

**Opening Statement by Secretary for the Civil Service  
at the Special Finance Committee Meeting on 13 March 2006**

Madam Chairman and Members,

The Financial Secretary reaffirmed in his Budget Speech 2006/07 his targets to keep fiscal accounts in balance and the share of public expenditure in Gross Domestic Product at 20 per cent or below over the next few years. He appreciated the civil service for realizing the various saving initiatives which helped to achieve lower expenditure than in the preceding year.

2. The civil service is committed to supporting the Government's initiatives to reduce public expenditure. Today, I am going to give an update on the progress made by the Civil Service Bureau in controlling and rationalizing public expenditure.

3. First, **the reduction of civil service establishment.** The Chief Executive has reiterated in his 2005/06 Policy Address the Government's target set in 2003 to reduce the civil service establishment to around 160 000 by 2006/07. To facilitate the implementation of this initiative, in addition to relying on natural wastage, we introduced the Second Voluntary Retirement Scheme and a general civil service recruitment freeze. Together with bureaux' and departments' effort in reengineering and reorganization, we continue to make progress on this front. The civil service establishment has been reduced from 165 000 in March 2005 to about 162 800. This represents a reduction of over 17% from the peak of 198 000 at the beginning of 2000. We anticipate that the establishment will be further reduced to around 161 900 by March 2007. In the year ahead, we shall continue to work closely with bureaux and departments to contain the size of the civil service establishment. For vacancies which have to be filled on exceptional grounds, exemption from the recruitment freeze will be granted on a case-by-case basis. Since April 2003, approval has been given for 22 bureaux/departments to fill over 4 300 posts through open recruitment.

4. Due to new circumstances and developments which have arisen following implementation of the Voluntary Retirement Schemes (e.g. the establishment of new Economic and Trade Offices, and the outbreak of SARS, dengue fever, Japanese B Encephalitis, avian flu, etc., which calls for a strengthening of the public health system and food safety control framework), we are currently examining the need to apply some flexibility to allow a limited number of VR grades to resume open recruitment prior to the expiry of the recruitment freeze in March 2008. We will consult the Panel on Public Service when we have completed our examination.

5. **Second, the development of an improved civil service pay adjustment mechanism.** In 2005, we commissioned a consultant to conduct a pay level survey for the civil service and a consultative group comprising staff representatives has been formed for this exercise. We have since been actively engaging civil service staff bodies and individual staff representatives to take part in the groundwork of the survey, specifically in a job inspection process to gather detailed information about civil service jobs included in the survey field. This process facilitates the identification of broadly comparable private sector jobs from which pay data will be collected. We shall continue to ensure that the pay level survey is conducted in a professional, independent and credible manner. When the survey findings are available, we shall consider the application issues bearing in mind the principle that the pay of serving staff should not be further reduced below the level at 1997. We aim to complete the exercise in a timely manner while taking full account of staff views in the process.

6. **Third, the review of the fringe benefit type of civil service allowances.** We consulted the staff side on a package of change proposals in September 2005; we also sought the views of the advisory bodies on civil service salaries and conditions of service on this matter early this year. We aim to finalize the proposals soon and consult the Panel on Public Service before seeking the approval of the Finance Committee as necessary. Our target is to implement the change proposals as early as possible in 2006.

7. With the streamlining of the civil service establishment and the adjustment of civil service pay in the past few years, it is worth noting that civil service pay and staff-related expenses at \$64.6 billion account for about 31% of the operating expenditure of the Government in the 2006/07 estimates, as against \$71.3 billion and 36% in 2001/02.

8. Madam Chairman, despite the initiatives to reduce staff-related expenses, we are committed to providing civil servants of all levels with training resources that would equip them with updated skills and knowledge necessary for providing quality service to the public. For example, in keeping with the increasing interaction between Hong Kong and the Mainland, we will continue to provide training opportunities on national studies, such as through classroom and e-learning programmes, to ensure that our officers are kept abreast of the latest political, social and economic developments in the Mainland. In addition, we are conscious of the need to promote continuous learning amongst civil servants. In the coming year, we will further enrich the range and content of the learning and reference materials available on our e-learning platform for civil servants. We will continue to work closely with departments to support them in their Human Resources Development and Management efforts, focusing on special training needs such as in contract management, customer service and performance management.

9. Madam Chairman, Members will no doubt appreciate that civil servants have displayed a high standard of professionalism and continued to provide quality service for the community while coping with reduced resources. With the support of the community and the Council, my colleagues and I will continue to improve the civil service management system so as to enable the civil service to render quality public service to the community.

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