ITEM FOR FINANCE COMMITTEE

CAPITAL WORKS RESERVE FUND
HEAD 710 – COMPUTERISATION
Labour Department
New Subhead "Development of a new Disbursement Information System for implementing the proposed extension of statutory maternity leave"

> Members are invited to approve the creation of a new commitment of $48,737,000 for the development of a new Disbursement Information System for implementing the proposed extension of statutory maternity leave of the Labour Department.

PROBLEM

The Labour Department (LD) needs to develop a new Disbursement Information System (DIS) for implementing the proposed extension of statutory maternity leave (ML) under the Employment Ordinance (EO).

PROPOSAL

2. The Commissioner for Labour, with the support of the Secretary for Labour and Welfare and the Government Chief Information Officer, proposes to create a new commitment of $48,737,000 to develop a new DIS for implementing the proposed extension of statutory ML under EO.

JUSTIFICATION

3. The Chief Executive proposed in the 2018 Policy Address to extend the statutory ML under EO from the current ten weeks to 14 weeks. If a female employee is entitled to statutory maternity leave pay (MLP), the employer may seek reimbursement from the Government for the additional four weeks' MLP paid

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to the employee, subject to a cap of $36,822 per employee. With reference to the situation in 2018, it is estimated that some 27 000 female employees each year would benefit from the proposed extension of ML. The concerned employers would be entitled to seek reimbursement from the Government for the additional MLP at an estimated total cost of around $444 million a year.

4.   The Government introduced a bill for extending the statutory ML, namely the Employment (Amendment) Bill 2019, into the Legislative Council (LegCo) on 8 January 2020. At present, the Panel on Manpower is handling the Bill. In parallel, LD is formulating a new Reimbursement of Maternity Leave Pay Scheme (RMLPS) for reimbursing employers the additional four weeks' MLP. To underpin the implementation of RMLPS, LD needs to develop the proposed DIS. Subject to the passage of the Employment (Amendment) Bill 2019 and funding approval for DIS within the current LegCo term, the Government aims to implement RMLPS by end-2021.

The proposed DIS

5.   LD reviewed the business processes and functions of the future disbursement office for the additional MLP (Disbursement Office), defined the high-level user requirements of the proposed DIS, as well as explored and evaluated suitable options for application of innovation and technology in 2019. To ensure a smooth implementation of RMLPS, we need to –

      (a)   develop DIS which will comprise an information technology system for administering RMLPS (Disbursement Administrative System (DAS)) and a one-stop online portal (Disbursement Portal (D Portal)); and

      (b)   set up office automation (OA) facilities for establishing an electronically enabled environment for facilitating day-to-day operation of the Disbursement Office as well as communicating with the public and within the Government.

6.   DAS will assist the Disbursement Office in streamlining the business processes for administration of RMLPS. The major functions and component parts of DAS are as follows –

      (a)   automating case processing procedures for shortening the time for handling each application, enhancing the accuracy in processing, addressing enquiries and speeding up the reimbursement of MLP to employers;

(b)   monitoring the progress of case processing and performance of the Disbursement Office for ensuring all applications can be processed and completed within a reasonable period of time;

(c)   identifying overlapping applications and suspicious or fraudulent cases for in-depth investigation via a risk-based mechanism for ensuring proper use of public funds;

(d)   enabling inter-departmental data matching and exchange for case processing;

(e)   providing an integrated database for storing all relevant information in respect of each application, payments effected, cases approved or refused, cases identified for investigations, etc.;

(f)   generating operational and statistical reports; and

(g)   facilitating paper saving by integration with the D Portal for achieving an environmental-friendly workplace.

7.   The D Portal will be set up for online submission of applications from employers, checking of application progress by applicants and dissemination of information to the public by the Disbursement Office. The major functions and component parts of the D Portal are as follows –

(a)   providing an electronic channel for online submission of applications by employers, account registration and maintenance, enquiry of case progress and payment history;

(b)   disseminating useful information about RMLPS, such as eligibility, application procedures, payment arrangements and other reference materials in a user-friendly manner for facilitating smooth submission of applications by employers; and

(c)   facilitating the public to use the D Portal through mobile devices by adopting responsive web design[1].

8.   As for OA facilities, the proposed equipment and services will include –

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[1]   Responsive web design enables web pages to be automatically adjusted to fit the screen display of different types of personal computers and mobile devices.

    (a)   providing personal computers with necessary OA software for users of the Disbursement Office to support general OA requirements;

    (b)   establishing an email system for facilitating electronic communication between the Disbursement Office and the public and within the Government;

    (c)   providing internet access services to facilitate research and access to external information; and

    (d)   establishing network connections and providing a central repository for sharing of information and collaborative editing of documents as well as accessing electronic services of the Government.

Anticipated benefits

9.   The proposed DIS will facilitate effective implementation of RMLPS as well as efficient operation of the Disbursement Office in the following aspects, and hence enhance services to the public. The new system will bring about the following benefits –

    (a)   *Speedy processing of applications and reimbursement of MLP to employers*

        A number of steps and procedures will be involved in processing applications for reimbursement of MLP including submission, receipt and vetting of applications, data matching with other government departments, clarification and verification with employers and employees where necessary, arrangement of payment, review and appeal of application results, etc. Without the aid of DIS, applications will have to be processed manually and the processing time will be longer. DIS will help simplify the steps and procedures for processing applications and shorten the lead time for payment.

    (b)   *Convenient and user-friendly channel for applications and public access to information*

        Through the D Portal, employers will be able to submit online applications, check the application status and retrieve the payment history at any time and any place. With automatic data matching with other government departments, submission of the relevant supporting documents such as copy of Business Registration Certificate will not be required. Furthermore, the D Portal will provide an effective and user-friendly electronic channel for promotion and publicity of RMLPS as well as explaining to the public the features of RMLPS, including eligibility, application procedures and payment arrangement.

    (c)   *Efficient processing*

The central database of DAS will store the information of all applications, thereby obviate manual search of voluminous paper records and enhance the efficiency of the Disbursement Office. With automation of case processing, the workload of compiling statistical returns and preparing standard printouts, etc. will be reduced. Besides, a central database will facilitate more efficient and effective identification of overlapping applications and dubious or fraudulent claims to ensure the proper use of public funds.

    (d)   *Effective performance monitoring*

The case management functions and statistical reports of DAS will enable effective monitoring of the performance of the Disbursement Office. DAS will improve the case assignment mechanism and facilitate the distribution of applications to operation teams of the Disbursement Office.

    (e)   *Environmental-friendly work environment*

DAS will reduce storage space for paper forms, documents and manual records, as well as paper consumption of the Disbursement Office.

10.   Provision of OA facilities will be essential for the smooth operation of the Disbursement Office. For daily operations, computer workstations and network facilities of the Disbursement Office will be necessary for connecting and accessing DAS and the D Portal for handling applications. The Disbursement Office also needs to be provided with basic facilities, including email system, file servers and network for communication with external parties and within the Government, as well as internal electronic services of the Government, such as e-Leave system and the Departmental Portal of LD, so as to facilitate users of the Disbursement Office to share information and documents, thereby enhancing operational effectiveness. In addition, common software involving word processing and spreadsheet will be used for preparing various documents, reports and presentation materials.

FINANCIAL IMPLICATIONS

Non-recurrent expenditure

11.   The implementation of the proposed DIS will incur an estimated non-recurrent expenditure of $48.737 million from 2020-21 to 2022-23. The breakdown is as follows –

Item		2020-21 $'000	2021-22 $'000	2022-23 $'000	Total $'000
(a)	Hardware	2,048	2,490	-	4,538
(b)	Software	1,147	1,815	-	2,962
(c)	Implementation and contract staff services	8,599	18,563	2,060	29,222
(d)	Cloud services	945	4,228	-	5,173
(e)	Communication network	448	861	-	1,309
(f)	Site preparation	440	440	-	880
(g)	Miscellaneous	64	158	-	222
(h)	Contingency	1,369	2,856	206	4,431
	Total	**15,060**	**31,411**	**2,266**	**48,737**

12.   On paragraph 11(a) above, the estimated expenditure of $4,538,000 is for the acquisition of computer hardware, including OA and security management servers, personal computer workstations, printers and network equipment.

13.   On paragraph 11(b) above, the estimated expenditure of $2,962,000 is for the acquisition of system software and OA software.

14.   On paragraph 11(c) above, the estimated expenditure of $29,222,000 is for hiring outsourcing services and contract staff for the system implementation work, including system analysis and design, development, site preparation, system installation, privacy impact assessment, security risk assessment and audit, etc.

15.   On paragraph 11(d) above, the estimated expenditure of $5,173,000 is for the service charge of hosting the proposed DIS in the next generation Government Cloud Infrastructure.

16.   On paragraph 11(e) above, the estimated expenditure of $1,309,000 is for rental of data communication lines connecting the Disbursement Office to the Government Cloud Infrastructure and government bureaux/departments.

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17.   On paragraph 11(f) above, the estimated expenditure of $880,000 is for site preparation in respect of cabling work for server rooms and office area in the Disbursement Office.

18.   On paragraph 11(g) above, the estimated expenditure of $222,000 is to meet miscellaneous expenditure including user training and acquisition of start-up consumables.

19.   On paragraph 11(h) above, the estimated expenditure of $4,431,000 represents a 10% contingency on the items set out in paragraphs 11(a) to (g) above.

Other non-recurrent expenditure

20.   The implementation of the proposed DIS will require an in-house team for project management, procurement of hardware, software and services, installation support, formulating user requirements, conducting user acceptance tests and implementation support. This will entail a total non-recurrent staff cost of $24,875,000 from 2020-21 to 2022-23. The breakdown by year is as follows –

	2020-21 $'000	2021-22 $'000	2022-23 $'000	Total $'000
Staff cost	7,180	15,918	1,777	24,875

21.   The staff cost represents a total of 110.4 man-months of Labour Officer (LO) grade staff, 96 man-months of Analyst/Programmer (A/P) grade staff and 36 man-months of clerical staff from 2020-21 to 2022-23.

Recurrent expenditure

22.   The estimated annual recurrent expenditure for maintaining and supporting the proposed DIS will be $419,000 in 2021-22, increasing to $9,579,000 from 2025-26 onwards. The breakdown is as follows –

Item		2021-22 $'000	2022-23 $'000	2023-24 $'000	2024-25 $'000	2025-26 and onwards $'000
(a)	Hardware and software maintenance	-	1,159	1,159	1,159	1,159
(b)	System maintenance and contract staff services	-	1,956	3,029	2,934	3,029
(c)	Cloud services	343	4,108	4,243	4,290	4,331
(d)	Communication network	76	970	970	970	970
(e)	Miscellaneous	-	90	90	90	90
	Total	**419**	**8,283**	**9,491**	**9,443**	**9,579**

23.   On paragraph 22(a) above, the estimated annual expenditure is for hardware and software maintenance to sustain the proposed DIS.

24.   On paragraph 22(b) above, the estimated annual expenditure is for system maintenance and support from external service providers and contract staff.

25.   On paragraph 22(c) above, the estimated annual expenditure is for cloud services for hosting the proposed DIS.

26.   On paragraph 22(d) above, the estimated annual expenditure is for rental charges of data communication lines.

27.   On paragraph 22(e) above, the estimated annual expenditure is for acquisition of consumables such as backup media.

28.   In addition, LD will redeploy the team responsible for developing the proposed DIS as mentioned in paragraphs 20 and 21 above to provide ongoing system support and administration from 2022-23 onwards. Led by a Chief Labour Officer, the team will comprise seven LO grade staff, four A/P grade staff and two clerical staff. The annual staff cost will be $14,141,000 in 2022-23 and increase to $15,918,000 from 2023-24 onwards.

IMPLEMENTATION PLAN

29.   It is estimated that the proposed DIS will be developed in around 18 months after project commencement. LD plans to kick off the relevant work by June 2020 subject to approval of funding by the Finance Committee (FC) of LegCo. The implementation schedule (durations of major activities specified in brackets) is as follows –

Activity		Target Completion Date
(a)	Project commencement	June 2020[*]
(b)	System analysis and design (four months)	October 2020
(c)	Procurement of implementation service for core functions[2] (four months)	October 2020
(d)	Procurement of implementation service for non-core functions	January 2021
(e)	Procurement of system equipment	May 2021
(f)	Site preparation	June 2021
(g)	System development (12 months after activities in paragraph 29(b) and 29(c) above)	October 2021
(h)	Privacy impact assessment and security risk assessment and audit	October 2021
(i)	User acceptance test	November 2021
(j)	System live run for core functions	November 2021
(k)	System live run for non-core functions	February 2022
(l)	System nursing	July 2022

[*] *The target project commencement date is subject to funding approval from FC.*

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[2] Core functions will include online submission of applications and enquiries, case vetting and approval, inter-departmental data matching and exchange, and payment arrangement.

PUBLIC CONSULTATION

30.   We consulted the LegCo Panel on Manpower on the proposal on 21 January 2020. Members had no objection in principle to the Government's submission of the proposal to FC for funding approval. As requested by Panel members, we provided additional information on the recurrent staff cost and the durations for implementation of major activities in paragraphs 28 and 29 above respectively.

Labour and Welfare Bureau
Labour Department
May 2020