

**For discussion
on 23 January 2019**

EC(2018-19)28

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 permanent post in the Office of the Government Economist under the Financial Secretary's Office with effect from 13 May 2019 or with immediate effect upon approval by the Finance Committee, whichever is later –

1 Principal Economist
(D2) (\$171,200 - \$187,150)

PROBLEM

In view of the long-term work demand in Section V of the Office of the Government Economist (OGE) of the Financial Secretary's Office (FSO), we need continued staffing support at the directorate level to conduct economic analyses and researches in areas of poverty, welfare and population.

PROPOSAL

2. We propose that a permanent Principal Economist (Pr Econ) (D2) post be created in OGE under FSO with effect from 13 May 2019 or with immediate effect upon approval by the Finance Committee (FC), whichever is later, to continue to conduct economic analyses and researches for supporting the Government's policy deliberations on poverty, welfare and population issues.

/JUSTIFICATIONS

JUSTIFICATIONS

3. Section V of OGE was set up in April 2013 to strengthen analytical support to the Government in key policy areas of poverty, welfare and population. With FC's approval, a supernumerary Pr Econ post was created on 1 April 2013 for three years and then extended for another three years up to 12 May 2019 to head Section V. The Pr Econ is currently assisted by five permanent civil service posts, namely two Senior Economist (Sr Econ) and three Economist (Econ) posts, as well as one time-limited civil service post of Personal Secretary I (PS I, to lapse on 1 April 2019).

4. Since its establishment in 2013, Section V has been providing dedicated professional support to meet pressing and growing demand for timely and high-quality professional researches and analyses to support the work of a number of high-level advisory commissions/committees, including the Commission on Poverty (CoP) and the Steering Committee on Population Policy, as well as other requests made by various client bureaux and departments (B/Ds) from time to time. As it is anticipated that the professional support provided by Section V will continue to be in demand within the Government in future given the high complexity and importance of such key policy subjects, we deem it necessary to retain the Pr Econ post on a permanent basis after due consideration. Details are furnished in paragraphs 5 to 13 below.

(i) Poverty-related analysis

5. Section V, under the leadership of the Pr Econ, has been providing analytical support to CoP and its Task Forces, in collaboration with the Census and Statistics Department (C&SD), including the publication of the annual poverty situation report which analyses in detail the latest poverty situation of Hong Kong, the forms and causes of poverty, as well as the poverty alleviation impact of existing key government measures. Up to now, a total of six annual reports have been published (2012 to 2017) and uploaded onto the website of CoP for public consumption.

6. Section V has also conducted additional researches upon requests of CoP members and the general public on a wide range of poverty-related topics. Major studies undertaken for the past two terms of the CoP include supplementary poverty lines, elderly poverty situation and the expenditure pattern of poor households. In addition to monitoring the overall poverty situation, we have conducted focused analyses on the poverty situation of disadvantaged groups (such as single-parent households and new-arrival households), which were published in

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the annual poverty situation report as feature articles. Following a Legislative Council (LegCo) Member's enquiry on the poverty situation of working persons with post-secondary educational attainment, a relevant feature article was also newly introduced in the 'Hong Kong Poverty Situation Report 2017' released in 2018.

7. The Government attaches great importance to the well-being of persons with disabilities and ethnic minorities (EMs). The publication of poverty situation reports on EMs (2014 and 2016) and on persons with disabilities (2013) facilitated a better understanding of the forms of poverty of these specific groups. As for EMs characterised by a growing population over time, they form a vital component of our society, yet some may encounter difficulties in adaptation and integration into our community. The detailed poverty analysis on EMs is relevant to the consideration of the Steering Committee on Ethnic Minorities Affairs on enhancement of support measures to EMs.

8. On earnings growth over time, Section V published the '2015 Study on Earnings Mobility' in 2016, and has carried out a 2018 update to study the impact of the global financial crisis in 2008 on subsequent earnings mobility of post-secondary graduates. The study could provide an objective basis for the Government to monitor the earnings mobility of the younger generations and help them seize the opportunities brought about by social and economic changes. Key findings will be presented to CoP when available.

9. The above tasks entail sustained efforts and Section V will require the steer of a directorate section head to carry out long-term monitoring and analyses in an effective manner. The CoP and its Task Forces will continue to require professional inputs of Section V. The poverty line analysis and the regular earnings mobility studies will also continue, with the results to be submitted to CoP for discussion in due course. When new rounds of survey results from C&SD are available, the poverty situation of EMs and persons with disabilities, together with the study of the expenditure pattern of poor households, will be updated in the years to come. Section V's professional support in poverty-related issues would continue to be prominent.

(ii) Welfare-related analysis

10. Since the setting of the official poverty line in 2013, poverty-related analyses have provided an evidence-solid basis for the Government to not only monitor and better understand the poverty situation of Hong Kong, but also formulate and review relevant welfare policies in an ongoing manner to alleviate the poverty situation of the needy groups. Section V has conducted rounds of

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assessments and analyses, including scenario studies of socio-economic characteristics of the beneficiaries and the respective poverty alleviation impacts under different policy options in the policy deliberation/review processes, and monitored the effectiveness of these measures from time to time after implementation.

11. For instance, noting the heavy family burden faced by working poor families, the Government launched the Low-income Working Family Allowance (LIFA) Scheme in 2016 to promote self-reliance and alleviate intergenerational poverty. In order to strengthen its functions in alleviating and preventing poverty, the Government conducted a comprehensive review of the LIFA Scheme in 2017; and introduced a series of enhancements and renamed the Scheme as the Working Family Allowance Scheme in 2018. Besides, to strengthen the support for elderly persons with financial needs, the Government implemented enhancements to the Old Age Living Allowance in 2017 and 2018. The latest 2017 poverty figures reflect that the elderly poverty situation after recurrent cash intervention has improved notably.

(iii) Population-related analysis

12. With a low fertility rate and longer life expectancy, Hong Kong's population is ageing rapidly. Such a demographic structural trend will on the one hand pose long-term challenges to manpower resources, economic growth potential, welfare and health services, but on the other hand present opportunities for the community to devise a variety of elderly-related services for our senior citizens to enjoy their lives. Suitable policies could encourage elders to stay in or re-enter the labour market and unleash the capacity of developing the 'silver-hair' market, thereby alleviating the possible burden of population ageing on society.

13. In this respect, Section V has been monitoring from time to time the latest demographic trends both locally and internationally, heavily involved in the population projection and labour force projection exercises conducted by C&SD, which serve as key input parameters for a wide range of analyses in the areas of population ageing, labour and welfare issues. Furthermore, Section V would have to provide support in the form of in-depth researches and assessments on the potential impacts of ageing population on economic vitality and the possible implications for various policies.

The need to create a permanent Pr Econ post

14. During discussions of the staffing proposals submitted to the LegCo Panel on Public Service and the Establishment Subcommittee for approval regarding the creation of the supernumerary Pr Econ post in 2013 and the retention

of the post for three years in 2016, some Members opined that the Government should consider the creation of a permanent post in order to meet the long-lasting work demand in policy areas on poverty, welfare and population. While considering it more prudent to create a supernumerary Pr Econ post then, we agreed to review OGE's staffing arrangement in a holistic manner taking into account future workload and manpower before the lapse of the post in May 2019.

15. Given the complexity, long-term policy significance and highly contentious nature of the aforesaid work of Section V, it is considered essential that a permanent Pr Econ post be created to continue to lead the Section. Continued directorate support at the Pr Econ level is critical to ensuring the timely delivery of high quality and in-depth economic analyses on poverty, welfare and population issues; effective exchanges and interactions with various stakeholders in particular on poverty analyses; and evaluation of various policy options to support the deliberations at various high-level commissions/committees in the future. The job description of the proposed Pr Econ post is at Enclosure 1. The existing and proposed organisation chart of OGE is at Enclosure 2.

Encl. 1
Encl. 2

Non-directorate support

16. The proposed permanent Pr Econ post will be supported by six permanent civil service posts, comprising two Sr Econ, three Econ, and one PS I posts. The existing time-limited PS I post will be made permanent upon its expiry in 2019-20 to provide continued secretarial support to the Pr Econ.

ALTERNATIVES CONSIDERED

17. We have considered the alternative of staff re-deployment but found it not feasible. The substantial increase in workload in OGE in recent years has gone way beyond the capacity of the Office. It is not possible to deploy existing resources from any of the other five Sections to take up the policy analyses on poverty, welfare and population issues under the ambit of Section V.

18. Having regard to the importance and complex nature of Section V's work, and given that all the Pr Econs of the other five Sections are heavily engaged in different policy areas which are of no lesser importance, it is operationally not feasible for them to share out the directorate duties of Section V. The work portfolios of these five Sections, each headed by a Pr Econ, are at Enclosure 3. Without a directorate professional to spearhead research work on poverty, welfare and population issues on an ongoing basis, the quality and timeliness of OGE's

Encl. 3

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economic analyses provided to senior officials, commissions/committees and other B/Ds will be greatly undermined. There are hence no viable alternatives to the creation of a permanent Pr Econ post.

FINANCIAL IMPLICATIONS

19. The proposed creation of one permanent Pr Econ post requires an additional notional annual salary cost at mid-point of \$2,179,800. The additional full annual average staff cost, including salaries and staff on-cost, is \$2,972,000.

20. The additional notional annual salary cost at mid-point for the creation of a permanent PS I post as mentioned in paragraph 16 above is \$439,980 and the additional full annual average staff cost, including salaries and staff on-cost, is \$674,000. We will include sufficient provision in the draft Estimates of 2019-20 and subsequent years to meet the cost of the proposal.

PUBLIC CONSULTATION

21. We consulted the LegCo Panel on Public Service on 17 December 2018. Members supported the submission of this proposal to the Establishment Subcommittee.

ESTABLISHMENT CHANGES

22. The establishment changes of Head 142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary for the past two years are as follows –

Establishment (Note)	Number of posts			
	Existing (as at 1 January 2019)	As at 1 April 2018	As at 1 April 2017	As at 1 April 2016
A [@]	27 + (3) [#]	25 + (1)	30 + (4)	29 + (3)
B	98	94	127	124
C	369	359	396	391
Total	494 + (3)	478 + (1)	553 + (4)	544 + (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
- () - number of supernumerary directorate posts
- @ - excluding supernumerary posts created under delegated authority
- # - as at 1 January 2019, there was no unfilled directorate post

CIVIL SERVICE BUREAU COMMENTS

23. The Civil Service Bureau supports the proposed creation of the permanent Pr Econ post. The grading and ranking of the proposed post are considered appropriate having regard to the level and scope of responsibilities required.

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

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

Office of the Government Economist
Financial Secretary's Office
January 2019

**Job Description
Principal Economist of Section V**

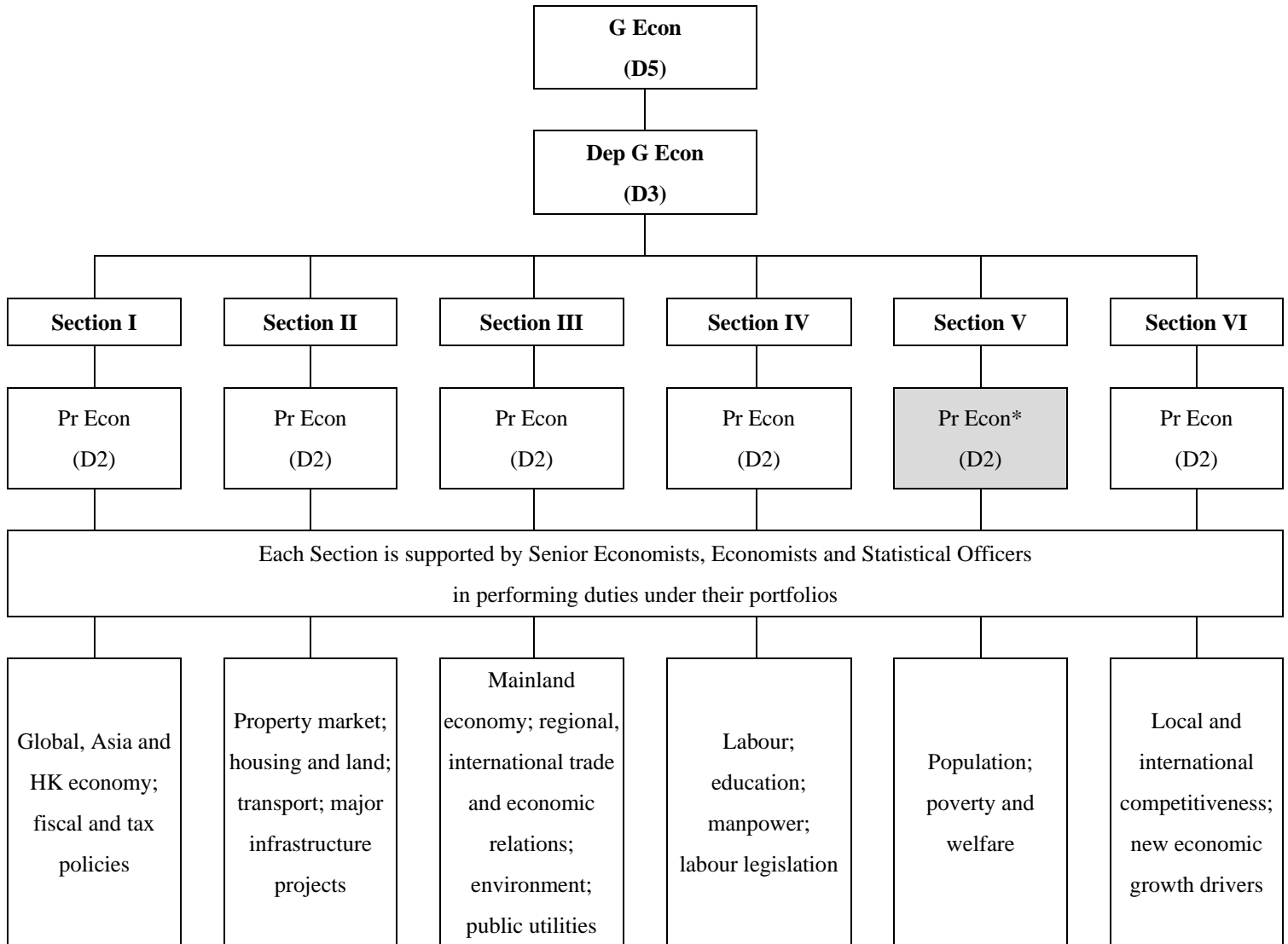
Rank : Principal Economist (D2)

Responsible to : Deputy Government Economist (D3)

Main Duties and Responsibilities –

1. To assist the Government Economist (G Econ) and Deputy G Econ in providing strategic inputs on the policy areas of poverty, welfare and population.
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 to facilitate their deliberation of different policy options.
5. To supervise economic analyses and researches on population ageing.
6. To provide analytical support to various high-level committees/commissions chaired by the Chief Secretary for Administration and other Principal Officials.
7. To undertake other duties as assigned by the G Econ and Deputy G Econ.

**Existing and Proposed Organisation Chart of
Office of the Government Economist under
Financial Secretary's Office**



Note

* The supernumerary post (to lapse on 13 May 2019) proposed for making permanent

Legend

- Dep G Econ - Deputy Government Economist
- G Econ - Government Economist
- Pr Econ - Principal Economist

**Work Portfolios of the Other Five Principal Economists (Pr Econs) of
Office of the Government Economist (OGE) under
Financial Secretary's Office**

The work portfolios of Sections I to IV and Section VI, each headed by a Pr Econ, in the OGE are as follows –

- (a) Section I has to closely monitor the macroeconomic environment. Assessments are required for dynamically gauging the impacts on the Hong Kong economy of the economic performances and changes in trade and monetary policies in the major economies, as well as the situations of global financial, currency, and commodity markets. Currently, the external environment is subject to increasing downside risks. In specific, the US-Mainland trade conflicts, US Fed's interest rate normalisation, Brexit-related developments, and heightened geopolitical tensions would all add extra work burden on Section I for an extended period. Moreover, the responsibilities in providing research work and policy support on public finance and tax issues will continue to bring significant workload to Section I.
- (b) Section II focuses on monitoring the property market, and providing economic analysis and advice in such policy areas as housing, tourism, major infrastructure projects, town planning, land, and transport. As the Government accords high priority to increasing land supply to expand the long-term economic capacity and development potential of Hong Kong, Section II needs to put significant resources in monitoring various strategic planning and works studies commissioned by various bureaux and departments.
- (c) The workload of Section III has built up tremendously in recent years, including the ongoing monitoring and study of free trade agreements, and researches into the Mainland's macroeconomic developments as well as its economic and trade ties with Hong Kong. Moreover, Section III will continue to monitor and analyse the ongoing economic and financial reforms in the Mainland in view of their possible significant bearing on the Hong Kong economy. The resurgence of protectionist sentiments in recent years also poses adverse impact on the external trade environment and thus warrants attention. As such, Section III has no spare capacity to take on the analysis of other subjects.

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- (d) Section IV is responsible for monitoring the labour market situation, as well as undertaking various impact assessments of labour and manpower policies, including assisting the Minimum Wage Commission to make recommendation on the statutory minimum wage rate based on an evidence-based approach. Section IV also needs to support the Labour and Welfare Bureau in reviewing an array of controversial issues such as the abolition of the Mandatory Provident Fund ‘offsetting’ arrangement, working hours policy, paternity leave and maternity leave; and to provide technical support and professional analysis to the newly established Human Resources Planning Commission. To this end, the workload of Section IV is envisaged to be extremely hectic under the current-term Government.

- (e) Section VI, only established for a short period, is now actively expanding on the research on international competitiveness and new economic growth driver, both in terms of breadth and depth, and stepping up the professional dialogues and technical exchanges with international ranking institutes on competitiveness studies. These new research topics are highly extensive in nature and echo the current-term Government’s policy priority, and thus Section VI is already fully engaged with no spare capacity.
