

**Extract from the minutes of meeting of
the Panel on Education on 28 October 2002**

X X X X X X X X

Action

V. Operating Expenses Block Grant for the 2002-03 school year

38. At the invitation of the Chairman, PSEM briefed members on the main points of the Administration's paper on the subject [LC Paper No. CB(2)157/02-03(01)].

Salary and allowance adjustment for clerical staff/janitors in aided schools

39. Mr CHEUNG Man-kwong said that the Operating Expenses Block Grant (OEBG) originally was proposed by the Administration and approved by the Finance Committee as the consolidation of various non-salary recurrent grants into a recurrent grant to provide aided schools with greater flexibility in management of funds. However, the "non-salary recurrent grants" did incorporate a salary-related constituent, i.e., the salaries and allowances for administrative/clerical staff and janitors working in aided schools. In addition, schools had complete discretion in determining the terms of employment which did not necessarily follow the civil service pay scales.

40. Mr CHEUNG Man-kwong pointed out that since its inception, annual adjustment of OEBG to schools were made with reference to the Composite Consumer Price Index (CCPI). Such practice was acceptable when inflation instead of deflation was the trend of the economy. However, it turned out that the 2001-02 and 2002-03 school years had deflation rates of 1.1% and 3.3% respectively. Such deflation had given rise to a controversial phenomena that while administrative/clerical and janitor staff in aided schools had downward salary adjustment, their civil service counterparts had upward or zero adjustment. Since a review of the civil service salary structure was underway and that civil service salaries might be freezed in the few years ahead, the discrepancy between aided schools and government schools in salaries of the said staff might continue to increase. Mr CHEUNG urged the Administration to streamline the salary discrepancies through the review of the operation of OEBG which should be completed in early 2003. Mr CHEUNG added that the staff concerned in aided schools did not oppose downward adjustment in salaries, but considered it reasonable to link the adjustment with the civil service salary adjustment.

41. In response, PSEM explained that under the established practices of the civil service pay structure, salary grants to aided schools were made on a

Action

deficiency basis. All administration grants and non-salary recurrent grants were given as non-salary recurrent grants to aided schools to allow flexibility in the use of the grants. The Administration had consulted the various school councils before introducing OEBG which consolidated the various administration grants and non-salary recurrent grants into one single OEBG grant in September 2000. In fact, the education sector considered that OEBG provided aided schools with greater flexibility in the virement of funds between constituent grants. Under the OEBG, aided schools could accumulate a larger reserve and could choose to procure services such as contracting out cleansing and security services to reduce the number of employed staff. Director of Education (DE) supplemented that many government schools had followed the trend to improve cost-effectiveness in resources management, and had contracted out their cleansing and clerical work to external service providers.

42. On the problem of different salaries and annual adjustments between government and aided schools for the same job, PSEM pointed out that given a 1.1% downward adjustment in 2001-02 and a recommended 1.65% downward adjustment in 2002-03, the actual allowances given to aided schools in respect of the posts of clerical officer, clerical assistant and workman (janitor) would be reduced from \$15,160 to \$14,746, from \$11,820 to \$11,497, and from \$10,175 to \$9,897 respectively. She considered that in order to reduce costs and maintain the same level of service quality and output, the discrepancy in salaries and allowances for similar work in civil service would continue. In fact, the purpose of OEBG was to provide flexibility with a view to improving cost-effectiveness in aided schools. PSEM further said that, in the spirit of school-based management, aided schools could exercise discretion to adjust the salaries and allowances of their staff as long as the “no better-off” principle was observed. PSEM added that it would not be appropriate to revert to the old practices because some schools had made good use of the flexibility under the OEBG, e.g. by contracting out services.

43. Mr CHEUNG Man-kwong remarked that the current adjustment mechanism had the effect of forcing aided schools to reduce the salaries of their clerical and janitor staff. He pointed out that OEBG did not provide aided schools with a choice on the mechanism for adjusting the salaries of their clerical and janitor staff. As regards individual staff, he pointed out that there were clerical and janitor staff who had joined the workforce well before the introduction of OEBG, and were employed on the understanding or expectation that their future salary adjustments would follow that of the civil service. Mr CHEUNG considered that the adjustment mechanism under OEBG had created a social differentiation between clerical and janitor staff in aided schools and their civil service counterparts.

44. PSEM responded that the Administration had no intention to suggest a higher or lower salary for clerical or janitor staff in aided schools. The School Sponsoring Bodies (SSBs), being the employer, should decide and, where

Action

necessary, top up the OEBG with their own resources. In view of a downward CCPI, the Administration had written to SSBs of aided schools advising them to work out reasonable measures to redeploy their resources to cope with the situation. She added that OEBG was provided under a service contract between the Administration and SSBs for the operation of an aided school.

45. Responding to the Chairman's and Mr CHEUNG Man-kwong's concern about further increase in discrepancy in case CCPI continued to drop and civil service salaries were frozen in the next few years, DE said that ED would conduct a review of the operation of OEBG with particular emphasis on the adjustment mechanism. The review would examine the factors contributing to the price adjustments of the constituent grants of OEBG and recommend an appropriate adjustment mechanism for OEBG in the long run. Mr CHEUNG Man-kwong remarked that although there should be no dispute in the 2002-03 school year as civil service salaries had been adjusted downward, the revised adjustment mechanism should aim to resolve permanently the problem of discrepancy between aided and government schools in salary adjustments of their clerical and janitor staff.

46. Mr SZETO Wah said that the affected clerical and janitor staff were not consulted on a downward adjustment of their salaries, and a downward adjustment was in conflict with the terms of their employment. Being the chairman of the School Management Committee of a number of schools, Mr SZETO also pointed out that there would be limitations as to how far aided schools could use their reserves or deploy funds among the constituent grants to tackle the financial difficulties. He urged the Administration to work out an adjustment mechanism to resolve the issue in the long term.

47. PSEM responded that the Administration acknowledged that some schools would have difficulty to cope with the proposed downward adjustment in OEBG. The Administration had discussed with the four school councils (viz. the Hong Kong Special Schools Council, the Subsidised Primary Schools Council, the Hong Kong Subsidised Secondary Schools Council and the Grant Schools Council) before working out the proposed adjustment rate of 1.65% as a transitional measure before the outcome of the review was known. PSEM added that as a partner in education, SSBs should share the responsibility with the Administration to resolve the employment-related issues arising mainly from a deflationary economy and a deficit budget in public expenditure. She anticipated that as good employers, SSBs would play a more proactive role in staff relations matters and do their best to minimise the adverse effects of a downward adjustment in OEBG on the staff concerned.

48. Ms Emily LAU said that she supported the policy of providing greater flexibility to aided schools in the use of funds, but would not accept making downward adjustment of staff salaries without prior consultation and provision of a new contract of employment. She anticipated that the Administration

Action

would collaborate with aided schools on the necessary measures to ease off the adverse effects of a downward adjustment of salaries.

Review of OEBG and other issues

49. Ms Emily LAU noted that the Administration had examined the accounts of aided schools. She asked how the Administration would follow up with schools having a large or small reserve, and whether schools with a larger reserve would be provided with a smaller OEBG.

50. PSEM responded that financial management was an art and there would be schools with a large reserve and schools with a small reserve. Although the Administration would not expect schools to retain a large reserve, it had allowed aided schools to retain unused funds for up to 12 months' provision under OEBG. The review on the operation of OEBG would include an examination of the accounts of aided schools to assess how aided schools had used their OEBGs. She added that the Administration had no intention to reduce OEBG for schools with a large reserve. DE supplemented that ED was providing professional assistance to aided schools in accounting and auditing of accounts by way of on-site support and experience-sharing sessions.

51. Mr Tommy CHEUNG expressed support for the policy principle to provide greater flexibility in use of funds as highlighted in the Administration's paper. Mr CHEUNG asked whether the review was aiming to work out a more appropriate adjustment mechanism, or to assess whether CCPI was an appropriate mechanism for OEBG to follow. He also asked about the timetable for the review.

52. DE responded that ED expected to complete the review by the end of 2002. He explained that each constituent of CCPI had its own weight in the calculation of CCPI. ED would examine whether some constituents were not applicable to school operation and might then exclude these constituents as appropriate. PSEM supplemented that since CCPI was applied in other adjustment mechanisms within the public sector, the Administration would have to consult a number of departments before reaching a conclusion on the review. She hoped that SSBs would provide feedback and suggestions to the Administration for consideration.

53. Mr YEUNG Yiu-chung expressed support for providing more flexibility to aided schools in the use of funds, and conducting a review to assess whether the annual price adjustment for OEBG should be made with reference to CCPI only. Mr YEUNG also considered it useful to provide support and assistance to aided schools in financial management.

54. Mr CHEUNG Man-kwong said that some aided schools had expressed concern that they might need to reduce extra-curricular activities in order to

Action

achieve savings. He added that achieving savings in consumable items such as printing of examination papers was difficult, if not impossible. Mr SZETO Wah expressed a similar concern. He pointed out that some aided schools had publicly announced that they would reduce their extra-curricular activities. Mr SZETO asked the Administration to follow up as appropriate.

55. PSEM stressed that aided schools should use their resources in the best interests of students, particularly during a period of financial stringency. She pointed out that schools should refrain from incurring unnecessary expenses such as publishing glossy publicity materials. The Administration would follow up with the schools concerned if they planned to reduce extra-curricular activities for the sake of achieving savings.

56. Ms Emily LAU asked whether the target of 1.8% savings in operating expenditure in 2003-04 was applicable to the education sector, given that the Chief Executive had previously emphasised that resources allocation for the education sector should remain unchanged. PSEM responded that the Administration would conduct an overall review of the allocations for education and consult the education sector on ways to make better use of existing resources and possible re-prioritisation in resource allocation.

X X X X X X X X

Council Business Division 2
Legislative Council Secretariat
13 November 2002