

**LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE
MEETING ON 25 APRIL 2003**

Review of Civil Service Allowances

Purpose

This paper briefs Members on the Administration's plan to review various allowances payable to civil servants.

Background

2. Allowances payable to civil servants can be broadly categorised as those related to the performance of duties and those provided as fringe benefits. The former category mainly includes acting allowances, overtime and related allowances, job-related allowances, subsistence allowance, travelling allowances and other miscellaneous allowances. The latter category mainly includes education allowances, housing and related allowances, and passage and related allowances. A list of the allowances to be reviewed, together with the projected / estimated expenditure on these allowances, is at the Annex.

3. It is stated Government policy to keep our civil service management system under review and to ensure that the continued provision of various allowances is justified and in line with present day circumstances. For example, we have introduced a new fringe benefits package for recruits offered appointment on or after 1 June 2000. Under the new package, leave provision was rationalised and modernised, leave passage was no longer provided to family members of eligible officers, local education allowance was ceased and a non-accountable housing allowance was introduced. More recently, we have reviewed the job-related allowances system following which the governing principles were improved and a six-month moratorium on job-related allowances payable to civilian grades started on 1 December 2002 to facilitate reviews of individual job-related allowances payable to civilian

grades. We have also recently reviewed and adjusted downwards the duty mileage allowance.

Objective of the review

4. Given the Administration's commitment to achieving significant economy in Government's operating expenditure in the next few years, and in line with our established policy to keep the civil service management system under review, we have recently undertaken to carry out a comprehensive review of civil service allowances, including those related to the performance of duties and those provided as fringe benefits.

5. We shall examine all possible options of reducing expenditure, having regard to legal and other considerations. Our objective is to achieve substantive savings in Government expenditure on civil service allowances in the next few years. We shall also examine whether there is room for improving administrative efficiency through streamlining of procedures related to the administration of these allowances.

Guiding principles of the review

6. We shall adopt the principle of lawfulness, reasonableness and fairness in taking forward the matter. We shall take due account of the various legal considerations and other implications, including impact on staff, when we examine the merits of various options. We shall also consult civil servants on specific improvement proposals before we take a final decision.

Priority items

7. As our first priorities, we shall review acting allowance, overseas and local education allowances, passage and related allowances and air-conditioning allowance. For acting allowance, following a review in 1999, we have introduced changes in early 2000 to tighten up the payment criteria. We shall examine whether there is scope for further improvements in terms of, for instance, further tightening of payment criteria, adjustment to payment rates and streamlining of administrative procedure. For overseas and local education allowances, passage allowances and air-conditioning allowance, following earlier reviews which concluded that the provision of these

allowances were out of date, they are no longer payable to recent recruits to the civil service. Specifically, we ceased the provision of overseas education allowance and school passage allowance for civil servants offered appointment on or after 1 August 1996. Local education allowance was ceased for those offered appointment on or after 1 June 2000, and air-conditioning allowance was ceased for officers occupying substantively a post in the Directorate on or after 1 May 1999. For leave passage allowance, family members of officers who were offered appointment on or after 1 June 2000 are no longer eligible for such allowance. Notwithstanding the measures we have taken, since the provision of these allowances is out of step with present day circumstances and in view of the Government's fiscal position, we shall further examine whether there is any scope for changes regarding their provision to eligible persons.

Action timetable

8. We have undertaken to review various allowances within the coming year. We aim to draw up specific proposals on the priority items listed in paragraph 7 above by July 2003 for staff consultation. We shall then proceed with the detailed review on the other allowances such as housing and related allowance, overtime and related allowances, travelling allowances, etc.

9. Our target is to complete the review of individual allowances by March 2004. Meanwhile, the detailed reviews of individual job-related allowances payable to civilian grades are underway. We aim to take a decision, based on the recommendations from the concerned bureaux and departments following staff consultation, on whether the JRAs should continue to be paid and the appropriateness of the allowance rates when the 6-month moratorium ends in end May 2003.

Way Forward

10. We shall keep Members informed of further progress of the review.

Civil Service Bureau
April 2003

Scope of Review of Civil Service Allowances

A. ALLOWANCES RELATING TO DUTY

Allowance	2002/2003
	Projected expenditure¹ (\$000)
I. <u>Acting Allowance</u>	359,479
II. Overtime and Related Allowance	540,299
a. Overtime Allowance for civilian staff	245,581
b. Disciplined Services Overtime Allowance	207,464
c. Standby Duty Allowance	79,572
d. On-call Duty Allowance	5,954
e. Honorarium	1,728
III. Subsistence Allowance	65,804
IV. Travelling Allowances	88,772
V. Allowances for Officers Posted Outside Hong Kong	53,784
a. Rent Allowance	26,521
b. Special Posting Allowance (including Exchange Compensation Allowance)	18,503
c. Disturbance Grant	3,748
d. Expenses incurred by employers for employment of locally engaged staff in offices outside HK for meeting local statutory requirements, etc.	5,012
VI. Other Allowances	4,942
Total	1,113,080

Notes:

¹ The 2002/2003 expenditure figures are projected on the basis of the actual expenditure from April 2002 to January 2003. Expenditure incurred by trading fund departments and publicly-funded organisations (e.g. Hospital Authority) in respect of civil servants working in these organisations is not included.

² Detailed reviews on individual job-related allowances payable to the civilian grades are now underway and will be completed by 31 May 2003.

B. ALLOWANCES THAT ARE FRINGE BENEFITS

<u>Allowance</u>	2003/2004
	Estimates (\$000)
I. Education Allowances	860,178
a. Local Education Allowance	290,432
b. Overseas Education Allowance	569,746
II. Housing and related allowances	3,657,268
a. Home Purchase Allowance	1,134,000
b. Home Financing Scheme	2,254,000
c. Non-accountable Cash Allowance	18,800
d. Quartering	
(i) Hotel Subsistence Allowance#	28
(ii) Housing Allowance for Disciplined Services	15,310
(iii) Hotel Allowance#	557
(iv) Removal Allowance	11,320
e. Air-conditioning Allowance	354
f. House Allowance, Furniture and Domestic Appliances Allowance	15,899
g. Accommodation Allowance Scheme	32,600
h. Rent Allowance Scheme	2,400
i. Private Tenancy Allowance	172,000
III. Passage Benefits	247,136
a. Leave Passage Allowance#	67,880
b. School Passage Allowance	167,488
c. First Appointment Passage##	N.A.
d. Baggage Allowance#	4,554
e. Travelling expenses	7,214
Total	4,764,582

Notes:

Items marked with # also cover expenditure on allowances paid to officers who are posted outside Hong Kong. Provision of the allowances to these officers arises from the officers' external postings; they are not provided to the officers as fringe benefits.

Expenditure on this item is met from departmental votes. Treasury does not have the required information.