

**立法會**  
**Legislative Council**

LC Paper No. CB(1) 873/02-03  
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by the Administration)

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**Panel on Public Service**

**Minutes of special meeting  
held on Wednesday, 15 January 2003 at 8:30 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 HUI Cheung-ching, JP  
Hon Bernard CHAN, JP  
Hon Howard YOUNG, JP  
Hon Tommy CHEUNG Yu-yan, JP  
Hon Michael MAK Kwok-fung  
Hon Albert CHAN Wai-yip

**Members attending** : Hon Albert HO Chun-yan  
Hon Margaret NG  
Hon CHAN Yuen-han, JP  
Hon IP Kwok-him, JP

**Members absent** : Hon Kenneth TING Woo-shou, JP  
Hon CHEUNG Man-kwong  
Hon CHAN Kwok-keung  
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP  
Hon Andrew WONG Wang-fat, JP  
Hon LEUNG Fu-wah, MH, JP

- Public officers Attending** : Mr Joseph W P WONG, GBS, JP  
Secretary for the Civil Service
- Ms Anissa WONG, JP  
Permanent Secretary for the Civil Service (Acting)
- 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 Pauline NG  
Assistant Secretary General 1
- Ms Rosalind MA  
Senior Assistant Secretary (1)9
- Miss May LEUNG  
Legislative Assistant

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Action

- I. Policy briefing by the Secretary for the Civil Service on the policy initiatives of the Civil Service Bureau featuring in the Chief Executive's 2003 Policy Address**  
(Paper provided by the Administration for the meeting  
LC Paper No. CB(1)710/02-03(01)  
Other relevant documents)
- (a) Address by the Chief Executive at the Legislative Council meeting on 8 January 2003 — "Capitalising on Our Advantages, Revitalising Our Economy"
  - (b) The 2003 Policy Address — "Policy Agenda"
  - (c) Progress Report on Policy Objectives (2001))

Briefing by the Secretary

At the Chairman's invitation, the Secretary for the Civil Service (SCS) briefed members on the civil service-related initiatives in the Chief Executive (CE)'s 2003 Policy Address. SCS pointed out that in contributing to the objective of reducing public expenditure by \$20 billion to \$200 billion by 2006-07, CE had set a target of

reducing the civil service establishment by 10% to about 160 000 by 2006-07. In relation to this target, CE had announced two initiatives, as follows:

- (a) To implement a general recruitment freeze to the civil service with effect from 1 April 2003; and
- (b) To launch the Second Voluntary Retirement Scheme (VRS) shortly.

2. On paragraph 1(a) above, SCS advised that with effect from 1 April 2003, no new recruitment exercise should commence unless there was exceptional approval by a high level panel co-chaired by the Chief Secretary for Administration and the Financial Secretary, with SCS as member, where very strong justifications were involved. On paragraph 1(b) above, SCS pointed out that following the approval of the Second VRS by the Executive Council on 14 January 2003, a Legislative Council Brief had been issued to Members on the same day. The Administration would brief the Panel on Public Service on the Scheme at its next regular meeting scheduled for 20 January 2003.

3. SCS also drew members' attention to the following two initiatives on the management of the civil service set out in the Policy Agenda:

- (a) To take forward the 2003 civil service pay adjustment and related matters in consultation with staff; and
- (b) To enhance motivation and commendation schemes for civil servants in recognition of distinguished service.

4. On paragraph 3(a) above, SCS stressed that the Administration had not yet made a decision on the 2003 civil service pay adjustment. To ensure full and extensive staff consultation before making the decision, the Administration had set up the Working Group on Civil Service Pay Adjustment and Related Issues (the Working Group) to discuss the approach for the 2003 pay adjustment exercise and related issues. The Working Group comprised representatives of the staff sides of the four central consultative councils, representatives of the four service-wide staff unions and officials from the Civil Service Bureau (CSB). The following outline proposals put forward by CSB was being considered by the Working Group:

- (a) A Pay Level Survey (PLS) should be conducted to compare the pay levels in the civil service with those in the private sector. Detailed arrangements for the PLS, such as the timing for the survey, would be subject to further discussion in the Working Group;

- (b) Pending the completion of a review of the methodology of the annual Pay Trend Survey (PTS), a PTS for 2002-03 should not be conducted based on the existing methodology; and
- (c) Consideration should be given to the need for the new pay adjustment mechanism to be provided in law.

5. As regards the initiative mentioned in paragraph 3(b) above, SCS pointed out that the Administration was reviewing the existing staff motivation and commendation schemes with a view to enhancing them in recognition of outstanding service of individual civil servants.

### Discussion

#### *Reduction in civil service establishment*

6. Mr Howard YOUNG commented that the civil service-related initiatives set out in the 2003 Policy Address were generally in line with the direction of the proposals put forward by the Liberal Party (LP) in recent years. However, the Administration's target for reducing the civil service establishment to 160 000 in 2006-07 was higher than the LP's proposed target of 150 000. In LP's view, the reduction was essential for achieving a small but efficient Government in the long term. Responding to Mr YOUNG's enquiry, SCS advised that according to past records, about 3 000 civil servants left the civil service upon normal retirement or resignation per year. On this basis, it was estimated that civil service establishment could be reduced by 12 000 through normal retirement and natural wastage in the coming four years from 2003-04 to 2006-07. To achieve the target of reducing the civil service establishment to 160 000 in 2006-07, the Administration needed to adopt a mild approach to implement some measures, such as the general recruitment freeze and the Second VRS.

7. Referring to paragraph 7 of the paper provided by the Administration, Miss CHAN Yuen-han pointed out that the civil service establishment had already been reduced by 9.7% from some 198 000 in March 1999 to 178 798 in September 2002. Given this background and the fact that the population of Hong Kong had been increased by 20% in the past 15 years, the proposed 10% reduction in the civil service establishment by 2006-07 was substantial. As stressed by CE in his Policy Address that civil servants were not the cause of the fiscal deficit, Miss CHAN queried whether it was justified to reduce the civil service establishment by 10%. In response, SCS pointed out that while the fiscal deficit was by no means the civil service's making, it was a pressing problem for Hong Kong to resolve. CE had emphasized in his Policy Address that the Government would tackle the fiscal deficit as top priority and adopt a three-pronged approach to this end: to boost economic growth, cut public expenditure and raise revenue. To achieve the objective of reducing public

expenditure by \$20 billion to \$200 billion in 2006-07, reduction in civil service establishment was proposed to cut down the staff cost.

8. Miss CHAN Yuen-han Mr LEE Cheuk-yan Mr Albert CHAN and Mr IP Kwok-him expressed concern about the impact of the further reduction in the civil service establishment on the provision of public service and service quality. Mr LEE doubted whether the present level of service could be maintained with further reduction in the civil service establishment. He asked whether the Administration had assessed the impact of the proposed initiatives, such as the recruitment freeze and the Second VRS, on the provision of public service. Mr CHAN pointed out that certain departments, such as the Immigration Department, were reducing the scale of their service by closing down some of their sub-offices. Miss CHAN pointed out that with the population growth in the past decade, demand for public service, in particular for social welfare and health services, was on the increase. She was concerned how the downsized civil service could cope with the demand. Mr IP considered that the Administration should make the most effective use of the limited public resources for the provision of quality service. He urged the Administration to ensure that the initiatives for cutting down staff cost would not affect service delivery of bureaux and departments.

9. In reply, SCS said that in the process of identifying savings and reducing surplus staff, Directors of Bureau (DoBs) and Heads of Department (HoDs) adhered to the principle that the provision and quality of public service should not be unduly affected. In this connection, he pointed out that CSB had commissioned the Hong Kong Polytechnic University to conduct an opinion poll on the performance of the civil service in October 2002. According to the findings of the opinion poll (issued vide LC Paper No. CB(1)141/02-03 on 24 October 2002), 72.5% of the respondents were satisfied with the performance of civil servants. This reflected the public's appreciation of the quality service of the civil service, even after the implementation of the First VRS. During the review of the First VRS conducted in early 2002, departmental management of the Food and Environmental Hygiene Department, the department with the largest number of VR-takers, had confirmed that the departure of the VR-takers did not have any adverse impact on its service delivery. The implementation of the Second VRS aimed to provide an exit mechanism for identified or anticipated surplus staff in the civil service to leave voluntarily. In considering the VR applications, DoBs/HoDs would take into account the operational need of the bureau/department and decide whether the deletion of the posts held by the applicants would affect the service provided to the public. As regards the general civil service recruitment freeze, SCS advised that similar measures were implemented between 1999 and 2001. With the mechanism to enable exceptional recruitment through approval by a high level panel, the provision of service would not be affected.

10. Mr Michael MAK pointed out that civil servants had been facing various challenges in recent years and their morale was low. He was concerned about the impact of the reduction in civil service establishment on the morale of civil servants and whether the Administration would put in place any measures to boost the morale. In response, SCS said that some civil servants, same as other members of the public, might feel frustrated because of the economic downturn. However, civil servants were still performing well and there was no indication of a morale problem. As reflected by the findings of the opinion poll, 72.5% of the respondents were satisfied with the performance of civil servants. SCS also advised that the Administration attached importance to civil service morale and would explore ways to enhance the morale. Referring to paragraph 16 of the paper provided by the Administration, SCS pointed out there was an established honours and awards system in which civil servants with distinguished public service would be commended by CE. In addition, the Administration operated a number of staff recognition schemes. The Administration would review these schemes with a view to enhancing them in recognition of outstanding service from individual civil servants.

11. Mr Michael MAK maintained his view that the morale of civil servants was low, but not to such an extent to have affected their performance. However, the impact of the morale problem should not be overlooked. Apart from the motivation and commendation schemes, the Administration should put in place more effective measures to boost the staff morale. Mr Albert CHAN shared Mr MAK's view and pointed out that civil service morale had been on the decline. As far as he knew, the problem existed in the entire civil service, from officers at senior ranks to frontline staff, affecting their enthusiasm at work. He urged the Administration to recognize the contribution and importance of the civil service, and explore effective measures to address the problem.

12. SCS appreciated that some civil servants might have grievances about their work. This was not uncommon in other workplaces outside the civil service. Nevertheless, the civil service had upheld its professionalism and maintained quality service to meet the increasing public demand. All along, CE and senior Government officials had acknowledged the contributions of the civil service. In particular, CE had pointed out in his Policy Address that over the past few years, civil servants had made solid contributions to cutting Government expenditure, and that under the Enhanced Productivity Programme, civil servants had already been doing more with less, while assuring the quality of public service.

#### *General recruitment freeze*

13. Mr LEE Cheuk-yan expressed concern about the impact of the civil service general recruitment freeze on the employment opportunities in the labour market, in particular, the opportunities for the younger generation to pursue their career in the civil service. He pointed out that while the top priority for the Government was to

tackle the fiscal deficit, members of the public were more concerned about their employment opportunities. SCS responded that as pointed out by CE in his Policy Address, the fiscal deficit had reached a critical stage and if not tackled immediately, it would become an insurmountable obstacle to the Government's efforts to ride out the current economic difficulties. Hence, the solving of the fiscal deficit problem was an immediate imperative. The Government would tackle the problem by adopting a three-pronged approach: to boost economic growth, cut public expenditure and raise revenue. The general recruitment freeze was one of the initiatives to reduce the civil service establishment so as to achieve the target of cutting the public expenditure by \$20 billion in 2006-07.

*Non-civil service contract staff*

14. Mr LEE Cheuk-yan was concerned that for the purpose of cost saving, Government departments might terminate the contracts of the non-civil service contract staff (NCSC staff). SCS explained that NCSC staff were normally appointed on a short-term basis to fill temporary posts or take up ad hoc duties. Under the current "envelope" approach on operating expenditure, DoBs/HoDs were given the flexibility to deploy the allocated resources in their "envelopes". They might employ NCSC staff to meet operational need if funds were available, and terminate the employment of NCSC staff when the need for the posts no longer existed. CSB would not interfere in the employment and termination of employment of NCSC staff.

*Second Voluntary Retirement Scheme*

15. Noting that the compensation package for the Second VRS was less favourable than that for the First VRS, Miss CHAN Yuen-han considered that it might not be able to attract adequate applicants to achieve the Administration's target of reducing the civil service establishment. She was concerned whether the Administration had any plan for forced redundancy. Ms LI Fung-ying expressed similar concern. In reply, SCS assured members that the Administration would adopt a mild approach in reducing the civil service establishment. Application for joining the Second VRS would be entirely on a voluntary basis. He confirmed that the Administration had no plan for forced redundancy at the present stage. He also pointed out that following the implementation of the Second VRS, the Administration would conduct a review to assess its effectiveness and the overall establishment in the civil service.

16. Mr LEE Cheuk-yan sought information on the list of the designated grades for the Second VRS, and whether the Administration had set any target on the number of VR-takers for the scheme. SCS advised that based on the initial indications from DoBs, there were some 200 grades which might be proposed for inclusion in the Second VRS. Further fine-tuning to the number of proposed VR grades was expected because some bureaux and departments were still working on further ways to re-engineer, re-organize and re-prioritize their operations with a view to further reducing

their establishment. The Administration would further liaise with DoBs to work out the final list of VR grades for announcement in end of January or early February 2003. For the purpose of estimating the financial implications, it was assumed that 7% (about 7 000 officers) of all staff in the initial proposed list of grades (100 000 staff) would retire under the scheme. It was only an assumption, not a target.

17. Noting that bureaux and departments would give further impetus to re-engineer business processes, streamline service delivery and engage greater private sector participation in the delivery of public service, Ms LI Fung-ying was concerned about the transitional arrangements between the departure of VR-takers and the out-sourcing of services. SCS pointed out that under the current "envelope" approach, DoBs/HoDs would oversee the total operating expenditure of their bureaux/departments including personal emoluments. They would ensure that out-sourcing of services would only be arranged where there was an operational need, and make the appropriate arrangements for commencing any out-sourcing initiatives to synchronize as far as possible with the departure of the relevant VR-takers.

18. Mr Albert CHAN considered the arrangements for VRS unfair to the applicants, as the decisions on approval of their applications were completely in the hands of DoBs/HoDs. SCS explained that it was necessary and justified to give DoBs/HoDs the authority to vet and approve VR applications so as to ensure that the business operation and service delivery would not be adversely affected by the departure of any VR-takers.

19. Referring to the some 250 applications not approved under the First VRS on the reason that there was a continued operational need for the posts, Mr Albert CHAN considered that the posts should not have been included in the scheme. As far as he knew, the staff concerned were disappointed and frustrated, as it was not easy at all for them to have decided to apply for voluntary retirement. Mr CHAN therefore requested the Administration to keep civil servants well informed of not only the grades, but also the posts in the grades, included in the Second VRS. SCS appreciated the need to brief civil servants on the details of the Second VRS and undertook to consider issuing guidelines to DoBs and HoDs in this regard.

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20. As the compensation package for the Second VRS was less favourable than that for the First VRS, Mr Albert CHAN considered that to be fair to the unsuccessful applicants in the first scheme, if they submitted applications for the second scheme and their applications were approved, they should be provided with the compensation package for the first scheme. SCS pointed that this special compensation arrangement was not practicable, as the First and the Second VRS were two separate exercises.



*2003 civil service pay adjustment*

21. Mr Howard YOUNG pointed out that given the gap between private sector pay levels and civil service pay levels, the commercial sector had called for the early conduction of a PLS. Mr YOUNG asked for the timetable for conducting the PLS. In view of the possible controversies over the methodology to ensure fair comparison of posts in the private sector and the civil service, Mr HUI Cheung-ching was concerned about the time required to conduct a PLS and if a long period of time was required, how the 2003 civil service pay adjustment was to be decided. SCS reiterated that detailed arrangements for the PLS, such as the timing for the survey, would be subject to further discussion in the Working Group. It was hoped that the Working Group would be able to reach some conclusions by the end of January 2003. The Administration would then make a decision on the way forward. Assuming that a PLS was to commence in February 2003, it was expected to be completed by the end of September 2003. As regards the approach for this year's pay adjustment exercise, it was also a subject being discussed in the Working Group.

22. Referring to paragraph 49 of the Policy Address, Mr Michael MAK expressed dissatisfaction about CE's remark that civil servants were prepared to accept a pay cut if circumstances so required. He pointed out that while civil servants were prepared to ride out the present difficulties with the rest of the community, it did not necessarily mean that they were prepared to accept a pay cut. He considered CE's remark unjustified and unfair to civil servants. As far as he knew, the remark had weakened the civil service morale. SCS explained that before the delivery of the Policy Address on 8 January 2003, CE had met with the staff sides of the four central consultative councils and representatives of the major service-wide civil service unions in December 2002 to discuss the challenges facing Hong Kong, including economic restructuring and the fiscal deficit problem. From the discussion at the meeting, CE had got the impression that civil servants were fully aware of the fiscal deficit problem and were prepared to accept a pay cut. SCS reiterated that the Government had yet to make a decision on the 2003 civil service pay adjustment. He assured members that any such decision would be implemented through a fair, reasonable and lawful mechanism.

23. Mr Michael MAK pointed out that even though some of the staff representatives had indicated that they were prepared to accept a pay cut, they did not represent the entire civil service. He maintained his view that it was unjustified for CE to have made the remark that civil servants were prepared to accept a pay cut.

**II. Any other business**

24. The Chairman reminded members that the Second VRS had been scheduled for discussion at the next regular Panel meeting to be held on Monday, 20 January 2003 at 10:45 am.

25. There being no other business, the meeting ended at 9:30 am.

Council Business Division 1  
Legislative Council Secretariat  
10 February 2003