A New Era for Financing Vocational Education and Training in Hong Kong

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Executive Summary

The Vocational Training Council (VTC) was established in 1982 and is a major provider of vocational education and training (VET) in Hong Kong. Its main objective is to provide high-quality, cost-effective VET that is directly applicable to the requirements of Hong Kong’s employers and the community.

In the past the VTC was funded on a deficiency grant basis, which means an annual sum is provided by the Government and the money represents the difference between approved spending and approved estimates of fee income. Consequently any unspent funds must be returned at the end of the financial year. This arrangement does not encourage efficiency and productivity improvement. And in the case the VTC needs extra funding to start any new initiatives, it has to compete with other government agencies for additional resources through a formal bidding exercise, a process that is time-consuming and limited by scarcity of funds.

In mid 2000 the VTC established a new funding arrangement with the Government by way of a new Memorandum of Administrative Arrangements (MAA). Under the new arrangement, the Government now funds the VTC through a discretionary grant whereby the latter can keep up to 15% of any real savings it achieves annually for new initiatives. The MAA also goes into detail about triennial and annual planning and budgeting, as well as the establishment of indicators to measure the VTC’s annual performance.

The VTC has taken advantage of this funding arrangement to initiate the following new programs in the past year:

- VTC School of Business and Information Systems
- Center for Traditional Chinese Medicine Manufacturing
- Hong Kong Vocational English Program
- IT Skills Assessment Center
- An e-learning Portal

The introduction of the discretionary grants provides significant flexibility to the VTC in its effort to meet the changing needs of the employers and the community in Hong Kong. For VET
organizations that are funded on the deficiency grant basis, they may consider asking their funding agencies to adopt the discretionary grant approach.
1. Background of the VTC

The Vocational Training Council (VTC) was established in 1982 by statute and is a major provider of vocational education and training (VET) in Hong Kong. It has an annual operating budget of HK$2.6 billion (US$330 million) of which 85% is subsidized by the Government. The VTC has around 4,000 full-time staff and operates nine vocational education institutes, 26 training, development and skills centers, an apprenticeship unit and a continuing professional development center. It offers pre-employment and in-service education and training courses, in both full-time and part-time modes, ranging in level from post-secondary 3 courses to sub-degree programs. About 120,000 students and trainees are educated and trained annually by the VTC.

The major objective of the VTC is to provide high-quality, cost-effective VET that is directly applicable to the requirements of Hong Kong’s employers and the community. The VTC establishes very close links with employers through an extensive network of representation on its training boards and other advisory groups, uses labor market intelligence, and provides a flexible program of education and training courses that can respond readily to changing social and economic circumstances. It also establishes a rigorous quality assurance system through regular monitoring of key performance indicators and continuous improvement of its VET programs. In addition, to keep the teaching staff abreast of the latest technological changes, the VTC adopts a comprehensive staff development program that provides training opportunities for staff to acquire new knowledge and skills.

2. Funding Model – The Past

In the past the VTC, like many government subvented organizations in Hong Kong, was funded on a deficiency grant basis. Before the start of a new financial year, the VTC would submit an annual plan to the Government specifying the program of proposed activities and the draft financial estimates for the following year. The proposal outlines the expenditure requirement for the proposed activities and a projection on tuition fees and other miscellaneous income. The
difference between approved spending and approved estimates of fee income is the amount of money provided by the Government. The funding is divided into many accounts and it is very difficult for the VTC to transfer money from one account to the next even if the overall expenditure ceiling has not been reached. At the end of the financial year, any unspent funds must be returned to the Government.

This mode of subvention does not encourage efficiency and productivity improvement, as it provides no incentive for the VTC to manage its resources in the most economical manner. The lack of a capital reserve also does not give the VTC the capability and resources to respond promptly to rapidly changing service needs. When the VTC needs extra funding to start any new initiatives, it has to compete with other government agencies for additional resources through a formal bidding exercise, a process that is time-consuming and limited by scarcity of funds.

3. Funding Model – The Present

The VTC realized that, in order to respond promptly to changing service needs and to manage its finances as effectively and innovatively as possible, it needs to have greater flexibility in the use of its subvention. In mid 2000 the VTC has successfully obtained approval from the Government on a new financing model for funding VET. Through the signing of a Memorandum of Administrative Arrangements (MAA) with the Government, the VTC is now allocated an annual lump sum subvention and is allowed to retain a portion of the unspent funds that is achieved through productivity improvements. These include saving obtained due to more efficient and effective use of resources, such as raising the student-to-teacher ratio, increasing the class size, employing more temporary staff, and reducing the amount of clerical work through office automation. The limit of the reserve fund to be retained by the VTC, on a cumulative basis, is set at 15% of its annual block grant in the current financial year. The reserve can be used on new initiatives provided that they are within the scope of the VTC’s mission and objects.

The MAA also covers areas in strategic planning and quality assurance; it stipulates that the VTC should submit to the Government a detailed triennial plan for planning and budgeting.
purposes and a series of indicators to measure its annual performance. The indicators are used for measuring the progress of the activities undertaken by the VTC, and the outcome is used as justifications for the resource input that it receives. The VTC should establish a mechanism to conduct regular management reviews in order to ascertain that the organization structure, decision-making and planning process, management and use of resources, and delivery of services are appropriate to the developing needs of Hong Kong.

The new funding model has also been adopted by some government departments, the Hospital Authority, as well as government and aided schools. And it has been proven effective in terms of encouraging better use of resources, providing an incentive to save money, and promoting longer term planning.

4. New Initiatives

The VTC has taken advantage of this new funding arrangement to initiate new programs in the past year. All of these programs are experimental in nature and operated on a self-financing basis with an initial capital coming from the VTC’s internal reserve.

4.1 VTC School of Business and Information Systems

At present about 30% of the relevant age cohort has the opportunity to receive tertiary education in Hong Kong. The Government plans to increase the figure to 60% in ten years by encouraging the educational providers to expand their student intake through self-funded programs. In line with this policy, the VTC has established a new unit, the VTC School of Business and Information Systems (SBI), to operate self-funded courses independent of the Institute of Vocational Education (IVE), which is the main subvented arm of the VTC. The SBI will introduce two popular higher diploma courses currently run by IVE, namely HD in Accountancy and HD in Corporate Administration and Systems, starting from the 2001/02 academic year.
Although the SBI will be operated as a separate unit, to leverage the existing expertise, the curriculum of the self-funded HD courses will be the same as the corresponding HD courses currently run by IVE. The course development, quality assurance and academic management will be provided by IVE at marginal cost. Effort will be made to ensure that the courses will have the equivalent exit standard as the existing subvented HD courses. To make the courses attractive and marketable, the VTC plans to enter into articulation partnership with a number of overseas universities. Graduates of the SBI can then enroll on a full-time basis in Hong Kong the final one to two years’ study for the degree award of these universities.

The first phase of the implementation will have an initial student intake of 800 rising to 1000 – 1200 in the second year and 1300 – 1500 in the third year, and the School will be operated in leased accommodation. If the initial phase proves successful, the VTC may significantly increase the intake quota and offer a wider variety of courses, including HD courses in information technology, in purpose-built school buildings.

4.2 Center for Traditional Chinese Medicine Manufacturing

Traditional Chinese Medicine has been well-established in Asian countries and China for centuries. Recent statistics have shown that the practice of TCM is becoming more and more popular in both Asian and western countries. In Hong Kong, it has been widely recognized that the Chinese medicine industry plays a leading role to enhance the territory’s economic prosperity. In spite of all these potentials, there has been little regulation in TCM practice and in the manufacturing of TCM products. There is no formal training available to the dispensers working in the Chinese medicine dispensaries and the technicians and supervisors working in the Chinese medicine manufacturing industries. Numerous accidents had been reported where consumers’ health and lives were at risk after consuming Chinese herbal medicines.

The Government recognized the problem and set up a Preparatory Committee on Chinese Medicines to consider ways and means to expedite, develop and regulate the industry and practice of TCM in Hong Kong. In March 1999 the Committee submitted its findings to the Government recommending that education and training in TCM should be incorporated into the
local tertiary education system in order to facilitate the development of Chinese medicine industry.

In response to the urgent need of the industry, the VTC established a Center for Traditional Chinese Medicine Manufacturing and undertook the development of a Higher Diploma (HD) course in Pharmaceutical Technology in Chinese Medicines. The Center provides practical training for students of the HD course, short courses with hands-on training for existing dispensers and technical personnel, and consultancy services in TCM product development for the industrialists. The preparation of the course took less than 12 months, and the course admitted the first cohort of students in September 2000. The development of the course was completed expeditiously due to the availability of an internal reserve, which allows the VTC to equip the Center with the latest TCM processing equipment and analytical instruments in a short period.

4.3 Hong Kong Vocational English Program

There is considerable concern in Hong Kong about the standards of English, in particular, the ability of those in employment, at all levels, to be able to communicate in the English language. The employers are aware of the importance of English as the international business and scientific language. They have become increasingly sensitive to the needs to enhance language and communication skills of their employees, particularly in light of the increase in international trade due to China’s imminent entry into the World Trade Organization.

The Government has mounted and promoted several schemes to encourage and promote the development of English language competence, and other organizations and agencies are offering more, and improved, training programs. However, the employers believe that more effort and initiatives are required to maintain and improve English language competence in Hong Kong.

Recognizing the need of a territory-wide validation and benchmarking mechanism to assess the proficiency and competence of the English language learners, the VTC operates a Hong Kong Vocational English Program (HKVEP) to assist the course providers to achieve specific
competence of their English language training courses. The purpose of HKVEP is to encourage and support the development and provision of language training to meet specific language needs in the Hong Kong workplace. It encompasses training courses targeted at a particular workforce (e.g., by occupation, organization or industry) and training courses targeted at a particular language use (e.g., written correspondence, oral transactions for goods and services).

Unlike many examination boards, HKVEP does not set external examinations. The training provider in consultation with the HKVEP administrator develops assessments appropriate to the specific language skills required. However, the standards set to measure learners’ performance on assessments are calibrated against the internationally recognized scales of language proficiency of the Council of Europe. Training providers, therefore, are able to design courses that focus on the development of the specific language skills and at the same time demonstrating that externally recognized standards are met, whereas learners who follow such courses can attain appropriate certification at internationally recognized levels of language competence.

4.4 IT Skills Assessment Center

As Hong Kong is becoming a knowledge-based society, an increasing proportion of her workforce now works in the IT sector of the economy. There is a strong demand of IT-related training programs and many providers are offering these programs at various levels of quality and standard. Consequently completion of a program offers no guarantee to the employers regarding the competency level of the trainees. Therefore there is a genuine need to develop an objective skills assessment system recognized by the employers to evaluate the IT competence of the workforce.

The VTC has set up an IT Skills Assessment Center in collaboration with professional organizations and government agencies to provide computer-based trade tests and skill assessment services to the IT professionals. The Center’s objectives are to establish a comprehensive qualification framework for various levels of IT skills and to provide an assessment mechanism to measure the progress and level of achievement of the trainees in the training ladder. The first phase of the project covers the entry level programs, such as the youth
pre-employment training and the IT assistant training. In later phases, it will cover programs in web-based technologies, network engineering, systems development, Linux operating system, and object oriented programming.

4.5 An e-Learning Portal

During the past few years, the Government has placed increased emphasis on using IT in education. At the primary and secondary schools level, all teachers are expected to complete a basic IT training course by the year 2003. In addition, millions of dollars have been awarded to the local schools through the Quality Education Fund to upgrade their computer facilities and to improve the IT competency of the teachers and the students. And the VTC has also invested substantial amount of resources to enhance the IT infrastructure at its campuses and training centers, and to develop application software to facilitate the academic and administrative functions.

While these initiatives have improved the physical learning environment and students’ IT proficiency, the delivery of interactive learning materials through the Internet is still largely limited to tertiary educational institutions in Hong Kong. However, in the next two to three years, because of the increased popularity of broadband network, it would be faster and easier to deliver data intensive multimedia files across the Internet. Hence it would be technically feasible to offer Web-based training programs to learners through the school network and private Internet service providers.

Anticipating the growing demand of e-learning services, the VTC has set up an e-learning portal to provide sophisticated, flexible, on-demand, interactive education and training programs. A number of courses have been put on-line and the learning materials include a combination of audio, video, text, graphic animation and interactive exercises. A network infrastructure has been built and systems management and courseware development tools have been developed to support both asynchronous and synchronous learning. In addition, the portal consists of an Enterprise Learning Management System to capture and store all the essential information into a central database and to track the progress and learning outcome of the learners. In addition,
the System features a pre-enrollment proficiency test that determines the ability of the learners in order to customerize the training program tailored to their individual needs.

5. Conclusions

In a knowledge-based economy like Hong Kong where manpower requirements change rapidly due to economic restructuring and technological advancement, the introduction of the discretionary grants provides significant flexibility to the VTC in its effort to meet the needs of the employers and the community. The availability of an internal reserve allows the VTC to undertake many experimental VET programs to fill a market niche and to evaluate the users acceptance, which otherwise would be very difficult to perform in a timely manner under the VTC’s mainstream operation. The new initiatives carried out by the VTC are originated from strong social demand, and they are financially viable and have a potential for further expansion. In view of the positive experience in Hong Kong, it is recommended that those VET organizations that are funded on the deficiency grant basis might encourage their funding agencies to consider the discretionary grant approach.