

## ITEM FOR FINANCE COMMITTEE

**Head 156 – GOVERNMENT SECRETARIAT :**

**EDUCATION AND MANPOWER BUREAU**

**Subhead 700 General non-recurrent**

**New item “Grant to an Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers”**

Members are invited to approve a grant of \$520 million for establishing an Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers.

### **PROBLEM**

We need to tackle the problem of surplus teachers and to facilitate turnover in the teaching profession so as to help schools prepare for implementation of the new senior secondary (NSS) curriculum.

### **PROPOSAL**

2. The Secretary for Education and Manpower (SEM) proposes to make a one-off grant of \$520 million for setting up an Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers (the Fund) to implement an Early Retirement Scheme (ERS) for aided secondary school teachers. Teachers in aided secondary schools who meet the eligibility criteria for the ERS and wish to retire early, and whose applications are supported by the School Management Committees (SMCs)/Incorporated Management Committees (IMCs) concerned, will be eligible for an ex-gratia payment to be paid out of the Fund.

### **JUSTIFICATION**

3. The secondary school student enrolment is projected to drop by about 5%, from 462 000 in the 2004/05 school year to 441 000 in the 2009/10 school year. Taking into account the projected class structure of aided secondary schools, we estimate that over the next five school years from 2005/06 to 2009/10, about 840 aided secondary school teachers would become surplus to requirement.

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4. On the other hand, to implement the NSS curriculum, we need to enhance the professionalism of serving teachers and to inject new blood into the school system. While we will provide serving teachers with professional development programmes for implementing the NSS curriculum, we consider that it would be appropriate to provide an exit to teachers who are not prepared for the change. By doing so, we can help schools to gear up for the implementation of the NSS curriculum by creating openings for teachers who are better prepared for the change.

5. Having regard to the projected supply and demand of aided secondary school teachers, we propose to operate an ERS for aided secondary school teachers for three school years from 2006/07 to 2008/09, with a view to resolving the issue of surplus teachers one year before the implementation of the NSS curriculum starting from the 2009/10 school year. The number of teachers to be allowed to join the ERS each year would be based on the manpower requirement and the estimated number of surplus teachers of individual schools, as well as the estimated supply and demand of teachers territory-wide in the school year concerned. To allow for some flexibility where necessary, we would consider applications for early retirement in the 2005/06 school year, if they are supported by the schools concerned and justified on operational grounds.

#### *The Early Retirement Scheme*

6. We propose to implement an ERS for aided secondary school teachers to provide an incentive in the form of ex-gratia payment for some teachers to retire early. The purpose of the ERS is to –

- (a) ease the problem of surplus teachers;
- (b) assist schools to resolve the subject mismatch of teachers arising from implementation of the NSS curriculum; and
- (c) make available teaching posts to fresh graduates, thereby maintaining a healthy turnover in the teaching profession.

7. The proposed ERS for aided secondary school teachers is similar to the early retirement scheme for aided primary school teachers and has the following main features –

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- (a) the Scheme will be open to all teachers, irrespective of rank, below the normal retirement age of 60 (as at 1 September of the year) who have been appointed as regular teachers within the normal teaching staff establishment in aided secondary schools (including special schools) in the 2006/07 to 2008/09 school years but excluding teachers with less than ten years of service. Teachers may apply to retire early before the start of the 2006/07, 2007/08 and 2008/09 school years. Where justified, some teachers may be allowed to retire early in the 2005/06 school year;
- (b) the ex-gratia payment will be a one-off grant worked out on the basis of one month of the last substantive salary of the teacher concerned for every two complete years of recognised service in the school sector, subject to a cap of 12 months' salary;
- (c) for teachers who are over the age of 55 (as at 1 September of the year), the ex-gratia payment will be discounted according to the following scale –

Age as at 1 September of the year	56	57	58	59
Discount factor	25%	50%	75%	100%

- (d) having regard to the estimated supply and demand of teachers, the manpower requirement and estimated number of surplus teachers of individual schools at the time as well as the availability of funding, the Education and Manpower Bureau (EMB) will determine every year the number of teachers who may join the Scheme;
- (e) teachers who meet the eligibility criteria may apply, on a voluntary basis, through their schools for early retirement under the Scheme;
- (f) the SMCs/IMCs 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 of teachers;
- (g) there should also be a mechanism for teachers who are not satisfied with the process/results of applying the school-based criteria to appeal to the SMC/IMC/school sponsoring bodies for review of the decision;

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- (h) schools concerned should prioritise the teacher applicants according to the school-based criteria, and make nominations to EMB for approval and disbursement of ex-gratia payments. The SMCs/IMCs should also draw up a three-year manpower development plan in support of their applications; and
- (i) teachers who receive the early retirement ex-gratia payment will be required to sign an undertaking to the effect that he/she will never take up full-time or part-time teaching employment in government, aided, caput and direct subsidy scheme schools. The re-employment restriction will take effect from the date of early retirement, normally September in the following school year.

Encl. An outline of the proposed ERS for aided secondary school teachers is at the Enclosure.

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

8. Similar to the arrangements for the early retirement scheme for aided primary school teachers, we propose to set up an “Early Retirement Ex-gratia Payment Fund for Aided Secondary School Teachers”, with an initial injection of \$520 million, to be held in trust under the Permanent Secretary for Education and Manpower (PSEM) Incorporation, who will act as the trustee, for implementing the ERS for aided secondary school teachers.

9. 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 authorised institutions, and that the trustee shall apply the capital and income of the Fund in pursuit of the purposes for which it is established.

10. PSEM will keep accounts and records of all transactions in respect of the Fund in accordance with section 8 of the PSEM Incorporation Ordinance. For the purpose of effective administration and monitoring, the proposed Fund will be separate from the “Early Retirement Ex-gratia Payment Fund” for aided primary school teachers established earlier, which will be renamed as the “Early Retirement Ex-gratia Payment Fund for Aided Primary School Teachers”. As a statutory requirement under the PSEM Incorporation Ordinance, we will table the audited accounts of the Fund before Legislative Council (LegCo) as soon as practicable after the closing of accounts at the end of each financial year. In addition to the statutory requirement and in line with our commitment to the LegCo Panel on Education for the early retirement scheme for aided primary school teachers, we will inform the Panel annually of the operation of the Fund. Any funding that is surplus to requirement after completion of the ERS will be returned to the Government.

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**FINANCIAL IMPLICATIONS**

11. Subject to Members' approval, we will make a one-off grant of \$520 million for the setting up of the Fund under PSEM Incorporation in 2005-06. With a grant of \$520 million, the Fund should be able to support ex-gratia payments for about 840 teachers who are expected to become surplus in the next five school years (assuming that all departing graduate teachers and non-graduate teachers are serving at the maximum salary points at Senior Graduate Master rank and Assistant Master rank respectively and that they are eligible to receive ex-gratia payment at the maximum rate). Where necessary, we would allow more teachers to join the ERS than the estimated number of 840 if provision is available under the Fund for the ex-gratia payment.

12. We will absorb the administrative costs of managing the ERS and the Fund from existing resources.

**BACKGROUND INFORMATION**

13. The Finance Committee (FC) approved in February 2004 vide FCR(2003-04)62 a grant of \$700 million for establishing an Early Retirement Ex-gratia Payment Fund for an early retirement scheme for aided primary school teachers initially for three school years (i.e. in the 2004/05, 2005/06 and 2006/07 school years). The objectives of the scheme are to provide an incentive in the form of ex-gratia payment for some teachers of aided primary schools to retire early so as to ease the problem of surplus teachers in schools where there is an under-enrolment of students and make available more teaching posts to accommodate fresh graduates, thereby maintaining a healthy turnover in the teaching force. FC further approved in January 2005 vide FCR(2004-05)38 an extension to the scheme to teachers in all aided primary schools and to teachers at the age of 55 or above, with the ex-gratia payment discounted on a sliding scale.

14. The early retirement scheme for aided primary school teachers has been well-received as reflected by the number of teachers joining it. In 2004, 508 teachers retired early under the scheme. As for the exercise in 2005, approval has been given for 975 teachers to retire early under the scheme.

15. In his 2004 Policy Address, the then Chief Executive announced the decision to adopt a three-year junior secondary, three-year senior secondary and four-year undergraduate academic system (“3+3+4”) to facilitate the implementation of a more flexible, coherent and diversified senior secondary curriculum, and undertook to consult the public on the implementation details. The document entitled “Reforming the Academic Structure for Senior Secondary Education and Higher Education - Actions for Investing in the Future” was published in October 2004 followed by a three-month public consultation. After considering the community feedback and the readiness of schools and teachers, the Government endorsed the implementation of the new academic structure starting from the 2009/10 school year.

16. We have informally sounded out the concerned school councils and teachers associations on the broad framework of the proposed ERS. They all welcomed the initiative which they agreed would help ease the problem of teacher redundancy and facilitate turnover in the teaching profession.

17. We consulted the [LegCo Panel on Education on the proposed ERS at its meeting on 20 June 2005](#). Members in general supported the proposal. Some Members asked whether the number of teachers allowed to join the ERS would be capped at 840. We explained at the Panel and set out in paragraph 11 of this paper that where necessary, more teachers may be allowed to join the ERS if provision is available under the Fund for the ex-gratia payment.

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Education and Manpower Bureau  
June 2005

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

**(1) The Scheme**

The Scheme is entitled Early Retirement Scheme for Aided Secondary School Teachers.

**(2) Eligibility**

- (a) The Scheme is open to all teachers, irrespective of rank, below the normal retirement age of 60 (as at 1 September of the year) who have been appointed as regular teachers within the normal teaching staff establishment in aided secondary schools (including special schools) in the 2006/07 to 2008/09 school years but excluding teachers with less than ten years of service. Teachers may apply to retire early before the start of the 2006/07, 2007/08 and 2008/09 school years. Where it is justified, some teachers may be allowed to retire early in the 2005/06 school year.
- (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.

**(3) Calculation of the Ex-gratia Payment**

- (a) 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 recognised service in the aided school sector, subject to a cap of 12 months' salary.
- (b) For teachers who are over the age of 55 (as at 1 September of the year), the ex-gratia payment will be discounted according to the following scale –

Age as at 1 September of the year	56	57	58	59
Discount factor	25%	50%	75%	100%

**(4) Quota**

- (a) There will be an overall quota on the number of teachers who may join the ERS before the start of each of the three school years from 2006/07 to 2008/09, which will be determined by the Education and Manpower Bureau (EMB), having regard to the estimated supply and demand of teachers and the manpower requirement and estimated number of surplus teachers of individual schools in the school year concerned as well as the availability of funding.
- (b) The number of teachers in a school to be allowed to retire early each year will take into account a three-year manpower development plan prepared by the school concerned in support of its teachers' applications. In the plan, the school is required to provide information on attrition of teachers, the requirement for teaching staff to meet operational needs arising from curriculum reform and new initiatives, and the anticipated reduction of classes, if any, in the next three school years.
- (c) To allow for some flexibility where necessary, applications for early retirement in the 2005/06 school year would be considered, if they are supported by the schools concerned and justified on operational grounds.
- (d) Non-teaching staff are not eligible for ERS.

**(5) School-based Criteria**

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

**(6) Priority**

The objectives of ERS are to facilitate schools to resolve the subject mismatch of teachers arising from implementation of the new senior secondary curriculum, alleviate teacher redundancy and maintain a healthy turnover in schools where new blood for the teaching force is required to take forward the curriculum reform. When approval for ERS application on a competitive basis is required (i.e. when the number of eligible applicants exceeds the quota), applications will be processed by EMB in accordance with the following order of priority –

- (a) teachers whose retirement will facilitate implementation of the new senior secondary curriculum in schools;
- (b) teachers whose retirement will alleviate teacher redundancy in schools with reduction of classes; and
- (c) in the event that there are applications the approval for which cannot be determined by either or both of the above criteria, then such applications will be processed by drawing lots.

**(7) Appeal Mechanism**

- (a) SMCs/IMCs 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.

**(8) Application Procedure**

- (a) Eligible teachers may apply, on a voluntary basis, through their schools for early retirement under the ERS.
- (b) Schools concerned should prioritise the teacher applicants according to the school-based criteria, and make nominations to EMB for approval.
- (c) Schools are required to confirm that their operation will not be adversely affected by the early retirement of the teachers nominated.

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**(9) Re-employment Restriction**

- (a) ERS participants are not allowed to take up full-time or part-time teaching employment (including teaching posts created by government funds which are for the purpose of providing additional teachers to schools, but excluding daily-rated part-time jobs each 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 related to operation of the schools concerned.
- (b) The re-employment restriction will take effect from the date of early retirement, normally September in the following school year.

**(10) 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 never take up full-time or part-time teaching employment (including teaching posts created by government funds which are for the purpose of providing additional teachers to schools, but excluding daily-rated part-time jobs each of duration not more than 90 days) in government, aided, caput and direct subsidy scheme schools. The re-employment restriction will take effect from the date of early retirement, normally September in the following school year.
- (b) The teacher's decision to join the ERS is irrevocable after signing the undertaking.

**(11) Implementation**

The ERS will be implemented from 2006/07 to 2008/09 school years. Where it is justified, some teachers may be allowed to retire early in the 2005/06 school year.

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