

# 立法會

## *Legislative Council*

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### **Report of the Panel on Public Service for submission to the Legislative Council**

#### **Purpose**

This report gives an account of the work of the Panel on Public Service from October 2002 to June 2003. It will be tabled at the meeting of the Legislative Council (LegCo) on 2 July 2003 in accordance with Rule 77(14) of the Rules of Procedure of LegCo.

#### **The Panel**

2. The Panel was formed by a resolution passed by LegCo on 8 July 1998 and as amended on 20 December 2000 for the purpose of monitoring and examining government policies and issues of public concern relating to civil service and government-funded public bodies, and public service matters. The terms of reference of the Panel are in **Appendix I**.

3. For the 2002-03 session, the Panel comprises 15 members. Hon TAM Yiu-chung and Hon LI Fung-ying were elected Chairman and Deputy Chairman of the Panel respectively. The membership list of the Panel is in **Appendix II**.

#### **Major Work**

4. During the past year, Hong Kong had a difficult time where people suffered from economic downturn, rising unemployment and falling wages. Given the pressing need to tackle the budget deficit problem, the Administration set the objective of cutting public expenditure by \$20 billion to \$200 billion by 2006-07. To achieve this objective, the Administration sought to reduce the size of the civil service and its expenditure on civil service pay and allowances. While the Panel considered that civil servants should share the burden with the community to tackle the budget deficit problem, it was concerned about the extent of the reduction and the impact of the reduction on the civil service and the community as a whole. The Panel closely monitored and exchanged views with

the Administration on the relevant issues. The Panel also followed up on the progress of some of the Civil Service Reform initiatives. The relevant issues and initiatives are outlined in the following paragraphs.

Containing the size of the civil service

5. In contributing to the objective of reducing public expenditure by \$20 billion to \$200 billion by 2006-07, the Chief Executive (CE) had, in his Policy Address delivered on 8 January 2003, set a target of reducing the civil service establishment by 10% to about 160 000 by 2006-07. CE had also announced two initiatives to achieve this target, namely, the introduction of the general civil service recruitment freeze with effect from 1 April 2003 and the Second Voluntary Retirement Scheme (VRS).

6. Noting 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, the Panel expressed concern about the impact of the further reduction in the civil service establishment on the provision of public service and service quality. The Panel was assured by the Administration 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. The Panel was advised that despite the general civil service recruitment freeze, a mechanism was in place to enable exceptional recruitment through approval by a high level panel. Hence, the provision of service would not be affected. As regards the Second VRS, DoBs/HoDs would, in considering the VR applications, 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.

7. The Panel noted that there was a great difference in the arrangement for deletion of posts vacated by VR-takers in the First and Second VRSs. In the First VRS implemented in 2000, HoDs/Heads of Grade were permitted to delete whatever posts in the grade when a VR-taker retired from the civil service. This arrangement was tightened up in the Second VRS to require the deletion of a VR-taker's post or a post of the same rank of the VR-taker upon his/her departure. The Panel was concerned whether the need to tighten up the arrangement indicated that there had been abuse of the arrangement under the First VRS and whether the First VRS had achieved the purpose of cost savings. The Panel was advised that the savings in annual salaries under the First VRS were \$1,458 million and after deducting cost for service delivery through non-civil service means, the net savings for the First VRS was \$774 million per year. While the post deletion arrangements for the First VRS allowed HoDs more flexibility for staff redeployment, the deletion of other posts at lower ranks would achieve less savings than the deletion of the posts vacated by VR-takers. Having regard to the Government's latest fiscal position, the Administration decided to tighten up

the arrangement for the Second VRS to facilitate full cost savings in the short term.

8. The Panel was also concerned what actions the Administration would take if the target of 160 000 could not be achieved by 2006-07 through natural wastage and the Second VRS. Noting the Secretary for the Civil Service (SCS)'s remarks that the Administration would not rule out any feasible options to achieve the target of reduction in civil service establishment, including the option of forced redundancy, the Panel requested SCS to clarify whether his remarks were contradictory to CE's undertaking made in October 2002 that he would not implement any forced redundancy plan during his term of office. Some members cautioned that if CE did not honour his undertaking, the community and the civil service would have no confidence in the leadership and integrity of the Government. Pointing out that forced redundancy of civil servants would aggravate the problem of unemployment and set a very bad example to private sector employers, the members opined that the Administration should explore other measures to achieve savings in staff costs, such as allowing civil servants to opt for job-sharing on a voluntary basis. The Panel was advised that DoBs would review their manpower plans in the light of the response to the Second VRS and the resources allocated in their "financial envelopes" in the coming years and provide a projection of their manpower up to 2006-07. The Civil Service Bureau (CSB) would examine the manpower plans submitted by DoBs in October 2003 and consider all feasible options to achieve the target of reduction in civil service establishment. The Panel was assured that before making any policy changes, the Administration would take into consideration the overall social and economic circumstances and would consult staff side representatives on the details of the proposals.

### Civil service pay and allowances

#### *Civil service pay adjustment*

9. Despite the civil service pay reduction with effect from 1 October 2002, the perceived pay disparity between the civil service and the private sector continued to be the focus of public attention. The 2003 civil service pay adjustment, same as the pay adjustment exercises in the previous two years, remained a contentious issue. In discussing the issue with the Administration, the Panel urged for the implementation of civil service pay adjustment through a lawful, fair and reasonable mechanism.

10. The Panel was pleased to note that SCS had reached consensus with the staff side representatives in February 2003 on the pay adjustment issue. Under the consensus, the dollar value of all civil service pay points would be restored to the levels as at 30 June 1997 in cash terms. For all pay points at D3 and above or equivalent, the pay reduction would be effective from 1 January 2004. For all

pay points below D3 or equivalent, the pay reduction would be implemented by two adjustments of broadly equal amount from 1 January 2004 and 1 January 2005 respectively. The Panel was however concerned about the Administration's decision to introduce legislation to implement the pay reduction. The Panel pointed out that members of the Bills Committee formed to study the Public Officers Pay Adjustment (POPA) Bill in 2002 had clearly expressed their views that it was inappropriate for the Administration to legislate on a one-off basis, and had urged the Administration to introduce general enabling legislation on the civil service pay adjustment mechanism, providing the legal framework for implementing upward and downward pay adjustments. Some members queried why the Administration still proposed to introduce a piece of one-off legislation to implement the civil service pay reduction in 2004 and 2005. The Panel was advised that the Administration would further consider the need for such general enabling legislation in developing an improved civil service pay adjustment mechanism, which would comprise among others an effective means for implementing both upward and downward pay adjustments. The Panel called for early action of the Administration.

11. Noting that there were judicial review cases before the court on the lawfulness of the POPA Ordinance enacted in 2002, the Panel was concerned whether the civil service pay reduction for 2004 and 2005 could still be implemented if the lawfulness of the POPA Ordinance was successfully challenged in court. The Panel was advised that according to the legal advice sought by the Administration, the Government was not precluded from introducing a bill into LegCo, pending the judgement of the Court of First Instance, provided that the resumption of the second reading debate on the bill would be deferred until after the judgement was given. The Administration would take appropriate follow up actions after the court had given its judgement.

#### *Review of civil service pay policy and system*

12. The Panel closely monitored the progress of the review of civil service pay policy and system. The Panel noted that the Administration had taken forward the recommendation of the Task Force on the Review of Civil Service Pay Policy and System to give priority to devising a practical framework and methodology for conducting a Pay Level Survey (PLS) and to reviewing the Pay Trend Survey (PTS) methodology. The Panel also noted that the Administration aimed to complete the exercise on the development of an improved civil service pay adjustment mechanism, including the conduct of a PLS, within 2004 and meanwhile, no annual PTS would be conducted for 2002-03 and 2003-04. While some members supported the conduct of the PLS, they urged for the early completion of the survey. However, some other members considered that PLS should not be conducted under the present social and economic circumstances.

*Review of civil service allowances*

13. Whilst supporting the Administration's initiative to carry out a comprehensive review of all civil service allowances to bring the provision of allowances in line with present day circumstances, the Panel was concerned whether it was lawful to introduce changes to the fringe benefits type of allowances which constituted part of civil servants' conditions of service. The Panel was advised that the Administration had sought legal advice on the feasibility of introducing changes to civil service allowances and was advised in general terms that there was room for adjustment, but the lawfulness of any proposed adjustment had to be further examined in the context of the allowance concerned after concrete proposals had been worked out. The Administration would seek legal advice again on any proposed changes after detailed examination of each type of allowance. The Panel was assured that only those proposals which were considered lawful would be put forward for staff consultation.

14. As Article 100 of the Basic Law provided that public servants serving in all Hong Kong government departments before the establishment of the Hong Kong Special Administrative Region might all remain in employment and retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before, the Panel doubted whether reduction in civil service allowances could only be applied to civil servants appointed on or after 1 July 1997 and to those types of allowances with upward adjustment in rates on or after that date. The Panel was advised that according to the legal advice sought by the Administration, changes to civil service allowances, if any, could be applicable to all civil servants receiving the allowances. However, the lawfulness of any proposed adjustment needed to be examined after concrete proposals had been worked out. The Panel was also advised that in reviewing civil service allowances, the Administration would work on the basis that legislation would not be required for implementing the proposed changes, if any.

15. As regards the progress of the review of the job-related allowances (JRAs) for civilian grades, the Panel noted that under the six-month moratorium on the JRAs started on 1 December 2002, HoDs were required to review whether the relevant allowances under their purview should continue to be paid and the appropriateness of the allowance rates. After the end of the moratorium, the Administration made a decision on the JRAs, except the Hardship Allowances payable for performing duties such as cleansing, drainage/sewer cleaning and waste/blood/dead bodies handling, etc. During the Severe Acute Respiratory Syndrome (SARS) crisis in the recent months, the front line staff who performed these duties had been facing tremendous work pressure. The Panel commended the efforts of frontline staff in tackling the SARS crisis and supported the Administration's decision to defer the review of these Hardship Allowances by six months.



Remuneration of senior executives of government-funded bodies

16. The Panel noted that in the light of the public concern over the remunerations of the senior staff of government-funded bodies, the Steering Committee convened by the Chief Secretary for Administration conducted an internal review of 20 selected government-funded bodies. These selected bodies received and relied on government recurrent funding as their major source of income, i.e. government subvention amounted to more than 50% of their operating income in each case; and employed their own executive staff and had devised separate remuneration packages for them. While the Panel had no objection to the review, it emphasized that the review should be conducted in a fair and justified manner. The Panel was briefed that the Steering Committee concluded the review in December 2002 with the findings that the number, ranking and remuneration packages of the senior executives in 13 selected bodies were in order; three selected bodies would be subject to separate review in 2003; and actions should be taken to modify the remuneration packages and practices of the senior executives in the remaining four selected bodies.

17. The Panel was also briefed that the Administration had introduced new guidelines for the effective control and monitoring of the structure, ranking and remuneration for the top three-tier executives in government-funded bodies. Moreover, the Administration had decided that the central subvention guideline of "no better than"<sup>(Note)</sup> for application across all government-funded bodies and their subvented staff should be removed. The Panel was concerned that this might result in the relaxation of control on the remuneration practices in government-funded bodies and provide flexibility for these bodies to reduce the pay levels of lower rank staff for the benefit of those in top tiers. The Panel was assured by the Administration that under the new set of guidelines, the number, ranking and remuneration of senior staff of government-funded bodies would be subject to close monitoring by respective DoBs through the annual review reports. For this purpose, comparison with civil servants at comparable ranks would continue to be made, where appropriate, in evaluating the appropriateness of the number, ranking and remuneration packages for senior positions of government-funded bodies. With enhanced controls at the top levels which would in turn present a broad framework for remuneration practices in government-funded bodies, detailed arrangements for monitoring the remuneration practices in respect of other staff would be left to the relevant DoBs.

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(Note)

This guideline prescribed that the terms of service for subvented staff should not be better than those for comparable staff in the civil service.

### Civil Service Reform initiatives

18. On performance management, the Panel examined the streamlined procedure implemented in March 2003 for handling persistent sub-standard performers. The Panel noted that under the streamlined procedure, if an overall “unsatisfactory” performance rating was given to an officer for a consecutive 12-month period and provided that the officer concerned had been duly counseled and forewarned, and given no less than six months after forewarning to improve his performance, the HoD might refer the case to CSB for taking action to retire the officer under Section 12 of the Public Service (Administration) Order (PS(A)O). CSB would then follow through the case within three months. Noting that it would take at least 18 months before a HoD could refer a case to CSB and it would take another three months for CSB to follow through the case, the Panel urged the Administration to further review and expedite the whole process. Whilst appreciating that it was important for the Administration to ensure a due process with suitable checks and balances for adequate protection of the legitimate rights of the officers concerned, the Panel considered it equally important to ensure that the process was efficient and effective. The Administration agreed to keep the performance management system under regular review and make further improvements to the revised procedure for processing cases under Section 12 of the PS(A)O.

19. On disciplinary mechanism, the Panel was pleased to note that with the establishment of the Secretariat on Civil Service Discipline in April 2000 to centrally process all formal disciplinary cases under the PS(A)O, the processing time for disciplinary cases had generally been shortened. The Panel was assured by the Administration that the shorter processing time had been achieved whilst preserving the principles of natural justice. A number of safeguards had been built into the disciplinary mechanism under PS(A)O to ensure that officers accused of misconduct were given a fair hearing and reasonable opportunities to defend themselves. The Panel also noted that with effect from 1 November 2002, Permanent Secretaries/HoDs had been empowered to impose punishment (other than dismissal) on Category A officers below Point 34 of the Master Pay Scale (MPS) or equivalent under the PS(A)O. Hitherto, their authority covered Category A officers below MPS Point 14. The Panel was concerned about the further devolution of authority to Permanent Secretaries/HoDs and enquired whether the staff sides had been consulted on the change. The Panel was advised that the Administration had briefed the staff sides on the further devolution of authority before the implementation of the change. The staff representatives were mainly concerned about the safeguards in the disciplinary mechanism after the devolution. The Administration had assured them that the existing built-in safeguards in the disciplinary mechanism would be preserved after the devolution. The Panel urged the Administration to ensure the fairness of the disciplinary mechanism.



Staff Suggestions Scheme in the Civil Service

20. The Panel supported the Administration's initiative to enhance the operation of the Staff Suggestions Scheme (SSS) with a view to achieving savings for the Government. Civil servants were encouraged to submit suggestions which could contribute savings under the theme of 3"R" and 1"M", i.e. re-prioritizing businesses, re-engineering operations, re-organizing set-up, and making greater use of market in service delivery. Moreover, as a one-off measure, the cash award would be raised to \$30,000 for proposals which might save over \$1 million for the Government. To encourage staff participation in SSS, some members suggested that apart from cash award, other forms of award, such as accelerated promotion or additional pay increase, should also be considered. The Administration took note of the members' suggestion for reference in future review of the promotion system and pay adjustment mechanism.

21. The Panel held a total of 12 meetings from October 2002 to June 2003 to examine all these issues and some other issues.

Council Business Division 1  
Legislative Council Secretariat  
23 June 2003

**Legislative Council  
Panel on Public Service**

**Terms of Reference**

1. To monitor and examine Government policies and issues of public concern relating to the civil service and Government-funded public bodies, and other public service matters.
2. To provide a forum for the exchange and dissemination of views on the above policy matters.
3. To receive briefings and to formulate views on any major legislative or financial proposals in respect of the above policy areas prior to their formal introduction to the Council or Finance Committee.
4. To monitor and examine, to the extent it considers necessary, the above policy matters referred to it by a member of the Panel or by the House Committee.
5. To make reports to the Council or to the House Committee as required by the Rules of Procedure.

立法會  
公務員及資助機構員工事務委員會  
Legislative Council  
Panel on Public Service

委員名單  
Membership List

<b>主席</b> <b>Chairman</b>	譚耀宗議員, GBS, JP	Hon TAM Yiu-chung, GBS, JP
<b>副主席</b> <b>Deputy Chairman</b>	李鳳英議員, JP	Hon LI Fung-ying, JP
<b>委員</b> <b>Members</b>	丁午壽議員, JP 李卓人議員 張文光議員 許長青議員, JP 陳國強議員 陳智思議員, JP 梁劉柔芬議員, SBS, JP  黃宏發議員, JP 楊孝華議員, JP 張宇人議員, JP 麥國風議員 陳偉業議員 梁富華議員, MH, JP	Hon Kenneth TING Woo-shou, JP Hon LEE Cheuk-yan Hon CHEUNG Man-kwong Hon HUI Cheung-ching, JP Hon CHAN Kwok-keung Hon Bernard CHAN, JP Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP Hon Andrew WONG Wang-fat, JP Hon Howard YOUNG, JP Hon Tommy CHEUNG Yu-yan, JP Hon Michael MAK Kwok-fung Hon Albert CHAN Wai-yip Hon LEUNG Fu-wah, MH, JP
	(合共： 15 位委員) (Total : 15 members)	
<b>秘書</b> <b>Clerk</b>	陳美卿小姐	Miss Salumi CHAN Mei-hing
<b>法律顧問</b> <b>Legal Adviser</b>	鄭潔儀小姐	Miss Kitty CHENG
<b>日期</b> <b>Date</b>	2002 年 10 月 10 日 10 October 2002	

