

**For discussion  
on 17 December 2012**

## **Legislative Council Panel on Public Service**

### **Creation of One Supernumerary Post of Principal Economist in Economic Analysis and Business Facilitation Unit of Financial Secretary's Office**

#### **PURPOSE**

This paper seeks Members' views on the proposal to create a supernumerary post of Principal Economist (Pr Econ) (D2) post for three years in the Economic Analysis Division (EAD) of the Economic Analysis and Business Facilitation Unit (EABFU) under the Financial Secretary's Office (FSO) to lead a dedicated team to enhance the economic research capacity in support of the new initiatives of the Fourth Term of the Government.

#### **BACKGROUND**

##### **Role and Operation of EABFU**

2. 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 (BFD), to provide timely and strategic economic advice 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.

3. 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 (FTAs), 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; 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.

4. 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 statutory minimum wage (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 continued high quality and timely input into the policy deliberation process. Justifications are provided in the ensuing paragraphs.

## JUSTIFICATIONS

### New Policy Initiatives

5. 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 internal challenges arising from 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.

6. Against such a background, the CE 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 cooperation 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.

7. The formulation of these key policy initiatives requires in-depth policy research and analyses of the underlying socio-economic phenomenon 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) Poverty and welfare issues

The Fourth Term Government accords high priority to the work of poverty alleviation. EAD will 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 Economic Development Commission to be established will coordinate the overall economic development strategy covering the key economic issues. 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

8. 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 workload in EAD has already gone way beyond its capacity, even after re-shuffling of duties and resource re-deployment amongst the four Sections.

9. Having regard to the scope, complexity and policy significance of the work required to support the new policy initiatives in paragraph 6, 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 assist G Econ in meeting the envisaged growth in portfolio to support the Administration in the new policy initiatives and provide timely and strategic inputs to the high-level Committees. Given the important and complex policy analyses required in paragraph 7 above, it is simply not possible for the current four Sections to shoulder all the additional workload. Also, it has to be noted that such strategic and complex policy analyses must be provided in the most timely and effective manner. Yet with all the current four Sections already fully occupied with their respective core areas, they likewise need to accord due attention in ensuring timely and effective delivery of their portfolios which are equally important on their own.

#### The New Section

10. On creation of the new Pr Econ post leading Section V in EAD, he/she will be required to take up specifically the duties concerning welfare, population and poverty.

11. 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, 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 tenure. The proposed job description of Pr Econ (5) is at **Enclosure 1**. The organisation chart of before and after the proposed creation of the Pr Econ post is at **Enclosure 2(a) and 2(b)** respectively.

**Encl. 1**  
**Encl. 2(a)**  
**& 2(b)**

#### **ALTERNATIVES CONSIDERED**

12. We have considered the alternative of staff redeployment other than the creation of the supernumerary Pr Econ post but found it not feasible, as the capacity of the existing four Pr Econs have already been stretched to their limits. Given the loaded 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 effectively absorb and share out fully the additional duties and responsibilities in support of the new major policy initiatives which are to

be implemented in the near future. Otherwise, the quality and timeliness will be sacrificed. 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 in numerous important studies, including in particular, impact assessment on statutory minimum wage working closely in collaboration with the Minimum Wage Commission (MWC) Secretariat; impact assessment on paternity leave; manpower projections; and the development of an analytical framework for standard working hours. There are no viable alternatives except for the creation of the supernumerary Pr Econ post to enhance the economic capacity of EAD in support of the Fourth Term of the Government in carrying out economic research work concerning population, poverty and welfare policies in the coming three years.

## **FINANCIAL IMPLICATIONS**

13. 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. As for the three non-directorate civil service posts and the supernumerary PSI post mentioned in paragraph 11 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. We will include sufficient provision in the Draft Estimates of 2013-14 and subsequent years to meet the cost of this proposal.

## **ADVICE SOUGHT**

14. Members are invited to comment on the proposal. Subject to

Members' views, we will seek the recommendation of the Establishment Subcommittee in February 2013 and approval from the Finance Committee afterwards.

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**Economic Analysis and Business Facilitation Unit**  
**Financial Secretary's Office**  
**December 2012**

**Job Description**

**Principal Economist (5)**

Rank : Principal Economist (D2)

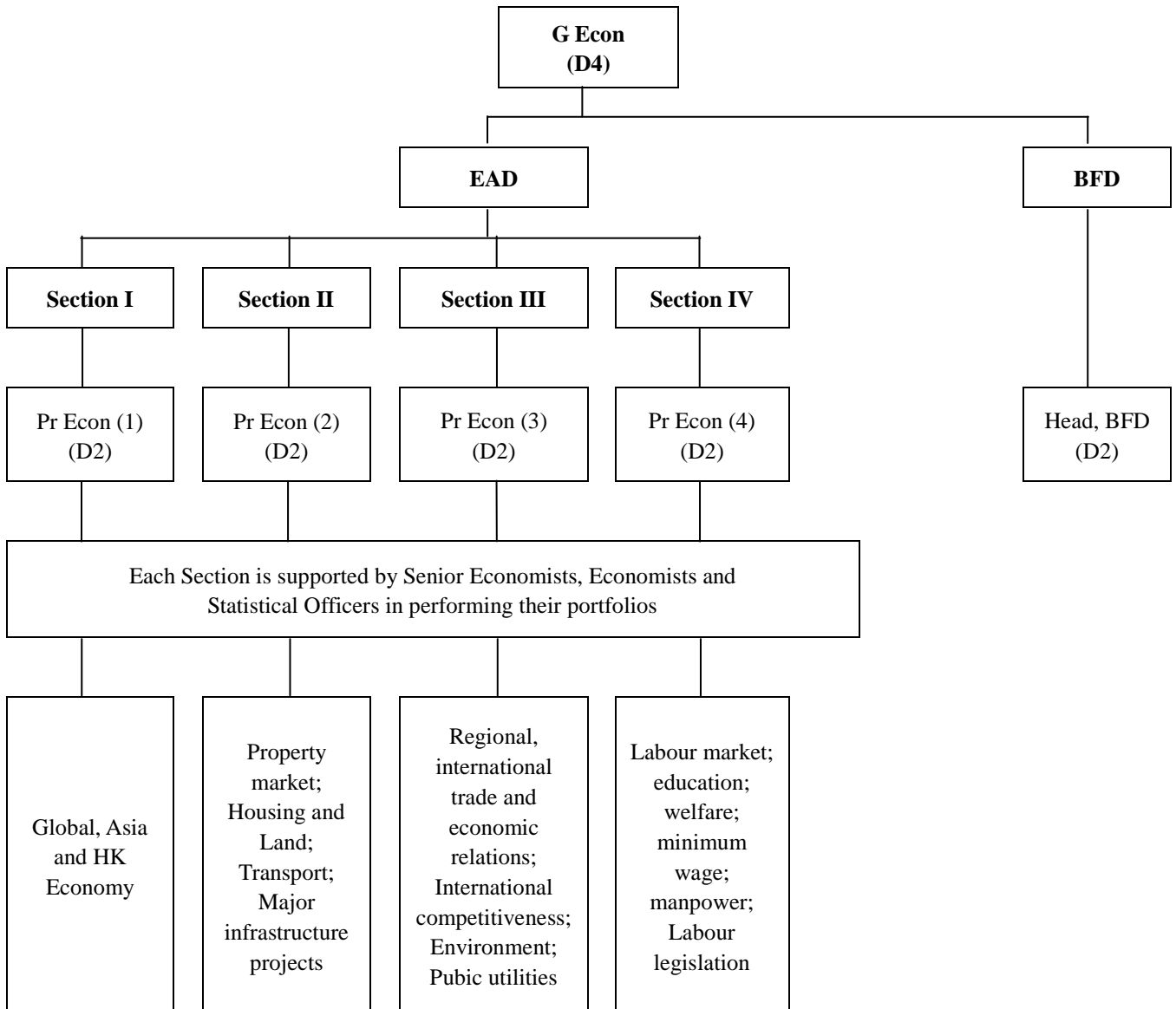
Responsible to : Government Economist

**Main Duties and Responsibilities –**

1. To assist the Government Economist (G Econ) in providing strategic input to various major policy areas.
2. To develop appropriate analytical frameworks on specific policy areas, including population, poverty and welfare.
3. To provide economic analysis and support to various high-level committees / commissions chaired by Principal Officials.
4. To carry out other duties as directed by G Econ.



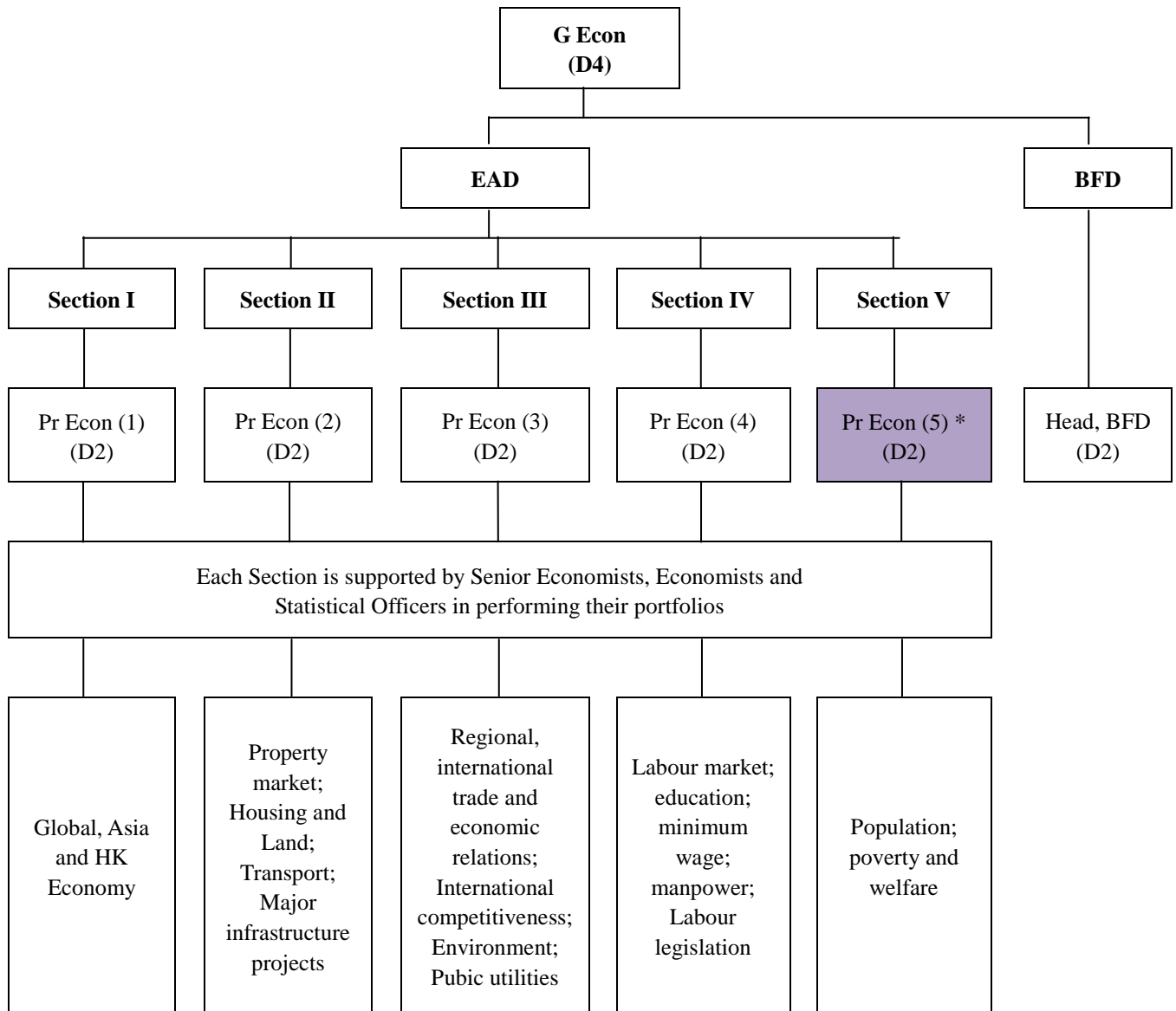
**Organization Chart of Economic Analysis Division  
before the proposed creation of Principal Economist (D2) post**



Legend

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

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



Legend

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

\* Proposed supernumerary post to be created