

**For discussion on  
18 January 2016**

**Legislative Council Panel on Public Service**

**Upgrading of the Government Economist Post and  
Creation of a Deputy Government Economist Post  
in the Economic Analysis and Business Facilitation Unit,  
Financial Secretary's Office**

**PURPOSE**

This paper seeks Members' views on the following staffing proposals in the Economic Analysis and Business Facilitation Unit (EABFU) –

- (a) to upgrade the permanent directorate post of Government Economist (G Econ) from the existing D4 to D5 rank; and
- (b) to create a permanent directorate Deputy Government Economist (Deputy G Econ) (D3) post.

**BACKGROUND AND JUSTIFICATION**

**Scope and Responsibilities of EABFU**

2. Established in June 2004, EABFU comes under the Financial Secretary's Office. The main functions of EABFU are to provide high-level professional advice and economic assessments to all Government bureaux and departments in their policy formulation process, and to spearhead business facilitation to cut red tapes and reduce business compliance costs for ensuring a favourable business environment. EABFU is headed by G Econ currently ranked at D4 and has two

Divisions, namely Economic Analysis Division (EAD) and Business Facilitation Division (BFD).

3. EAD comprises five sections each headed by a Principal Economist (Pr Econ) ranked at D2. 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 (SMW); 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 in all relevant aspects, and to identify areas for further improvements.

4. BFD, headed by an Assistant Director of Management Services (ADMS) ranked at 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.

### **Significant expansion in the responsibilities of EABFU**

5. In face of the fast changing international economic landscape, these days the Government needs to devote dedicated efforts in devising appropriate strategies and measures to help foster the economic potential of Hong Kong whilst forestalling the macro vulnerabilities and risks. In this process, the work of EABFU has expanded significantly in scope, volume and complexity to cater for the ever increasing demand for in-depth and timely economic analyses of the rapidly changing external environment and assessment of Hong Kong's strengths and weaknesses and its niches.

6. Moreover, G Econ's team faces a mounting and enormous demand to provide quantitative assessments to enable evidence-based deliberations at high-level committees and to pay due regard to the impact on Hong Kong's competitiveness generally and business compliance costs. As a consequence, G Econ's involvement in policy formulation by way of providing analytical support right at the start of the deliberation process is much greater than before. Besides, with the public demanding for more transparency on Government policies, G Econ also has to make more frequent presentations before the Legislative Council (LegCo) and the media to support the Principal Officials with articulated and robust arguments in various fields (e.g. population,

poverty, trade, employment, retirement protection, standard working hours and housing) from the economic angle.

*Change in service demands*

7. On macroeconomic analyses and budget formulation, which have been the core portfolio of EABFU, the requirement for economic analyses from EAD has increased substantially over the years, not only in terms of high frequency updates of economic outlook assessments due to an ever-changing international landscape and more frequent occurrence of global crises, but also in terms of the need to provide the Financial Secretary (FS) with time-critical assessments and advice on the various macro risks and on appropriate strategies to deal with them. The scope of EAD's work in support of FS has thus expanded well beyond macro monitoring, to include risk assessments on major external shocks, impact assessments of fiscal stimulus measures, high frequency updates of revenue projections, and long-term fiscal sustainability assessments.

8. Notably, EABFU has also stepped up monitoring and analyses of Hong Kong's competitiveness rankings by international ranking institutes, including Heritage Foundation; Fraser/Cato Institute; World Bank; World Economic Forum; and International Institute for Management Development. Aside from conducting in-depth analyses on competitiveness implications of key policy initiatives, G Econ also calls on these international ranking institutes around the world, to establish and upkeep regular high-level dialogues for making clear Hong Kong's economic development and explaining Hong Kong's performance and progress on aspects of international competitiveness.

9. The following work that EABFU has taken on over the past few years are a few examples of the new service demands on G Econ -

- (a) takes charge in the development of the analytical framework on the official poverty line for the Commission on Poverty (CoP), and provides the analytical support to the relevant bureaux in the formulation of new poverty alleviation measures, which include in particular the Low-income Working Family Allowance, as well as the assessment of poverty alleviation effectiveness (for example, Old Age Living Allowance and Work Incentive Transport Subsidy Scheme). G Econ also provides professional support to the CoP on retirement protection by conducting financial and economic assessments of various policy options of retirement protection;
- (b) provides in-depth economic analyses to the Steering Committee on Population Policy to support the deliberations on the pros and cons of different policy options in tackling the issues of ageing population and inadequate manpower supply;
- (c) supports the Minimum Wage Commission with a sound analytical framework with the necessary data analyses and impact assessments, to facilitate an evidence-based deliberation in the process of recommending a SMW rate in Hong Kong and for subsequent monitoring of its impact on the economy and the community;
- (d) provides the Standard Working Hours Committee with detailed scenario studies and impact assessments to foster informed discussion of the subject; and
- (e) analyses the demand/supply fundamentals of the property market and other factors affecting the market, together with high frequency monitoring of the housing market situation and the associated bubble risks. G Econ was one of the three ex-officio members in the Steering Committee of the Long Term Housing Strategy and provided considerable inputs in the production of the long term

housing demand projection and sensitivity analyses of housing demand under different economic cycles.

10. As a reflection of EABFU's increasing involvement in the formulation of Government policies and the new service demands that have thus arisen, **Annex A** lists the number of high-level statutory committees which G Econ has/had participated in person, either as a member or as part of the research team of the Government, the purviews of which span almost all the key policy areas of the Government.

*Change in staffing complement*

11. To cope with the acute work pressure of EAFBU, the staffing of EABFU has grown over time, with new posts mostly created at the non-directorate level. At the directorate level, a three-year supernumerary post of Pr Econ was created in April 2013 to assist G Econ in rendering economic analyses in areas of population, poverty and welfare. While the creation of these new posts and the re-deployment of existing staff of EAD have to some extent helped meet the additional workload, a large part of the heavy burden, especially in relation to the participation in high-level committees to render analytical support to the top senior Government officials, and the high-level dialogues with international ranking institutes, inevitably still falls on G Econ.

12. Moreover, coming along with the expansion of EABFU is a substantial increase in G Econ's administrative responsibilities. G Econ now has to lead a team of over 80 staff in EABFU. Of this total, 55 are professional and executive officers, which is more than double compared to the size in June 2004 when EABFU was established. The number of the Economist grade officers (including officers outposted to other

bureaux/departments<sup>1</sup>) which G Econ has to manage as the Head of the Economist Grade also more than doubled over the past 11 years, from 16 to 40, as shown in the table below-

Rank	June 2004	December 2015
Principal Economist (D2)	4	5
Senior Economist (MPS Point 45-49)	5	16
Economist (MPS Point 27-44)	7	19
<b>Total</b>	<b>16</b>	<b>40</b>

Note: figures include outposted and supernumerary posts

13. The number of directorate staff under G Econ's direct supervision has accordingly increased from five in June 2004 to six currently, all of whom are D2 officers.

## **THE PROPOSAL**

### *The upgrading of the post of Government Economist from the rank of D4 to D5*

14. Considering the notable expansion in the scope and complexity of work portfolio, the changing role of the G Econ, and the level of significance of the key policy areas to which staunch support from G Econ is required, as well as the marked growth in G Econ's administrative responsibilities, it is proposed that the post of G Econ be upgraded from D4 to D5 rank.

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<sup>1</sup> These include three Senior Economists and three Economists in Chief Secretary for Administration's Office, Financial Services and the Treasury Bureau, Commerce and Economic Development Bureau, Transport and Housing Bureau and Environment Bureau currently.

15. After the upgrading of the post, G Econ will continue to report to FS directly on matters pertaining to the economic analysis. He/she will also continue to assume the role of Head of the Economist grade. Tasks relating to the management of office matters including the financial and human resources will fall under Deputy G Econ (see elaboration in paragraphs 16 to 17 below). The existing and proposed duty lists of G Econ are at **Annexes B and C** respectively.

*The creation of a Deputy Government Economist post at the rank of D3*

16. To further strengthen the capacity of EAD at the directorate level, and to enable G Econ to focus on the most crucial issues in support of the senior Government officials, it is proposed that a Deputy G Econ post at D3 rank be created on a permanent basis to assist G Econ in discharging the growing responsibilities of EAD. Given the extensive scope of the work currently shouldered by G Econ and a lot of the meetings requiring high-level representation from EABFU, a Deputy G Econ pitched at D3 level would be a more appropriate level of representation than a Pr Econ (D2). Deputy G Econ will be responsible for leading the five Sections in EAD, sharing part of G Econ's workload in strengthening the dialogue with the international ranking institutes, and providing direction of research and ensuring the quality of output. He/she will assist G Econ in providing strategic advice to the senior Government officials, and will also take over the staff administration and resource management duties of EABFU. BFD which is headed by an ADMS (D2) and focuses on business facilitation currently will continue to be under the direct supervision of G Econ. The proposed job description of Deputy G Econ is at **Annex D**. The existing and proposed organization charts of EABFU are at **Annexes E and F** respectively.



## **ALTERNATIVES CONSIDERED**

17. We have considered the alternative of staff redeployment but found it not feasible. As the capacity of all the existing five Pr Econs (including the supernumerary post until end-March 2016) has already been stretched to their full limits, it is operationally not possible for them to effectively absorb and share out the ever-increasing duties and responsibilities as a result of the expanding scope of EABFU, without infringing on the timeliness and quality aspects. It should also be noted that the level and scope of responsibilities of the newly created Deputy G Econ go well beyond those of a Pr Econ, who is mainly responsible for leading a small team of professional Economists to conduct economic research in certain specific areas. There is neither any over-staffing nor mismatch of resources at the directorate level. If the proposal is not accepted or is reduced in scale, the capacity of the EABFU would continue to be over-stretched and our ability to deliver high quality and timely strategic advice to support the Government's policy initiatives would be undermined.

## **FINANCIAL IMPLICATIONS**

18. The staffing proposals will bring about a net additional notional annual salary cost at mid-point of \$2,285,400, as follows -

<b>Rank</b>	<b>Notional annual salary cost at mid-point \$</b>	<b>No. of post</b>
<i><u>Post to be created</u></i>		
G Econ (D5)	2,506,800	1
Deputy G Econ (D3)	2,139,600	1
<i><u>Post to be deleted</u></i>		
G Econ (D4)	(2,361,000)	(1)
<b>Total</b>	<b>2,285,400</b>	<b>1</b>

The additional full annual average staff cost, including salaries and staff on-cost, is \$3,252,000. We have included sufficient provision in the Estimates of 2015-16 and subsequent years to meet the additional cost of the proposals.

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

19. The Standing Committee on Directorate Salaries and Conditions of Service has advised that the grading proposed for the posts would be appropriate if the proposal was to be implemented.

### **ADVICE SOUGHT**

20. Members are invited to comment on the proposal. Subject to Members' views, we plan to seek the recommendation of the Establishment Subcommittee in February 2016 and approval from the Finance Committee afterwards.

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

**High-level Committees that G Econ Needs to Attend  
either as an Appointed Member or as Member of the Research Team**

- (i) Commission on Poverty and its Task Forces (re-instated in 2012)
- (ii) Long Term Housing Strategy Steering Committee and Working Group (2012)
- (iii) Minimum Wage Commission (2011)
- (iv) Standard Working Hours Committee and its Task Force (2013)
- (v) Steering Committee on Population Policy (revamped in 2012)
- (vi) Working Group on Long-Term Fiscal Planning (2013)
- (vii) Land Development Advisory Committee (2012)
- (viii) Hong Kong-Taiwan Economic and Cultural Co-operation and Promotion Council (2010)
- (ix) Economic Development Commission and its Working Groups (2013)
- (x) Manpower Development Committee (2002)
- (xi) Business Facilitation Advisory Committee (2006)
- (xii) Hong Kong Productivity Council (1967)
- (xiii) Statistics Advisory Board (1972)
- (xiv) Hong Kong Institute for Monetary Research Council of Advisors Meeting (1999)

Note : Figure in brackets is the year in which the Committee was established.

**Existing Job Description  
Government Economist**

Rank : Government Economist (D4)

Responsible to : Financial Secretary (FS)

**Main Duties and Responsibilities**

1. To provide high-level economic advice and assessments to the FS and other senior Government officials, and high-level policy committees.
2. To oversee the Economic Analysis Division (EAD) in rendering economic analyses and assessments for Government bureaux and departments in policy formulation and enhancement.
3. To closely monitor the international competitiveness of Hong Kong and to upkeep regular dialogues with international ranking institutes around the world.
4. To spearhead Government's efforts on business facilitation and oversee the work programmes of the Business Facilitation Division (BFD).
5. To manage and develop the Economist grade as Head of Grade.
6. To oversee matters concerning financial control, human resource management and resource allocation of the Economic Analysis and Business Facilitation Unit (EABFU).

**Proposed Job Description  
Government Economist**

Rank : Government Economist (D5)

Responsible to : Financial Secretary (FS)

**Main Duties and Responsibilities**

1. To provide high-level economic advice and assessments to the FS and other senior Government officials, and high-level policy committees.
2. To oversee the EAD in rendering economic analyses and assessments for Government bureaux and departments in policy formulation and enhancement.
3. To closely monitor the international competitiveness of Hong Kong and to upkeep regular dialogues with international ranking institutes around the world.
4. To spearhead Government's efforts on business facilitation and oversee the work programmes of BFD.
5. To manage and develop the Economist grade as Head of Grade.

**Proposed Job Description  
Deputy Government Economist**

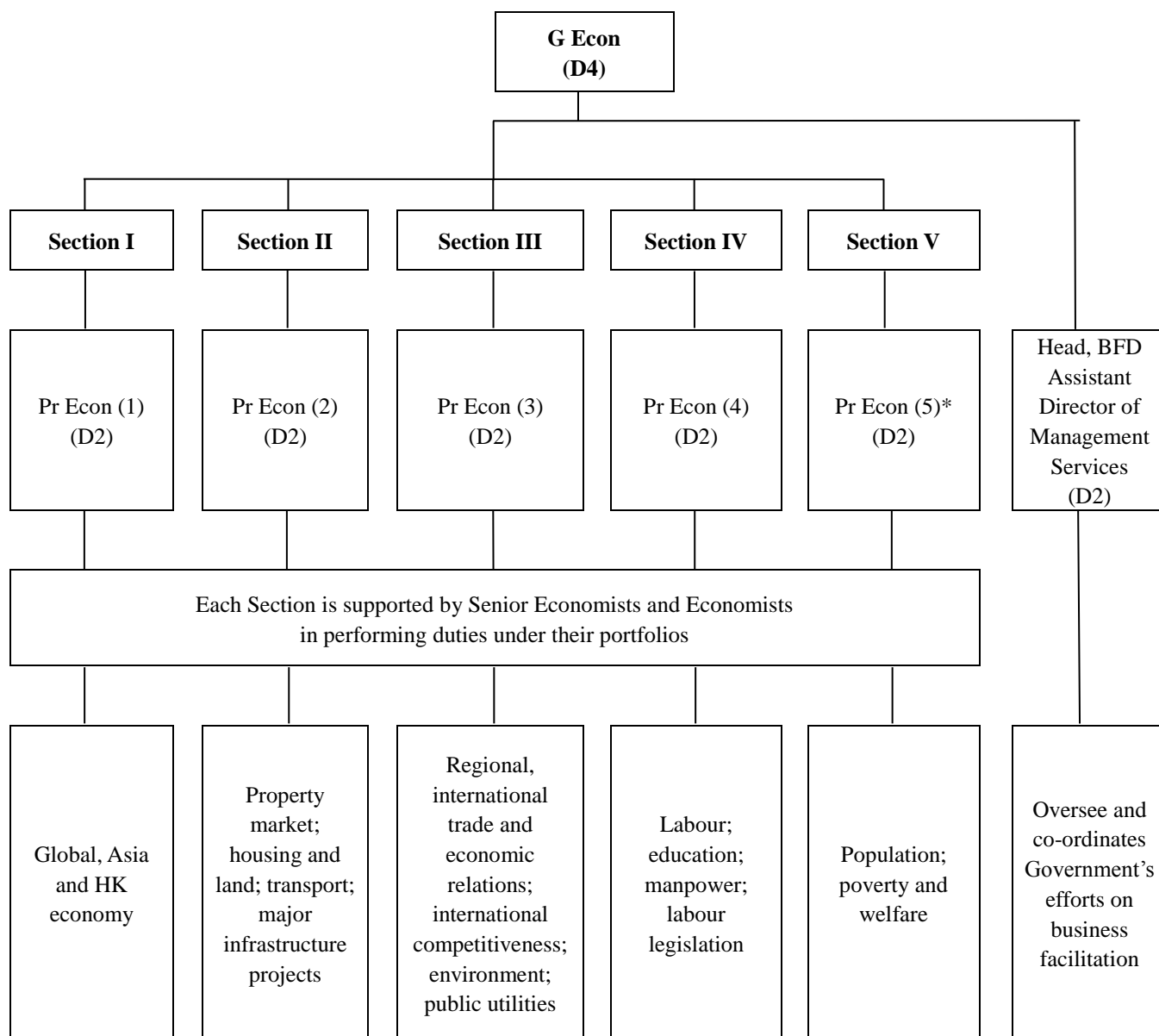
Rank : Deputy Government Economist (D3)

Responsible to : Government Economist (G Econ)

**Main Duties and Responsibilities**

1. To assist G Econ in conducting high level economic research, and in giving strategic advice to senior Government officials.
2. To assist G Econ in providing leadership to EAD in supervising and coordinating the work of Principal Economists, with particular regard to providing direction of research and ensuring quality and timeliness of output.
3. To maintain regular dialogues with overseas international ranking institutes (such as the World Bank, the World Economic Forum, the Heritage Foundation, Cato Institute, Fraser Institute, and the International Institute for Management Development).
4. To assist G Econ in matters concerning financial control, human resource management and resource allocation of EABFU.
5. To carry out any other tasks as assigned by G Econ.

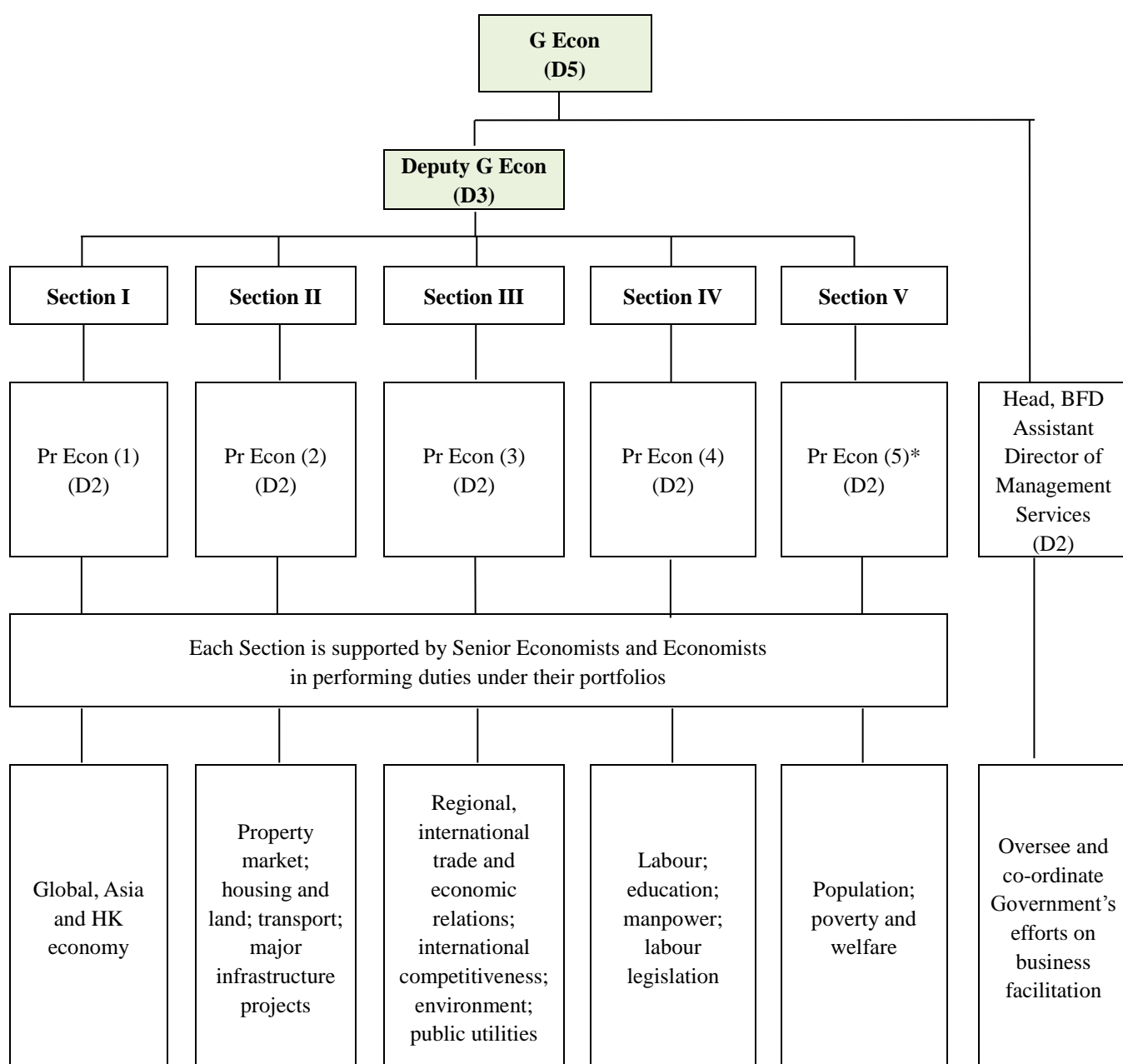
**Existing Organization Chart of  
Economic Analysis and Business Facilitation Unit**



\* Supernumerary post to lapse on 1 April 2016.



**Proposed Organization Chart of  
Economic Analysis and Business Facilitation Unit**



\* Supernumerary post to lapse on 1 April 2016