

**Legislative Council Panel on Public Service
Meeting on 30 October 2000**

**Containing the Size of the Civil Service,
Voluntary Retirement Scheme and Related Issues**

Purpose

This paper briefs Members on the implementation of the initiative to contain the size of the civil service and the Voluntary Retirement Scheme.

Containing the Size of the Civil Service

2. The Financial Secretary announced in his Budget Speech on 8 March 2000 an initiative to reduce the total civil service establishment by 10 000 (or about 5%) back to its 1995 level (188 000) over the period 2000-01 to 2002-03. The objectives of this initiative are to demonstrate our commitment to enhancing public sector productivity; maintain a lean and fit civil service; and give further impetus to increasing private sector participation in the delivery of public services. To implement the initiative, the following measures are taken -

- (a) all Heads of Department/Grade (HoDs/HoGs) are required to critically assess their manpower situation, to apply to a Civil Service Bureau (CSB) and Finance Bureau (FB) Joint Panel co-chaired by the Secretary for the Civil Service and Secretary for the Treasury if they see a need to retain their existing vacancies and create new posts, and to draw up a three-year manpower plan in support of their applications;
- (b) the general freeze on civil service recruitment implemented since 1999-2000 would continue for the year 2000-01. HoDs/HoGs will have to apply to the CSB/FB Joint Panel for exceptional approval to recruit from the outside into the civil service to meet their essential services, having regard to their manpower plans; and
- (c) HoDs/HoGs are encouraged to take the opportunity to assess how the services of their departments/grades could be delivered more cost-effectively, how the departments/grades could be re-organised and

existing staff re-deployed to meet services needs, and how alternative means could be used to provide services.

3. The initiative to contain the size of the civil service provides an opportunity for government departments to take a more critical look at how public services could be delivered in a more efficient and cost-effective manner. It is **not** imposing further cost-saving targets over the Enhanced Productivity Programme - all savings in salary provisions are retained by departments concerned to provide services using alternative modes. It is also the Administration's commitment to **maintain the quality of public services** in implementing the initiative. The establishment of the civil service stands at 194 285 as at 1 July 2000, which has reflected the deletion of vacancies so far. Indeed, with the continued efforts to look for better alternative modes of providing services, we expect improvements in some areas of public services.

4. We would like to emphasise that the initiative to contain the size of the civil service **will not displace civil servants out of their jobs**. The reduction in establishment will be achieved through **deletion of vacancies** no longer required through conscious efforts of streamlining, re-engineering or outsourcing of services, as well as **release of surplus manpower** through natural wastage, the Voluntary Retirement Scheme or other staff re-deployment measures. It is the Administration's commitment that **the initiative to reduce the civil service establishment will NOT result in redundancy of existing staff**.

Reduction of Civil Service Establishment

5. The CSB/FB Joint Panel co-chaired by the Secretary for the Civil Service and Secretary for the Treasury has carefully examined the applications from HoDs/HoGs for retention of their vacancies and creation of funded posts and announced the results in July 2000. All HoDs/HoGs have taken the exercise seriously and in a pragmatic manner. The manpower plans and applications from departments generally reflect a critical assessment of the staffing requirements taking account of the scope for improved efficiency.

6. As a result of the joint efforts of HoDs/HoGs, the total civil service establishment will be reduced by 6 700 in 2000-01. This is made up of 4 380 vacant posts which will be deleted and 2 320 funded posts which will not be created. Meanwhile, the Joint Panel has agreed for departments to retain some 2 700 accumulated vacancies for various administrative purposes and another 3 100 funded

posts to meet new or increased service needs. These vacancies and posts, as well as other vacancies that arise during the year, may be filled by in-service recruitment or promotion, or by outside recruitment where exceptional approval is given.

7. The posts deleted so far are all vacancies and will not give rise to any question of staff redundancy. Departments will retain the resources released from the deletion of vacancies and non-creation of funded posts to provide services through alternative modes, such as contracting-out, outsourcing, hiring of service agencies, etc. The redeployment of the savings, specifically the virement of funds from Personal Emoluments to Departmental Expenses/Other Charges will be processed according to the established rules. Where the supplementary provision required exceeds \$10 million, approval from the Finance Committee will be sought.

8. Furthermore, new resources will continue to be provided for meeting new services. Where there are requirements for these services to be provided by permanent civil servants, civil service posts will be created. The deletion of posts in some areas and creation of posts in other areas of service are the natural results of continuous efforts by HoDs/HoGs to re-structure their departments and re-engineer their service delivery with a view to achieving higher efficiency, cost-effectiveness and productivity, and delivering better or new services to the community.

Recruitment to the Civil Service

9. A general freeze on civil service recruitment has been imposed since April 1999. Notwithstanding the recruitment freeze, HoDs/HoGs may continue to fill their vacancies through in-service recruitment and promotion. Where they see a strong need and a justifiable case to recruit civil servants to meet their essential services, they may apply for exceptional approval to recruit to the civil service from the outside. So far, exceptional approval has been given for a total of 17 and 38 grades to recruit from the outside to fill 1 084 and 1 721 posts in 1999-2000 and 2000-02 respectively. A list of these grades is at *Annex A*.

10. In considering applications for recruitment to the civil service, the key considerations are whether the services need to be delivered by a permanent team of civil servants, and whether the staffing needs could be met from within the civil service through in-service recruitment, promotion, re-deployment or retraining of serving civil servants. In this connection, we have also issued clear guidelines recently to remind HoDs/HoGs that they are expected to make a conscious assessment as to whether there

is a continued need for permanent staffing by civil servants to meet their services needs in the long run, and if so, they may apply for recruitment of civil servants while the general recruitment freeze is in force.

Voluntary Retirement Scheme

11. In June 2000, the Finance Committee approved a financial commitment of \$1.1 billion for the implementation of the Voluntary Retirement (VR) Scheme to enable existing staff of 59 designated grades where there is identified or anticipated staff surplus to leave the civil service voluntarily with pension benefits and compensation. Special arrangements have also been made for 240 Model Scale I staff aged 45 or above on the Old Pension Scheme of the 59 VR designated grades to apply for early retirement in accordance with the Pensions Ordinance and be granted an ex-gratia payment. \$2.4 million have been voted for this purpose. Eligible staff of the 59 designated grades had been invited to submit applications to join the scheme from 3 July to 3 October 2000.

12. About 11 000 out of a total of 70 000 eligible staff have submitted applications by 3 October. These include 6 800 from common grades staff (e.g. Artisan and Workman grades), 3 800 applications from general grades staff (e.g. clerical and secretarial grades) and 400 from departmental grades staff (e.g. midwife and sailor grades). The departments with largest number of VR-takers are Food and Environmental Hygiene Department (about 3 300 applications), Leisure and Cultural Services Department (about 1 200 applications) and Department of Health (about 1 100 applications). A summary of the overall VR application position is at **Annex B**.

13. The number of applications received is higher than the 5% take-up rate we adopted when we sought funds from the Finance Committee in June. As we explained to the Finance Committee, the 5% take-up rate is a prudent assumption used to forecast the funding requirement under the Scheme. It is by no means a 'target' or 'quota' of the scheme. We have also made it clear that we would seek Finance Committee's approval to raise the financial commitments if the response to the Scheme was favourable and required additional funding. Reference to the private sector indicates that the 15% take up rate in the VR Scheme is broadly comparable to that of similar voluntary retirement exercises conducted in private sector companies. While Heads of Department and Heads of Grade are still processing the applications, we expect that most of the applications will be approved. As more than \$1.1 billion is required for paying compensation to the successful VR applicants, we will seek supplementary provisions from the Finance Committee in December.

14. Operational exigency will be the determining criteria in approving applications and deciding the release date of VR-takers. Applications will only be approved subject to the provision and quality of public service not being unduly affected by the retirement of the VR-takers. Departments will ensure that staff are only released when -

- (a) their services are no longer required; or
- (b) suitable replacements can be re-deployed from elsewhere in the civil service if existing services are required to be maintained; or
- (c) more effective or alternative modes of service delivery are in place.

In view of the large number of VR-takers in several departments, these departments will release staff in phases over a longer period of time, say one year or more to tie in with their plans for re-deployment, re-engineering of operations and/or contracting out programme to ensure that their operation will not be disrupted. We hope to finalise the schedule of retirement of the bulk of the VR-takers by December 2000.

15. In view of the positive response to the VR Scheme, we envisage that the surplus staff problems in the majority of the VR grades could be largely resolved or will become manageable. A number of departments/grades have more VR-takers than the anticipated surplus. In these cases, departments will either arrange replacement of staff from other departments/grades through re-deployment, streamline their operation or adopt more effective alternative mode of service delivery to reduce the manpower requirement. However, a few grades are still likely to have a surplus staff problem. To solve the problem, the departments concerned will slow down their downsizing programme. Some of the staff will also be retrained and be redeployed to take up other duties. In this regard, we shall reconvene the central clearing house mechanism as necessary. As most VR grades are supporting ancillary grades, we do not envisage any staff succession problems.

16. In respect of the three departments with the largest number of VR-takers, the HoDs are currently assessing the implications of the high number of VR-takers on their operations. For Food and Environmental Hygiene Department, most of its VR-takers are coming from the Workman, Foreman and Special Driver grades who are engaged in cleansing and refuse collection duties. There are already long-term plans for out-sourcing of such services to enhance efficiency and to enable private sector

participation, and the Department is working out detailed arrangement to determine the extent for phasing out of the VR-takers to tie in with the outsourcing programme. For Leisure and Cultural Services Department, the VR-takers are mostly from the Workman and Artisan grades who are engaged in recreation and amenities duties. The Department is mapping out contracting out plans for indoor game halls, parks and playgrounds and will ensure that there will be a smooth transfer of such functions. For Department of Health, most of the VR-takers are, in fact, Ward Attendants and Workmen working in the Hospital Authority (HA). They only constitute 1.5% of the total workforce of the HA and the Authority has assured us that their departure will not disrupt the provision of services.

17. Departments are now drawing up their staff re-deployment plan. In general, surplus common grades staff will be re-deployed to fill vacancies both within their departments and in other departments, matching grades and streams. If inter-departmental re-deployment is required, due regard will be given to the preferences of staff. The remaining surplus staff will be transferred on a “last-in-first-out” basis in most cases, also matching grades and streams as far as possible. In respect of the general grades, the usual practice is for departments to deploy surplus staff to fill vacancies within the departments before proceeding with inter-departmental transfers. Inter-departmental transfers will be arranged having regard to the operational needs, priority will be given to those officers who have applied for transfer.

18. We will be paying particular attention to the needs of the staff in the VR grades who choose to remain in the service. We will be providing training to them to facilitate their adjustment through the transition and for further career advancement. The Civil Service Training and Development Institute (CSTDI) is working with departments to identify the training needs and to draw up a programme to provide targeted training to staff to enable them to perform effectively and efficiently in the new working environment and to pursue further career development in the civil service. Such programmes include vocational and general skill training, seminars and exhibitions on counselling, job transition and change management, training for supervisors to enable them to learn how to develop and motivate their staff to cope with the new working environment. Meanwhile, the Staff Resource Centre set up in the CSTDI since July 2000 will continue to provide necessary information, counselling and assistance to staff of the VR grades.

19. As highlighted in para 14 and 17 above, departments will be carefully planning the departure of VR-takers and the staff re-deployment arrangements to ensure

that the remaining staff will not be overburdened with work. To reduce staff's anxiety over the impact of the departure of the VR-takers, starting this month, departments will be briefing their staff of the details of the VR applications of their respective departments and their redeployment and retraining plans. The departments will also be reviewing their organisational structure in the light of the departure of VR-takers to ensure that there remains an adequate career structure for remaining staff. Where operationally justified, lower rank posts may be deleted to retain promotion posts of the departed VR-takers in order to retain promotion opportunities for staff. With the departure of officers of longer service and higher seniority, overall speaking, we expect that staff who remain in the service will have a better promotion prospect. Through the implementation of these measures, we hope to minimise any adverse impact the VR scheme may have on the morale of staff.

Non-Civil Service Contract Scheme

20. Among other tools to enhance efficiency in service delivery such as outsourcing and process re-engineering, the NCSC scheme provides flexibility to better enable HoDs/HoGs to meet changing service needs where the service need is short-term or part-time, or does not require keeping staff on a long-term or permanent basis. For example, the scheme is used in the employment of short-term staff by the Post Office to meet seasonal surge in workload, by the Registration and Electoral Office to conduct voters registration and other election-related tasks, and by District Offices for community building and other organising work for local community activities or projects.

21. The NCSC scheme is distinct and serves different purposes from the established civil service appointment system. It supplements the civil service appointment system but not replaces the making of civil service appointments. The purpose of the scheme is to allow HoDs/HoGs more autonomy to deploy their resources to meet their service and operational needs.

22. There are established mechanism and procedures within the Administration that any proposal to delete existing civil service posts or to post out serving civil servants will have to be made with the agreement of the relevant HoDs/HoGs. These procedures will ensure that the employment of NCSC staff will not result in redundancy of serving civil servants. We have also introduced strict requirements that the decision to engage non-civil service contract staff has to be taken

at directorate level of the department concerned to ensure a degree of check and balance in the system.

23. We are closely monitoring the use of the NCSC scheme and employment of NCSC staff by government departments. We shall issue further guidelines to HoDs/HoGs on the usage and employment package of the scheme as appropriate in the light of the feedback on practical application. We shall continue to see to that the NCSC scheme is being used for its intended purposes.

Way Forward

24. On the basis of the manpower plans as submitted by departments and grades and the response to the VR Scheme, the Administration is confident that, through carefully planning and management, the target of a reducing the civil service establishment by 10 000 by 2002-03 could most probably be achieved. In this regard, we shall continue to ensure that staff are orderly released through natural wastage and under the VR scheme, that residual surplus manpower are re-deployed to gainful employment, and that retraining and other job-matching efforts are stepped up to ensure that we will continue to honour our commitment not to cause redundancy in taking forward the initiative to contain the size of the civil service. It remains the Government's policy to avoid redundancy as far as possible. Through these efforts, the Administration aims to maintain the momentum of continued improvement to the quality and efficiency of the delivery of public services.

Exceptional Recruitment to the Civil Service in 1999-2000 to 2001-02
(as at 14 October 2000)

Recruiting Department	Grade	1999-2000	2000-01	2001-02
Correctional Services Department	Officer	35	23	-
	Assistant Officer	138	124	-
	Industrial Officer	5	5	-
	Technical Instructor	4	2	-
	Instructor	22	17	-
Customs & Excise Department	Inspector/ Superintendent	40	-	-
	Customs Officer	200	-	-
Fire Services Department	Station Officer/ Divisional Officer	-	37	-
	Fireman	114	116	-
	Ambulanceman	15	35	-
Government Flying Service	Pilot	3	4	-
Hong Kong Police Force	Inspector/ Superintendent	66	30	-
	Junior Police Officer	316	350	-
	Interviewer	-	4	-
Immigration Department	Immigration Officer	27	-	75
	Immigration Assistant	67	-	92
Civil Service Bureau	Administrative Officer	30	at least 22	44
General Grades Office	Executive Officer	-	-	120
Economic Services Bureau	Commissioner for Tourism	1	1	-
Financial Services Bureau	Insurance Officer	-	1	-
	Economist	-	2	-

Recruiting Department	Grade	1999-2000	2000-01	2001-02
Civil Aviation Department	Air Traffic Control Officer	-	8	-
	Air Traffic Flight Services Officer	-	24	-
	Aeronautical Communications Officer	-	4	-
	Operations Officer	-	14	-
Civil Engineering Department	Geotechnical Engineer	-	18	-
	Engineer	-	17	-
Education Department	Education Officer	-	-	100
	Certificated Master/Mistress	-	-	339
	Primary School Master	-	-	18
Environmental Protection Department	Environmental Protection Officer	-	18	-
	Environmental Protection Inspector	-	18	-
Information Technology Services Department	Director of Information Technology Services	-	1	-
Department of Justice	Law Officer	-	1	-
	Government Counsel	-	20	-
Judiciary	Judiciary Administrator	1	-	-
Labour Department	Labour Officer	-	-	4
Marine Department	Surveyor of Ships	-	3	-
Hong Kong Observatory	Scientific Officer	-	2	-
Radio Television Hong Kong	Programme Officer	-	1	-
Transport Department	Transport Officer	-	7	-
	Total:	1 084	929	792

**Number of VR Applications By VR Designated Grades
(from 3 July to 3 October 2000 inclusive)**

Grade	No. of Applications
Workman	3 817
Clerical Officer	1 929
Artisan	852
Foreman	641
Clerical Assistant	562
Ward Attendant	390
Works Supervisor	320
Motor Driver	282
Special Driver	268
Personal Secretary	212
Senior Artisan	142
Typist	142
Ganger	141
Cook	140
Property Attendant	124
Police Translator	109
Office Assistant	108
Chainman	101
Supplies Supervisor	92
Chinese Language Officer	77
Confidential Assistant	72
Midwife	55
Laboratory Attendant	53
Land Inspector	51
Calligraphist	46
Launch Master	38
Printing Technician	38
Data Processor	35
Workshop Attendant	27
Darkroom Technician	19
Supplies Attendant	19
Mechanical Inspector	16
Court Reporter	14
Supervisor of Typing Services	13

Grade	No. of Applications
Photographer	11
Education Assistant	11
Electrical Inspector	10
Traffic Assistant	10
Photoprinter	8
Inoculator	8
Chauffeur	7
Transport Services Officer	7
Proof Reader	7
Head Property Attendant	6
Timekeeper	6
Dental Technician	6
Sailor	6
Telephone Operator	5
Radiographic Technician	5
Launch Mechanic	5
Ship Inspector	4
Building Supervisor	3
Police Communications Assistant	3
Printing Officer	3
Projectionist	2
Car Park Attendant II	1
Lift Operator	1
Police Communications Computer Operator	1
Car Park Attendant I	0
Total	11 081

Remarks

The above shows the number of VR applications excluding withdrawn cases received by bureaux/departments upon the close of the application period on 3 October 2000.

**Number of VR Applications Received by Departments
(from 3 July to 3 October 2000 inclusive)**

Department	VR Application
Food and Environmental Hygiene Department	3 366
Leisure and Cultural Services Department	1 235
Department of Health	1 165
Hong Kong Police Force	652
Water Supplies Department	593
Electrical and Mechanical Services Department	423
Housing Department	327
Education Department	255
Lands Department	234
Social Welfare Department	189
Agriculture, Fisheries and Conservation Department	173
Government Secretariat	160
Marine Department	156
Immigration Department	137
Judiciary	129
Inland Revenue Department	123
Highways Department	118
Home Affairs Department	109
Transport Department	106
Fire Services Department	99
Labour Department	96
Printing Department	83
Trade and Industry Department	78
Census and Statistics Department	73
Government Supplies Department	72
Drainage Services Department	71
Civil Engineering Department	64
Customs and Excise Department	63
Land Registry	60
Treasury	57
Department of Justice	54
Architectural Services Department	53
Correctional Services Department	52
Environmental Protection Department	41
Buildings Department	32
Rating and Valuation Department	30
Official Languages Agency	27
Legal Aid Department	24
Companies Registry	22

Department	VR Application
Planning Department	22
Radio Television Hong Kong	21
Government Land Transport Agency	19
Student Financial Assistance Agency	18
Television and Entertainment Licensing Authority	18
Territory Development Department	17
Government Property Agency	16
Innovation and Technology Commission	15
Hong Kong Observatory	14
Information Services Department	14
Civil Aviation Department	13
Official Receiver's Office	11
Post Office	10
Civil Service Training & Development Institute	7
Hong Kong Monetary Authority	7
Information Technology Services Department	7
Audit Commission	6
Intellectual Property Department	6
Civil Aid Service	5
Office of the Telecommunications Authority	5
Office for the Ombudsman	5
Registration and Electoral Office	5
Government Flying Service	4
Secretariat for Standing Commission on Civil Service Salaries and Conditions of Service	4
Public Service Commission	3
Government Laboratory	2
Auxiliary Medical Service	1
Independent Commission Against Corruption	1
Management Services Agency	1
Secretariat for Independent Police Complaints Council	1
Secretariat for Standing Committee on Disciplined Services Salaries and Conditions of Service	1
University Grants Committee Secretariat	1
Total	11 081

Remarks

The above shows the number of VR applications excluding withdrawn cases received by bureaux/departments upon the close of the application period on 3 October 2000.