

## **Legislative Council Education Panel**

### **Review of the Native-speaking English Teacher (NET) Scheme**

#### **Purpose**

The Administration undertook at the Panel meeting on 11 July 2005 to review the remuneration package for the NET Scheme in the light of the high NET turnover rate and large-scale recruitment needs in recent years. This paper seeks Members' views on improved support for the NET Scheme as well as proposed modifications to the NET remuneration package.

#### **Background**

2. We reported to the Panel in July 2005 that based on our preliminary survey we expected the attrition rate of primary and secondary NETs might reach 49% and 46% respectively. The actual turnover of NETs after the summer vacation is 46% (67 out of 146) of primary NETs and 53% (83 out of 154) of secondary NETs with contracts expiring at the end of the 2004/05 school year. The attrition rates are the highest since inception of the schemes (see paragraph 9 below).

3. We conducted a survey amongst all NETs collating views and information on the working environment as well as the NETs' spending pattern to assist a review of the support given to NETs and the attractiveness of the NET remuneration.

4. The total number of NETs recruited through the Education and Manpower Bureau in the 2005/06 school year are 427 in secondary schools and 376 in primary schools. In primary schools, 180 of them are serving in one school (increased from 125 in July 2005) while 196 are serving two schools. While we can continue to cover vacancies, the high turnover of NETs is not conducive to continuity and professional growth at the student and teacher levels in schools. Although we have managed gradually to increase the total number of primary NETs this year (from 332 last year), the high attrition has dampened the pace to move to one school one NET for our primary schools.

5. We have had a series of meetings with the NET Association (NESTA) and its sub-committee focusing on NET remuneration package to seek feedback on possible areas of improvement to attract and retain NETs serving in Hong

Kong. We have had constructive dialogue, though, as expected, we have not been able to reach complete agreement.

**Issues and considerations**

6. The survey results show that for NETs who said they would renew contracts, job satisfaction was the primary reason underpinning the choice, followed by attractive remuneration package and good working and support conditions in schools. For those who might not renew, the primary reason was that the remuneration package was not attractive enough, followed by insufficient job satisfaction, moving to other professional opportunities and lack of support from schools. Hence, attractiveness of the NET package and job satisfaction are the two major factors affecting whether a NET will continue in the scheme.

***A. Attract and retain quality NETs***

7. There are two major aspects in remuneration; namely, whether the NET package is attractive enough to bring fresh entry of NETs into Hong Kong, and secondly, whether the package is attractive enough to retain serving NETs.

*(i) Retention problem*

8. In the last few years, we managed to recruit a steady flow of new NETs to Hong Kong despite many unfavourable external conditions, including the two civil service pay cuts, depreciation of the US dollar (and hence Hong Kong dollar) against the currencies of the NETs’ home countries, more restriction on outflow of teachers in these countries (e.g. shortened no-pay leave the NETs can come to work in Hong Kong while retaining teacher positions in their home countries), restrained working opportunities for the spouse of NETs in Hong Kong. In absolute terms, the NET package probably still retains a competitive edge, taking into account the low taxation in Hong Kong, but the attractiveness has clearly deteriorated.

9. The percentages of contract non-renewal (against those whose contracts are due for renewal in the respective school years) over the years are set out below:

School year	Primary NET	Secondary NET
2002/03	NA	48%
2003/04	39%	44%
2004/05	46%	53%

The result show that attrition percentages are way above the 20% originally envisaged when the scheme was first designed in 1998.

10. For primary NETs, since the scheme has only been introduced in the 2002/03 school year, we cannot establish which cohorts of NETs are more prone to leaving the scheme – so far nearly all cases of non-renewal are those who have reached the end of their first contract.

11. For secondary NETs we have more trend data. The position in the 2004/05 school year is set out below:

Years of serving in HK	Those whose contracts are due for renewal (A)	Those not renewing (B)	Attrition rate (%) (B)/(A)	Percentage of those not renewing (%) (B)/(C)
Up to 2 years	62	34	55%	41%
2 to 4 years	46	22	48%	26%
4 to 6 years	32	17	53%	21%
Over 6 years	14	10	71%	12%
Total	154	83(C)	54%	100%

12. The above indicates that NETs with up to 2 or 4 years of experience, i.e. those who are about to enter a second or third contract, is the category we are losing most NETs. This pattern is not educationally desirable. When a NET has come to teach in Hong Kong, the 1<sup>st</sup> school year may be the hardest year for the NET and the school to accommodate each other. If the NET and local teachers are working well through the 2<sup>nd</sup> year and onwards, it will be a great loss if such hard-earned experience drains away when the NET decides to leave after only 2 years. Schools will also find it difficult to accommodate a new NET every 2 years.

13. Under the current NET scheme, there is no promotion prospect for NETs however long they have served in Hong Kong. It is natural that, despite yearly applicable increments, the marginal attractiveness of the remuneration will diminish as the NETs have gathered experience.

14. We consider that we need to provide additional incentives for NETs with two to four years of experience to stay on. A NET who chooses to leave the scheme upon his or her 5<sup>th</sup> or 6<sup>th</sup> year is likely to have more personal or career planning considerations and less likely to be swayed by increasing the financial incentives.

15. We therefore propose to introduce a built-in gradation of cash incentive for longer service. More specifically, we propose that,

- (a) the remuneration package for the first two years of service shall remain unchanged;
- (b) the new retention incentive will only apply to a NET who has completed two years of continuous service;
- (c) the retention incentive will be pegged to the base salary of the NET (excluding any allowance) instead of a flat rate incentive so the qualification and experience of the NETs will automatically be taken into account;
- (d) for the 3<sup>rd</sup> and 4<sup>th</sup> year of service, the retention incentive be set at 5% of base salary and for NETs staying for the 5<sup>th</sup> year onwards, the retention incentive be set at 10%. For reference, a 5% incentive on average salary is about \$1,500 per month for primary NETs and about \$1,800 per month for secondary NETs;
- (e) the amount arising from the retention incentive will not attract contract gratuity, which will remain to be calculated at 15% of the base salary;
- (f) eligibility for the retention incentive is subject to the school management's satisfaction with the NET's performance and the willingness to retain his or her service. We will require school managements to conduct annual performance appraisal for NETs before granting the retention incentive;
- (g) for administrative simplicity, the incentive will be made payable on a monthly basis until the end of that school year based on the annual appraisal;
- (h) upon resolution or termination of contract before its natural expiry initiated by the NETs, the NETs will forfeit the eligibility for the incentive from the month the notice for resolution or termination of contract is served, and the incentive paid for the months prior to the serving of notice in that school year will be clawed back. However, transferal of performing NETs from one school to another for good reason will not be subject to the above forfeiture; and
- (i) the retention incentive is only justified if it really helps in reducing attrition rate of experienced NETs. The Administration will review the effectiveness and justifications of the retention incentive in retaining NETs on a continual basis.

*(ii) Special Allowance*

16. We introduced an adjustment mechanism to the Special Allowance (SA) payable to NETs in 2003 according to the movement of the private rental component of the Composite Consumer Price Index (CCPI) to replace the flat rate set in 1997. This was aimed to provide a more objective SA rate to reflect changes in costs of living. The adjustment mechanism resulted in a reduction

in the SA from \$13,000 per month (applicable since the 1998/99 school year) to \$10,500 per month (from the 2004/05 school year onwards). There was discontent amongst NETs in the 2004/05 school year, which aggravates when more NETs move to new contracts in the 2005/06 school year. The second year's salary reduction in 2005 necessitated by the civil service pay cut compounded the decrease in take home pay for the NETs.

17. Our survey has captured spending patterns on accommodation:

Range of rent being paid by NETs

Range of monthly rent	Percentage of NETs
Below \$5,000	5%
\$5,000-8,000	29%
\$8,001-11,000	38%
\$11,001-14,000	19%
\$14,001-17,000	4%
Over \$17,000	2%

18. With the present SA level, about 70% of NETs are paying a rent within the SA amount. The percentage may be lower than 70% as the survey was conducted in July whereas a good number of NETs have entered into new rentals by September 2005 amidst a rising rental market. In our survey, 54% of NETs reported having experienced rent increase and, in most cases, the increase is between 6% to 10%.

19. The rentals NET are paying are highly sensitive to personal choice of quality, location, and other characteristics of accommodation, as such it is not reasonable to expect the SA can help cover the full accommodation aspirations for all NETs. Nevertheless, the argument that NETs do not have full access to local rental market carries some truth and the lower-middle range accommodation may not be entirely open for NETs to consider. Balancing personal choice and limitations to market access, the above statistics may have shown that the existing SA rate may now be barely sufficient.

20. Our statistics show that about 51% of NETs come alone to work in Hong Kong, and the remainder with families. For those with families, 43% are with dependent children in Hong Kong, and 41% indicate that their spouses are not working. This means a good number of NETs are taking the SA as alternative income for their accompanying spouse and for meeting education cost of accompanying children. Another confounding variable is the change in work visa requirements for the accompanying spouses of expatriates making it more stringent for them to seek local employment.

21. There has been a request from some NETs for an enhanced SA for NETs with spouse and children. Nevertheless, to cater for family circumstance of NETs would defeat the original purpose of providing the SA as a non-accountable allowance for individual NETs to juggle with meeting living expenses as they think fit. We consider this not justified as in the final analysis it is the professional service provided by the NETs for which we are paying, not their personal circumstances which may involve a wide variety of circumstances including family.

22. That said, the Administration has revisited the SA to take into account the practical difficulties the NET community is facing. In the review process and also in consultation with the NESTA sub-committee, we explored a number of possibilities to bring the SA closer to latest market situation. In the process, the NESTA sub-committee conducted its own survey in September 2005. The result is that some 65% of 326 NET respondents to the poll indicate that they would prefer having the SA at minimal level of \$13,000 in the light of the rental burden they are facing. They would rather accept a flat rate allowance they consider more or less adequate, without changes from year to year, to give them certainty.

23. We consider that the SA is primarily an allowance to assist NETs in meeting accommodation cost. Therefore, the level of SA should be backed up by objective housing-related parameters. Upon revisiting the prevailing rental prices in the year 2005, we come up with a SA at \$12,950<sup>1</sup>, which lends support to the claim that the present SA is less than sufficient.

24. We therefore propose that the SA be adjusted to a level at \$12,950 in accordance with the prevailing fresh-letting rental prices. In order to address the immediate needs to meet prevailing accommodation costs and to have the earliest retention effect on NETs already serving in Hong Kong, we propose that the new level of SA should take effect for NETs already serving in the 2005/06 school year.

25. Also taking into consideration the NETs' overwhelming preference for more certainty, we propose that the SA will only be adjusted when significant changes have been accumulated instead of an annual adjustment. We will seek

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<sup>1</sup> For coming up with the new base rate for the SA, we have made reference to the territory-wide average fresh-letting rental prices of a typical accommodation at a size of 70m<sup>2</sup>, which shall be about reasonable taking into account the family profile of NETs in the context of Hong Kong. We have also made reference to the relevant rental prices from January to July 2005 (taking into account that typical NET contract commences in August) from the 'Private Domestic - average rents by Class' provided by the Rating and Valuation Department, which is about \$185/m<sup>2</sup>. The resulting figure is about \$12,950 (= \$185/m<sup>2</sup> x 70m<sup>2</sup>).

approval from the Finance Committee to delegate the authority to the Administration to make adjustments to the NET remuneration package, when necessary, taking into account various factors (such as changes in external conditions that impact on NET recruitment, attrition rates, changes in the housing-related parameters over the period, the affordability of the Government and other pertinent considerations). This will help the Administration respond to the market in a timely manner. The Administration, as the circumstances so warrant, will gather feedback from the NET community in conjunction with the then NET recruitment situation to exercise a balanced judgment before adjusting the SA.

*(iii) Other remuneration issues raised by NETs*

26. In the submission of the NET association to LegCo in July 2005, there are other requests for improvement of the NET remuneration package. On balance we do not consider that these other requests are justified. The requests that have been raised are set out and addressed below.

(a) Request for a general increase the NET gratuity from 15% to 25%

27. There is no apparent reason to justify a general increase of gratuity as an increase in the end-of-contract gratuity will not help NETs meet on-going living expenses.

(b) Request for an increase of medical allowance for NETs

28. NETs are now provided with a ceiling for them to procure medical insurance plans on a reimbursement basis. The provision was originally made in 1997 to reflect the average government cost of medical benefits paid to comparable civil servants. As NETs are on valid work visa and they enjoy the public sector medical services just like every member of the public, we consider that there is no case to improve on this medical provision as at present.

(c) Provide a new long-service payment for NETs with above 5 years' experience

29. According to the Employment Ordinance, any applicable long-service payment is an amount calculated on the basis of the monthly and number of years of continuous service over 5 years, less the gratuity payment made payable over the period. Since NETs are given a 15% gratuity across the board, the gratuity at this level has already negated the need to provide any separate long service payment.

## **Financial implications**

30. Using the current profile of about 800 NETs as basis for estimates, the introduction of the retention incentive to eligible NETs will incur an additional expenditure of about \$13.5 million per annum. The changes to the SA (from \$10,500 to \$12,950 per month) will incur an additional expenditure of about \$23.6 million per annum.

31. Since we will be increasing the number of primary NETs and assuming that we will recruit about 200 additional NETs to Hong Kong in the coming school years, the total additional expenditure for providing the retention incentive and increasing the SA to about 1 000 NETs will be about \$16.8 million per annum and \$29.4 million per annum respectively in the longer run.

### ***B. Strengthen support to schools and NETs***

32. The survey we conducted in July 2005 collated evaluative feedback of NETs on the working conditions and adequacy of support provided to them. The overall perception is positive and most NETs like being a NET. The NETs do not see problems working in local schools with local teachers, and teaching local students, and generally NETs can work well with local teachers, English panels and school heads.

33. Nevertheless, the NETs are less positive about their own professional growth. Generally, they consider they bring more benefits to local schools, but have learnt less from the local teachers and schools. When it comes to needing support, the NETs feel that the school management has not always been helpful. On support from EMB, the primary NETs have a much higher evaluation than the secondary NETs. This probably reflects the fact that primary NETs are supported by the extensive network of the Advisory Teaching (AT) Team, while similar support network for secondary NETs is not provided.

34. The results indicate that the professional collaboration between local teachers and NETs has room for improvement. This is particularly so in some school contexts where NETs feel they lack support from the school managements and EMB.

35. There is also some discontent regarding matters of school administration which are entirely within the responsibility of the school management. For example, in the survey we found that,

- 6% of NETs reported that their salary payment is not always on time;
- 24% of NETs do not think the summer break is sufficiently long;



- 43% of NETs do not find leave arrangement agreeable and amongst them 22% are feeling frustrated;
- 64% of NETs say they have to sit through staff meeting or professional development day conducted in Chinese, amongst them 28% think they can handle as their local colleagues have helped to translate but the remainder 36% feel frustrated as they cannot understand and contribute; and
- 38% of NETs say they have to stay behind at schools even if there are no particular duties to deliver, amongst them 20% accept this as on-par with local teachers and the remainder 18% feel troubled by the arrangement.

36. We must stress that not all the above reflect administrative wrong-doing. The school culture in Hong Kong is very different from that in the home countries of NETs – like the supervising practices in schools, workload and other school duties assigned to teachers, expectation on teachers to work outside school hours and so on. The cultural clash in some incidents is amplified when schools apply “fair treatment” mechanically and inflexibly to all teachers including NETs (for example, requiring NETs to sit through meeting conducted in Cantonese). There are ways the school management can make more considerate arrangements to put the professional time of the NETs to better use.

37. In sum, there are obvious areas to strengthen support with a view to helping boost job satisfaction of NETs. These include professional development and teacher collaboration between local teachers and NET in the primary sector, professional development opportunities for secondary NETs, rationalisation of school management practices, and more central (EMB) support given to NETs experiencing problems working in schools.

38. At present, the support network established for primary NETs is well recognised. In 2004 to 2005, the professional development for primary NETs and their local counterparts has undergone restructuring to provide more thematic and structured professional sharing opportunities for NETs and local teachers. A reading programme led by the NET Section of EMB is being piloted in over 100 primary schools and it also provides an added platform for professional collaboration and learning. In 2005, five more Advisory Teachers (ATs) were engaged to help support the gradual expansion of primary NET scheme towards one-school-one-NET.

39. In the first half of 2005, we have also provide more assistance to NETs in the following areas:

- intervention to help persuade school managements to give more consideration to NETs regarding leave or other administrative arrangements where justified in the light of the NETs' cultural context. A new set of guidelines for secondary schools on NET deployment has just been promulgated in September 2005;
- giving sympathetic considerations to the overseas qualification and experience assessment of NETs; and
- channeling and bridging information flow between government and the NET community through electronic means and NESTA, for example, informing NETs on availability of public sector places that may accommodate children of NETs.

40. We will continue to provide and strengthen support in the above areas in the coming school years, including providing more guidelines to schools on administration of the NET scheme and on NET deployment, for example,

- more flexible leave arrangement to relieve NETs for their major festive holidays (like Christmas) and compassionate occasions, on the basis that the NETs may make up duties on other occasions to ensure fairness with local teachers; and
- arrangements can be made so that NETs and local English teachers can be actively and constructively engaged or to support the work of the English Panel.

41. The Administration plans to initiate more changes to support secondary NETs. Secondary NETs are now also invited to join the AT's professional development activities. The Administration has begun to step up support through establishing a support network for secondary NETs in this school year.

### **Way Forward**

42. Subject to Members' agreement, the Administration will seek approval from the Finance Committee as soon as possible to implement the proposed changes to the NET remuneration package with effect from the 2005/06 school year.

43. The Administration will continue to press ahead strengthening support to schools and NETs on professional deployment and school administration of the NET Scheme.

**Education and Manpower Bureau**  
**October 2005**