

**Legislative Council Panel on Public Service
Meeting on 17 June 2002**

Review of the Voluntary Retirement (VR) Scheme

Purpose

This paper informs Members of the outcome of the review of the Voluntary Retirement (VR) Scheme.

Background

2. In July 2000, we introduced a VR Scheme to enable civil servants in 59 designated grades with identified or anticipated staff surplus to retire from the service voluntarily with immediate retirement benefits and VR compensation. The Scheme is strictly voluntary in nature with no pre-determined number of retirees. Application to the Scheme was closed in October 2000 and applicants were informed of the results in December 2000. Except for a few departments which require a longer period of time to release their VR takers on operational grounds, the vast majority of the successful VR applicants were released from duties for retirement under the Scheme by end 2001.

3. In the 2001 Policy Address, we announced that we would conduct a review of the Scheme and would aim to complete the review by mid-2002. In early 2002, we sought the views of departmental/grade management and the staff sides on issues relating to the implementation of the Scheme. We have recently completed the review.

Approving Position

4. As at middle of June 2002, 9 774 applications for retirement under the VR Scheme were approved. Some 250 were not approved as there was a continued operational need for the posts. Some 50 cases are still held in abeyance pending the outcome of disciplinary proceedings/investigations against the officers concerned. Departments have undertaken to make a

decision on these cases and to expedite action as soon as possible. A breakdown of an updated VR approving position in terms of grades and departments is at Annex A and Annex B respectively.

5. About 90% of VR takers have been released from duties for voluntary retirement by end May 2002. These include 8 169 takers who have already exhausted their pre-retirement leave and left the service formally with retirement benefits and compensatory payments. The remaining about 1 000 VR applicants will be released within 2002.

6. The implementation of the Scheme has brought about long-term savings to the Government because an established post has to be deleted following the departure of the VR taker. On the basis that all VR posts are eventually deleted, and after allowing for the costs of alternative modes of service delivery, it is estimated that we can achieve a net savings of about \$751 million per annum. An updated cost-benefit analysis table based on 9 774 VR cases is at Annex C.

Comments on the VR Scheme

Departmental/grade management

7. A summary of the views given by departmental/grade management on the Scheme is set out below.

Effectiveness of the Scheme

8. Over 90% of the respondents welcome the introduction of the Scheme as it has enabled them to adopt more flexible and cost-effective modes of service delivery, to enhance the efficiency of the department by providing an exit channel for staff, and to reduce staff costs by trimming down surplus posts. A few departments have highlighted the issue of departure of experienced staff and the time required to obtain replacements of general grades staff. However, the operation of these departments have not been adversely affected.

Eligibility

9. Under this exercise, only pensionable officers with no less than one year's active service before retirement, and who have not submitted applications for resignation/retirement nor have been offered with other exit

options under the Housing Department's Voluntary Departure Scheme are eligible to join the Scheme. However, officers subject to disciplinary proceedings or other actions which may lead to their removal from the service will become ineligible. Whilst over 90% of the responding departments/grades are content with the current eligibility criteria, some consider that the minimum active service period of one year should be lengthened to about two years to further justify the VR compensatory payment. A few respondents recommend opening up the Scheme to all civil servants across the board to enable unpromising officers to retire voluntarily from the service. The latter suggestion, however, would go beyond the aim of the Scheme which is to provide an exit arrangement for grades with an identified or anticipated staff surplus problem.

Compensation Package

10. The VR compensation package is worked out on the basis of one month's salary for every two complete years of service plus nine months' salary, and the ceiling where the amount is capped is worked out with reference to the lump sum pension at the officer's normal retirement age plus six months' salary. About 90% of the responding departments/grades consider the current compensation package appropriate. However, some consider that the current package is too generous and would lead to a consequential drain of experienced officers. Others comment that the package should not be geared to induce young applicants. A few suggest replacing the monthly pension component by an all-inclusive lump sum pension compensation, so as to reduce the Government's long-standing financial burden.

Selection Criteria

11. In the exercise, operational exigency and length of service have been adopted as the selection criteria. The vast majority of respondents consider the adoption of operational exigency and length of service as selection criteria in the VR exercise to be appropriate. Views on setting a quota for the Scheme are diverse. Those against setting a quota consider that the management should maintain more flexibility for approving VR applications and a quota system would unnecessarily generate staff grievances and create management problems. However, if a quota is to be set, it should be rank-and-work-stream-specific.

Processing of VR Applications

12. Most of the respondents are content with the processing procedures and arrangements. In view of the difficulties in redeploying surplus common grade staff between departments, taking into account different work streams and replacement schedules involved, departments with a vast number of common grade staff generally favour the handling and processing of applications by the departments themselves rather than by a central authority.

Departure Date

13. The applicant's departure date is determined by the Heads of Department and/or Heads of Grade having regard to the operational exigencies of the department/grade concerned. Departments/grades should release successful applicants within one year by end 2001 unless prior agreement from the Civil Service Bureau has been sought. The majority are content with this departure arrangement. Many suggest extending the departure period beyond one year so as to allow more time for staff redeployment.

Post Deletion and Recruitment Freeze Arrangement

14. In this exercise, an established post has to be deleted following the departure of the successful VR applicant. Meanwhile, open recruitment to all the VR grades has to be frozen for five years until 2005/06. Over 80% of the respondents are content with this post deletion and recruitment freeze arrangement. However, some comment that the recruitment freeze arrangement should be more flexible and not be indiscriminately applied to all VR grades. The problem exists more in those common grades where there are defined work streams and it is not easy to replenish staff from in-service appointment exercises. Problems are also encountered when VR takers outnumber surplus staff in a particular department where some vacant posts would need to be filled pending replacements.

Impact on Staff

15. The majority find the assistance and training provided by the Civil Service Bureau and the Civil Service Training and Development Institute

to VR staff and staff affected by the exercise sufficient. Additional assistance is provided by departments in the form of briefing and counselling sessions whilst some departments with a relatively large number of VR takers have also organized specific training activities for their staff remaining in the service. Some consider that it is more important to train staff remaining in the civil service than VR takers. In this connection, it is noted that \$14 million has been set aside under the three-year Training and Development Programme from 2001-02 to 2003-04 to provide at least 19,000 training places for tailor-made programmes for the remaining staff of the VR grades to facilitate their redeployment and job transition.

Comments from staff sides

16. We have also invited staff sides to comment on various aspects of the Scheme. All the submissions support the introduction of the VR Scheme on a voluntary basis to provide room for the Government to take forward further efficiency enhancement initiatives. They also support the launching of further exit arrangements, though some have raised concerns over the increase in workload for staff remaining in the service and the redeployment arrangements following the departure of VR takers. Other exit proposals suggested by the staff sides include allowing all civil servants to retire early, relaxing the minimum qualifying service for a deferred pension period from 10 years to 3 years, shortening the retirement notification period to 6 months, etc.

Overall Assessment

17. The Government's commitment to continuously enhance efficiency and to respond to changing needs of the community in a cost-effective manner has from time to time resulted in various re-organisation proposals which may carry staffing implications. We consider that the VR Scheme introduced in 2000 has helped resolve staffing problems in possible redundancy situations, and that the surplus staff problem in the VR grades has become more manageable. The departure of VR takers (and its related post deletion and recruitment freeze arrangement) has also helped reduce the civil service establishment, thereby assisting us in maintaining a lean and fit civil service. Savings achieved through the Scheme should enable the Government to take forward new initiatives and further efficiency enhancement measures.

18. It is also noted that the voluntary nature of the Scheme and the principle that release of staff should not unduly affect the provision and quality of public services have been important factors in contributing to the implementation of the exercise. In addition, in designing the compensation package, whilst it should be pegged at a level with sufficient incentive to attract staff to take up, it must be cost-effective to the Government. We also recognize that the successful implementation of the Scheme depends on detailed planning and arrangement.

Civil Service Bureau
June 2002

Annex A to LegCo Panel Paper

Number of Approved Applications by Designated Grades
(as at 15.6.2002)

Grade	Approved Applications
Workman	3,410
Clerical Officer	1,810
Artisan	712
Clerical Assistant	512
Foreman	484
Ward Attendant	375
Motor Driver	240
Special Driver	223
Works Supervisor	202
Personal Secretary	188
Cook	134
Typist	131
Property Attendant	118
Ganger	111
Police Translator	100
Office Assistant	98
Chainman	96
Senior Artisan	91
Supplies Supervisor	88
Chinese Language Officer	72
Confidential Assistant	70
Midwife	55
Laboratory Attendant	52
Land Inspector	44
Calligraphist	43
Launch Master	38
Printing Technician	36
Data Processor	33
Workshop Attendant	24
Darkroom Technician	18
Supplies Attendant	17

Grade	Approved Applications
Court Reporter	14
Supervisor of Typing Services	13
Photographer	11
Traffic Assistant	9
Education Assistant	8
Inoculator	8
Photoprinter	7
Proofreader	7
Chauffeur	6
Dental Technician	6
Head Property Attendant	6
Mechanical Inspector	6
Sailor	6
Timekeeper	6
Transport Services Officer	6
Launch Mechanic	5
Radiographic Technician	4
Ship Inspector	4
Telephone Operator	4
Building Supervisor	3
Police Communications Assistant	2
Printing Officer	2
Projectionist	2
Car Park Attendant II	1
Electrical Inspector	1
Lift Operator	1
Police Communications Computer Operator	1
TOTAL :	9,774

Annex B to LegCo Panel Paper

Number of Approved Applications by Departments

(as at 15.6.2002)

Department	Approved Applications
Food and Environmental Hygiene Department	2,859
Leisure and Cultural Services Department	1,122
Hospital Authority	779
Hong Kong Police Force	618
Water Supplies Department	534
Department of Health	324
Housing Department	293
Education Department	239
Lands Department	211
Social Welfare Department	173
Agriculture, Fisheries and Conservation Department	162
Electrical and Mechanical Services Department	162
Marine Department	152
Government Secretariat	148
Immigration Department	129
Judiciary	121
Inland Revenue Department	119
Home Affairs Department	107
Highways Department	104
Fire Services Department	96
Transport Department	95
Labour Department	88
Printing Department	76
Trade and Industry Department	71
Census and Statistics Department	70
Government Supplies Department	68
Drainage Services Department	63
Customs and Excise Department	59
Land Registry	55
Civil Engineering Department	53
Architectural Services Department	52

Department	Approved Applications
Treasury	52
Correctional Services Department	51
Department of Justice	46
Environmental Protection Department	35
Buildings Department	32
Rating and Valuation Department	30
Official Languages Agency	26
Legal Aid Department	22
Radio Television Hong Kong	21
Planning Department	20
Companies Registry	19
Student Financial Assistance Agency	17
Television and Entertainment Licensing Authority	17
Government Land Transport Agency	16
Government Property Agency	15
Innovation and Technology Commission	14
Territory Development Department	14
Hong Kong Observatory	13
Information Services Department	13
Civil Aviation Department	12
Official Receiver's Office	11
Post Office	8
Civil Service Training & Development Institute	7
Information Technology Services Department	7
Hong Kong Monetary Authority	6
Audit Commission	5
Civil Aid Service	5
Intellectual Property Department	5
Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service	5
Registration and Electoral Office	5
Office of The Ombudsman	4
Government Flying Service	3
Office of the Commissioner of Insurance	3
Office of the Telecommunications Authority	3
Public Service Commission	3
Government Laboratory	2

Department	Approved Applications
Auxiliary Medical Service	1
Independent Commission Against Corruption	1
Secretariat for Independent Police Complaints Council	1
Management Services Agency	1
University Grants Committee Secretariat	1
TOTAL :	9,774

Cost-benefit Analysis of Voluntary Retirement Scheme

	(\$ million)	(\$ million)
(A) Cost		
One-off compensation ⁽¹⁾		2,392
(B) Savings		
Savings in annual salaries ⁽²⁾	1,416	
Less : Annual cost for service delivery through non-civil service means	665	
	<hr/>	751
(C) Pay-back period [(A) ÷ (B)]		3.2 years

⁽¹⁾ Based on actual compensation to 7 543 staff departed up to March 2002 (\$1,775m), plus estimated compensation to the remaining 2 231 staff approved to retire under VR (\$617m).

⁽²⁾ Based on savings in mid-point salaries of 8,884 posts deleted/to be deleted by 31.3.2003 (\$1 281m), and projected salary savings of 890 posts to be deleted thereafter (\$135m).