

**立法會**  
**Legislative Council**

LC Paper No. CB(1)1445/01-02  
(These minutes have been seen  
by the Administration)

Ref : CB1/PL/PS/1

**Legislative Council**  
**Panel on Public Service**

**Minutes of meeting**  
**held on Monday, 18 March 2002 at 10:45 am**  
**in the Chamber of the Legislative Council Building**

**Members present** : Hon TAM Yiu-chung, GBS, JP (Chairman)  
Hon LI Fung-ying, JP (Deputy Chairman)  
Hon LEE Cheuk-yan  
Hon CHEUNG Man-kwong  
Hon HUI Cheung-ching, JP  
Hon CHAN Kwok-keung  
Hon Bernard CHAN  
Hon Andrew WONG Wang-fat, JP  
Hon Howard YOUNG, JP  
Hon Michael MAK Kwok-fung  
Hon LEUNG Fu-wah, MH, JP

**Members attending** : Hon Cyd HO Sau-lan  
Hon CHAN Yuen-han, JP  
Hon Emily LAU Wai-hing, JP  
Dr Hon LO Wing-lok

**Member absent** : Hon Albert CHAN Wai-yip

**Public officers** : **Items III to V**  
**attending**

Mr Joseph W P WONG, GBS, JP  
Secretary for the Civil Service

Ms Anissa WONG, JP  
Deputy Secretary for the Civil Service (1)

Mrs Jessie TING, JP  
Deputy Secretary for the Civil Service (2)

Miss Jennifer MAK, JP  
Deputy Secretary for the Civil Service (3)

**Clerk in attendance :** Miss Salumi CHAN  
Chief Assistant Secretary (1)5

**Staff in attendance :** Ms Bonnie KAN  
Senior Assistant Secretary (1)9

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Action

**I. Confirmation of minutes of meeting**  
(LC Paper No. CB(1)1285/01-02)

The minutes of the meeting held on 18 February 2002 were confirmed.

**II. Date of next meeting and items for discussion**

(LC Paper No. CB(1)1284/01-02(01) — List of outstanding items for discussion

LC Paper No. CB(1)1284/01-02(02) — List of follow-up actions)

2. Members agreed that the following two items be discussed at the next regular meeting scheduled for 15 April 2002:

(a) Review of job-related allowances; and

(b) Civil Service Provident Fund Scheme — Progress Update.

3. Members noted that the Administration planned to submit an information paper on the subject in paragraph 2(b) above to the Finance Committee (FC) in April 2002.

4. Regarding Mr LEUNG Fu-wah's suggestion to consult the Panel on the proposed Employment (Amendment) (No.2) Bill 2001 (Fourth item of the list of outstanding items for discussion), the Chairman reported that the President had ruled on 14 March 2002 that the proposed Bill related to public expenditure and Government

policy, and therefore might not be introduced by Members. In the circumstances, members agreed that there was no need for the Panel to discuss the proposed Bill.

### III. Civil Service - related issues featuring in the 2002 Budget Speech

(LC Paper No. CB(1)1284/01-02(03) — Paper provided by the Administration)

5. The Chairman pointed out that the Financial Secretary (FS)'s speech delivered on 6 March 2002 on the 2002-03 Budget touched on two issues which related to the civil service: the 2002 civil service pay adjustment and the progress of containing the size of the civil service.

6. At the invitation of the Chairman, Secretary for the Civil Service (SCS) highlighted two points. On civil service pay, FS had stated his 2002-03 Budget Speech that for financial planning purposes, he had assumed in the Medium Range Forecast that civil service pay would be cut by 4.75% and the salary-related portions of subventions to the various organizations would also be reduced by the same rate with effect from 1 October 2002. SCS stressed that the Government had so far not made any decision on the 2002 civil service pay adjustment. The 4.75% pay cut was only an assumption made for financial planning purposes. In deciding the 2002 civil service pay adjustment, the Government would continue to adopt the existing mechanism under which the Government would consider the results of the Pay Trend Survey (PTS), which would be available in May 2002, and other important factors including budgetary considerations, the state of the economy, changes in the cost of living, the staff sides' pay claims and civil service morale. In the event of a decision on a civil service pay reduction for 2002-03, the Administration intended to implement it by legislation and from a prospective date assumed to be 1 October 2002.

7. On containing the size of the civil service, SCS advised that FS had stated in his Budget Speech that the Administration would achieve the target of reducing the civil service establishment to around 181 000 by 31 March 2002. SCS added that there was no new target for reduction in the size of civil service establishment. He assured Members that the Administration would continue to streamline procedures, simplify structures and economize on manpower so as to release resources to meet additional service needs and to achieve greater efficiency.

#### Assumed civil service pay reduction

#### *Appropriateness of the Administration's way of handling the issue*

8. Mr CHEUNG Man-kwong, Ms LI Fung-ying and Mr Michael MAK considered it inappropriate for FS to have stated in his Budget Speech the assumed civil service pay reduction by 4.75% before the results of PTS were available. It seemed to imply that the Government would not follow the existing pay adjustment mechanism in deciding the 2002 civil service pay adjustment. SCS assured Members that the Government would

continue to adopt the existing mechanism in deciding the 2002 civil service pay adjustment. He reiterated that the 4.75% pay cut was neither a proposal nor a decision, but an assumption made for financial planning purposes only. He also pointed out that in preparing the Budget, FS had to make a number of assumptions about the factors determining each of the components of Government's revenue and expenditure. The assumed 4.75% pay cut was made to work out the level of operating expenditure from 2002-03 to 2006-07.

9. Mr CHEUNG Man-kwong pointed out that the Secretary for the Treasury (S for Tsy) had stated on 22 February 2002 that taking into account the 12% cumulative deflation over the past three years, civil service pay had been adjusted upwards by about 17% to 23 % in real terms since the reunification in July 1997. Mr CHEUNG considered it inappropriate for S for Tsy to link civil service pay with the rate of deflation, which was not in line with the existing pay adjustment mechanism. He expressed his grave concern that the remarks made by S for Tsy and the assumed 4.75% pay cut mentioned by FS had intensified the recent debate on civil service pay, and widen the gap between civil servants and the general public. Mr LEE Cheuk-yan shared his view. Referring to paragraph 69 of the 2002-03 Budget Speech, Mr LEE pointed out that FS had stated that "I believe many colleagues in the civil service and the subvented organizations understand that we are facing a serious fiscal situation and that persistent fiscal deficits will adversely affect Hong Kong as a whole. In fact, many colleagues told me that they were willing to stand by the rest of the community in this time of difficulty and share the burden". Mr LEE queried whether FS implied that civil servants who did not accept pay reduction would be regarded as not willing to stand by the rest of the community. He cautioned that improper handling of the issue would have serious adverse impacts on social harmony and civil service morale. Ms LI Fung-ying shared this view.

10. SCS advised that the Government, including FS and S for Tsy, had stated that the existing mechanism would continue to be used in deciding the 2002 civil service pay adjustment. The Government fully appreciated that civil service pay was a matter of public concern, and would adhere to the principles of lawfulness, fairness and reasonableness in considering any issues which might affect civil service pay. SCS stressed that the Government would be fair to civil servants while being accountable to the public.

11. Ms Emily LAU stressed the need to follow the existing mechanism in deciding the 2002 civil service pay adjustment. She also considered it important for the Government to give a clear message to the public on civil service pay. The recent remarks made by different Government officials on the issue had caused confusion. Referring to a press report on a radio phone-in programme on 9 March 2002, Ms LAU noted that it was reported that SCS had advised the audience to listen only to him, but not other Bureau Secretaries, on civil service matters. Responding to Ms LAU, SCS clarified that he had in fact advised a caller not to mind the remarks of other people, and that he might wish to listen to SCS on civil service matters.

*Assumed percentage of civil service pay reduction*

12. Mr Howard YOUNG pointed out that a recent survey conducted by the Liberal Party had revealed that the pay levels of 18 ranks in the civil service were much higher than those in the private sector, and the difference between the two ranged from 30% to 80%. Referring to paragraph 5 of the paper provided by the Administration, Mr YOUNG noted that in working out the assumed 4.75% pay cut, the Administration had taken into account the cumulative pay rises for civil servants of certain ranks (i.e Directorate Pay Scale Point 3 (D3) and above) since the reunification in July 1997. Responding to Mr YOUNG, SCS advised that the pay rises for civil servants since July 1997 were as follows:

	<u>Lower pay band</u>	<u>Middle pay band</u>	<u>Upper pay band /Directorate (D1 and D2)</u>	<u>Directorate (D3 and above)</u>
1997-98	5.79%	5.79%	6.03%	(Pay freeze)
1998-99	(Pay freeze)	(Pay freeze)	(Pay freeze)	(Pay freeze)
1999-2000	(Pay freeze)	(Pay freeze)	(Pay freeze)	(Pay freeze)
2000-01	2.38%	2.38%	4.99%	4.99%

13. Responding to Mr Howard YOUNG's concern about the disparity in pay between the civil service and private sector, SCS pointed out that one of the areas covered by the review being conducted by the Task Force set up by the Standing Commission on Civil Service Salaries and Conditions of Service, in conjunction with the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service, was the methodology for determining pay levels in the civil service, including the timing and frequency of conducting a full-scale private sector pay comparability study if it was decided that the principle of broad comparability with the private sector should be upheld.

*Implications of civil service pay reduction on the economy*

14. Miss CHAN Yuen-han considered that the Administration should fully assess the implications of civil service pay reduction. In her view, it would undermine the spending power of civil servants, cause further reduction in private sector pay and hamper the recovery of the economy. Quoting the outsourcing of government services in recent years as an example, Miss CHAN pointed out that it had resulted in a reduction in private sector pay. In response, SCS advised that the Administration would consider a number of factors, including the state of the economy, in deciding the 2002 civil service pay adjustment. The Government Economist would be consulted on this aspect. As regards outsourcing of government services, SCS said that it was one of the measures adopted to contain the size of the civil service and to enhance the efficiency of

government operations so as to uphold the principle of small government. In recent years, the procedures involved in outsourcing had been improved. The contractors concerned were required by some departments to state the pay levels of their employees required to perform the outsourcing work. The Administration would take this into account in assessing the suitability of the contractors concerned in taking up the contracts.

*Justifications for implementing civil service pay reduction by legislation*

15. Having regard to the fact that civil service pay rises in previous years had not been implemented by legislation, Mr Howard YOUNG asked for the justifications for implementing civil service pay reduction by legislation. SCS advised that while the employer-employee relationship between the Government and civil servants was not governed by the Employment Ordinance (Cap. 57), it was provided in the Memorandum on Conditions of Service for civil servants that notwithstanding anything contained in the Memorandum or in the covering letter of offer of appointment, the Government reserved the right to alter any of the officer's terms of appointment, and/or conditions of service set out in the Memorandum or the said covering letter should the Government at any time consider this to be necessary. This was confirmed by the legal advice sought by the Administration. The Administration had accepted the legal advice that in the event of a decision on a civil service pay reduction for 2002-03, the pay reduction would be implemented by legislation in the interest of certainty.

16. Mr LEE Cheuk-yan pointed out that the Administration's proposal implied that a civil service pay reduction not implemented by legislation would give rise to uncertainty. This demonstrated the fact that the Government did not have solid legal grounds to alter unilaterally civil servants' pay and conditions of service. In Mr LEE's view, civil servants, same as private sector employees, were protected by the law of contract and should have the right to sue the employer if the latter breached any of the terms of the employment contract. Mr LEE therefore expressed reservation on the Administration's proposal to implement civil service pay reduction by legislation, as it would deprive civil servants of the right to sue the Government and bring the issue to the court for judgement. SCS reiterated that the legal advice sought by the Administration confirmed that under the provision in the Memorandum on Conditions of Service for civil servants, the Government reserved the right to alter unilaterally civil servants' pay and conditions of service. As civil service pay reduction had only been implemented once in 1936 and had not so far been implemented since the existing pay adjustment mechanism was in place in 1974, the Administration had accepted the legal advice to implement pay reduction by legislation to avoid any legal disputes. Mr LEE was not satisfied with the reply and requested the Administration to provide the legal advice sought on the issue, in particular the legal grounds for the Government to alter unilaterally civil servants' pay and conditions of service and full justifications for the proposal to implement civil service pay reduction by legislation. SCS said he would consult the legal adviser before providing the information. Ms Emily LAU considered the information essential to facilitate Members' consideration of the issue. She urged the Administration to provide the required information in detail.

17. Mr Andrew WONG also queried whether the Government had legal grounds to alter unilaterally civil servants' pay and conditions of service. He pointed out that prior to the reunification in July 1997, the administration of the civil service had been provided for in the Letters Patent (LP), Colonial Regulations (CRs) and Civil Service Regulations. As LP and CRs were imperial legislation lapsed on 1 July 1997, the Administration had identified two options as possible means of providing for the continuation of the previous arrangements after the transfer of sovereignty: to enact public service legislation, or to use the powers given to the Chief Executive (CE) under Article 48(4) of the Basic Law to issue executive orders. Mr WONG said that when the Administration consulted the Panel on the two options in early 1997, he had indicated his support for the first option. However, the Administration had finally decided to adopt the second option. Since then, the legal status of executive orders had been a matter of concern. Mr WONG asked whether the need to address this concern had given rise to the Administration's proposal to implement civil service pay reduction by legislation. SCS confirmed that the executive orders issued by CE under Article 48(4) of the Basic Law had legal effect. Since the reunification, CE had only issued one executive order, i.e. the Public Service (Administration) Order. SCS also clarified that the Administration's proposal to implement civil service pay reduction by legislation was to avoid any possible disputes that might be caused by different legal viewpoints.

18. Mr Andrew WONG was not convinced that executive orders issued by CE under Article 48(4) of the Basic Law had legal effect. If they had such effect, there was no need for the Government to implement civil service pay reduction by legislation. At Mr WONG's request, SCS undertook to provide a written response after the meeting.

19. Mr Michael MAK stated that he would not support the proposed legislation on civil service pay reduction. He asked how the Administration would handle the situation if the relevant bill was not passed by the Legislative Council (LegCo). SCS pointed out that it would be for LegCo to decide whether or not to support the bill, and that it was inappropriate for him to make any assumptions on LegCo's decision.

*Justifications for implementing civil service pay reduction on 1 October 2002*

20. Referring to the practice that civil service pay rises in previous years had retrospective effect and was effective from 1 April of the years concerned, Mr Howard YOUNG and Mr HUI Cheung-ching asked for the justifications for the Administration's proposal to implement civil service pay reduction for 2002-03, if finally so decided, from a prospective date on 1 October 2002. SCS advised that under existing legal policy, legislative proposals normally had no retrospective effect and would only take effect on a date after their passage. Subject to the Administration's decision on civil service pay reduction for 2002-03 to be made after the results of PTS were available in May 2002, the Administration would introduce the relevant bill into LegCo by end-May for passage before the end of the current session in mid-July. If the bill was passed by LegCo in July, the Administration considered it reasonable to allow civil servants some time to make the necessary financial arrangements to tie in with the pay reduction. The Administration

therefore proposed to implement the pay reduction from 1 October 2002. At the request of Ms Emily LAU, SCS agreed to provide in writing the justifications for the proposed implementation from a prospective date on 1 October 2002.

*(Post-meeting note: The Administration's response to the issues raised by Members at paragraphs 16, 18 and 20 above was circulated to Members vide LC Paper No. CB(1)1473/01-02 on 11 April 2002.)*

*Legislative timetable*

21. Mr Howard YOUNG and Miss CHAN Yuen-han expressed concern about the tight timetable which would allow Members only one month, i.e. from end-May to end-June, to scrutinize the relevant bill. In response, SCS pointed out that as the bill was not complicated, it might be possible for Members to complete scrutiny of the bill within four to five weeks.

*Scope of the proposed legislation*

22. The Chairman and Miss CHAN Yuen-han asked whether the relevant bill would cover the civil service pay reduction for 2002-03 only or provide for the mechanism for civil service pay reduction in future. SCS advised that the matter was being considered by the Administration.

*Way forward*

23. To facilitate Members' discussion on the 2002-03 civil service pay adjustment, Ms Emily LAU proposed and members agreed that the following information for the past ten years be compiled by the Secretariat for Members' reference:

- (a) Annual civil service pay adjustment for various pay bands;
- (b) Findings of the annual PTS;
- (c) Findings of the pay surveys conducted by other bodies, such as the Hong Kong Institute of Human Resource Management;
- (d) Annual statistics on Gross Domestic Product; and
- (e) Annual statistics on civil service emoluments (% of Government expenditure).



Containing the size of the civil service*Non-civil service contract (NCSC) staff*

24. Referring to a supplementary information paper on “Containing the size of the civil service” provided by the Administration in response to Members' request at the Panel meeting on 18 February 2002 (LC Paper No. CB(1)1290/01-02), Ms Emily LAU noted from paragraph 2 of the paper that the civil service establishment had been reduced by 13 720 from 198 000 in March 2000 to 184 280 as at 1 January 2002, and from Annex A of the paper that 13 750 NCSC staff were employed by the Administration as at 31 December 2001. As the reduction in the number of civil servants was more or less the same as the number of NCSC staff, Ms LAU queried whether the Administration's efforts in containing the size of the civil service had achieved any meaningful result.

25. Deputy Secretary for Civil Service (1) (DSCS1) clarified that NCSC staff were not civil servants and therefore not counted towards civil service establishment. She advised that before January 1999, over 9 000 temporary staff were employed on a part-time or short-term basis by various government departments to meet operational needs. The employment of temporary staff was then replaced by the NCSC Scheme introduced in January 1999. Due to the temporary nature of the posts concerned, the number of NCSC staff employed fluctuated from time to time. Among the 13 750 NCSC staff employed as at 31 December 2001, 2 506 were part-time and 11 244 were full-time. Among the 11 244 full-time staff, 8 742 (about 77%) were employed on contracts of less than two years.

26. Mr LEE Cheuk-yan considered it misleading for the Administration to state that NCSC staff were employed on a part time or short-term basis. He pointed out that some NCSC staff had been employed by the Post Office for over seven years by repeated renewal of contracts. Moreover, the Social Welfare Department had employed NCSC staff to perform the duties of civil service posts during the general recruitment freeze in 1999-2000. Mr LEE considered it unfair to the NCSC staff concerned. He therefore requested the Administration to review the nature of the posts concerned and if it was confirmed that the posts were required on a long-term basis, to recruit the NCSC staff into the civil service.

27. SCS advised that in January 2001, the Administration had relaxed the employment arrangements for NCSC staff so that Heads of Department (HoDs) would have greater flexibility to offer better terms and conditions based on market conditions where justified, e.g. to offer higher pay than the minimum salary point of comparable civil service ranks, subject to a ceiling not exceeding the salary mid-point of those ranks. Regarding the examples quoted by Mr LEE Cheuk-yan, DSCS1 advised that because of the seasonal need for extra manpower support, the Post Office had a long-standing practice of employing temporary contract staff to cope with the fluctuations in the volume of work. In general, HoDs were provided with the flexibility to decide how their service needs could be best met. Subject to the availability of vacant civil service posts in

departments, HoDs might fill the posts by open recruitment. NCSC staff who were interested in the posts might submit applications. DSCS1 assured Members that the Civil Service Bureau would monitor the situation.

28. Mr LEE Cheuk-yan reiterated his view that some NCSC staff had been employed by Government departments for over seven years. He requested the Administration to provide a breakdown of the 13 750 NCSC staff as at 31 December 2001, showing their length of service in Government departments. DSCS1 said that the information of NCSC staff were kept by departments. She would explore the collection of details as far as possible. Mr LEE stressed that his purpose of bringing up the issue was to urge the Administration to review the situation, but not to terminate or shorten the contracts of the NCSC staff concerned.

*(Post-meeting note: The Administration's response was circulated to Members vide LC Paper No. CB(1)1474/01-02 on 11 April 2002.)*

#### *Meeting increased demand for Government services*

29. Mr Michael MAK was concerned about how the Administration could achieve the target of containing the size of the civil service while meeting the increased demand for Government services. SCS responded that it was indeed a great challenge to each bureau and department to provide more and better services with less manpower resources. They might have to re-prioritize their work, and streamline procedures through the application of information technology. SCS also pointed out that the civil service pay review being conducted by the Task Force would cover the rationalization of the grading structure and salary structure of some 400 grades and 1 000 ranks in the civil service.

#### Controlling Government expenditure

30. Instead of reducing civil service pay, Ms LI Fung-ying considered that the Administration should explore other measures to control Government expenditure. SCS advised that the implementation of the Enhanced Productivity Programme would bring annual savings of \$5.4 billion from 2002-03 onwards, and the Voluntary Retirement Scheme and Voluntary Departure Scheme would also generate savings of over \$1 billion. Moreover, FS had stated in his Budget Speech for 2002-03 that he would strive to control the growth of Government expenditure and the average annual growth of Government expenditure from 2003-04 to 2006-07 would be 1% in money terms. To meet this target, various bureaux and departments would make further efforts to identify rooms for savings while maintaining the quality of work.

31. Ms LI Fung-ying said that as far as she knew, civil servants on overseas training were provided with the allowance to purchase suitcases on each occasion. She suggested the Administration to review the need for such allowance. She also suggested a review of existing regulations, such as the regulation governing direct purchase with a value exceeding a certain amount by departments, to ensure that the administrative costs

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involved would not be too excessive. Deputy Secretary for Civil Service (2) advised that the baggage allowance for officers on overseas training was being reviewed. On government procurement, the principle was to ensure that direct purchase by departments was value for money. She undertook to liaise with the Government Supplies Department on the need to review the Stores and Procurement Regulations.

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32. Ms Cyd HO was concerned how FS's target of controlling the average annual growth of Government expenditure from 2003-04 to 2006-07 to 1% in money terms could be achieved. Owing to population growth and aging of the population, she anticipated that it would be difficult for some departments to provide the essential services with limited resources, e.g. medical services, services for the elderly. Ms HO also found the top-down approach of controlling expenditure not satisfactory. She was worried that the principal officials appointed under the accountability system had to take high-handed measures to achieve the expenditure growth target. In this connection, she suggested each bureau and department to review their priorities of service and prepare a five-year plan on the basis of service needs. SCS pointed out that in the Estimates for each financial year, each bureau and department had set out clearly the targets achieved and to be achieved for various programmes under their respective purview, and the actual and estimated expenditure involved. Ms HO however considered it essential for each bureau and department to prepare the five-year plan before the implementation of the accountability system in July 2002. At Ms HO's request, SCS agreed to reflect her views within the Administration.

#### **IV. Management-Initiated Retirement Scheme**

(LC Paper No. CB(1)1036/01-02(02) — Paper provided by the Administration  
LC Paper No. CB(1)1284/01-02(04) — Supplementary information paper  
provided by the Administration)

33. The Chairman advised that following FC's approval on 16 June 2000 for the grant of an ex-gratia payment to civil servants retired under the Management-initiated Retirement (MIR) Scheme, the Administration had briefed the Panel on 21 May 2001 on the implementation progress of the Scheme. To address the recent public concern about the retirement package offered under the Scheme, the Panel had requested the Administration to provide information papers on the Scheme and to further discuss the subject at this meeting.

34. Referring to Annex C to the supplementary information paper provided by the Administration, Mr CHEUNG Man-kwong noted that a directorate officer at the maximum salary point of D2 level retired under the MIR Scheme at the age of 55 was entitled to a lump-sum gratuity of \$6,797,280, a monthly pension of \$40,460 and an ex-gratia payment of \$780,300. The amounts of lump-sum gratuity and monthly pension were much more than those for the same officer upon normal retirement at the age of 55, and the same as those for the same officer upon normal retirement at the age of 60. As a whole, if the officer retired under the MIR Scheme, he would receive \$1,757,120 more

than that upon normal retirement at the age of 55, and \$780,300 more than that upon normal retirement at the age of 60. Mr CHEUNG considered this arrangement unreasonable and unfair, as mediocre directorate officers who were required to retire under the MIR Scheme were entitled to more retirement benefits than the remaining directorate officers who were competent to continue their service until normal retirement age. He was concerned that this might be a disincentive for directorate officers to perform well.

35. SCS advised that the key feature of the MIR Scheme was that the retirement of the officer concerned was initiated by the management to facilitate improvement in the Government organization. As the officer concerned had not committed any misconduct and his full pensionable career in the civil service was unilaterally cut short, it was reasonable for the Government to provide immediate and enhanced pensions to him in recognition of his loss in earning capacity in respect of both salaries and pensions which he otherwise would have received up to and upon normal retirement. Referring to the example illustrated in Annex C to the supplementary paper, if the directorate officer remained in the civil service up to the age of 60, his cumulative salary earnings would be \$7,803,000, assuming that he remained in the current rank and the salary remained unchanged throughout the period. As regards ex-gratia payment under the MIR Scheme, SCS pointed out that the arrangement was in line with the Government policy that an ex-gratia payment at the rate of six months of the officer's final substantive salary be granted to the officer affected by abolition of office to compensate for his loss of fringe benefits. SCS stressed that civil servants had their own dignity and commitment to serve the community. The difference in retirement benefits under the MIR Scheme and upon normal retirement should not be a disincentive for them to perform well.

36. Mr CHEUNG Man-kwong was not convinced. In his view, the fact that an officer who was required to retire under the MIR Scheme was entitled to more retirement benefits than upon normal retirement reflected that the Scheme had defects, in particular in a situation where the officer concerned was approaching retirement age. Mr CHEUNG therefore urged the Administration to review the retirement package offered under the Scheme. In this connection, he requested the Administration to review the need to compensate an officer approaching retirement age for his loss of fringe benefits, having regard to the fact that the officer should have already obtained his non-job related fringe benefits, such as Home Purchase Allowance, Overseas Education Allowance, etc.

37. In assessing whether the retirement package offered under the MIR Scheme was reasonable, the Chairman suggested members to consider two points. First, the directorate officers who were required to retire under the MIR Scheme were mainly those who had difficulties in meeting the changes in the requirements of the job/department/grade and his continued service would hinder organizational improvement. Although they had not committed any misconduct, they had no choice but to leave the civil service before normal retirement age. Secondly, it was not easy at all for the directorate officers concerned to accept the fact that they were regarded as

"mediocre" officers. The adverse impacts of such negative labeling on their self-confidence and future employment opportunities should not be neglected.

38. SCS shared the Chairman's views. On the amount of enhanced pensions offered under the MIR Scheme, SCS added that it was in compliance with the pensions legislation which provided that officers retired on grounds of organizational improvement or abolition of office would be granted immediate and enhanced pensions in accordance with a prescribed formula, and that the total pension benefits including the enhanced portion should not exceed the normal pension entitlement to be granted upon normal retirement. On the amount of ex-gratia payment, while different persons might have different views on which level was reasonable, SCS drew members' attention that although an officer who was required to retire under the MIR Scheme was entitled to more retirement benefits than upon normal retirement, he was deprived of the right to continue to work in the civil service. Referring to the example illustrated in Annex C to the supplementary information paper, the officer concerned was granted an ex-gratia payment of \$780,300, which was only one-tenth of his cumulative salary earnings for five years (\$7,803,000) if he were allowed to remain in the civil service up to the age of 60. SCS did not consider the retirement package unreasonable or too generous.

39. Mr Howard YOUNG pointed out that the retirement package offered under the MIR Scheme was similar to the "golden handshakes" offered to some employees in the private sector. In assessing whether the retirement package was reasonable, consideration should be given to the fact that the directorate officers concerned, in particular those of the non-professional grades, might not be able to find a comparable job in the private sector.

40. In response to Mr Andrew WONG's enquiry, DSCS1 advised that an officer retired in the public interest was not entitled to immediate and enhanced pensions and ex-gratia payment. His retirement benefits would be granted to him when he reached normal retirement age.

**V. Language proficiency requirements for entry to the Civil Service**  
(LC Paper No. CB(1)1284/01-02(05) — Paper provided by the Administration)

41. Due to time constraint, the Chairman proposed and members agreed that the subject under Agenda Item V be deferred to the next regular meeting to be held on 15 April 2002.

**VI. Any other business**

42. There being no other business, the meeting ended at 1:00 pm.

Legislative Council Secretariat  
12 April 2002