

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 retention of the following supernumerary post for a period of three years with effect from 1 April 2016 or with immediate effect upon approval of the Finance Committee (whichever the later) in the Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office –

1 Principal Economist
(D2) (\$154,950 - \$169,450)

PROBLEM

A supernumerary Principal Economist (Pr Econ) post in the Economic Analysis and Business Facilitation Unit (EABFU) under the Financial Secretary's Office will lapse on 1 April 2016. In view of the heavy workload of the Economic Analysis Division (EAD) and that the work demand is anticipated to continue to increase substantially in the coming few years, it is operationally necessary to retain the supernumerary post to continue the economic analysis and research work in the areas of population, poverty, welfare and retirement protection.

/PROPOSAL

PROPOSAL

2. We propose to retain the supernumerary Pr Econ (D2) post in the EAD of EABFU under the Financial Secretary's Office for three years with effect from 1 April 2016 or with immediate effect upon approval of the Finance Committee (FC), whichever the later, to strengthen support at the directorate level in enhancing the economic analytical and research capacity in the policy areas of population, poverty and welfare.

JUSTIFICATION

Scope and Responsibilities of EABFU

3. Established in June 2004, EABFU provides high-level professional advice and economic assessments to all Government bureaux/departments to facilitate their policy formulation process, and spearheads business facilitation to cut red tape and reduce business compliance costs for ensuring a favourable business environment. EABFU is headed by the Government Economist (G Econ) currently ranked at D4 and has two Divisions, namely the EAD and the Business Facilitation Division (BFD).

4. EAD comprises five sections, each of which is headed by a Pr Econ. Section V is headed by Pr Econ (5) which is the supernumerary post under the present proposal of retention. 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) 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; 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)

- (e) to 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. BFD, headed by an Assistant Director of Management Services (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 BFAC and its Task Forces.

Creation of a New Section in 2013

6. FC approved on 15 March 2013 the creation of a supernumerary Pr Econ post (i.e. Pr Econ (5)) for three years to head the new Section V in EAD to strengthen analytical support to the Government in the areas of population, poverty and welfare. The supernumerary Pr Econ post will lapse on 1 April 2016.

7. Section V is responsible for providing dedicated support to two high-level Committees, viz. the Commission on Poverty (CoP) and the Steering Committee on Population Policy (SCPP), both chaired by the Chief Secretary for Administration (CS). Since its establishment in 2013, Section V has been overwhelmed with a pressing demand for timely, high-quality research and analyses to support the work of CoP and SCPP, not to mention the other various requests for services from bureaux/departments in their policy formulation. The pressure faced by Section V is enormous due to an ever rising workload to support the policy deliberation at these two high-level policy committees, and the work demand is expected to remain substantial in the coming three years, as detailed in paragraphs 8 to 11 below.

Commission on Poverty

8. In collaboration with the Census and Statistics Department, Section V has been providing full analytical support to the reinstated CoP and the Task Forces formed under it in monitoring Hong Kong's poverty situation, assessing its underlying causes, and evaluating the effectiveness of existing key poverty alleviation measures. With the establishment of the official poverty line in 2013, these poverty data analyses now form an important basis for the Government to review existing policy measures and formulate new policy initiatives, including for example, the newly launched Low-income Working Family Allowance (LIFA) Scheme. Numerous additional researches arising from the CoP discussion and the general public regarding the poverty line framework also require substantial inputs from Section V.

9. It is envisaged that demand for analytical inputs from Section V in these work areas will increase further in the coming years. Upcoming studies include analysis of the relationship between poverty and the expenditure pattern of households and potential enhancements to the poverty line framework in 2016, which will involve in-depth analysis and substantial scenario-testing. On top of such highly complex research, other resource-demanding studies already in the work plan include update of the poverty situation of ethnic minorities; study on income disparity in 2017 based on the 2016 Population By-census results; and review of the effectiveness of LIFA in 2017 upon its implementation this year. All the above are highly complex and professionally resource-demanding tasks requiring high-level steer from a directorate level officer.

Steering Committee on Population Policy

10. Section V is tasked to provide full analytical support to SCPP in conducting detailed analyses of the macroeconomic consequences of population ageing and in identifying the future direction of the population policy of Hong Kong. In face of the imminent challenges of an ageing population to our labour force, economic growth potential, as well as fiscal sustainability, in the coming years EABFU will need to continue to support SCPP's policy deliberations in terms of rendering strategic inputs and advice from the economic analysis perspective. For in-depth research and evaluation of various policy options regarding such an important subject, it is most critical and necessary to have the continued directorate support at the Pr Econ level to ensure quality and timely output.

Retention of the supernumerary Pr Econ (5) post

11. Having regard to the expected heavy workload, and the complexity and policy significance of the areas of work, we consider it operationally necessary to retain the supernumerary Pr Econ (5) post for three years to provide the necessary analytical support to the two high-level Committees in policy deliberations on poverty, population and welfare issues. The job description of Pr Econ (5) is at Enclosure 1. The existing and proposed organisation chart of EABFU is at Enclosure 2.

Encl. 1
Encl. 2

ALTERNATIVES CONSIDERED

12. We have considered the alternative of staff redeployment but found it not feasible, as the capacity of the other four Pr Econs at EAD has already been stretched to their limits.

/13.

13. Given the heavily-loaded work schedules of the four Pr Econs, and the need to cater for the growing demand for their services, and as they likewise need to accord due attention in ensuring timely and effective delivery of their portfolios which are equally important on their own, it is thus operationally not feasible for them to effectively absorb and share out the additional duties and responsibilities of Section V. Specifically –

- (a) Section I is fully occupied by the high frequency monitoring of the macroeconomic environment, especially with the difficult external conditions in the post global financial crisis world and the risks posed by US Fed's interest rate normalization;
- (b) Section II is already heavily tied up in monitoring the property market and providing economic analysis and advice in the areas of housing, tourism, major infrastructure programmes, town planning, land, and transport. Moreover, the demand projections in the Long-Term Housing Strategy would need to be updated on an annual basis;
- (c) The workload in Section III has likewise built up substantially in recent years, especially regarding the Mainland-Hong Kong economic relations, and the work associated with China's Five Year Plan and One Belt, One Road initiative. Also, there has been an increasingly pressing need to conduct in-depth and rigorous analyses of the important subject of competitiveness; and
- (d) Section IV is tied up with monitoring the labour market, impact assessments of labour and manpower policies, including notably the statutory minimum wage and standard working hours.

14. The strategic and complex policy analyses in the areas of poverty, retirement protection, population policy and welfare policy are no less important and imminent than any of the other areas of work within EAD. The output must be made available in the most timely and effective manner in order to give full and adequate support towards these policy areas which have pivotal impact on Hong Kong's future development. There are no viable alternatives except for the retention of the supernumerary Pr Econ post in Section V.

FINANCIAL IMPLICATIONS

15. The proposed retention of one supernumerary Pr Econ post requires an additional notional annual salary cost at mid-point of \$1,973,400. The full annual average staff cost, including salaries and staff on-cost, is \$2,600,000. As for the time-limited Personal Secretary I post to be retained for three years to support Pr Econ (5), the notional annual salary cost at mid-point is \$390,720 and the full annual average staff cost, including salaries and staff on-cost, is \$589,000. We will include sufficient provision in the Estimates of 2016-17 and subsequent years to meet the cost of the proposal.

PUBLIC CONSULTATION

16. On 18 January 2016, we consulted the Legislative Council Panel on Public Service. Members were supportive of the staffing proposal.

ESTABLISHMENT CHANGES

17. The establishment changes of Head 142 Government Secretariat: Offices of the CS 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

18. The Civil Service Bureau supports the proposed retention of the supernumerary Pr Econ post for a period of three years to strengthen support at the directorate level for the Government in enhancing the economic analytical and research capacity in the policy areas of population, poverty and welfare. The grading and ranking of the proposed post are considered appropriate having regard to the level and scope of responsibilities required.

/ADVISE

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

19. As the post is proposed on a supernumerary basis, its retention, 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
January 2016

**Job Description
Principal Economist (5)**

Rank : Principal Economist (D2)

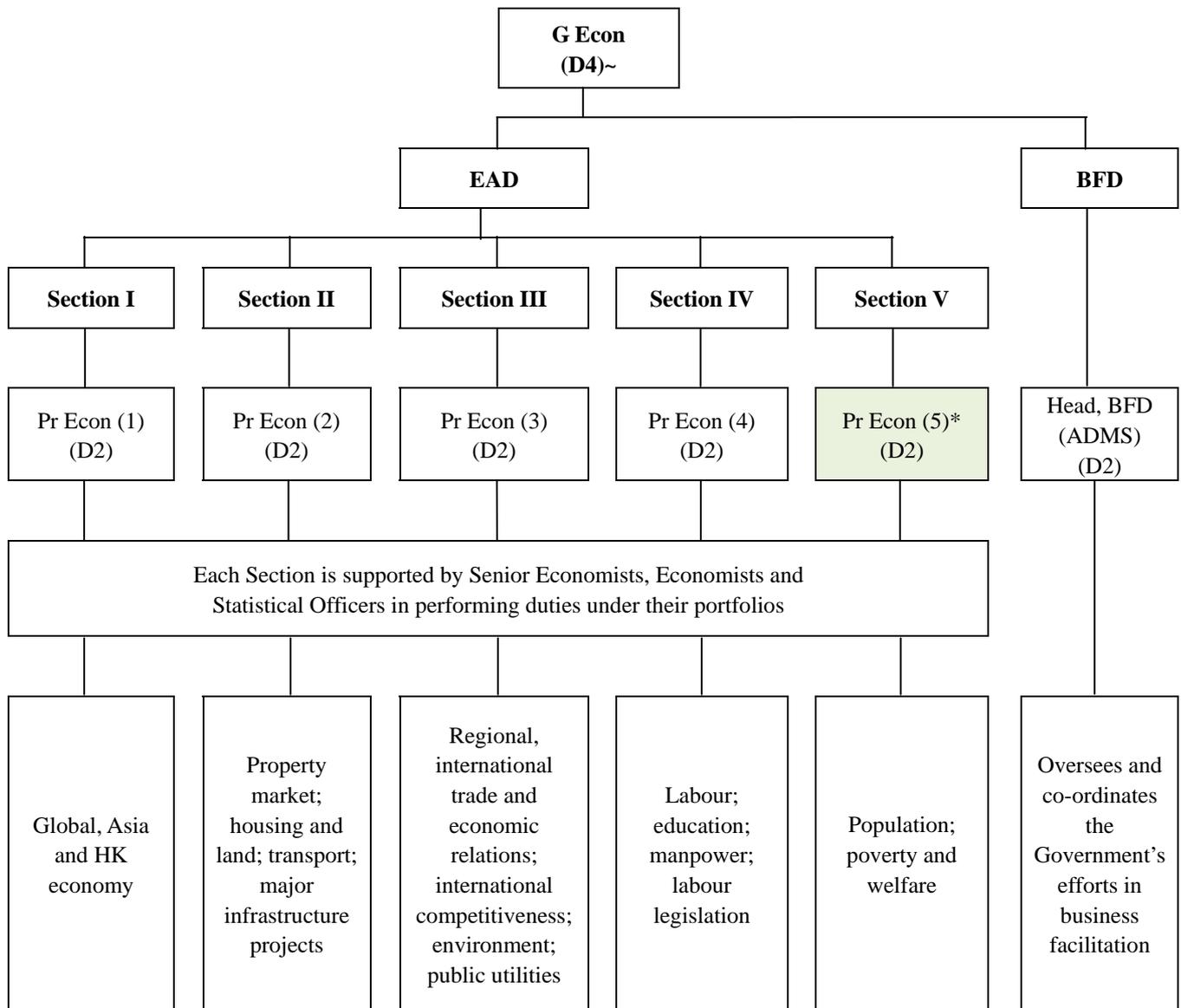
Responsible to : Government Economist (G Econ)

Main Duties and Responsibilities –

1. To assist the G Econ in providing strategic inputs on the policy areas of population, poverty and welfare.
2. To supervise reviews and research on the poverty line framework, as well as monitoring work of the poverty situation.
3. To supervise the assessment of the impact of proposed and existing welfare policy initiatives in alleviating poverty situation, in particular that of specific disadvantaged groups.
4. To supervise dedicated in-depth and rigorous analyses regarding elderly welfare, including economic and financial implications; and provide continuous research and professional support to the Commission on Poverty (CoP) to facilitate their deliberation of different policy options.
5. To supervise economic analyses and preparation of working papers related to the research findings of the in-depth studies on population ageing.
6. To provide analytical support to various high-level committees/commissions chaired by the Chief Secretary for Administration/Principal Officials, in particular CoP and the Steering Committee on Population Policy.
7. To carry out other duties as directed by G Econ.

Enclosure 2 to EC(2015-16)14

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



* This supernumerary post will lapse on 1 April 2016 and is proposed to be retained for three years.

~ To cope with the expansion in the scope and complexity of work portfolio of EABFU, we propose to upgrade the post of G Econ and create the post of Deputy G Econ. Details can be referred to EC(2015-16)13.

Legend: ADMS - Assistant Director of Management Services
 BFD - Business Facilitation Division
 EAD - Economic Analysis Division
 G Econ - Government Economist
 Pr Econ - Principal Economist