

Opening Remarks by the Secretary for the Civil Service at the Special Finance Meeting on 19 March 2007

Madam Chairman and Members,

In his Budget Speech delivered last month, the Financial Secretary indicated that the government operating expenditure had been contained within \$200 billion for three years in a row. He paid tribute to the civil service for their contribution towards reining in government expenditure, implementing a wide range of policies and providing quality services to the community, while coping with greatly increased pressure from various austerity measures.

2. Today, I am going to brief Members on the efforts the Civil Service Bureau has made in controlling and rationalising public expenditure.

3. First, **the control of the size of the civil service**. In his 2005 Policy Address, the Chief Executive reiterated the target set in 2003 to reduce the civil service establishment to around 160 000 by end 2006-07. We will meet this target on schedule. The civil service establishment will be reduced to about 161 800 by the end of March 2007. This represents a reduction of over 18% in civil service establishment as compared with the peak of 198 000 in early 2000. We have achieved this target through the controlling officers' efforts in reengineering, reorganisation and redeployment of staff, as well as the introduction of the Second Voluntary Retirement (VR II) Scheme and a general civil

service recruitment freeze by the Government.

4. In the coming year, we will continue to strictly control the size of the civil service and work closely with controlling officers to monitor the staffing situation of individual bureaux and departments through their annual manpower plans. Existing civil service vacancies or new posts will be filled or created only on a need basis after critically reviewing the manpower situation and exploring the feasibility of other alternative means of service delivery. Taking into account the need to implement various policy initiatives and meet the community's increasing demand for public service, as well as the phased replacement of certain non-civil service contract staff posts by civil service posts, we estimate that the civil service establishment will slightly expand by about 0.7% to around 162 900 by the end of March next year (2008).

5. Second, **the resumption of open recruitment of civil servants.** To complement the creation of new posts and to pre-empt possible succession problem arising in the civil service in the long run, we will resume open recruitment of civil servants from 1 April (2007). However, the recruitment freeze will continue to apply to those grades included in the VR II Scheme until March next year (2008). In the meantime, if the controlling officers of individual VR II grades consider it absolutely necessary to conduct open recruitment to fill vacancies, they can seek the special approval of a Panel co-chaired by the Chief Secretary and the Financial Secretary.

6. Third, **the development of an improved civil service pay adjustment mechanism.** It has long been our civil service pay policy to offer adequate remuneration to attract, retain and motivate staff of

suitable calibre to provide the public with quality service. In addition, we subscribe to the principle of broad comparability between civil service and private sector pay in order to ensure that the civil service remuneration is considered fair by both civil servants and the public. In this connection, we are developing an improved civil service pay adjustment mechanism in close consultation with the staff side representatives.

7. The key elements of the mechanism include the periodic conduct of Pay Level Surveys (PLS) and the conduct of annual Pay Trend Surveys (PTS) on the basis of an improved methodology. Progress has been made on the latter. A LegCo Brief on the improved PTS methodology was provided to this Council last week. Based on the improved methodology, a PTS for 2007 will be conducted shortly by the Pay Survey and Research Unit of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service. We are now discussing with staff side representatives on how to apply to the civil service the results of a PLS recently completed by a consultant.

8. Fourth, **civil service pay and staff-related expenses**. With the downward adjustments or revisions to the civil service establishment, civil service pay and fringe benefits in the past few years, the portion of civil service pay and staff-related expenses in the Government's operating expenditure is forecast to reduce to about 30% or \$65.2 billion in the 2007-08 estimates, compared with about 36% or about \$71.2 billion in 2001-02. The two figures quoted above for 2007-08 have not presumed any pay adjustment for the civil service in 2007-2008. We will decide on this matter after we have completed our discussions with the staff side representatives on how to apply the PLS results to the civil service and

when the outcome of the PTS to be conducted shortly is available.

9. Fifth, **civil service training**. The civil service is the backbone of the SAR Government. Despite the many measures to reduce staff-related expenses, we are committed to providing civil servants at all levels with training to update their skills and to instil in them knowledge necessary for providing quality services to the public. For example, we will continue to provide training opportunities on national studies, such as through classroom and e-learning and civil service staff exchange programmes, to ensure that our staff are kept abreast of the latest political, social and economic developments in the Mainland. Also, 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.

10. Madam President, with the support of the community and this Council, we will continue to improve the management of the civil service so as to ensure the civil service continues to render quality public service to the community.
