

**For discussion
on 16 January 2004**

Legislative Council Panel on Public Service

Policy Initiatives of the Civil Service Bureau

Introduction

The 2004 Policy Agenda just issued lists the Government's new and on-going initiatives for the next three and a half years. This note elaborates on the initiatives relating to the Civil Service Bureau (CSB) in the 2004 Policy Agenda. It also gives an account on the position reached on initiatives in the 2003 Policy Agenda.

2004 Policy Agenda

2. The 2004 Policy Agenda contains five initiatives on the management of the civil service under the chapter of 'Effective Governance'. Our prevailing plan to roll out these initiatives is set out in ensuing paragraphs.

(a) *Developing an improved civil service pay adjustment mechanism by the second quarter of 2005 so that it will better respond to changes in the service needs of the community and the manpower situation in the market. The exercise will include the conduct of a pay level survey, improvement to the methodology of the annual pay trend survey and drafting of general enabling legislation to facilitate both upward and downward pay adjustments.*

3. As part of our on-going efforts to modernise the management of the civil service and to address public comments on the existing civil service pay adjustment mechanism, we have embarked on an exercise to develop an improved pay adjustment mechanism for long-term adoption in the civil service. The objective of the exercise is to put in place an improved mechanism which reflects the civil service pay policy (i.e. to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with

an effective and efficient service) and upholds the principle of maintaining broad comparability between civil service pay and private sector pay.

4. The development of an improved civil service pay adjustment mechanism is a complex exercise involving a lot of detailed and technical considerations. In April 2003, the CSB established a steering committee comprising selected members drawn from the three advisory bodies on civil service salaries and conditions of service and a consultative group involving staff representatives to provide inputs to the exercise. Since then, the steering committee and the consultative group have held a number of meetings. In November 2003, we issued a progress report setting out the policy considerations as well as the time-table for taking forward the exercise. Besides, we also commissioned a consultancy to assist us in designing the methodology for the pay level survey.

5. We plan to present proposals on the pay level survey methodology, improvements to the pay trend survey methodology and general ideas on the application of the pay level survey results in the second quarter of this year for extensive consultation before the field work of the pay level survey commences in the fourth quarter. We expect that the whole exercise, including presentation of detailed proposals on the application of the pay level survey results and introduction of any necessary legislation for implementing both upward and downward pay adjustments into the Legislative Council, will be completed in the second quarter of 2005. In finalising the detailed arrangements for the improved mechanism, we shall give due consideration to the views put forward by all concerned parties (staff and members of the public included) and be guided by the overall interests of the community as a whole.

(b) Completing a comprehensive review of all civil service allowances by March 2004 to ensure that the continued payment of allowances is fully justified and compatible with present day circumstances.

6. It is stated Government policy to keep our civil service management system under review and to make improvements from time to time to ensure that the continued provision of the allowances is justified and is in line with present day circumstances. 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 embarked on a comprehensive

review of civil service allowances, including those related to the performance of duties and those provided as fringe benefits.

7. We are in the process of exploring possible options for individual allowances having regard to all relevant 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. We aim to draw up detailed proposals for the allowances under review for staff consultation by March 2004. We shall consult civil servants fully in the process, and adopt the principle of lawfulness, reasonableness and fairness in taking a decision.

(c) Facilitating the maintenance of a lean and efficient civil service and reduction of the civil service establishment to 160,000 by 2006-07 by providing the necessary staff management tools to assist bureaux/departments to achieve staff savings.

8. The establishment of the civil service as at 30 September 2003 was 174,175, as compared with the establishment of about 198,000 in January 2000. Bureaux/departments have been actively examining ways to further reduce their establishment through re-engineering, streamlining and identifying alternative methods of service delivery. Based on the first batch of manpower plans submitted by bureaux/departments in end 2003, the initial projection is that we may be able to delete around 7,000 posts for the period up to March 2005. If so, this will bring the total civil service establishment down to some 167,000 by March 2005, subject to final verification with bureaux/departments. Deletion of these posts will not lead to any staff redundancy as the surplus staff identified will be leaving the service as a result of the Second Voluntary Retirement Scheme or natural wastage. The establishment position thereafter is more fluid due to on-going reviews and re-organisation exercises. We shall need to further discuss with bureaux/departments their individual situations and consider what additional measures may be needed to facilitate them to realise further reductions in the subsequent years. In the coming year, we shall be considering these measures and shall consult departmental management and staff in the process.

(d) *Continuing to provide civil servants with robust training and development opportunities. The Civil Service Training and Development Institute will be restructured to focus its resources on core areas. New elements will be introduced into our senior executive development programmes. We shall reinforce efforts to build a continuous learning culture in the civil service through various measures including the promotion of e-learning.*

9. The Administration is committed to providing civil servants with robust training and development opportunities. To better position the Civil Service Training and Development Institute (CSTDI) for the rapidly evolving training and development needs of the civil service, we plan to restructure the CSTDI in 2004 and subsume it directly under the CSB. Going forward, the restructured CSTDI is expected to be more focused in the pursuit of its core business and more cost-effective in the delivery of development and consulting services to its clients.

10. On top of current development programmes for senior directorate officers, the CSTDI will in 2004 enhance the training programmes for junior and would-be directorate officers. For programmes on national affairs, more resources will be spent on helping civil servants to better understand the opportunities and challenges that CEPA and closer economic integration with the Mainland will bring to Hong Kong. We have also set up civil servant exchange programmes with the municipal governments of Beijing and Shanghai. Under the programmes, we can send up to ten civil servants a year to these two cities for attachment and training of three to six months in exchange for inbound attachment of civil servants from them. In support of bureaux/departments taking on more responsibilities in both staff and financial management, the CSTDI will expand its consultancy and advisory services to enhance the capacity of bureaux/departments in human resources management. Building a culture of continuous learning in the civil service will remain a core business of the CSTDI. We shall do that through measures including the promotion of wider use of e-learning.

(e) *Continuing to maintain and enhance the morale of the civil service through maintaining and where appropriate, improving the system of rewarding performance such as promotion and penalizing under-performance or misconduct such as dismissal, and through wider consultation between management and staff at all levels.*

11. In support of the reforms launched to make the civil service more efficient and more responsive to the changing demands of the community we serve, we are making proactive efforts to prepare staff for the challenges ahead, in terms of both mindset and the way of doing things.

12. We shall in parallel seek to maintain and enhance the morale of the civil service through wider consultation between management and staff at all levels and through the sustained endeavours to reinforce a work culture in the civil service which emphasizes high standards of conduct and performance. We shall continue to search for new ways to induce and reward good performance. We shall be equally vigorous in administering and where appropriate improving the system of penalizing under-performance or misconduct.

2003 Policy Agenda

13. In addition, we have been making good progress in the implementation of the four initiatives set out in the 2003 Policy Agenda Booklet. — The latest position is set out in the **Annex**.

Way Forward

14. We shall take forward the above initiatives in close consultation with departmental management and staff. We shall also keep Members' informed of the progress of these initiatives.

Civil Service Bureau
January 2004

Progress Report on 2003 Policy Agenda – Civil Service Bureau

Effective Governance

1. Initiative

Implement a general recruitment freeze to the civil service and consider implementing a second Voluntary Retirement Scheme with a view to reducing the size of the civil service and facilitating the Government's efforts to reduce operating expenditure.

Progress Made

To help reduce the civil service establishment to around 160,000 by 2006/07, the Government has imposed a general civil service recruitment freeze since 1 April 2003. Applications for exemption are considered by a panel co-chaired by the Chief Secretary for the Administration and the Financial Secretary with the Secretary for the Civil Service as member. Approval may only be granted under very exceptional circumstances and must be justified on a case-by-case basis. So far, the panel has only approved applications from six grades for recruiting about 580 officers.

In addition, the Second Voluntary Retirement Scheme was launched in March 2003 for 229 grades with identified or anticipated surplus staff. About 5,300 officers have been approved to retire early under the scheme and their posts will be deleted subsequent to their departure from the civil service.

As at 30 September 2003, the civil service establishment was 174,175, reducing from that of 178,798 as at 30 September 2002, as compared with the establishment of about 198,000 in January 2000. The initiative has been completed.

2. Initiatives

Take forward the 2003 civil service pay adjustment and related matters in consultation with staff.

Progress Made

In February 2003, the Chief Executive in Council decided that the pay pertaining to each pay point on the civil service pay scales should be restored to the level it was at, in dollar terms, on 30 June 1997 by two adjustments of broadly equal amount to be implemented from 1 January 2004 and 1 January 2005 respectively. The decision reflects the consensus proposal that we had reached with the staff representatives of the four central consultative councils and the four major service-wide staff unions in February 2003 on the timing and magnitude of the adjustments to the civil service pay following the pay reduction implemented from 1 October 2002. The Public Officers Pay Adjustments (2004/2005) Ordinance, which implements the pay adjustments decision, was enacted on 19 December 2003.

In the meantime, we are in consultation with the staff representatives to develop an improved civil service pay mechanism by the second quarter of 2005. The improved mechanism will comprise the conduct of periodic pay level surveys to compare civil service pay levels with those in the private sector; the conduct of annual pay trend surveys based on an improved methodology and an effective means for implementing both upward and downward pay adjustments in future. The 2003 civil service pay adjustment exercise has been completed and the development of an improved civil service pay adjustment mechanism has been covered as an on-going initiative in the 2004 Policy Agenda.

3. Initiative

Enhance administrative efficiency and effectiveness of bureaux and departments through re-engineering, re-organization and re-prioritisation of service delivery.

Progress Made

Since 1 July 2003, the Official Languages Agency has been subsumed under the Civil Service Bureau with a view to achieving economies in operation and maximizing the use of resources. 25 posts will be deleted and the net savings in terms of full annual average staff cost were over \$18.2 million. In the meantime, the Civil Service Bureau is planning to incorporate the Civil Service Training and Development Institute into the bureau with effect from 1 April

2004. The merger will facilitate delayering in management and achieve better operational efficiency. After re-organization, 47 posts will be deleted by 2005/06 yielding savings of about \$34.1 million in full average staff costs in 2006/07.

4. Initiative

Enhance motivation and commendation schemes for civil servants in recognition of distinguished service.

Progress Made

Having reviewed the operation of existing staff motivation and commendation schemes, we have decided to widen the scope of the Commendation Letter Scheme and to introduce a new scheme, known as the Secretary for the Civil Service's Commendation, essentially to award officers with consistently outstanding performance. We are consulting the staff sides on the proposal. The proposed changes are in line with our policy to induce good performance through suitable recognition. The enhancement measures will be implemented in early 2004.