

ITEM FOR FINANCE COMMITTEE

**Head 156 – GOVERNMENT SECRETARIAT :
EDUCATION BUREAU**

Subhead 700 General non-recurrent

**Item 922 Grant to an Early Retirement Ex-gratia Payment Fund for Aided
Secondary School Teachers**

Members are invited to approve an extension of the Early Retirement Scheme for Aided Secondary School Teachers for four school years from 2009/10 to 2012/13 within the existing approved allocation.

PROBLEM

There is a need to tackle the problem of surplus teachers and to facilitate turnover in the teaching profession beyond the 2008/09 school year so as to help schools to better prepare for and smoothen the implementation of the new senior secondary (NSS) curriculum.

PROPOSAL

2. The Secretary for Education proposes to extend the Early Retirement Scheme for Aided Secondary School Teachers (ERS) for four school years from 2009/10 to 2012/13, using the remaining balance of the Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers (the Fund) approved by the Finance Committee (FC) in July 2005. Teachers in aided secondary schools who meet the eligibility criteria for the ERS and wish to retire early, and whose applications are supported by the School Management Committees/Incorporated Management Committees concerned, will be eligible for an ex-gratia payment to be paid out of the Fund.

/JUSTIFICATION

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3. In July 2005, FC approved a one-off grant of \$520 million for setting up the Fund to implement the ERS for three school years from 2006/07 to 2008/09. As at end January 2009, the Fund had an outstanding balance of \$361 million. We see a need to continue to run the ERS for four more school years until the end of the 2012/13 school year for the reasons explained in the following paragraphs.

Curriculum Needs

4. Since its launch in the 2006/07 school year, the ERS has, to a fair extent, facilitated schools to resolve the subject mismatch of teachers arising from the imminent implementation of the NSS curriculum. Schools are now actively preparing for the curriculum reform under the NSS academic structure, including the number and type of NSS courses to be made available to students. With a deeper understanding of and new insights into the curriculum requirements gained through training programmes provided by the Education Bureau (EDB), schools have become more sensitive to the need to cater for students' diverse interests and abilities under the NSS academic structure by offering a wider range and better mix of NSS subjects for selection by students. To ensure better continuity and interface, some schools have also reformed their junior secondary curriculum to strengthen students' foundation knowledge in preparation for their taking up new NSS subjects such as Liberal Studies and those under Technology Education. In the light of the above preparatory work, some teachers may reconsider their suitability or capacity to cope with the changes and may prefer to leave the teaching sector before their retirement age. While it would be difficult to estimate the number of teachers involved at this stage, we nonetheless consider that an extension of the ERS will provide schools with greater flexibility in re-adjusting the manpower mix and more opportunities for recruiting new blood to better prepare for and smoothen the implementation of the NSS curriculum.

Teacher Redundancy

5. To address the impact of the declining secondary student population in the coming few years, EDB has introduced a series of support measures to maintain the stability of the teaching force. These include relaxing the criteria for approving classes and reducing the number of students allocated to each secondary 1 class. Other measures currently in place include job-sharing, re-deployment of teachers among schools of big school sponsors, allowing teachers to take no-pay leave and creation of temporary vacancies by schools' own funds, etc. While such measures have helped to alleviate the redundancy situation, they

may not be able to adequately address the problem. We estimate that a slight surplus of some 100 teachers may arise in the 2009/10 and 2010/11 school years respectively. While the need for ERS may subside in the 2011/12 school year when the two cohorts of students under the existing system and the NSS academic structure co-exist (i.e. the double cohort year), we consider that the ERS should be allowed to operate until the end of the 2012/13 school year to cater for the aftermath of the double cohort year.

Healthy Turnover

6. By allowing some teachers to retire early in the 2009/10 to 2012/13 school years, we can make available more teaching posts to fresh graduates, thus maintaining a healthy turnover in the teaching profession.

Extension of the ERS

7. Subject to Members' approval for the extension of the ERS, EDB will continue to operate the ERS largely based on the existing features (in terms of eligibility criteria, calculation of ex-gratia payment, application procedure, etc). Such features are set out at the Enclosure. EDB will also abide by existing practices in administering the Fund. Such practices include holding the balance of the Fund in trust under the Permanent Secretary for Education Incorporated, tabling the audited accounts of the Fund before the Legislative Council (LegCo) as soon as practicable after the closing of accounts at the end of each financial year, and informing the LegCo Panel on Education annually of the operation of the Fund.

Encl.

FINANCIAL IMPLICATIONS

8. EDB will determine the number of teachers who may join the ERS each year, having regard to the manpower requirement and the estimated number of surplus teachers of individual schools, the estimated supply and demand of teachers territory-wide in the school year concerned and the availability of funding.

9. As mentioned in paragraph 5 above, we estimate that a slight surplus of some 100 teachers may exist in the 2009/10 and 2010/11 school years respectively. However, as it would be difficult to predict at this stage the number of teachers who will join the ERS due to reasons other than redundancy (such as subject mismatch in their schools), we will only be able to set the annual ERS quota nearer the time. Based on the average ex-gratia payment of \$0.54 million paid to each ERS participant in the 2008/09 school year, the remaining balance of the Fund of \$361 million will be sufficient to support ex-gratia payment for about 660 teachers in the period from the 2009/10 to 2012/13 school years.

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10. No extra injection of funding is required for the proposed extension. Any funding that is surplus to requirement after completion of the ERS will be returned to the Government. We will absorb the administrative costs of managing the ERS and the Fund from existing resources of EDB.

PUBLIC CONSULTATION

11. We consulted the school councils and teacher associations concerned on the proposed extension. They all welcomed the proposal which they agreed would help ease the problem of teacher redundancy and facilitate a healthy turnover in the teaching profession.

12. We also consulted the LegCo Panel on Education on the proposed extension of the ERS at its meeting on 9 March 2009. Members in general supported the proposal. Some Members suggested allowing school sponsoring bodies operating more than one school to process their ERS applications collectively so as to allow more flexible use of the Fund. We would consider this suggestion, with a view to addressing the needs of the school sector within the ambit of the ERS.

BACKGROUND

13. The FC approved in July 2005 vide FCR(2005-06)25 a one-off grant of \$520 million for setting up the Fund to implement the ERS. The objectives of the ERS are to provide an incentive in the form of ex-gratia payment for eligible teachers of aided secondary schools to retire early so as to facilitate schools to resolve the subject mismatch of teachers arising from implementation of the NSS curriculum, to ease the problem of teacher redundancy, as well as to make available teaching posts to fresh graduates, thereby maintaining a healthy turnover in the teaching force.

14. The ERS was implemented from the 2006/07 to 2008/09 school years as planned. Ex-gratia payment was made to 444 teachers out of the Fund, amounting to a total of \$219 million. The balance of the Fund as at end January 2009 stood at \$361 million, including \$60 million as the interest received. The ERS has helped facilitate a healthy turnover among the aided secondary schools in the past few years.

Outline of the Extension of the Early Retirement Scheme

(1) The Scheme

- (a) The Scheme is entitled Early Retirement Scheme for Aided Secondary School Teachers (ERS).
- (b) The ERS was implemented from the 2006/07 to 2008/09 school years as planned. It is proposed that the ERS should be extended for four more school years from 2009/10 to 2012/13.

(2) Eligibility

- (a) The Scheme is open to all teachers, irrespective of rank, below the normal retirement age of 60 (as at 1 September of the year in which the applicant is retiring) who have been appointed as regular teachers within the normal teaching staff establishment in aided secondary schools (including special schools) in the 2009/10 to 2012/13 school years but excluding teachers with less than ten years of service.
- (b) Teachers who have given notice to resign or are subject to disciplinary action leading to termination of their service are not eligible to join the ERS.

(3) Calculation of the Ex-gratia Payment

- (a) The ex-gratia payment is a one-off grant calculated on the basis of one month of the last substantive salary of the teacher concerned for every two complete years of recognised service in the aided school sector, subject to a cap of 12 months' salary.
- (b) For teachers who are over the age of 55 (as at 1 September of the year in which the applicant is retiring), the ex-gratia payment will be discounted according to the following scale –

Age as at 1 September of the year in which the applicant is retiring	56	57	58	59
Discount factor	25%	50%	75%	100%

(4) Quota

- (a) There will be an overall quota on the number of teachers who may join the ERS before the start of each of the school years concerned which will be determined by the Education Bureau (EDB), having regard to the estimated supply and demand of teachers territory-wide and the manpower requirement and estimated number of surplus teachers of individual schools in the school year concerned as well as the availability of funding.
- (b) The number of teachers in a school to be allowed to retire early each year will take into account a three-year manpower development plan prepared by the school concerned in support of its teachers' applications. In the plan, the school is required to provide information on attrition of teachers, the requirement for teaching staff to meet operational needs arising from the curriculum reform and new initiatives, and the anticipated reduction of classes, if any, in the next three school years.
- (c) Non-teaching staff are not eligible for ERS.

(5) School-based Criteria

- (a) The School Management Committees (SMCs)/Incorporated Management Committees (IMCs) of schools concerned should work out a set of school-based criteria, having regard to the schools' needs such as school development, subject requirements, etc., to determine the priority of the teacher applicants to join the ERS.
- (b) The formulation of the school-based criteria should be open, fair and transparent.
- (c) The set of school-based criteria and the restriction on re-employment under the Scheme should be made known to all eligible teachers to assist them in their decisions.

(6) Priority

The objectives of the ERS are to facilitate schools to resolve the subject mismatch of teachers arising from implementation of the new senior secondary curriculum, alleviate teacher redundancy and maintain a healthy turnover in schools where new blood for the teaching force is required to

take forward the curriculum reform. When approval for ERS applications on a competitive basis is required (i.e. when the number of eligible applicants exceeds the quota), applications will be processed by EDB in accordance with the following order of priority –

- (a) teachers whose retirement will facilitate implementation of the new senior secondary curriculum in schools;
- (b) teachers whose retirement will alleviate teacher redundancy in schools with reduction of classes; and
- (c) in the event that there are applications the approval for which cannot be determined by either or both of the above criteria, then such applications will be processed by drawing lots.

(7) Appeal Mechanism

- (a) SMCs/IMCs of schools concerned should work out an appeal mechanism for teachers who are not satisfied with the process/results of applying the school-based criteria.
- (b) The appeal mechanism should be made known to the teachers.

(8) Application Procedure

- (a) Eligible teachers may apply, on a voluntary basis, through their schools for early retirement under the ERS.
- (b) Schools concerned should prioritise the teacher applicants according to the school-based criteria, and make nominations to EDB for approval.
- (c) Schools are required to confirm that their operation will not be adversely affected by the early retirement of the teachers nominated.

(9) Re-employment Restriction

- (a) ERS participants are not allowed to take up full-time or part-time teaching employment (including teaching posts created by government funds which are for the purpose of providing additional teachers to schools, but excluding daily-rated part-time jobs each of duration of not more than 90 days) in government, aided, caput and direct subsidy scheme schools. The Permanent Secretary for Education may repeal such restriction when circumstances warrant such action, or waive the restriction exceptionally in respect of individual teachers where there are strong justifications related to operation of the schools concerned.
- (b) The re-employment restriction will take effect from the date of early retirement, normally September in the school year in which the teacher is retiring.

(10) Undertaking

- (a) Upon approval by EDB to join the ERS, the teacher is required to sign an undertaking to the effect that he/she will never take up full-time or part-time teaching employment (including teaching posts created by government funds which are for the purpose of providing additional teachers to schools, but excluding daily-rated part-time jobs each of duration of not more than 90 days) in government, aided, caput and direct subsidy scheme schools. The re-employment restriction will take effect from the date of early retirement, normally September in the school year in which the teacher is retiring.
- (b) The teacher's decision to join the ERS is irrevocable after signing the undertaking.

(11) Implementation

The extension of the ERS will be implemented in the period from 2009/10 to 2012/13 school years.
