

**Legislative Council Panel on Public Service
Meeting on 18 February 2002**

Containing the Size of the Civil Service

Purpose

This paper updates Members of the latest progress in containing the size of the Civil Service.

Background

2. In March 2000, the Financial Secretary announced in his Budget Speech an initiative to reduce the total civil service establishment from an estimate of 198,000 as at 1 April 2000 to around 188,000 by March 2003 so as to demonstrate Government's commitment to enhancing public sector productivity; to maintain a lean and fit civil service; and to give further impetus to increasing private sector participation in the delivery of public services. In March 2001, the Financial Secretary further indicated in his Budget Speech that the civil service establishment would fall to around 181,000 by March 2003.

Latest Progress

3. Through the concerted efforts of all bureaux and departments, the civil service establishment has been reducing progressively. As at 1 January 2002, the civil service establishment was about 184,300, a reduction of 7% from that in March 2000.

4. In pursuing measures to contain the civil service establishment, the Administration is committed to upholding the efficiency and quality of public services and avoiding forced redundancy as far as practicable. The establishment has been reduced primarily through the implementation of a Voluntary Retirement Scheme (VRS) in 59 designated grades, business process re-engineering, streamlining of service delivery processes and increasing private sector's participation in the delivery of public services.

5. In addition, there has been stringent control on the growth of the establishment. Between April 1999 and March 2001, we imposed a general recruitment freeze unless Heads of Department/Grade had provided strong justifications for exception. While the recruitment freeze has been lifted since 1 April 2001, the creation

of new civil service posts has continued to be controlled vigorously through the Resource Allocation Exercise mechanism. In the first nine months of 2001/02, there were 1,644 new civil service recruits as compared to some 6,800 new recruits in 1998/99 before the recruitment freeze.

6. In anticipation of a growing number of surplus staff in certain grades and in order to create room for further efficiency measures to sustain the Enhanced Productivity Programme in the medium term, we introduced the VRS in July 2000 to enable civil servants of 59 designated grades with identified or anticipated staff surplus to leave the Civil Service voluntarily with pension benefits and ex-gratia payment. As at 1 January 2002, some 9,400 applications have been approved under the Scheme and about 8,000 staff have already been released from duties. We estimate that the introduction of the VRS would give rise to an annual savings of about \$1 billion after 2004/05.

7. Under the VRS, Heads of Department/Grade are responsible for ensuring that when an officer leaves under the Scheme, a post in the grade or a consequential vacancy in another VR grade must be deleted accordingly. To facilitate flexible deployment of staff under the VRS, we have provided re-training to staff affected by the VRS so as to better equip them to handle new requirements arising from their present jobs or new jobs after transfer.

8. Similarly, the Housing Department has launched a Voluntary Departure Scheme to cater for the possible surplus staff arising from the continued outsourcing of estate management and maintenance functions by the Housing Authority. As at 1 January 2002, about 3,400 staff joined the scheme and some 1,750 staff proceeded to pre-retirement leave.

Directorate Establishment

9. The Administration has always been taking a cautious approach in containing the size of the Civil Service. Requests for the creation of new posts, whether at or below the directorate level, are all subject to vigilant scrutiny and stringent controls by the relevant policy bureau, Civil Service Bureau and Finance Bureau. As at 1 January 2002, the directorate establishment, including both permanent and supernumerary posts, in the Civil Service was 1,433^{Note} or about 0.8% of the total

^{Note} There is a supernumerary directorate post (to oversee coordination of policy initiatives in respect of enhanced cooperation between Hong Kong and Guangdong) which was endorsed by ESC on 21.11.2001 and approved by FC on 7.12.2001 for creation on 1.2.2002. This post has not been included in the establishment figure for 1 January 2002.

establishment. The establishment was the same as that as at 1 October 2001.

10. When creating new directorate posts, the Administration will examine each proposal very carefully to establish whether there is a genuine operational need for the post at that rank. In addition, Bureau Secretaries and Heads of Department will be required to consider whether the additional duties and responsibilities can be met by redeployment of existing staff or reshuffling of duties within the department or among departments under the same policy bureau. All these proposals are subject to scrutiny by the Finance Bureau and the Civil Service Bureau. As regards the appropriate grading and ranking of the proposed directorate posts, the advice from the Standing Committee on Directorate Salaries and Conditions of Service and the Standing Committee on Disciplined Services Salaries and Conditions of Service will be sought for civilian and disciplined grades respectively.

11. Where the proposed directorate posts are considered justified by the Administration, Bureau Secretaries/Heads of Department will consult the relevant Legislative Council panels on their proposals before putting them to the Establishment Sub-Committee and the Finance Committee.

12. Since 1 January 2002, we have sought and secured approval from the Establishment Sub-Committee at two meetings on the creation of 1 permanent directorate post (to head the new Economic and Trade Office in Guangzhou) and 1 supernumerary directorate post (to spearhead the E-Government initiative) as well as the extension of 1 supernumerary directorate post (to continue the preparatory work for setting up the Civil Service Provident Fund).

Way Forward

13. We are in good progress in further reducing the civil service establishment to 181,000 by March 2003. We will continue to maintain a lean and fit civil service vigorously, including the directorate establishment, while providing quality services to the public.

