

**Presentation by Secretary for the Civil Service
at the Special Meeting of the Finance Committee
on Tuesday, 26 March 2002**

Mr Chairman,

In response to the rising public expectation, the Government is firmly committed to continuously enhancing the flexibility, efficiency and effectiveness of the civil service through a package of reform initiatives under the Civil Service Reform.

Under the Civil Service Reform, we have revised the entry system to the civil service and implemented the Voluntary Retirement (VR) Scheme. We are also going to introduce the Civil Service Provident Fund (CSPF) Scheme. While all these measures will enhance the dynamism and quality of the civil service, they also have an impact in reducing government expenditures on civil service pay and fringe benefits. For example, civil servants who are appointed on or after 1 June 2000 will be entitled for provident fund benefits upon retirement. Under the future CSPF Scheme, the long-term average financial commitment will be capped at 18% of the total salary cost, as compared with the average 22% of the total salary cost under the current New Pensions Scheme.

The VR Scheme implemented in 2000 has helped relieve the staff surplus problems in the civil service. Over 8,000 or 85% of the VR takers have already been released from duties by the end of 2001. The remaining successful applicants will leave the service in 2002. We are conducting a review of the implementation of the VR Scheme. Departments and the staff sides have been invited to offer their comments on the Scheme. The review will be completed in the middle of this year. The results will serve as a useful reference for any future determination on whether there should be another round of VR exercise.

It is our established policy to maintain a lean and efficient civil service. Thanks to the efforts of all departments, the civil service establishment has been reduced by 7% from about 198,000 in March 2000 to around 184,000 as at 1 January 2002. Based on the change in the civil service payroll from 1999-2000 to 2001-02, there is a saving of \$1.4 billion in salary costs. The civil service establishment has gone back to the level in 1986/87 while the population of Hong Kong has grown by 20%, or approximately 1.1 million, since 1987. As indicated in the Estimates for 2002/03, the civil service establishment will further drop to 180,130 in 2002/03. In other words, we are going to meet our target of reducing the civil

service establishment to 181,000 by March 2003.

On training and development front, the Civil Service Training and Development Institute and individual departments provide a total of around 460,000 training places each year. With the injection of \$50 million approved by Members last year, an additional 90,000 training places will be provided under the three-year Training and Development Programme. We have achieved our training target for 2001/02. About 43,000 training places have been offered and a new Learning Portal is being developed to further promote e-learning in the civil service. The Portal will be ready for operation later this year. Starting from 2002/03, all departments and major grades will draw up their annual Training and Development Plan so that they can plan ahead and align training and development activities with their strategic objectives and corporate goals.

To test the feasibility of introducing performance-based rewards elements into our system, we have launched a Pilot Scheme on Team-based Performance Rewards in six departments.

Since 1999, we have organized an annual service-wide Customer Service Excellence Award Scheme to promote a quality service culture in the civil service. The Scheme is now in its third year and a prize presentation ceremony has just been held in February this year. For the first time, members of the public were involved in the selection of the best departments through a questionnaire survey.

In the coming year, we have set aside \$3 million under our recurrent account to provide financial support to departments to implement initiatives in promotion of customer service.

The Government has decided to conduct a comprehensive review of civil service pay policy and system. Through the review, we seek to identify ways and means to improve our civil service pay system, with a view to modernizing it and making it simpler and easier to administer. A Task Force comprising members from the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service, is conducting the first phase of the review. Following an analytical study on recent developments and best practices in pay administration in other Governments, the Task Force will consult interested parties, including the staff, departmental management and other interested parties. The study findings should be available by the middle of 2002. The three advisory bodies will then consider how to take forward the second-phase review and will make recommendations to the Government towards the end of this year.

This year's civil service pay adjustment has given rise to extensive public discussion in recent months. I would like to take this opportunity to reiterate that the Government will continue to adopt the existing civil service annual pay adjustment mechanism. We will take into consideration the results of the private sector pay trend survey, which will be available in May this year, and other usual factors, including the Government's budgetary position and the views of civil servants. We will adhere to the principles of lawfulness, fairness and reasonableness in deciding on this year's civil service pay adjustment.

In the coming year, Mr Chairman, all Government departments will continue to explore ways to streamline procedures and simplify structures in order to release resources to meet new and increasing demands, and to further enhance the quality of public service.

Thank you.