Job Centre to 34% in Employment in One-stop; and (c) the number of visitors of CIRC decreased by 2,114 (12%) from 18,181 in 2016 to 16,067 in 2018. For RCCI and RCRI, they did not keep statistics on the number of visitors (para. 2.15).

5. ***Need to conduct a comprehensive review on general employment services.*** The needs of job seekers have changed, as evidenced by the decrease in the number of registered job seekers, the decrease in the number of job referrals and direct placements, and the decrease in the number of visitors to job centres and recruitment centres. Audit considers that LD needs to conduct a comprehensive review on the general employment services with a view to addressing the issues (paras. 2.19 and 2.20).

6. ***Need to review the effectiveness of district-based job fairs and industry-based job fairs.*** LD organises district-based and industry-based job fairs through its 13 job centres and 3 recruitment centres respectively to facilitate job seekers and employers to meet and communicate direct. Interview facilities are available for employers to conduct on-the-spot interviews with registered job seekers during the job fairs. Audit noted that: (a) for district-based job fairs held in the period from 2016 to 2018, the average number of interviews arranged in each job fair was not high (i.e. 43 in 2016, 33 in 2017 and 26 in 2018), and the average number of placements secured in each job fair was only 5 in 2016, 4 in 2017 and 3 in 2018; and (b) for industry-based job fairs held by the three recruitment centres in 2018, the

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average number of interviews arranged in each job fair for RCCI was 20, which was lower than that of RCRI (34 interviews arranged) and CIRC (27 interviews arranged), and the average number of placements secured in each job fair for RCCI, RCRI and CIRC was 3, 8 and 2 respectively (paras. 2.23, 2.25 and 2.27).

7. ***Decreasing number of visits and number of page views of iES website.***

iES website was launched in March 1999 to provide job vacancy and employment information to job seekers, while employers can submit and publicise job vacancy information through the website. LD also launched an iES mobile app in January 2012, providing an additional online channel for job seekers to search for suitable vacancies from the job vacancy database of LD. Audit noted that: (a) number of visits to iES website decreased by 8 million (40%) from 20 million in 2014 to 12 million in 2018; (b) number of iES website page views decreased by 81 million (29%) from 283 million in 2014 to 202 million in 2018; and (c) while number of access to iES mobile app increased by 1 million (1%) from 144 million in 2014 to 145 million in 2018, there was some useful information provided on iES website which was not available on iES mobile app, for example, job hunting briefcase which provided template for application letter and Curriculum Vitae, interview techniques, etc. (paras. 2.32 to 2.35).

8. ***Need to disclose the number of direct and indirect placements separately.***

Since 1998, the number of placements had included: (a) direct placements (i.e. placements secured through LD's referrals); and (b) indirect placements (i.e. placements made by direct application to employers without LD's referrals), which was derived from LD's surveys with employers. LD only reported the total number of placements in COR, without disclosing the numbers of direct and indirect placements separately. In the 2018-19 COR, LD reported that 154,222 placements were made in 2017. Audit noted that the 154,222 placements comprised: (a) 9,845 (6%) direct placements; and (b) 144,377 (94%) indirect placements. Audit analysed the number of placements in the period from 2009 to 2018 and noted that: (a) the number of indirect placements accounted for a high percentage of total placements during the period, ranging from 84% to 94%; and (b) the number of total placements increased by 15,209 (13%) from 120,870 in 2009 to 136,079 in 2018. The increase was wholly attributed to the increase in indirect placement. The number of indirect placement increased by 26,807 (26%) from 101,485 in 2009 to 128,292 in 2018. On the other hand, the number of direct placements decreased by 11,598 (60%) from 19,385 in 2009 to 7,787 in 2018 (paras. 2.39 to 2.41).

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### **Dedicated employment services for job seekers with special needs**

9. LD provides dedicated employment services for different groups of job seekers with special needs:

- (a) young job seekers (see paras. 10 to 16);
- (b) elderly and middle-aged job seekers (see paras. 17 to 20);
- (c) EM job seekers (see paras. 21 to 23); and
- (d) job seekers with disabilities (see paras. 24 to 28).

### **Employment services for young job seekers**

10. *Decreased number of Youth Employment and Training Programme (YETP) trainees.* LD administers YETP to provide a comprehensive platform of job search with one-stop and diversified pre-employment training (PET) and on-the-job training (OJT) opportunities for young people aged 15 to 24 with educational attainment at sub-degree level or below. Audit noted that from 2012 to 2017, the overall unemployment rates of young people aged 15 to 24 stayed at a high level (ranging from 8.5% to 10.5%). While the number of target young people (i.e. unemployed young people aged 15 to 24 with educational attainment at sub-degree level or below) only decreased by 26% from 22,000 in 2012 to 16,200 in 2017, the number of trainees enrolled in YETP decreased by 42% from 8,095 in the programme year 2012/13 to 4,694 in the programme year 2017/18 (paras. 3.4, 3.5 and 3.10).

11. *Need to reduce number of cancelled training courses.* Under YETP, a PET course will be cancelled if the enrolment falls below the minimum number approved by LD. In programme years 2015/16, 2016/17 and 2017/18, 656, 459 and 446 PET courses were arranged by training bodies respectively. However, more than 50% of the courses arranged were cancelled due to insufficient enrolment of trainees. In particular, all training courses arranged by three of the training bodies were cancelled in programme years 2016/17 and 2017/18. Audit further analysed the cancelled courses from 2015/16 to 2017/18 programme years and noted that about 40% of the cancelled courses were core courses. The cancellation of core courses

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would affect the training progress of some trainees. The cancellation of courses would also result in reduction of choices in course selection for YETP trainees. Audit noted that for 11 (31%) out of the 35 course types in the programme year 2017/18, all the courses arranged were subsequently cancelled due to insufficient enrolment. As such, no courses of these 11 course types were available to the trainees concerned (paras. 3.14 to 3.16).

12. ***Need to encourage more trainees to enrol in OJT.*** Under YETP, LD makes arrangements with employers to offer OJT vacancies to trainees so that they have the opportunity to learn and be engaged as direct employees for a period of 6 to 12 months. Audit reviewed the percentage of trainees enrolled in OJT in the period from programme years 2013/14 to 2017/18 and found that less than half of the trainees enrolled in OJT, ranging from 2,129 to 2,982 trainees (paras. 3.18 and 3.19).

13. ***Need to encourage completion of OJTs by trainees.*** In 2016/17 programme year, 2,602 OJTs were arranged for trainees under YETP. Of the 2,602 OJTs, 1,031 (40%) were not completed (i.e. early termination). In particular, 135 (68%) of the 198 OJTs with training duration of 9 months were not completed (para. 3.22).

14. ***Target number of members using Youth Employment Start (Y.E.S.) services not met.*** LD operates two Youth Employment Resource Centres known as Y.E.S., namely the Mong Kok Centre and the Kwai Fong Centre, to provide one-stop employment and self-employment support services to young people aged between 15 and 29. LD specified in the Y.E.S. Operation Manual in 2014 that: (a) the two Y.E.S. centres should provide services to a total of about 29,000 members per year; and (b) LD would review from time to time whether the number of members who used Y.E.S. services met the target. Audit noted that the number of members using Y.E.S. services for 2018 was 14,889, representing only 51.3% of the target (i.e. about 29,000 per year) specified in the Y.E.S. Operation Manual (paras. 3.27 to 3.30).

15. ***Need to ensure that the information reported in the COR on performance of Y.E.S. services is accurate.*** The performance indicator reported in the COR relating to Y.E.S. service is the number of “young people receiving employment and self-employment advisory and support services provided by the Youth Employment Resource Centres”. However, in reporting the actual performance in the COR, LD

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reported the number of times of Y.E.S. services provided instead of the number of young people receiving Y.E.S. services. Audit noted that the number of young people receiving Y.E.S. services in 2018 (i.e. 14,889) was far less than the number of times of Y.E.S. services provided (i.e. 72,899) (para. 3.31).

16. ***Target attendance rates not met for some training activities.*** According to the operation contracts of Y.E.S. centres for programme years 2016/17 to 2018/19 between LD and the operator: (a) one of the performance standards is to maintain a quarterly average attendance rate of 85% for all training activities organised; and (b) for monitoring purposes, the operator shall be required to achieve an attendance rate of 80% of the target number for each training activity. Audit found that for 2018, while the two centres achieved a quarterly average attendance rate of 85% for all training activities, for 15% and 24% of the training activities organised by the Mong Kok Centre and by the Kwai Fong Centre respectively, the operator did not achieve the attendance rate of 80% for the training activities (paras. 3.32 and 3.33).

### **Employment services for elderly and middle-aged job seekers**

17. ***Need to encourage employers to join Employment Programme for the Elderly and Middle-aged (EPEM).*** LD implements EPEM to encourage employers to engage unemployed job seekers aged 40 or above and provide them with OJT through the provision of training allowance to the employers. After employing an eligible job seeker, the employer joining EPEM has to submit a preliminary application form for OJT to the EPEM Coordination Office. The employer should only commence OJT recognised under EPEM after obtaining LD's approval-in-principle for the preliminary application. Upon completion or termination of OJT, the employer should submit the assessment-cum-claim form for LD's approval to claim the OJT allowance. No OJT allowance will be granted if the OJT period undergone by the employee is less than one month. Audit noted that: (a) in the period from 2014 to 2018, the average number of eligible placements for EPEM was 2,660. However, the average number of eligible placements with preliminary applications for EPEM submitted was only 565 (21.2% of 2,660); and (b) in the period from 2013 to 2017, for 572 (22.2%) of the 2,581 placements with approval-in-principle, the employers did not claim the OJT allowance (paras. 3.39, 3.44 to 3.46 and 3.49).

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18. ***Decreased completion rates of OJTs.*** OJTs last for 3 to 6 months for employees aged 40 to below 60 and 6 to 12 months for employees aged 60 or above. Audit analysed the 2,581 placements with approval-in-principle under EPEM from 2013 to 2017 and noted that for only 1,951 (75.6%) placements with approval-in-principle, the employees could complete the whole approved OJT period. The percentage of placements where OJTs were completed decreased from 78.5% in 2013 to 71.2% in 2017 (paras. 3.51 and 3.52).

19. ***Decreasing retention rates for placements under EPEM.*** Based on the five recent retention surveys covering placements from April 2015 to September 2017, the retention rates for six months or above decreased from 77.7% for the period from April to September 2015 to 61.8% for the period from April to September 2017 (para. 3.56).

20. ***Need to improve reporting on number of placements secured under EPEM.*** LD discloses the number of “placements secured under EPEM” in its annual reports and the information given to the Finance Committee of the Legislative Council. Audit noted that the number of “placements secured under EPEM” disclosed was the number of placements eligible under EPEM. The number of placements for which employers joined EPEM (placements with approval-in-principle under EPEM) (i.e. 431 in 2017) was much smaller than the number of placements eligible for EPEM (i.e. 2,642 in 2017) (paras. 3.59 and 3.60).

### **Employment services for ethnic minority job seekers**

21. ***Need to step up efforts to increase number of placements for EM job seekers.*** The number of placements for EM job seekers through LD’s referrals was not high, ranging from 65 to 116 for the years 2014 to 2018, representing only 7% to 10% of the number of EM job seekers registered with LD. Audit noted that: (a) for large-scale inclusive job fairs, the number of placements for EM job seekers was not high, ranging from 4 in 2017 to 23 in 2016, and the average number of placements per job fair ranged from 2 in 2017 to 11.5 in 2016; and (b) for district-based inclusive job fairs, the number of placements for EM job seekers was not high, ranging from 20 in 2018 to 23 in both 2016 and 2017, with an average number of placements of about 2 in each job fair (paras. 3.66 and 3.68).

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22. *Small number of job seekers attending employment briefings.* Employment briefings are organised by job centres to help EM job seekers better understand the latest labour market situation and improve their job search skills. However, from 2016 to 2018, the number of EM job seekers attending the employment briefings was low, with an average number of attendees of 4.4 per briefing, ranging from 1 to 16 (para. 3.71).

23. *Need to encourage employers to indicate that EMs are welcome for the posts.* When employers submit information to place job vacancies with LD for advertising, there is an option for employers to specify that EMs are welcome for the post. Audit examined the job vacancies posted by the employers from 2016 to 2018 and noted that the percentage of vacancies where employers indicated that EMs were welcome for the posts was not high, ranging from 12% in 2016 to 16% in 2018 (para. 3.77).

### Employment services for job seekers with disabilities

24. *Need to endeavour to help job seekers with disabilities to secure placements.* LD monitors the placement rates per registered job seeker with disabilities and the percentage of registered job seekers with disabilities who had placements to assess the effectiveness of the employment services provided to them. The placement rates per registered job seeker with disabilities fell from 93% in 2014 to 80.2% in 2018. For the period from 2014 to 2018, only about half of the registered job seekers with disabilities (i.e. 49.6% to 52.4%) had placements in a year (para. 3.89).

25. *Need to improve the reporting of the number of placements for job seekers with disabilities.* LD uses the sum of the number of direct placements (i.e. achieved by the placement efforts of LD staff) and indirect placements (i.e. self-help placements cases where the registered job seekers found the job themselves or with other help) for job seekers with disabilities as one of the performance indicators in COR. In the period from 2014 to 2018, the percentage of indirect placements increased from 20% in 2014 to 33.8% in 2018. Audit considers that LD needs to separately report the number of direct and indirect placements for job seekers with disabilities in COR (paras. 3.92, 3.94 and 3.95).



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26. ***Short retention period of placements for job seekers with disabilities.*** Audit analysed the retention period for placements made in the period from 2013 to 2017 and noted that: (a) the percentage of job seekers with disabilities who remained in the jobs for three months or longer was less than 50%, ranging from 35.2% in 2013 to 45.3% in 2017; and (b) the percentage of job seekers with disabilities who remained in the jobs for less than one month was high, ranging from 38.9% in 2017 to 52.7% in 2013 (para. 3.96).

27. ***Low retention rates for Work Orientation and Placement Scheme (WOPS) placements.*** WOPS aims to encourage employers to offer job vacancies and work orientation period to job seekers with disabilities through provision of financial incentive. Employers participating in WOPS are entitled to a monthly allowance for up to nine months. Audit noted that, after the end of WOPS allowance period, the percentage of WOPS placements with the employees with disabilities still staying in employment were 37.5% (304 of 811 WOPS placements), 38.1% (311 of 816 WOPS placements) and 37.9% (304 of 802 WOPS placements) for 2015, 2016 and 2017 respectively (paras. 3.100, 3.102 and 3.106).

28. ***Decreasing number of participants of PET classes.*** Under WOPS, LD regularly runs 1-day PET classes at the three regional offices for job seekers with disabilities with a view to enhancing their chance of employment. On completion of PET, the job seekers will receive a training allowance. The number of participants in PET classes decreased by 41.5% from 183 in 2014 to 107 in 2018. The average number of participants per class also decreased by 38% from 10.8 in 2014 to 6.7 in 2018 (paras. 3.109 and 3.110).

### **Audit recommendations**

29. **Audit recommendations are made in the respective sections of this Audit Report. Only the key ones are highlighted in this Executive Summary. Audit has recommended that the Commissioner for Labour should:**

#### ***General employment services for all job seekers***

- (a) **conduct a comprehensive review on the general employment services (para. 2.21) with a view to:**

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- (i) **rationalising the employment services provided to registered job seekers and non-registered job seekers to better meet their needs (para. 2.21(a));**
  - (ii) **reviewing the cost-effectiveness of and the need to rationalise the services provided by the job centres, recruitment centres and Telephone Employment Service Centre (para. 2.21(c)); and**
  - (iii) **exploring measures to address the issue of decreasing number of visitors to job centres and recruitment centres (para. 2.21(d));**
- (b) **consider reviewing the effectiveness of the district-based job fairs and the industry-based job fairs in securing placements for job seekers and employers (para. 2.30);**
  - (c) **continue to make necessary enhancements to iES website and consider providing more essential and useful information on iES mobile app to meet job seekers' needs (para. 2.36(a) and (b));**
  - (d) **separately disclose in COR the number of direct placements through LD's referrals and indirect placements without going through LD's referrals, and disclose the calculation method of indirect placements (para. 2.44(a));**

### *Employment services for young job seekers*

- (e) **review whether YETP meets the needs of young job seekers in finding jobs and ascertain the reasons why the number of trainees of YETP has been on a decreasing trend despite the relatively high unemployment rate for young people aged 15 to 24 (para. 3.25(a));**
- (f) **take measures to reduce the number of cancelled training classes and ensure that the training progress of YETP trainees and the variety of course types are not affected by the cancellation of courses as far as practicable (para. 3.25(b));**

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- (g) **take measures to encourage more YETP trainees to enrol in OJT, keep in view the completion rates of OJTs of YETP trainees and conduct analysis on the reasons for early termination of OJTs (para. 3.25(c) and (d));**
- (h) **closely monitor the number of members using Y.E.S. services and take appropriate action to follow up with the operator for failing to meet the pertinent target (para. 3.35(a));**
- (i) **take measures to ensure the accuracy of information reported in the COR and ensure that the performance indicator in the COR reflects precisely the intention of LD (para. 3.35(c));**
- (j) **monitor the attendance rate for each training activity organised by Y.E.S. and, where necessary, take appropriate follow-up action with the operator for training activities which have not achieved the target attendance rate (para. 3.35(d));**

### *Employment services for elderly and middle-aged job seekers*

- (k) **take measures to encourage employers to join EPEM for their eligible placements (para. 3.61(a));**
- (l) **review the effectiveness of EPEM in promoting the employment of elderly and middle-aged job seekers (para. 3.61(b));**
- (m) **monitor the completion rates of OJTs under EPEM and take measures to help elderly and middle-aged job seekers complete OJTs as far as possible (para. 3.61(c));**
- (n) **monitor the retention rates for placements under EPEM with OJT allowance granted and take measures to help those elderly and middle-aged job seekers who have difficulty in staying in employment (para. 3.61(d));**

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- (o) when disclosing information on placements secured under EPEM, distinguish the number of placements eligible for EPEM from the number of placements for which the employers joined EPEM (para. 3.61(f));

### *Employment services for ethnic minority job seekers*

- (p) step up efforts to increase the number of placements for EM job seekers (para. 3.74(a));
- (q) make more efforts to encourage EM job seekers to attend the employment briefings to better understand the latest labour market situation and improve their job search skills (para. 3.74(b));
- (r) take further action to promote the employment of EMs among employers and continue to encourage employers to indicate that EMs are welcome for the posts when placing job vacancies with LD (para. 3.79);

### *Employment services for job seekers with disabilities*

- (s) endeavour to help job seekers with disabilities to secure placements, especially those who have waited for a long time without placements (para. 3.98(b));
- (t) separately report the number of direct and indirect placements for job seekers with disabilities in COR (para. 3.98(c));
- (u) take measures to help job seekers with disabilities stay in their placements for longer period of time (para. 3.98(d));
- (v) closely monitor the percentage of WOPS placements staying in employment after the end of allowance period and take measures to help the job seekers with disabilities stay longer in their placements (para. 3.117(a)); and

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- (w) **rationalise the number of PET classes to be held in future, closely monitor the number of participants in PET programme and take effective follow-up action to improve the participation rate (para. 3.117(b)).**

### **Response from the Government**

30. The Commissioner for Labour agrees with the audit recommendations.