

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

HEAD 142 – GOVERNMENT SECRETARIAT : OFFICES OF THE CHIEF SECRETARY FOR ADMINISTRATION AND THE FINANCIAL SECRETARY

Subhead 000 Operational expenses

Members are invited to recommend to Finance Committee the creation of the following supernumerary post in the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office for a period of three years from 1 April 2013 to 31 March 2016 –

1 Principal Economist
(D2) (\$133,150 - \$145,650)

PROBLEM

We need dedicated staffing support at the directorate level in the Economic Analysis Division (EAD) of the Economic Analysis and Business Facilitation Unit (EABFU) under the Financial Secretary's Office (FSO) to enhance the economic research capacity in support of the new initiatives of the Fourth Term of the Government.

PROPOSAL

2. We propose to create one supernumerary Principal Economist (Pr Econ) (D2) post for a period of three years from 1 April 2013 to 31 March 2016 to lead a new dedicated team to enhance the economic research capacity of EAD of EABFU under FSO.

/JUSTIFICATION

JUSTIFICATION

Role and Operation of EABFU

3. EABFU, established in June 2004, comes under FSO. The Government Economist (G Econ) (D4) is the head of EABFU, who leads two Divisions, namely EAD and Business Facilitation Division, to provide timely and strategic advice and analysis on economic implications to the Financial Secretary and Principal Officials in the formulation of Government policies, and to spearhead business facilitation to cut red tapes and reduce business compliance costs for ensuring a favourable business environment.

4. Within EAD, G Econ is supported by four Pr Econs, each leading a small section (Sections I to IV) to render economic analyses and advice in specific areas to support the formulation of Government policies and programmes. The key responsibilities of EAD are as follows –

- (a) closely monitor all significant developments both globally and locally for their potential implications on the Hong Kong economy, including the property market;
- (b) conduct in-depth studies on issues that are vital for the strategic and long-term development of Hong Kong (examples include economic impact assessments on the Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA), Economic Cooperation Framework Agreement (ECFA) and free trade agreements, and economic evaluation of infrastructure projects);
- (c) provide economic assessment and advice to all Government Bureaux/Departments in their policy deliberations (examples include high frequency monitoring of the impact of Statutory Minimum Wage (SMW); policy studies on earnings mobility; income disparity; and standard working hours); and
- (d) closely monitor the international competitiveness of Hong Kong and assess Hong Kong's strengths and weaknesses from all relevant aspects, and to identify areas for further improvements.

5. The work portfolio of EAD has expanded significantly over the past few years. Apart from macro-economic monitoring and forecasting, EAD is now also closely involved in the monitoring work of housing market and also in monitoring and understanding poverty, and in assessing the impact of labour welfare and SMW. To support the formulation of policy initiatives of the Fourth Term of the Government, it is necessary to create one Pr Econ post to enhance the research capacity of the EAD to ensure it could continue to provide high-quality and timely input into the policy deliberation process. Justifications are provided in the ensuing paragraphs.

/New

New Policy Initiatives

6. As a result of the secular trend of globalisation, Hong Kong has been facing increasing threat from keener competition in the international arena; pressing needs to enhance regional cooperation and integration and to promote new growth areas; and also more frequent occurrences of regional and global economic and financial crises. At the same time, there have also been a number of deep-rooted challenges, including the limited supply of land and housing; an ageing population that would lead to manpower shortfall; persistent income and wealth disparity; and the need to alleviate poverty and ensure that economic growth can indeed benefit all spectrums of the community.

7. Against the above background, the Chief Executive has presented a number of initiatives to address the economic challenges faced by Hong Kong in a holistic manner in his Election Manifesto. These initiatives include –

- (a) to formulate population policy with short, medium and long-term goal; address various issues arising from our ageing population;
- (b) to coordinate long-term economic development strategy; build a new system of co-operation with the Mainland; consolidate and raise the status of Hong Kong as an international financial centre;
- (c) to formulate a long-term housing strategy; assist middle-income families to buy their own homes; improve the public housing policy; and
- (d) to formulate social welfare policy to alleviate poverty; support the elderly and provide for their needs.

8. The formulation of these key policy initiatives requires in-depth policy research and analyses of the underlying socio-economic phenomena and careful deliberations on the various policy options. EAD is expected to provide in-depth analyses from the economic angle in the following areas –

- (a) Population policy

Population policy is among the top concerns of the public. In the new Steering Committee on Population Policy (SCPP), G Econ and her team will be tasked to provide detailed research on the potential consequences of ageing on the Hong Kong economy, assessing its impact on Hong Kong's long-term growth potential; the build-up in manpower shortage and skills mismatch; and examining the fiscal sustainability over the long-term with growing welfare and medical spending yet with shrinking population of taxpayers. EAD is also expected to provide in-depth economic analysis to SCPP and the Administration in the formulation of population policy.

/(b)

(b) Poverty and welfare issues

The Fourth Term Government accords high priority to the work of poverty alleviation. EAD has to provide full support to the work of the reinstated Commission on Poverty in monitoring Hong Kong's poverty situation and measuring the effectiveness of our poverty alleviation policies. Specifically, EAD will strengthen research and analysis on the underlying causes of poverty, including the elderly, the working poor, inter-generational poverty, poverty affecting new immigrants, and regional poverty.

(c) Economic development

The newly established Economic Development Commission will provide visionary direction and advice to the Government on the overall strategy and policy to broaden Hong Kong's economic base and to enhance Hong Kong's economic growth and development. Support is required from EAD in terms of strategic inputs and advice from the economic analysis perspective.

(d) Housing policy

G Econ is one of the three ex-officio members of the Steering Committee on Long Term Housing Strategy to render an economic perspective to the policy formulation process. Specifically, EAD will play a key role in the assessment of the long-term housing demand, including the trends in the public and private housing segments, and the implications of their different mix on the property market and macro economy.

Need for a New Pr Econ Post

Current Situation

9. With the substantial increase in workload in EAD after the outbreak of the global financial crisis, coupled with the need for close monitoring of the heated property market and the heavy duties to support the work of the new SMW policy, the capacity in EAD has already been over-stretched, even after re-shuffling of duties and resource re-deployment amongst the four Sections.

10. Having regard to the scope, complexity and policy significance of the work required to support the new policy initiatives in paragraph 7 above, there is a genuine need to create a new section in EAD (to be named Section V) to be headed by a Pr Econ, to enable G Econ to cope with the envisaged growth in portfolio so as to provide the required timely and strategic inputs and analyses to the high-level Committees and Commissions as mentioned in paragraph 8 above.

/The

The New Section

11. On creation of the new Pr Econ post leading Section V in EAD, he/she will be required to take up specifically the research, analysis and advisory work on policy initiatives relating to welfare, population and poverty.

12. The proposed Pr Econ post, to be designated as Pr Econ (5), will lead Section V under EAD to be underpinned by a Senior Economist, an Economist and a Statistical Officer I. A time-limited Personal Secretary I post will also be created to provide secretarial support to the Pr Econ to tie in with his/her tenure.

Encl. 1 13. The proposed job description of Pr Econ (5) is at Enclosure 1. The
Encl. 2 & 3 organisation chart of EABFU before and after the proposed creation of the Pr Econ post is at Enclosures 2 and 3 respectively.

ALTERNATIVES CONSIDERED

14. We have considered the alternative of internal staff re-deployment other than the creation of the supernumerary Pr Econ post but found it not feasible, as the capacity of the existing four Pr Econs has already been stretched to their limits. Given the heavy work schedules of the existing four Pr Econs and the need to cater for the growing demand for their services, it is operationally not possible for them to fully and effectively absorb and deliver the additional duties and responsibilities in support of the new major policy initiatives that need to be crafted out as early as possible.

15. Specifically, Section I is fully occupied by high frequency monitoring of the macro-economic environment, including all the major macro risks from quantitative easing, evolving developments of eurozone debt crisis, and assessments of their potential shocks on the Hong Kong economy. Sections II and III are responsible for rendering economic analysis and advice on a wide range of major policy areas, including housing, major infrastructure programmes, town planning, land, transport, regional, international trade and free trade agreements, environmental protection and public utilities. The volumes of work in Sections II and III have likewise built up substantially in recent years, especially in the monitoring work of housing market and the Economic Impact Assessment (EIA) on major infrastructure projects, and regular updates of the economic benefits of CEPA, and EIA on ECFA etc. Section IV is responsible for monitoring the unemployment situation and also providing impact assessments on all labour and manpower policies. Over the past two years, Section IV is fully tied up with numerous important studies, including in particular, impact assessment on statutory

/minimum

minimum wage (in collaboration with the Minimum Wage Commission Secretariat); impact assessment on paternity leave; manpower projections; and the development of an analytical framework for standard working hours.

FINANCIAL IMPLICATIONS

16. The proposed creation of the Pr Econ post will bring about an additional notional annual salary cost at mid-point of \$1,696,200. The additional full annual average staff cost, including salaries and staff on-cost is \$2,229,000.

17. As for the four non-directorate civil service posts mentioned in paragraph 12 above, the notional annual salary cost at mid-point is \$2,676,360 and the full annual average staff costs, including salaries and staff on-costs, is \$3,316,000.

18. We will include sufficient provision in the draft Estimates of 2013-14 and subsequent years to meet the cost of the proposed creation of the supernumerary directorate and non-directorate posts.

PUBLIC CONSULTATION

19. On 17 December 2012, we consulted the Legislative Council Panel on Public Service on the above staffing proposal. Members supported the submission of this proposal to the Establishment Subcommittee.

ESTABLISHMENT CHANGES

20. The establishment changes of Head 142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary for the past three years are as follows –

Establishment (Note)	Number of posts			
	Existing (as at 1 January 2013)	As at 1 April 2012	As at 1 April 2011	As at 1 April 2010
A	29 [#]	29 + (1)	29 + (1)	29 + (1)
B	110	108	109	103
C	364	352	352	345
Total	503	489 + (1)	490 + (1)	477 + (1)

/Note

Note:

- A - ranks in the directorate pay scale or equivalent
- B - non-directorate ranks, the maximum pay point of which is above MPS point 33 or equivalent
- C - non-directorate ranks, the maximum pay point of which is at or below MPS point 33 or equivalent
- () - number of supernumerary directorate post
- # - as at 1 January 2013, there was no unfilled directorate post

CIVIL SERVICE BUREAU COMMENTS

21. The Civil Service Bureau supports the proposed creation of the supernumerary Pr Econ post for a period of three years with effect from 1 April 2013 to lead a new dedicated team to enhance the economic research capacity in support of the new initiatives of the Fourth Term Government. The grading and ranking of the proposed post are considered appropriate having regard to the level and scope of responsibilities required.

ADVICE OF THE STANDING COMMITTEE ON DIRECTORATE SALARIES AND CONDITIONS OF SERVICE

22. As the post is proposed on a supernumerary basis, its creation, if approved, will be reported to the Standing Committee on Directorate Salaries and Conditions of Service in accordance with the agreed procedures.

Economic Analysis and Business Facilitation Unit
Financial Secretary's Office
February 2013

**Job Description
Principal Economist (5)**

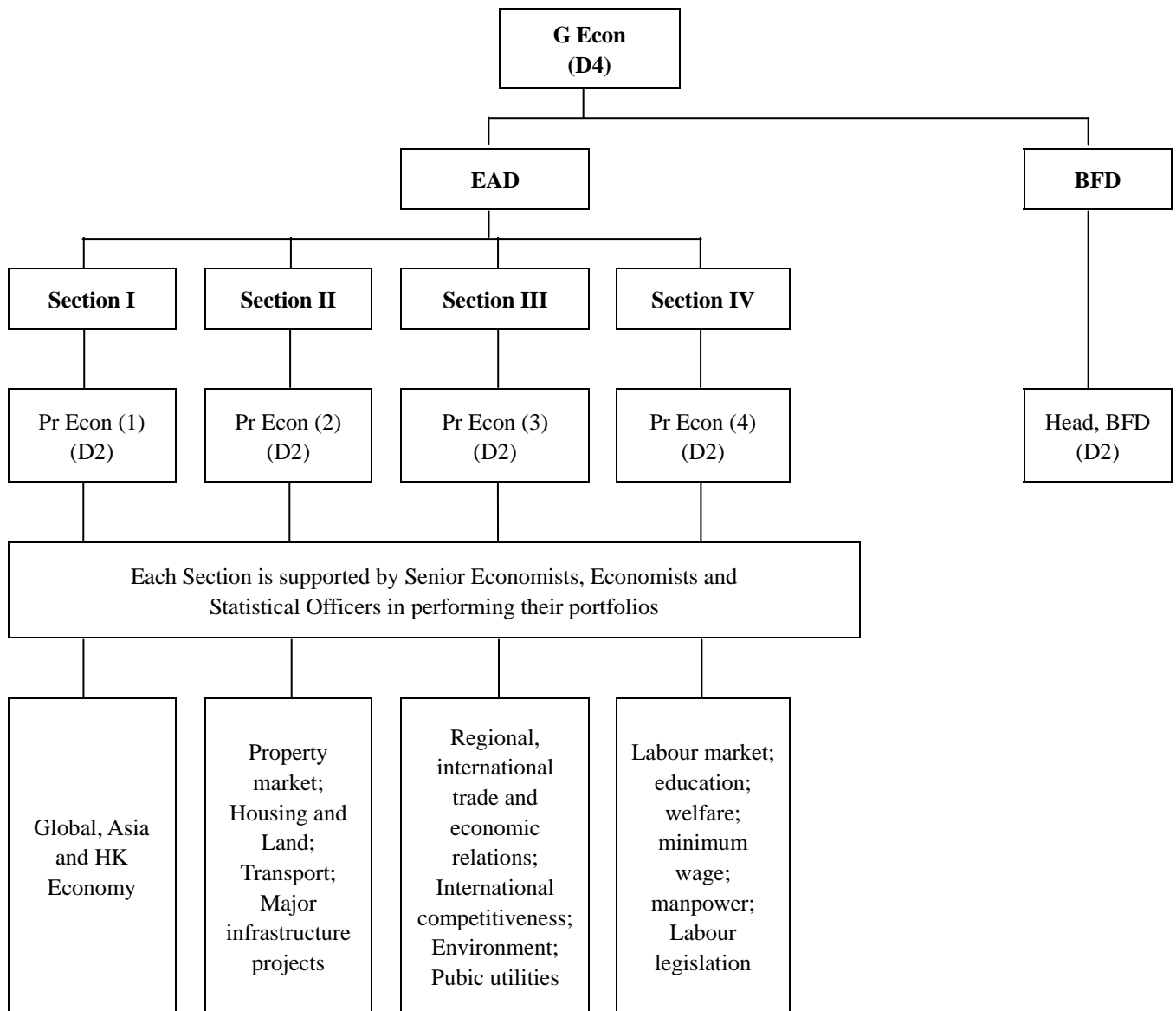
Rank : Principal Economist (D2)

Responsible to : Government Economist

Main Duties and Responsibilities –

1. To assist the Government Economist (G Econ) in providing strategic input to the policy areas in respect of population, poverty and welfare.
2. To develop appropriate analytical frameworks for policy deliberations in the areas of population, poverty and welfare.
3. To provide economic analysis and support to various high-level committees/commissions chaired/coordinated by Principal Officials or Heads of Bureaux in areas relating to population, poverty and welfare, including Commission on Poverty and its Task Forces, Steering Committee on Population Policy etc.
4. To carry out other duties as directed by G Econ.

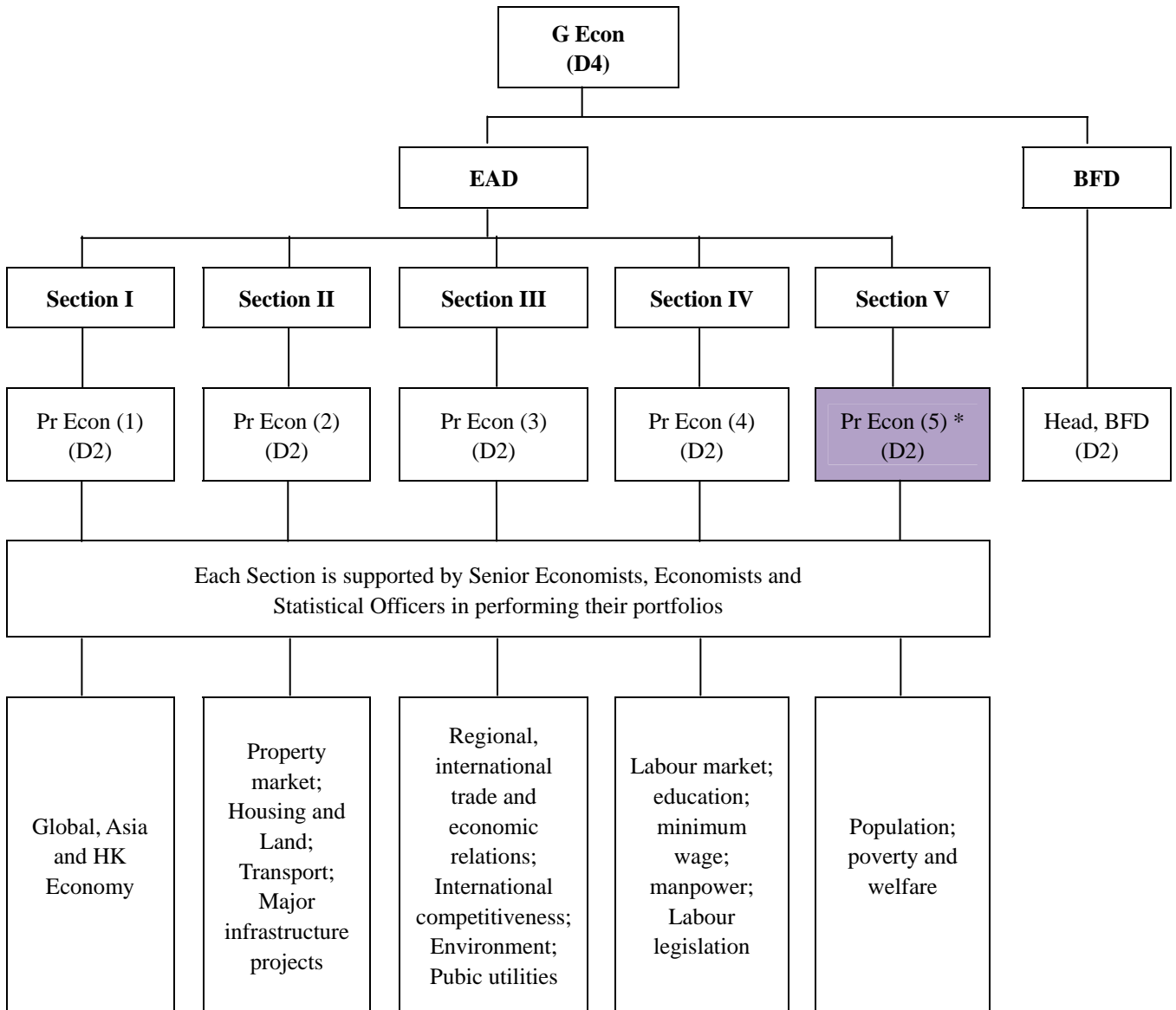
**Organisation Chart of Economic Analysis Division
before the proposed creation of Principal Economist (D2) post**



Legend

- BFD Business Facilitation Division
- EAD Economic Analysis Division
- G Econ Government Economist
- Pr Econ Principal Economist

**Organisation Chart of Economic Analysis Division
after the proposed creation of Principal Economist (D2) post**



Legend

- BFD Business Facilitation Division
- EAD Economic Analysis Division
- G Econ Government Economist
- Pr Econ Principal Economist

* Proposed supernumerary post to be created in the new Section V of EAD