

**For discussion on
18 January 2016**

LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE

Extension of One Supernumerary Principal Economist Post in the Economic Analysis and Business Facilitation Unit, Financial Secretary's Office

PURPOSE

This paper seeks Members' support to the proposal to extend one supernumerary Principal Economist (Pr Econ) (D2) post in the Economic Analysis and Business Facilitation Unit (EABFU) under the Financial Secretary's Office (FSO) for a period of three years from 1 April 2016 or with immediate effect upon approval of the Finance Committee (FC), whichever is the later, to provide the necessary support at the directorate level in enhancing the economic analytical capacity in the policy areas of population, poverty and welfare.

BACKGROUND AND JUSTIFICATION

Scope and Responsibilities of EABFU

2. Established in June 2004, EABFU provides high-level professional advice and economic assessments to all Government bureaux/departments in their policy formulation process, and spearheads business facilitation to cut red tapes and reduce business compliance costs for ensuring a favourable business environment. EABFU is headed by Government Economist (G Econ) currently ranked at D4 and has two Divisions, namely the Economic Analysis Division (EAD) and the Business Facilitation Division (BFD).

3. EAD comprises five sections each of which is headed by a Pr Econ. Section V is headed by Pr Econ (5) which is the supernumerary post under the present proposal of extension. The key responsibilities of EAD are as follows –

- (a) to closely monitor all significant developments both globally and locally for their potential implications on the Hong Kong economy, including housing market bubble risks;
- (b) to produce official Gross Domestic Product and inflation forecasts and regular economic reports on the Hong Kong economy;
- (c) to conduct in-depth studies on issues that are vital for the strategic and long-term development of Hong Kong (examples include economic impact assessments on the Mainland and Hong Kong Closer Economic Partnership Arrangement, Economic Cooperation Framework Agreement and free trade agreements, and economic evaluation of infrastructure projects);
- (d) to undertake in-depth assessments and studies to support policy formulation and enhancement (examples include high frequency monitoring of the impact of statutory minimum wage; detailed assessments on working hours policy options; analyses of poverty risks and related studies on various disadvantaged groups; earnings mobility; economic analyses of population ageing); and
- (e) to closely monitor the international competitiveness of Hong Kong and assess Hong Kong's strengths and weaknesses from all relevant aspects, and to identify areas for further improvements.

4. BFD, headed by an Assistant Director of Management Services (ADMS) (D2), is responsible for overseeing and co-ordinating the Government's efforts on business facilitation under the steer of the Business Facilitation Advisory Committee (BFAC), and assists Government bureaux and departments to undertake studies and projects for identifying and implementing measures to facilitate the development and operation of the business sector. It also provides secretariat and executive support to the BFAC and its Task Forces.

Creation of a New Section in 2013

5. FC approved on 15 March 2013 the creation of the concerned supernumerary Pr Econ post (i.e. Pr Econ (5)) for three years to lead the new Section V in EAD to strengthen analytical support to the Government in the areas of population, poverty and welfare. The supernumerary Pr Econ post will lapse on 1 April 2016.

6. Section V is responsible for providing dedicated support to two high-level Committees, viz. the reinstated Commission on Poverty (CoP) and the Steering Committee on Population Policy (SCPP), both chaired by the Chief Secretary for Administration (CS). Since its establishment in 2013, Section V has been overwhelmed with pressing demand for timely, high-quality research and analyses to support the work of CoP and SCPP, not to mention the other various requirements from bureaux/departments in their policy formulation. The pressure faced by Section V is enormous due to ever rising workload to support the policy deliberation at these two high-level policy committees, and the work demand is expected to remain substantial in the coming three years, as detailed in paragraphs 7 to 10 below.

Commission on Poverty

7. In collaboration with Census and Statistics Department, Section V has been providing full analytical support to the reinstated CoP and the

Task Forces formed under it in monitoring Hong Kong's poverty situation, assessing its underlying causes, and evaluating the effectiveness of existing key poverty alleviation measures. With the establishment of the official poverty line in 2013, these poverty data analyses now form an important basis for the Government to review existing policy measures and formulate new policy initiatives, including for example, the newly launched Low-income Working Family Allowance (LIFA) initiative. Numerous additional researches arising from the CoP discussion and the general public regarding the poverty line framework also require substantial inputs from Section V.

8. It is envisaged that demand for analytical inputs from Section V in these work areas will increase further in the coming years. Upcoming studies include analysis of the relationship between poverty and the expenditure pattern of households and potential enhancements to the poverty line framework in 2016, which will involve in-depth analysis and substantial scenario-testing. On top of this highly complex task, other resource-demanding studies already in the work plan include update of the poverty situation of ethnic minorities; study on income disparity in 2017 based on the 2016 Population By-census results; and review of the effectiveness of LIFA in 2017 upon its implementation this year.

9. Apart from these, in the preparation for the public consultation on retirement protection launched by the CoP in December 2015, Section V has also undertaken complicated analytical tasks on numerous aspects, including in particular, detailed assessments on the financial implications and fiscal sustainability of various policy options of retirement protection. Looking ahead, continuous research and professional support would be required to facilitate CoP's deliberations on this important subject after the public consultation to end in mid-2016. All the above are highly complex and professionally demanding tasks requiring high-level steer from a directorate level officer.

Steering Committee on Population Policy

10. Section V is tasked to provide full analytical support to SCPP, in conducting detailed analyses of the macroeconomic consequences from population ageing and in identifying the future direction of the population policy of Hong Kong. In face of the imminent challenges of ageing population to our labour force, economic growth potential, as well as fiscal sustainability, in the coming years EABFU will need to continue to support SCPP's policy deliberations in terms of rendering strategic inputs and advice from the economic analysis perspective. For in-depth research and evaluation of various policy options on such an important subject, it is most critical and necessary to have the continued directorate support at the Pr Econ level to ensure quality and timely output.

THE PROPOSAL

11. Having regard to the expected heavy workload, and the complexity and policy significance of the areas of work as detailed in paragraphs 7 to 10 above, we consider it operationally necessary to extend the supernumerary Pr Econ (5) post for three years, to provide the necessary analytical support to the two high-level Committees in policy deliberations on poverty, population and welfare issues. The job description of Pr Econ (5) is at **Annex A**. The existing and proposed organisation chart of EABFU is at **Annex B**.

Non-directorate Support

12. Pr Econ (5) will continue to be supported by four permanent civil service posts, including two Senior Economists and two Economists, as well as one time-limited Personal Secretary I which will also be extended for three years.

ALTERNATIVES CONSIDERED

13. We have considered the alternative of staff redeployment but found it not feasible, as the capacity of the other four Pr Econs at EAD has already been stretched to their limits.

14. Given the heavily-loaded work schedules of the four Pr Econs, and the need to cater for the growing demand for their services, and as they likewise need to accord due attention in ensuring timely and effective delivery of their portfolios which are equally important on their own, it is thus operationally not feasible for them to effectively absorb and share out the additional duties and responsibilities of Section V. Specifically -

- (a) Section I is fully occupied by the high frequency monitoring of the macroeconomic environment, especially with the difficult external conditions in the post global financial crisis world and the risks posed by US Fed's interest rate normalization;
- (b) Section II is already heavily tied up in monitoring the property market and providing economic analysis and advice in the areas of housing, tourism, major infrastructure programmes, town planning, land, and transport. Moreover, the demand projections in the Long-Term Housing Strategy would need to be updated on an annual basis;
- (c) The volume of work in Section III has likewise built up substantially in recent years, especially regarding the Mainland-Hong Kong economic relations, and the work associated with China's Five Year Plan and One Belt, One Road initiative. Also, there has been an increasingly pressing need to conduct in-depth and rigorous analyses on the important subject of competitiveness; and

- (d) Section IV is tied up with monitoring the labour market, impact assessments on labour and manpower policies, including notably the statutory minimum wage and standard working hours.

15. The strategic and complex policy analyses in the areas of poverty, retirement protection, population policy and welfare policy is no less important and imminent than any of the other areas of work within EAD. The output must be made available in the most timely and effective manner in order to give full and adequate support towards these policy areas which have pivotal impact on Hong Kong's future development. There are no viable alternatives except for the extension of the supernumerary Pr Econ post in Section V.

FINANCIAL IMPLICATIONS

16. The proposed extension of one supernumerary Pr Econ post requires an additional notional annual salary cost at mid-point of \$1,973,400. The full annual average staff cost, including salaries and staff on-cost, is \$2,600,000. As for the time-limited PS I post to be extended to support Pr Econ (5), the notional annual salary cost at mid-point is \$390,720 and the full annual average staff cost, including salaries and staff on-cost, is \$589,000. We will include sufficient provision in the Estimates of 2016-17 and subsequent years to meet the cost of the proposal.

ADVICE SOUGHT

17. Members are invited to comment on the proposal. Subject to Members' views, we will seek the recommendation of the Establishment Subcommittee and approval from the FC accordingly.

Economic Analysis and Business Facilitation Unit
Financial Secretary's Office
January 2016

Job Description

Principal Economist (5)

Rank : Principal Economist

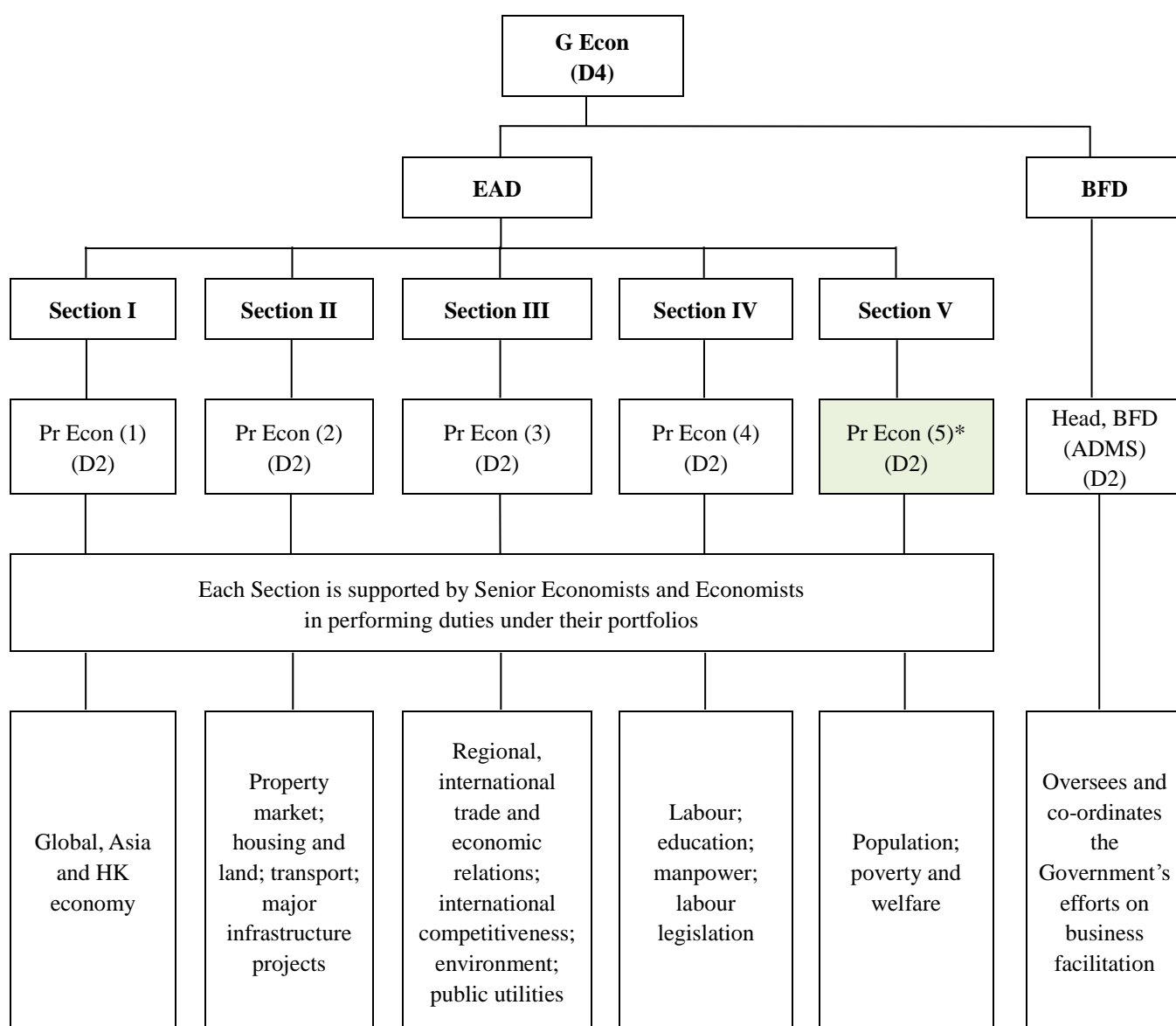
Responsible to : Government Economist

Main Duties and Responsibilities

1. To assist the Government Economist (G Econ) in providing strategic inputs on the policy areas of population, poverty and welfare.
2. To supervise reviews and research on the framework of poverty line, as well as monitoring work of 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 (CoP) to facilitate their deliberation of different policy options.
5. To supervise economic analyses and preparation of working papers related to the research findings of the in-depth studies on population ageing.
6. To provide analytical support to various high-level committees/commissions chaired by the Chief Secretary for Administration / Principal Officials, in particular CoP and the Steering Committee on Population Policy (SCPP).
7. To carry out other duties as directed by G Econ.

Annex B

Existing and Proposed Organisation Chart of Economic Analysis and Business Facilitation Unit



* This supernumerary post will lapse on 1 April 2016, and is proposed to be extended for three years.

Legend: BFD = Business Facilitation Division
 EAD = Economic Analysis Division
 G Econ = Government Economist
 Pr Econ = Principal Economist