

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 the Finance Committee the creation of the following ranks and permanent posts in the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office with effect from the date of approval by the Finance Committee –

(a) a new rank and permanent post –

Government Economist
(D5) (\$217,150 - \$223,650)

to be offset by the deletion of the existing rank and permanent post –

Government Economist
(D4) (\$204,550 - \$217,000)

and

(b) a new rank and permanent post –

Deputy Government Economist
(D3) (\$180,200 - \$196,700)

/PROBLEM

PROBLEM

To cope with the expansion in the scope and complexity of work portfolio of the Economic Analysis and Business Facilitation Unit (EABFU), it is necessary to upgrade the post of Government Economist (G Econ) and strengthen directorate support in EABFU under the Financial Secretary's Office.

PROPOSAL

2. We propose to upgrade the permanent directorate post of G Econ from the existing D4 to D5 rank and to create a new rank and permanent post of Deputy Government Economist (Deputy G Econ) (D3) in EABFU under the Financial Secretary's Office.

JUSTIFICATION**Scope and Responsibilities of EABFU**

3. Established in June 2004, EABFU comes under the Financial Secretary's Office. The main functions of EABFU are to provide high-level professional advice and economic assessments to all Government bureaux and departments to facilitate their policy formulation process, and to spearhead business facilitation to cut red tape and reduce compliance costs for ensuring a favourable business environment. EABFU is headed by G Econ currently ranked at D4 and has two Divisions, namely Economic Analysis Division (EAD) and Business Facilitation Division (BFD).

4. EAD comprises five sections, each of which is headed by a Principal Economist (Pr Econ) ranked at D2. The key responsibilities of EAD are as follows –

- (a) to closely monitor all significant developments both globally and locally, and analyse their potential implications for Hong Kong's economy, including housing market bubble risks;
- (b) to produce official Gross Domestic Product and inflation forecasts and regular reports on Hong Kong's economy;
- (c) to 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, Cross-Straits Economic Cooperation Framework Agreement and free trade agreements, and economic evaluation of infrastructure projects);

/(d)

- (d) to undertake in-depth assessments and studies to support policy formulation and enhancement (examples include high frequency monitoring of the impact of statutory minimum wage (SMW); detailed assessments of working hours policy options; analyses of poverty risks and related studies on various disadvantaged groups; studies on earnings mobility; economic analyses of population ageing); and
- (e) to closely monitor the international competitiveness of Hong Kong and assess Hong Kong's strengths and weaknesses in all relevant aspects, and to identify areas for further improvements.

5. BFD, headed by an Assistant Director of Management Services (ADMS) ranked at D2, is responsible for overseeing and co-ordinating the Government's efforts in business facilitation under the steer of the Business Facilitation Advisory Committee (BFAC), and assists Government bureaux and departments to undertake studies and projects for identifying and implementing measures to facilitate the development and operation of the business sector. It also provides secretariat and executive support to the BFAC and its Task Forces.

Significant expansion in the responsibilities of EABFU

6. In face of the fast changing international economic landscape, these days the Government needs to devote dedicated efforts in devising appropriate strategies and measures to help foster the economic potential of Hong Kong whilst forestalling the macro vulnerabilities and risks. In this process, the work of EABFU has expanded significantly in scope, volume and complexity to cater for the ever increasing demand for in-depth and timely economic analyses of the rapidly changing external environment and assessment of Hong Kong's strengths and weaknesses and its niches.

7. Moreover, G Econ's team needs to provide quantitative assessments to enable evidence-based deliberations at high-level committees in formulating policy and to pay due regard to the impact on Hong Kong's competitiveness generally and business compliance costs. As a consequence, G Econ's involvement in policy formulation by way of providing analytical support right at the start of the deliberation process is much greater than before. Besides, with the public demanding more transparency in Government policies, G Econ often has to make presentations before the Legislative Council (LegCo) and the media to support the Principal Officials with articulated and robust arguments and professional analyses in various fields (e.g. population, poverty, trade, employment, labour welfare and housing) from an economic perspective.

/Change

Change in service demands

8. On macroeconomic analyses and budget formulation, which have been the core portfolio of EABFU, the requirement for economic analyses from EAD has increased substantially over the years, not only in terms of high frequency updates of economic outlook assessments due to an ever-changing international landscape and more frequent occurrence of global crises, but also in terms of the need to provide the Financial Secretary (FS) with time-critical assessments and advice on the various macroeconomic risks and on appropriate strategies to deal with them. The scope of EAD's work in support of FS has thus expanded well beyond macroeconomic monitoring to include risk assessments of major external shocks, impact assessments of fiscal stimulus measures, high frequency updates of government revenue projections, and long-term fiscal sustainability assessments.

9. Notably, EABFU has also stepped up monitoring and analyses of Hong Kong's competitiveness rankings by international ranking institutes, including Heritage Foundation; Fraser/Cato Institute; World Bank; World Economic Forum; and International Institute for Management Development. Aside from conducting in-depth analyses of competitiveness implications of key policy initiatives, G Econ also calls on these international ranking institutes around the world to establish and upkeep regular high-level dialogues for making clear Hong Kong's economic development and explaining Hong Kong's performance and progress on different aspects of international competitiveness.

10. The following work that EABFU has taken on over the past few years are a few examples of the new service demands on G Econ –

- (a) analyses the demand/supply fundamentals of the property market and other factors affecting the market, together with high frequency monitoring of the housing market situation and the associated bubble risks. G Econ was one of the three ex-officio members of the Steering Committee of the Long Term Housing Strategy and provided considerable inputs in the production of the long term housing demand projection and sensitivity analyses of housing demand under different economic cycles;
- (b) meets with the international competitiveness ranking institutes regularly to update them on Hong Kong's latest economic situation and to explain the Government's economic policies in various work areas, to enhance their understanding of Hong Kong;
- (c) supports the Minimum Wage Commission with a sound analytical framework with the necessary data analyses and impact assessments, to facilitate an evidence-based deliberation in the process of recommending a SMW rate in Hong Kong and for subsequent monitoring of its impact on the economy and the community;

/(d)

- (d) takes charge in the development of the analytical framework on the official poverty line for the Commission on Poverty, and provides the analytical support to the relevant bureaux in the formulation of new poverty alleviation measures, which include in particular the Low-income Working Family Allowance, as well as the assessment of poverty alleviation effectiveness (for example, Old Age Living Allowance and Work Incentive Transport Subsidy Scheme); and
- (e) provides in-depth economic analyses to the Steering Committee on Population Policy to support the deliberations on the pros and cons of different policy options in tackling the issues of an ageing population and inadequate manpower supply.

Encl. 1

11. As a reflection of EABFU's increasing involvement in the formulation of Government policies and the new service demands that have thus arisen, Enclosure 1 lists the number of high-level statutory committees which G Econ has/had participated in person, either as a member or as part of the research team of the Government, the purviews of which span almost all the key policy areas of the Government.

12. Looking ahead, EAD is expected to face an ever rising workload. On macroeconomic analysis, as the global and Mainland economies have entered the "new normal", numerous economic issues require more in-depth examination. With the normalisation of US interest rate in process, apart from keeping a close watch on the property market, we also need to assess the potential risks of a significant correction in the property market to our macro-economy and financial stability, and continue to assist the Housing Department in updating its long-term housing demand projection. Moreover, in face of the rapidly changing external environment and the keen competition, more efforts and resources are needed to assess the strengths and weaknesses of Hong Kong and analyse the impacts of various policies on our global economic competitiveness. In addition, with the continuous deepening of economic and trade co-operation between the Mainland and Hong Kong, there will be a tremendous workload arising from the economic and trade relations and the enhancement of studies on Hong Kong's economic strategies to complement the nation's "Belt and Road" Initiative in future. The work on poverty and labour welfare issues involves enormous data analysis and continuous updating and enhancement of the analytical framework and assessments based on the deliberations of the high-level committees. Meanwhile, the challenges posed by population ageing to our workforce, social welfare and economic growth are already imminent and will only get more intense in the period ahead, and with the policy analyses of issues and policies relating to people's livelihood and welfare increasingly based on the evidence-based approach, the future work demand on EAD is bound to increase in terms of both quantity and indepthness.

/Change

Change in staffing complement

13. To cope with the increasingly heavy workload, the staffing of EABFU has grown in recent years, with new posts mostly created at the non-directorate level. At the directorate level, a three-year supernumerary post of Pr Econ was created in April 2013 to assist G Econ in rendering economic analyses in areas of population, poverty and welfare. While the creation of these new posts and the re-deployment of existing staff of EAD have to some extent helped meet the additional workload, a large part of the heavy burden, especially in relation to the participation in high-level committees to render analytical support to the senior Government officials, and the high-level dialogues with international ranking institutes, inevitably still falls on the G Econ.

14. Moreover, coming along with the expansion of EABFU is a substantial increase in G Econ's administrative responsibilities. G Econ now has to lead a team of over 80 staff in EABFU. Of this total, 55 are professional and executive officers, which is more than double compared to the size in June 2004 when EABFU was established. The number of the Economist grade officers (including officers outposted to other bureaux/departments¹) which G Econ has to manage as the Head of the Economist Grade also more than doubled since its establishment, from 16 to 40, as shown in the table below –

Rank	June 2004	January 2016
Principal Economist (D2)	4	5
Senior Economist (MPS Point 45-49)	5	16
Economist (MPS Point 27-44)	7	19
Total	16	40

Note: figures include outposted and supernumerary posts

15. The number of directorate staff under G Econ's direct supervision has accordingly increased from five in June 2004 to six currently, all of whom are D2 officers.

/Upgrading

¹ These include three Senior Economists and three Economists in Chief Secretary for Administration's Office, Financial Services and the Treasury Bureau, Commerce and Economic Development Bureau, Transport and Housing Bureau and Environment Bureau currently.

Upgrading of the post of Government Economist

16. Considering the notable expansion in the scope and complexity of work portfolio, the changing role of the G Econ, and the level of significance of the key policy areas to which staunch support from G Econ is required, as well as the marked growth in G Econ's administrative responsibilities, it is proposed that the post of G Econ be upgraded from D4 to D5 rank.

17. After the upgrading of the post, G Econ will continue to report to FS directly on matters pertaining to economic analysis. He/she will also continue to assume the role of Head of the Economist grade. Tasks relating to the management of office matters including the financial and human resources will fall under the proposed new Deputy G Econ (see elaboration in paragraphs 18 to 20 below). The existing and proposed duty lists of G Econ are at Enclosures 2 and 3 respectively.

Encls. 2 & 3

Creation of a Deputy Government Economist post

18. As can be seen in the table appended to paragraph 14 on the structure of the Economist grade, the ratio of directorate posts to non-directorate posts was 1:3 at the time when the EABFU was established. Given the creation of new posts were mostly non-directorate posts in the past ten years and taking into account the posts to be created in April 2016, this ratio will become 1:7.6². We, therefore, consider that there are genuine and pressing needs to strengthen the capacity of EAD at the directorate level, so as to enable G Econ to focus on the most crucial issues in support of the senior Government officials. It is proposed that a Deputy G Econ post at D3 rank be created on a permanent basis to assist G Econ in discharging the growing responsibilities of EAD.

19. Given the extensive scope of the work currently shouldered by G Econ and a lot of the meetings requiring high-level representation from EABFU, a Deputy G Econ pitched at D3 level would be a more appropriate level of representation than a Pr Econ (D2). Deputy G Econ will be responsible for leading the five Sections in EAD, providing direction of research and ensuring the quality of output, as well as sharing part of G Econ's workload in attending high-level meetings. Upon the creation of the Deputy G Econ post, the dialogue with the international competitiveness ranking institutes should hopefully strengthen further to facilitate their better understanding of our competitive advantages. Deputy G Econ will also assist G Econ in providing strategic advice to the senior Government officials, and will also take over the staff administration and resource

/management

² Taking into account the number of Senior Research Analyst and Research Analyst employed on contract terms, the corresponding ratio was 1:3.5 in June 2004 and will be 1:9.2 in April 2016.

management duties of EABFU. BFD which is headed by an ADMS (D2) and focuses on business facilitation currently will continue to be under the direct supervision of G Econ. The proposed job description of Deputy G Econ is at Enclosure 4. The existing and proposed organisation charts of EABFU are at Encls. 5 & 6 Enclosures 5 and 6 respectively.

ALTERNATIVES CONSIDERED

20. We have considered the alternative of staff redeployment but found it not feasible. As the workload of all the existing five Pr Econs (including a supernumerary post which will lapse in end-March 2016³) has already been very heavy, it is operationally not possible for them to effectively absorb and share out the ever-increasing duties and responsibilities as a result of the expanding scope of EABFU without making compromises on progress and quality. It should also be noted that the level and scope of responsibilities of the proposed Deputy G Econ go well beyond those of a Pr Econ, who is mainly responsible for leading a small team of professional Economists to conduct economic research in certain specific areas. At present, there is neither over-staffing nor mismatch of resources at the directorate level. If the proposal is not accepted or is reduced in scale, the capacity of the EABFU would continue to be over-stretched and our ability to deliver high quality and timely strategic advice to support the Government's policy initiatives would be substantially undermined.

FINANCIAL IMPLICATIONS

21. The staffing proposals will bring about a net additional notional annual salary cost at mid-point of \$2,285,400, as follows –

Rank	Notional annual salary cost at mid-point \$	No. of post
<i><u>Post to be created</u></i>		
G Econ (D5)	2,506,800	1
Deputy G Econ (D3)	2,139,600	1
<i><u>Post to be deleted</u></i>		
G Econ (D4)	(2,361,000)	(1)
Total	2,285,400	1

/The

³ In view of the heavy workload of EAD and that the work demand is anticipated to continue to increase substantially in the coming few years, it is proposed to retain the supernumerary post for three years to continue the economic analysis and research work in the areas of population, poverty, welfare and retirement protection. Details could be referred to EC(2015-16)14.

The additional full annual average staff cost, including salaries and staff on-cost, is \$3,252,000. We have included sufficient provision in the Estimates of 2015-16 and subsequent years to meet the cost of the proposals.

PUBLIC CONSULTATION

22. On 18 January 2016, we consulted the LegCo Panel on Public Service. Members supported the submission of this proposal to the Establishment Subcommittee.

ESTABLISHMENT CHANGES

23. 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 February 2016)	As at 1 April 2015	As at 1 April 2014	As at 1 April 2013
A*	29 + (4) [#]	29 + (4)	29 + (4)	29 + (3)
B	124	124	121	114
C	389	392	386	373
Total	542 + (4)	545 + (4)	536 + (4)	516 + (3)

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

* - excluding supernumerary posts created under delegated authority

() - number of supernumerary directorate post

- as at 1 February 2016, there was no unfilled directorate post

CIVIL SERVICE BUREAU COMMENTS

24. The Civil Service Bureau supports the proposed upgrading of the rank and permanent post of G Econ from the D4 to D5 rank and the proposed creation of a new rank and permanent post of Deputy G Econ (D3) to cope with the expansion in the scope and complexity of work portfolio of EABFU. The grading and ranking of the proposed posts are considered appropriate having regard to the level and scope of responsibilities required.

/ADVICE

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

25. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the ranking proposed for the posts would be appropriate if the proposal was to be implemented.

Economic Analysis and Business Facilitation Unit
Financial Secretary's Office
January 2016

**High-level Committees that the Government Economist Needs to Attend
either as an Appointed Member or as Member of the Research Team**

- (i) Commission on Poverty and its Task Forces (re-instated in 2012)
- (ii) Long Term Housing Strategy Steering Committee and Working Group (2012)
- (iii) Minimum Wage Commission (2011)
- (iv) Standard Working Hours Committee and its Task Force (2013)
- (v) Steering Committee on Population Policy (revamped in 2012)
- (vi) Working Group on Long-Term Fiscal Planning (2013)
- (vii) Land Development Advisory Committee (2012)
- (viii) Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (2010)
- (ix) Economic Development Commission and its Working Groups (2013)
- (x) Manpower Development Committee (2002)
- (xi) Business Facilitation Advisory Committee (2006)
- (xii) Hong Kong Productivity Council (1967)
- (xiii) Statistics Advisory Board (1972)
- (xiv) Hong Kong Institute for Monetary Research Meeting of the Council of Advisors (1999)

Note : Figure in brackets is the year in which the Committee was established.

**Existing Job Description
Government Economist (G Econ)**

Rank : G Econ (D4)

Responsible to : Financial Secretary (FS)

Main Duties and Responsibilities –

1. To provide high-level economic advice and assessments to the FS and other senior Government officials, and high-level policy committees.
2. To oversee the Economic Analysis Division in rendering economic analyses and assessments for Government bureaux and departments in policy formulation and enhancement.
3. To closely monitor the international competitiveness of Hong Kong and to upkeep regular dialogues with international ranking institutes around the world.
4. To spearhead Government's efforts in business facilitation and oversee the work programmes of the Business Facilitation Division.
5. To manage and develop the Economist grade as Head of Grade.
6. To oversee matters concerning financial control, human resource management and resource allocation of the Economic Analysis and Business Facilitation Unit.

**Proposed Job Description
Government Economist (G Econ)**

Rank : G Econ (D5)

Responsible to : Financial Secretary (FS)

Main Duties and Responsibilities –

1. To provide high-level economic advice and assessments to FS and other senior Government officials, and high-level policy committees.
2. To oversee Economic Analysis Division in rendering economic analyses and assessments for Government bureaux and departments in policy formulation and enhancement.
3. To closely monitor the international competitiveness of Hong Kong and to upkeep regular dialogues with international ranking institutes around the world.
4. To spearhead Government's efforts in business facilitation and oversee the work programmes of Business Facilitation Division.
5. To manage and develop the Economist grade as Head of Grade.

**Proposed Job Description
Deputy Government Economist (Deputy G Econ)**

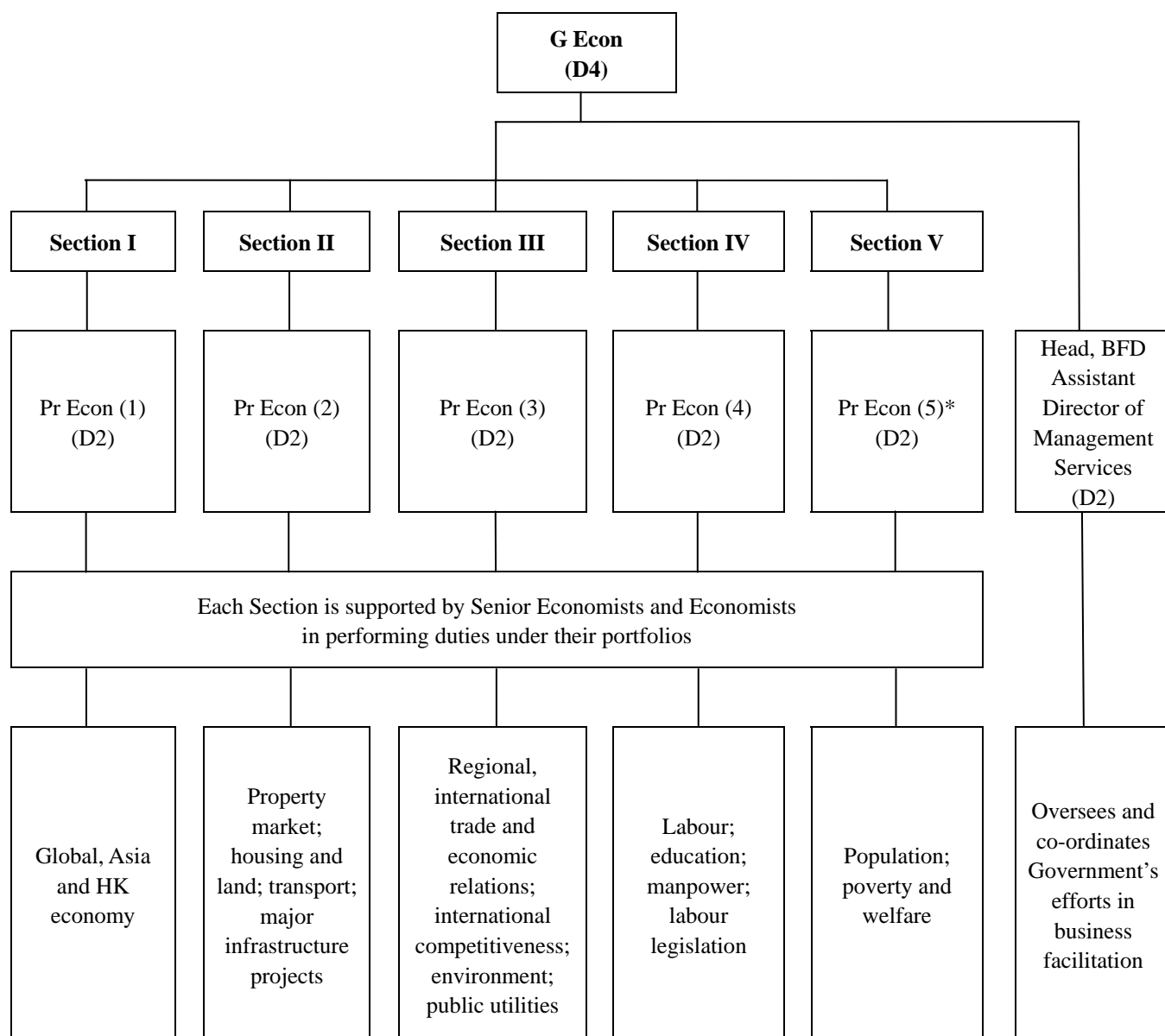
Rank : Deputy G Econ (D3)

Responsible to : Government Economist (G Econ)

Main Duties and Responsibilities –

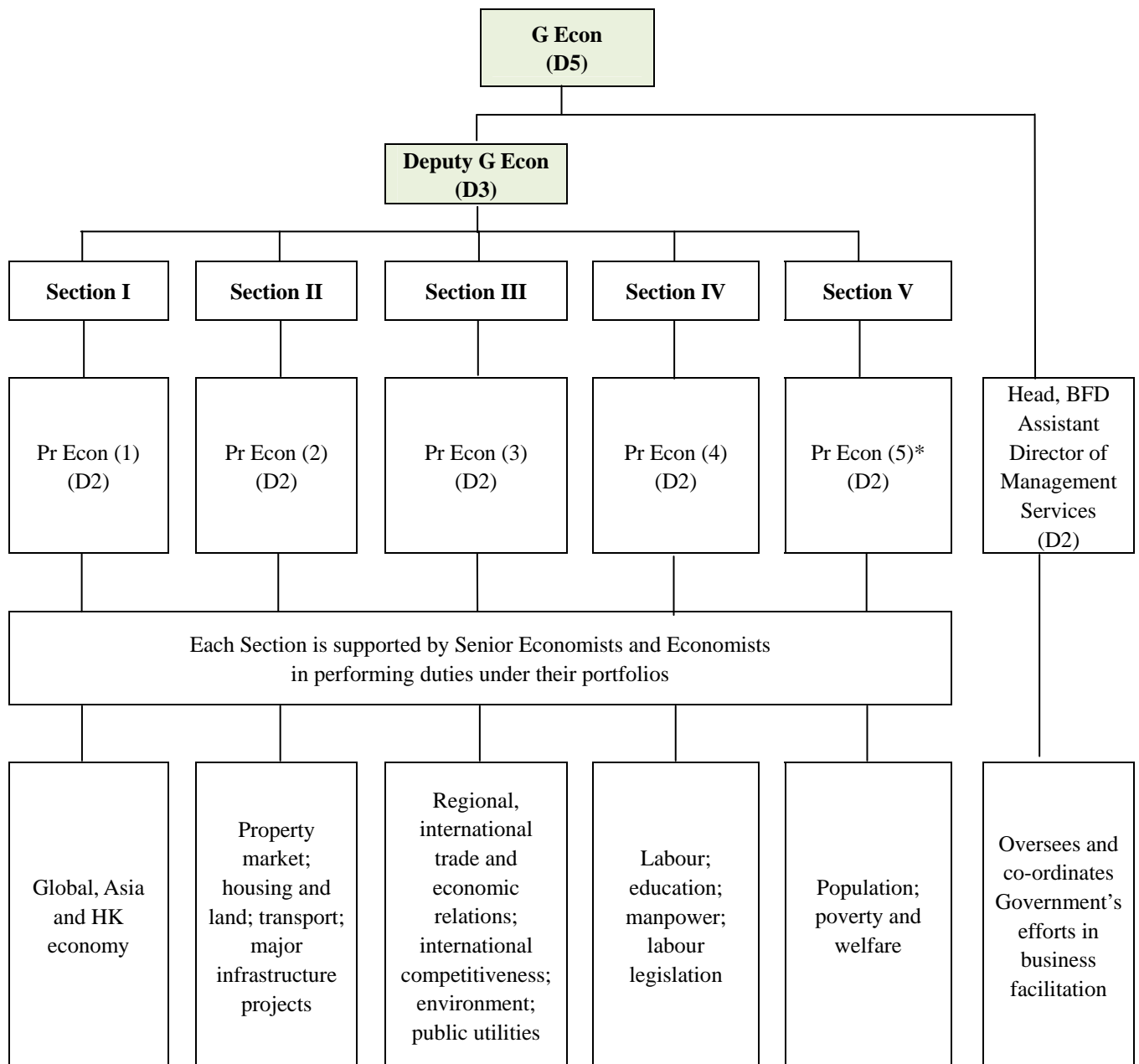
1. To assist G Econ in conducting high level economic research, and in giving strategic advice to senior Government officials.
2. To assist G Econ in providing leadership to Economic Analysis Division in supervising and coordinating the work of Principal Economists, with particular regard to providing direction of research and ensuring quality and timeliness of output.
3. To maintain regular dialogues with overseas international ranking institutes (such as the World Bank, the World Economic Forum, the Heritage Foundation, Cato Institute, Fraser Institute, and the International Institute for Management Development).
4. To assist G Econ in matters concerning financial control, human resource management and resource allocation of Economic Analysis and Business Facilitation Unit.
5. To carry out any other tasks as assigned by G Econ.

**Existing Organisation Chart of
Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office**



* Supernumerary post to lapse on 1 April 2016.

**Proposed Organisation Chart of
Economic Analysis and Business Facilitation Unit,
Financial Secretary's Office**



■ The proposed creation of directorate posts in this paper

* Supernumerary post to lapse on 1 April 2016. In view of the heavy workload of EAD and that the work demand is anticipated to continue to increase substantially in the coming few years, it is proposed to retain the supernumerary post for three years to continue the economic analysis and research work in the areas of population, poverty, welfare and retirement protection. Details could be referred to EC(2015-16)14.