

## ITEM FOR FINANCE COMMITTEE

**Head 156 – GOVERNMENT SECRETARIAT :  
EDUCATION AND MANPOWER BUREAU  
Subhead 700 General other non-recurrent  
New item “Grant to an Early Retirement Ex-gratia Payment Fund”**

Members are invited to approve a grant of \$700 million for establishing an Early Retirement Ex-gratia Payment Fund.

### PROBLEM

We need to tackle the problem of surplus teachers in aided primary schools.

### PROPOSAL

2. The Secretary for Education and Manpower (SEM) proposes to introduce an Early Retirement Scheme (ERS) for aided primary school teachers and to make a one-off grant of \$700 million for setting up an Early Retirement Ex-gratia Payment Fund (the Fund) to implement the ERS. Teachers in aided primary schools with surplus teaching staff, who choose to retire early and whose applications are supported by the principals/School Management Committees (SMCs), will be eligible for an ex-gratia payment to be paid out from the Fund.

### JUSTIFICATION

#### *The Early Retirement Scheme*

3. In 2003, as a result of declining student population, there were a total of 542 surplus teachers in aided primary schools. The Education and Manpower Bureau (EMB) made strenuous efforts to help the surplus teachers to find alternative employment. In the end, 425 surplus teachers were re-employed in the aided sector of whom 105 were appointed as temporary teachers for one year. These teachers will become redundant again in 2004. The other teachers have taken up posts which otherwise would be available to fresh graduates.

4. As the student population continues to decline, we expect that the net surplus of teachers in individual aided primary schools added together would increase from about 200 in the 2003/04 school year to around 400 in the 2004/05 school year, after taking into account redeployment to vacant positions arising from natural wastage and the supply of fresh graduates. The net surplus for the 2005/06 and 2006/07 school years is estimated to be 700 and 600 respectively. It is not in the interest of the education sector to insist on redeployment of surplus teachers within the sector at the expense of new entrants. There are also practical difficulties in job matching. To effectively tackle the problem, we need to facilitate the exit of the surplus teachers.

5. SEM proposes to implement the ERS to provide an incentive in the form of ex-gratia payment for some teachers of aided primary schools to retire early. The ERS is intended to –

- (a) ease the problem of teacher redundancy in schools where there is an under-enrolment of students;
- (b) make available more teaching posts to accommodate fresh graduates, thereby maintaining a healthy turnover in the teaching force so that it is adequately equipped for taking forward the education reform; and
- (c) reduce the number of operating classes in line with the declining student population, so as to achieve recurrent savings to help ease the budgetary constraints.

6. The main features of the ERS are as follows –

- (a) The ERS will be open to all teachers who have been appointed as regular teachers within the normal teaching staff establishment in aided primary schools (including special schools) which face class reduction, initially in the 2004/05 to 2006/07 school years, irrespective of rank but excluding teachers with less than five years of service before the normal retirement age of 60, or with less than ten years of service.
- (b) The ex-gratia payment will be a one-off grant calculated on the basis of one month of the last substantive salary of the teacher concerned for every two complete years of recognized service in the school sector, subject to a cap of 12 months' salary.

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- (c) Having regard to the estimated supply and demand of teachers at the time and the availability of funding, EMB will determine every year the number of teachers who will be allowed to join the ERS.
- (d) In March each year, schools will be informed of the number of operating classes. Teachers who meet the age and service criteria, and who teach in schools with surplus teachers, may apply, on a voluntary basis, through their schools for early retirement under the ERS.
- (e) The SMCs of schools concerned should work out a set of school-based criteria to determine the priority for approval of the applications for early retirement. The criteria should be open and fair, with due regard for the operational needs of the school, such as subject match.
- (f) There should also be a mechanism for teachers to appeal to the SMC/School Sponsoring Body for review of the principal/SMC's decision, before it is conveyed to the EMB for approval.
- (g) Schools concerned should prioritize the teacher applicants according to the school-based criteria, and make nomination to EMB for final approval and disbursement of ex-gratia payment.
- (h) Teachers who receive the early retirement ex-gratia payment will be required to sign an undertaking to the effect that he or she will not take up full-time or part-time teaching employment (excluding daily-rated part-time jobs of duration not more than 90 days) in government, aided, caput and direct subsidy scheme schools starting from the date of early retirement, normally September in the following school year.

Encl. An outline of the ERS is at Enclosure.

### ***The Early Retirement Ex-gratia Payment Fund***

7. Subject to Members' approval of the one-off grant, SEM will set up an Early Retirement Ex-gratia Payment Fund to be held in trust under the Permanent Secretary for Education and Manpower (PSEM) Incorporation, who will act as the trustee. The Fund will be managed in accordance with a trust deed which will provide the framework for the proper management and administration of the Fund.

8. The trustee will invest the Fund in accordance with the authority set out in section 5 of the PSEM Incorporation Ordinance (Cap.1098). SEM proposes that the Fund be deposited in local authorized institutions, and that the trustee shall apply the capital and income of the Fund in pursuit of the purposes for which it is established.

9. PSEM will keep accounts and records of all transactions in respect of the Fund in accordance with section 8 of the PSEM Incorporation Ordinance. Audited accounts of the Fund will be tabled before the Legislative Council as soon as practicable after the closing of the accounts at the end of each financial year. In addition, we will inform the Legislative Council Panel on Education annually of the operation of the ERS and the Fund. The ERS will be reviewed after two years, i.e. in 2006. Any funding that is surplus to requirement after completion of the ERS will be returned to the Government.

## **FINANCIAL IMPLICATIONS**

10. Subject to Members' approval, we will make a one-off grant of \$700 million for the setting up of the Fund under PSEM Incorporation in 2003-04. With a grant of \$700 million, the Fund should be able to support ex-gratia payments for about 1 700 teachers who are expected to become surplus in the next three school years (assuming that all the departing teachers are serving at the maximum salary points at the Certificated Master/Assistant Master ranks and are eligible to receive ex-gratia payment at the maximum rate).

11. EMB will absorb the administrative costs of managing the Fund from existing resources. With the departure of the surplus teachers, it is estimated that recurrent savings generated from class reduction due to declining student population will progressively increase to \$900 million a year from the 2006/07 school year.

## **BACKGROUND INFORMATION**

12. When student enrolment drops to an extent which results in a reduction in the number of operating classes, surplus teachers arise in individual schools. The drop in student enrolment may be due to a number of reasons such as a decline in student population within the district as a result of a reduction in births and number of newly arrived children, movement of the population out of the district, parents' choice of schools, etc.

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13. Since 1975, the then Education Department has been providing assistance to surplus teachers of aided primary schools to help them find teaching posts within the aided school sector. Prior to 2003, all the surplus teachers were able to secure a teaching post as the total number of teaching posts was increasing.

14. The education sector has been urging the Government to take proactive measures to resolve the problem of surplus teachers in aided primary schools. In the light of the upcoming completion of the 2003/04 school year, EMB proposes to launch the ERS in March 2004.

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Education and Manpower Bureau  
February 2004

## **Outline of the Early Retirement Scheme (ERS)**

### **The Scheme**

The ERS is entitled Early Retirement Scheme for Aided Primary School Teachers.

### **Eligibility**

- (a) The ERS is open to all teachers who have been appointed as regular teachers within the normal teaching staff establishment in aided primary schools (including special schools) which face class reduction initially in the 2004/05 to 2006/07 school years, irrespective of rank but excluding teachers with less than five years of service before normal retirement age of 60, or with less than ten years of service.
- (b) Teachers who have given notice to resign or are subject to disciplinary action leading to termination of their service are not eligible to join the ERS.
- (c) Surplus teachers of the year 2003, who have been appointed to fill temporary teaching posts or to serve as Special Supply Teachers in the 2003/04 school year, may also apply. Other temporary teachers are not eligible for the ERS.

### **Calculation of the Ex-gratia Payment**

The ex-gratia payment is a one-off grant calculated on the basis of one month of the last substantive salary of the teacher concerned for every two complete years of recognized service in the school sector, subject to a cap of 12 months' salary.

### **Quota**

- (a) There will be an overall quota of the number of teachers who can join the ERS in a school year, which is to be decided by the EMB, having regard to the estimated supply and demand of teachers in that school year and availability of funding.
- (b) EMB will advise schools concerned of the individual quota, which is to be calculated on the basis of the number of surplus teachers of the school after the school has taken measures to reduce the number of surplus teachers.

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- (c) Schools under the same School Sponsoring Body (SSB) can pool their quotas together for greater flexibility.

### **School-based Criteria**

- (a) The School Management Committees (SMCs) of schools concerned should work out a set of school-based criteria, having regard to the schools' needs such as subject requirements, to determine the priority of the teacher applicants to join the ERS.
- (b) The formulation of the school-based criteria should be open and fair.
- (c) The set of school-based criteria and the restriction on re-employment under the ERS should be made known to all eligible teachers to assist in their decisions.

### **Appeal Mechanism**

- (a) SMCs/SSBs of schools concerned should work out an appeal mechanism for the teachers who are not satisfied with the process/results of applying the school-based criteria.
- (b) The appeal mechanism should be made known to the teachers.
- (c) SSBs should ensure that their schools have applied the school-based criteria in a consistent and uniform manner.

### **Application Procedure**

- (a) Eligible teachers may apply, on a voluntary basis, through their schools for early retirement under the ERS.
- (b) Schools concerned should prioritize the teacher applicants according to the school-based criteria, and make nominations to EMB for final approval.
- (c) Schools are required to confirm that their operation would not be adversely affected by the early retirement of the teachers nominated.
- (d) The number of teachers to be nominated is capped at the individual quota. Schools under the same SSB can pool their quotas and it would be at the discretion of the SSB to allocate the pooled quotas among schools under its sponsorship.

**/Re-employment .....**

### **Re-employment Restriction**

- (a) ERS participants are not allowed to take up full-time or part-time teaching employment (excluding daily-rated part-time jobs of duration not more than 90 days) in government, aided, caput and direct subsidy scheme schools. The Permanent Secretary for Education and Manpower may repeal such restriction when circumstances warrant such action, or waive the restriction exceptionally in respect of individual teachers where there are strong justifications by the schools concerned.
- (b) The re-employment restriction should take effect from the date of early retirement.

### **Undertaking**

- (a) Upon approval by EMB to join the ERS, the teacher is required to sign an undertaking to the effect that he/she will not take up full-time or part-time teaching employment (excluding daily-rated part-time jobs of duration not more than 90 days) in government, aided, caput and direct subsidy scheme schools from the date of early retirement.
- (b) The teacher's decision to join the ERS is irrevocable after signing the undertaking.

### **Implementation**

The ERS will be implemented from the 2004/05 school year.

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