

**Legislative Council Panel on Public Service
Meeting on 15 January 2003**

**Civil Service-related Initiatives in the
2003 Policy Address**

Purpose

This paper sets out the civil service-related initiatives in the 2003 Policy Address for Members' information.

Background

2. The Chief Executive (CE) delivered his 2003 Policy Address on 8 January 2003 which outlined his vision for governance in the second term. In the Policy Address, the CE reiterated that a clean and efficient civil service was one of the fundamental strengths of Hong Kong in leading to economic recovery. He also emphasized that Government would tackle the fiscal deficit as top priority and adopt a three-pronged approach to this end : boost economic growth, cut public expenditure and raise revenue.

3. The CE has stressed that civil servants are not the cause of the fiscal deficit and indeed acknowledged that the civil service has made remarkable contributions in increasing productivity and cutting expenditure while assuring the quality of public services under the Enhanced Productivity Programme.

4. In contributing to the objective of reducing public expenditure by \$20 billion to \$200 billion by 2006/07, the CE has set a target of reducing the civil service establishment by 10% to about 160,000 by 2006/07 and announced two initiatives in relation to this target -

- (a) Implement a general recruitment freeze to the civil service with effect from 1 April 2003.
- (b) Launch the second Voluntary Retirement Scheme (VRS) shortly.

5. In parallel, Government also published a Policy Agenda which set out its major initiatives over the coming 18 months under five policy themes. Under the ambit of effective governance, it is Government's commitment to maintain a small but responsive and accountable government and a permanent, meritocratic, professional, politically neutral and clean civil service. In addition to the initiatives outlined by the CE in the Policy Address, the Policy Agenda contains two initiatives on the management of the civil service –

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

Latest Position

6. Having regard to the persistent fiscal deficit and the rising expectations of the public on Government, it is vital for us to sustain the momentum of the Civil Service Reform and to deliver quality services to the community in a more cost-effective manner through a leaner civil service. For Members' reference, our prevailing plan to roll out the new initiatives in the Policy Address and the Policy Agenda are set out in ensuing paragraphs.

Reducing the Civil Service Establishment

7. As at 30 September 2002, the civil service establishment was 178,798. We now plan to reduce the establishment to about 160,000 by 2006/07. Members should be aware that with a view to maintaining a lean and fit civil service and to increasing private sector participation in the delivery of public services, we have already reduced the establishment of the civil service by 9.7% from some 198,000 in March 1999 to the present level. Given this background and the fact that the population of Hong Kong has been increased by 20% in the past 15 years, the proposed 10% reduction in the civil service establishment by 2006/07 is substantial.

8. In achieving this new target, we shall urge bureaux and departments to give further impetus to re-engineer business processes, streamline service delivery and engage greater private sector participation in the

delivery of public services. We shall also set up a monitoring mechanism to coordinate the Directors of Bureaux on their manpower plans with a view to reducing the overall establishment to around 160 000 by 2006/07.

9. We shall reduce the civil service establishment through natural wastage, the launch of the Second VRS and the general recruitment freeze.

General Recruitment Freeze

10. We shall impose a general civil service recruitment freeze from 1 April 2003 onwards. Only under exceptional circumstances and after careful scrutiny, approval will be given for any external recruitment. Members may recall that we also conducted a similar recruitment freeze between 1 April 1999 and 31 March 2001.

11. We shall issue guidelines to bureaux/departments on the implementation of the recruitment freeze. In essence, for civil service recruitment exercises which have commenced, Heads of Departments will have to justify to their Directors of Bureaux that it is operationally necessary to make the appointments before 1 April 2003 and the proposed employment of civil servants will not compromise their plan to reduce civil service establishment. No new recruitment exercise should commence unless there is exceptional approval by a high level panel co-chaired by the Chief Secretary for Administration and the Financial Secretary, with the Secretary for the Civil Service as member where very strong justifications are involved.

Second Voluntary Retirement Scheme

12. In order to maintain a leaner civil service and to bring about long-term savings to Government, we shall launch the Second VRS shortly to enable surplus staff to leave the civil service voluntarily. Members should recall that we introduced the first VRS in 2000 under which some 9,800 officers have been approved to leave the service.

Civil Service Pay Adjustment

13. The Administration has not yet taken a decision on the 2003 civil service pay adjustment. We have undertaken to fully and extensively consult

staff before we decide on the approach to be adopted for this year's pay adjustment. To this end, we have set up a working group, comprising 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, to discuss the approach for the 2003 pay adjustment exercise and related issues. Through these discussions, we seek to explore with staff representatives, on the basis of the existing mechanism, the development of a new and improved mechanism for civil service pay adjustment which will cater for upward and downward adjustments.

14. An outline proposal put forward by the Civil Service Bureau is being discussed by the working group as follows –

- (a) a pay level survey should be conducted to compare the pay levels in the civil service with those in the private sector. Detailed arrangements such as the timing of the pay level survey, the completion deadline, the survey methodology, etc. 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, we should not conduct a pay trend survey for 2002/03 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.

15. The working group had a meeting in January 2003 and will meet on 15 and 23 January 2003. Having regard to the urgency to resolve the matter, we aim to report on the progress of deliberations in the working group on the handling of the 2003 civil service pay adjustment and the associated action timetable to the CE by the end of January 2003. Meanwhile, we had organized three forums in early January 2003 to gauge feedback from nearly 600 staff side representatives of the departmental consultative committees on this matter. The Secretary for the Civil Service also reaches out to the rest of civil servants through various channels (e.g. his regular departmental visits and gatherings with staff representatives) to listen to their views on this subject. The Administration has undertaken that any pay adjustment for the civil service will

be implemented in accordance with a fair, lawful and reasonable adjustment mechanism. We shall also seek to strike a balance between the interests of civil servants and the overall interests of the community.

Staff Motivation Schemes

16. At present, there is an established honours and awards system in which civil servants with distinguished public service will be commended by the CE. In addition, we operate a number of staff recognition schemes, including the commendation letters scheme, Staff Suggestions Scheme and Staff Motivation Scheme. We are reviewing these schemes and mechanism with a view to enhancing them in recognition of outstanding service from individual civil servants.

Way Forward

17. We shall take forward the above initiatives in close consultation with departmental management and the staff sides. We shall also give due regard to the community's expectation for having a clean, efficient and accountable civil service. We shall keep Members' informed of the progress of these initiatives.

Civil Service Bureau
13 January 2003