

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 2003 to June 2004. It will be tabled at the meeting of the Legislative Council (LegCo) on 30 June 2004 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 2003-04 session, the Panel comprises 14 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. Given the Administration's target of restoring fiscal balance and keeping public expenditure to 20% of Gross Domestic Product or below by 2008-09, the Panel closely monitored the civil service initiatives put forward by the Administration to reduce public expenditure, including the initiatives to contain the size of the civil service and to reduce expenditure on civil service pay and allowances. The Panel also examined various civil service policies, including

those governing the civil service disciplinary mechanism, the employment of retired civil servants and the suspension of their pensions, and the employment of non-civil service contract (NCSC) staff. Moreover, the Panel followed up on the review of remuneration of senior executives of statutory and other bodies. The relevant initiatives and issues are outlined in the following paragraphs.

Containing the size of the civil service

5. The Panel noted that through the Administration's continuous efforts, the total civil service establishment had been reduced from 198 000 in January 2000 to 172 865 as at 31 January 2004. To achieve the objective of reducing public expenditure, the Administration had set a target of reducing the civil service establishment to about 160 000 by 2006-07. Noting that the civil service establishment had been substantially reduced in the recent few years, members were concerned about the impact of the further reduction of the establishment on the delivery of public service. Members also doubted whether the reduction had been implemented in a fair manner across all grades and ranks in the civil service.

6. The Panel was advised by the Administration that in taking forward the initiative of reducing the civil service establishment, Directors of Bureau (DoBs) and Heads of Department (HoDs) had been actively examining ways to achieve staff savings through re-engineering, streamlining and identifying alternative methods of service delivery. Deletion of posts was in no way targeted at any particular grades or ranks but was considered on the basis of operational needs for retaining the posts. In the process of identifying savings and reducing surplus posts, DoBs and HoDs would uphold the principle of achieving cost-effectiveness in service delivery, and ensure that the provision and quality of public service would not be unduly affected.

7. Noting that the Administration was considering some additional measures to facilitate further reduction of the civil service establishment, including targeted voluntary departure schemes for a limited number of grades or ranks, the Panel was concerned about the details of the schemes and whether the additional measures included forced redundancy. The Panel was advised by the Administration that the implementation of targeted voluntary departure schemes was only among one of the possible measures to be explored and no decision on these measures had been made yet. There was no detailed plan for the targeted voluntary departure schemes, such as the grades or ranks to be included. The Civil Service Bureau (CSB) would continue to monitor progress of achieving the target of reduction of civil service establishment through the manpower plans submitted by bureaux and departments at the end of each financial year. It would further liaise with bureaux with a view to discussing with them what additional measures would be required to facilitate them to realize further reductions in the coming years. The Administration also confirmed that the possible measures under consideration did not include forced redundancy, and

that it had not set any other new target for reducing civil service establishment at the present stage.

Streamlining the organization structures of bureaux and departments

8. The Panel noted that the Administration had worked out several proposals to streamline the organization structures of some bureaux and departments to enhance efficiency and productivity. The first initiative implemented in the 2004-05 financial year was the incorporation of the Civil Service Training and Development Institute into CSB with effect from 1 April 2004. While the reorganization exercise would result in a net deletion of 47 posts by 2005-06, the Panel was assured by the Administration that it would not result in forced redundancy and that reasonable arrangements would be made to accommodate the affected staff.

9. As regards other reorganization proposals in the pipeline, the Panel stressed the need for staff consultation. The Panel was advised by the Administration that DoBs/HoDs would normally carry out staff consultation on merger or streamlining proposals. As the deletion of posts relating to the proposals in the pipeline would be achieved through a combination of measures such as the second Voluntary Retirement Scheme and natural wastage, the proposals had not encountered any objections during staff consultation. The Panel was also advised that CSB would coordinate the efforts of DoBs, consider the manpower implications of the proposals, and monitor the overall progress in achieving staff savings for attaining the target of reduction in the size of the civil service.

Civil service pay and allowances

Civil service pay adjustment

10. Following the passage of the Public Officers Pay Adjustments (2004/2005) Bill in December 2003, the civil service pay reductions proposed under the Bill were to take effect from 1 January 2004 and 1 January 2005 respectively. To ensure that an improved civil service pay adjustment mechanism would be in place on time for the implementation of the 2006 civil service pay adjustment, the Panel monitored closely the progress of the development of the improved mechanism. In this connection, the Panel noted that the Administration had decided to defer the timeframe for completing the exercise from 2004 to the second quarter of 2005 to allow sufficient time for detailed examination of the complicated issues involved and for more extensive consultation.

11. Noting that the Administration planned to introduce any necessary draft legislation for implementing both upward and downward pay adjustments into

LegCo in the second quarter of 2005, the Panel was concerned whether the proposed pay adjustment mechanism would be in place in 2006. The Panel was advised by the Administration that before the introduction of any necessary draft legislation into LegCo, the Administration would consult staff on the development of an improved pay adjustment mechanism and brief Members from time to time on the progress of the exercise. The Administration planned to complete in the fourth quarter of 2004 the preparation of any necessary draft legislation for implementing both upward and downward pay adjustments for consultation with staff. Subject to the progress of the consultation, the Administration would try to introduce any necessary draft legislation into LegCo as soon as it was ready.

12. On the proposed Pay Level Survey (PLS) to be implemented in end 2004/early 2005, the Panel shared the staff concern over how the results of PLS would be applied to civil servants. Noting that there was limited room for downward adjustments to the pay levels of civil servants serving immediately before 1 July 1997 in the light of the provisions of the Basic Law, the Panel urged the Administration to ensure that any proposals on the application of the results of PLS should be consistent with the Basic Law. The Panel was assured by the Administration that any changes to the existing mechanism would be consistent with the Basic Law and would take full account of contractual considerations. The Administration would consider the proper arrangements for the application of the PLS results. In this connection, some members opposed to the application of the PLS results to different groups of serving civil servants according to the dates they joined the service, as such differential treatment would create problem of staff morale. They suggested that the results of PLS should only be applied to the new appointees. Members were advised that the Administration did not have any set stance on the application issue and it would take a decision only after consultation and discussion with staff on the proposals for the improved mechanism.

13. The Panel stressed the need for extensive staff consultation before the Administration made decisions on the issues relating to PLS, in particular, the application of the survey results. The Panel noted that the consultant engaged by the Administration for developing the survey methodology for PLS would submit its draft final report to the Administration around end of June 2004. The Administration would conduct extensive staff consultation on the recommendations of the consultant after deliberations in the Steering Committee on Civil Service Pay Adjustment Mechanism and the Consultative Group on Civil Service Pay Adjustment Mechanism. In this connection, the Administration planned to issue a consultative document in the third quarter of 2004. The Panel was assured by the Administration that it would make a decision on the application of the PLS results, taking into consideration staff views expressed during the consultation, before proceeding onto conducting PLS.

Review of civil service allowances

14. The Panel supported the Administration's initiative to carry out a comprehensive review of all civil service allowances to ensure that the continued payment of the allowances was justified and compatible with present day circumstances. On duty-related allowances, the Panel was briefed on the proposals arising from the review of acting allowance, including the proposals to revise the rates of acting allowance and to tighten up the payment rules. On the question of whether the proposals would contravene Article 100 of the Basic Law, the Panel was advised that CSB had sought legal advice from the Department of Justice (DoJ) and got the confirmation that acting allowance did not form part of the condition of service of civil servants referred to in Article 100 of the Basic Law. Hence, the proposed revision of rates of acting allowance would not cause any Basic Law concerns.

15. As regards fringe benefit type of allowances, the Panel noted that the package of fringe benefits available to officers offered appointment on or after 1 June 2000 had been substantially trimmed down in step with present day circumstances. The current review principally focused on identifying feasible ways to further rationalize the payment of various allowances to officers who were currently or potentially eligible for these allowances as fringe benefits under their terms of employment. Such a review was, in comparison, a much more complex exercise than that concerning duty-related allowances as the Administration needed to take full account of the legal, policy and other relevant considerations.

16. The Panel stressed that any proposed changes to fringe benefit type of allowances should be lawful, reasonable and fair. On the concern about lawfulness, the Panel was advised by the Administration that while DoJ's view was that there was some scope in general for rationalizing the payment of fringe benefit type of allowances, the lawfulness of any proposed changes and the means of implementation had to be further examined after concrete proposals had been worked out. On the concern about fairness, members considered that the proposed changes should not be targeted at the lower rank civil servants. Members were advised by the Administration that while the recent review of duty-related allowances might have a greater impact on lower rank or frontline civil servants, the upcoming phase one of the review of fringe benefit type of allowances would cover allowances available mainly to higher rank civil servants. In phase two of the review, allowances such as education allowances and housing allowances would be reviewed and the change proposals would have impact on civil servants of a wide range of grades and ranks. Members were assured that the change proposals would not target at selected grades or ranks.

17. The Panel urged the Administration to cease payment of the outdated allowances, such as the air-conditioning allowance. The Panel was advised that

the Administration would consider ceasing the air-conditioning allowance in phase one of the review of fringe benefit type of allowances.

Civil service disciplinary mechanism

18. The Panel noted that with the implementation of measures to streamline the disciplinary process, the processing time for disciplinary cases had been progressively reduced over the years and that in 2003-04, over 80% of the disciplinary cases which required a hearing under the Public Service (Administration) Order could be completed within the timeframe of three to nine months. Noting that some disciplinary cases had been processed for several years but not yet completed, members were concerned that the prolonged disciplinary proceedings might have caused hardship and frustration to the officers concerned. Whilst appreciating that longer processing time might be required for complicated cases, members considered that the overall processing time for disciplinary cases should be further shortened. Members were assured that the Administration would endeavour to reduce the processing time for disciplinary cases. Members also noted the Administration's view that it was unavoidable that for some cases, more processing time would be required because of their complexity and other factors that were outside the control of the disciplinary authority.

19. On members' concern about the fairness of the disciplinary mechanism in terms of the level of punishment awarded to officers of different ranks who had committed the same offence, the Panel was advised that in awarding punishment, the disciplinary authority would take the gravity of the misconduct as the key factor. Other relevant factors that were taken into account included the customary level of punishment, mitigating circumstances, the service and disciplinary record of the officer, and the position he held in the service. It was the Administration's policy that for the same type of offence, a more senior officer would normally receive a heavier disciplinary punishment than a junior ranking officer, as senior officers were expected to lead their subordinates by personal example. The Administration would also consult the Public Service Commission on the level of punishment.

Policies relating to retired civil servants

20. In examining the policy governing the acceptance of outside employment by civil servants after retirement, the Panel expressed concern that the approval given to a number of retired directorate officers to take up employment with private enterprises shortly after retirement, or even during the period of their pre-retirement leave, had invited public queries over the effectiveness of the current mechanism in ensuring that former civil servants did not enter into any business or took up any employment which might constitute a conflict of interest with their previous service in the Government. Members opined that a due process for

handling the applications for post-retirement employment was needed to maintain the impartiality of the mechanism and to safeguard public interests. They therefore urged the Administration to review the existing mechanism as early as possible to restore public confidence. In this connection, members suggested that the granting of approval for post-retirement employment should be tightened up by lengthening the sanitization period for retired directorate officers, and that the sanitization period should be counted from the date on which the retired officers left the civil service, instead of the date of cessation of active service. In other words, retired officers should not be allowed to take up any employment during the period of their pre-retirement leave. Members also invited the Administration to consider how the transparency of the mechanism could be enhanced. In the light of members' views, the Administration undertook to review the existing mechanism with a view to completing the review by end of 2004.

21. In examining the pension suspension policy for retired civil servants, the Panel noted that the rationale for pension suspension was that, under normal circumstances, there was no specific reason from the public finance angle to grant a recurrent monthly pension to a retiree if he was still gainfully employed in the Government with a stable monthly income financed by the public purse. Members considered that this rationale should apply to the retired civil servants appointed as Principal Officials under the Accountability System, and that it was not justified to exempt this category of retired civil servants from pension suspension. Members were advised by the Administration that in making such an exceptional arrangement to allow these officers to receive their pensions during their tenure as Principal Officials, the Chief Executive had taken into account the fact that the remuneration package for the Principal Officials appointment did not contain any gratuity or retirement benefits (other than the statutory minimum mandatory provident fund) and that there was no security of tenure. Members were not convinced and urged for a review of the exceptional pension arrangement. In this connection, the Administration was invited to take necessary actions on the following motion passed by the Panel:

“本事務委員會要求政府立即檢討現時由公務員轉任問責官員後，仍可在問責官員的任期內同時享有公務員退休金的安排。”

(“That this Panel calls on the Government to review immediately the existing arrangement whereby civil servants appointed as Principal Officials under the Accountability System are still entitled to receive their pensions during their tenure as Principal Officials.” *(English translation)*)

22. The Panel noted with concern the current studies undertaken by five disciplined service departments, namely, the Hong Kong Police Force, the Customs and Excise Department, the Correctional Services Department, the Fire Services Department and the Immigration Department, on the potential for civilianization in these departments. Members were concerned about the impact of civilianization on the overall establishment of the disciplined services grades, and the promotion prospects and the morale of the disciplined services staff. Some members doubted whether the purpose of the civilianization exercise was in fact for absorbing the surplus civilian staff identified in the staff saving exercises in the recent years. Members were advised by the Administration that the objective of the study on the civilianization potential was to identify areas of work which could be taken up by civilian staff to release the specially trained disciplined services staff for core frontline duties for which their expertise could be put to best use. The exercise was not intended or expected to create any redundancy of disciplined services staff nor was it aimed at identifying posts to accommodate surplus civilian staff in the civil service.

23. The Panel stressed the importance of staff consultation and urged the Administration to conduct thorough consultation with the relevant staff unions in the course of the studies. Members opined that only proposals widely accepted by the staff sides should be implemented. Members were assured by the Administration that staff views were collected in the course of the studies through various means and staff were also kept informed of the progress of the studies and consulted on the recommendations. The Secretary for Security had met with a number of staff representatives from disciplined services consultative councils and unions in May 2004. Staff would also have an opportunity to comment on the Efficiency Unit's proposals on civilianization following the phase 2 study before the departments finalized their recommendations to the Secretary for Security.

Employment of non-civil service contract staff

24. Noting that 7 000 of the 16 147 full-time NCSC staff had been in continuous service for two years or more, the Panel was concerned whether the objective of the NCSC Staff Scheme was really for meeting service needs which were short-term, part-time or under review as claimed by the Administration. Members doubted whether NCSC staff was employed to take up duties previously performed by civil servants at a lower cost so that the Administration might achieve savings in staff costs while at the same time, achieve its target of reduction of the civil service establishment. Members urged the Administration to assess the operational need for the posts occupied by NCSC staff by examining the duration of each post and to convert those with long-term operational needs to civil service posts.

25. The Panel was advised by the Administration that the NCSC Staff

Scheme was introduced in 1999 with the objective for providing departments with greater flexibility to deploy their resources and to better enable them to meet their changing service and operational needs. The Scheme supplemented the civil service appointment system but did not replace the making of civil service appointments. Given the target of reducing the civil service establishment to 160 000 by 2006-07 and the priority accorded to exploring additional measures for meeting the target, the review of NCSC Staff Scheme could only be dealt with at a later stage. The Administration undertook to take into consideration members' views during the review.

Review of remuneration of senior executives of statutory and other bodies

26. The Panel followed up on the implementation of the recommendations of the consultancy study on the remuneration of senior executives of ten selected statutory and other bodies. The Panel was concerned that only three of the ten selected bodies had adopted the consultant's recommendations on remuneration mix and six of them had adopted a modified approach. Members were of the view that the entire review exercise would be meaningless if the governing boards or committees of the selected bodies were given the discretion to exercise flexibility in the implementation of the consultant's recommendations. Members were advised by the Administration that the governing board or committee of a selected body had the flexibility to use the consultant's recommended conversion factor to work out an equivalent remuneration package for its preferred mix should it wish to have a more significant portion of fixed pay versus the variable pay or vice versa. The amount of variable pay was normally determined by the relevant governing boards on the basis of the performance of individual executives and/or the organizations in general during the year of assessment.

27. The Panel was also concerned that the remuneration levels of the chief executives of the selected bodies were higher than those recommended by the consultant. In particular, the remuneration level of the Chief Executive of the Hong Kong Monetary Authority (CE/HKMA) was higher than that recommended by the consultant by \$1 million. The Panel was advised by the Administration that the remuneration levels recommended by the consultant should be regarded as indicative rather than absolute references. If the governing board or committee of a selected body considered that the background, capability or performance of a particular individual serving as the chief executive should justify a higher or lower remuneration than the market median, it could offer him or her a correspondingly different package from what the consultant had recommended. Members were not convinced and requested the Administration to convey their concern about the remuneration level of CE/HKMA to the Financial Secretary.

28. The Panel held a total of nine meetings from October 2003 to June 2004

to examine all these issues and some other issues.

Council Business Division 1
Legislative Council Secretariat
23 June 2004

**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

2003 至 2004 年度委員名單
Membership list for 2003 - 2004 session

主席 Chairman	譚耀宗議員, GBS, JP	Hon TAM Yiu-chung, GBS, JP
副主席 Deputy Chairman	李鳳英議員, JP	Hon LI Fung-ying, JP
委員 Members	李卓人議員 張文光議員 許長青議員, JP 陳國強議員, JP 陳智思議員, JP 梁劉柔芬議員, SBS, JP 單仲偕議員 黃宏發議員, JP 楊孝華議員, SBS, JP 麥國風議員 陳偉業議員 梁富華議員, MH, JP (合共：14 位委員) (Total：14 members)	Hon LEE Cheuk-yan Hon CHEUNG Man-kwong Hon HUI Cheung-ching, JP Hon CHAN Kwok-keung, JP Hon Bernard CHAN, JP Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP Hon SIN Chung-kai Hon Andrew WONG Wang-fat, JP Hon Howard YOUNG, SBS, JP Hon Michael MAK Kwok-fung Hon Albert CHAN Wai-yip Hon LEUNG Fu-wah, MH, JP
秘書 Clerk	陳美卿小姐	Miss Salumi CHAN Mei-hing
法律顧問 Legal Adviser	鄭潔儀小姐	Miss Kitty CHENG
日期 Date	2003 年 12 月 12 日 12 December 2003	