

**The Administration's Response to the Question Raised by the
Legislative Council Panel on Public Service at the Meeting Held on
19 November 2007 on Reforms Introduced since 1999 to the
Management of the Civil Service**

When discussing the Administration's proposal to invite the advisory bodies on civil service salaries and conditions of service to conduct grade structure reviews at the Panel meeting held on 19 November 2007, the Administration mentioned that a number of reforms had been introduced since 1999 resulting in improvements to the management of the civil service. The Administration undertook to provide further information to the Panel. Major reforms introduced since 1999 include changes to the conditions of service (including terms of appointments, the provision of fringe benefits and allowances, etc.), and the development of an improved civil service pay adjustment mechanism. These are elaborated in the ensuing paragraphs for Members' information.

Conditions of Service

(i) Terms of Appointments and Fringe Benefits

2. Civil servants recruited before June 2000 were mostly appointed on probation of two years before being transferred to permanent and pensionable terms. With an aim to introduce greater flexibility in the entry system, the Administration implemented on 1 June 2000 a new entry system and a new set of terms of appointment and conditions of service for new appointees to the civil service. Under the new entry system, recruits to basic ranks in the civil service are appointed initially on three-year probationary terms, to be followed by three-year agreement terms, before they are considered for appointment on the prevailing permanent terms. Direct civil service recruits to supervisory ranks are normally appointed on three-year agreement terms before they can be considered for appointment on the prevailing permanent terms. Individual grades may, with the approval of the Secretary for the Civil Service, implement variations from the basic entry

system to cater for specific management and operational needs.

3. Under the new entry system, new recruits appointed to the civil service on or after 1 June 2000 who are subsequently appointed to permanent terms are eligible for the Civil Service Provident Fund, which replaces civil service pensions, as their retirement benefits. As regards other fringe benefits (including medical and dental benefits, housing benefits, leave and leave passage, etc.), civil servants appointed under new terms are subject to a different set of entitlements¹.

4. As Members will recall, the Administration has conducted a comprehensive review on fringe benefit type of allowances. The objectives of the review were to explore ways to further streamline the payment of such allowances; identify scope to improve efficiency in their administration; and enhance control over government expenditure. Major changes arising from the review include adjusting the ceiling rates of education allowances and abolishing the provision of some outdated allowances such as Air-conditioning Allowance and Hotel Subsistence Allowance. With the approval of the Finance Committee of this Council, the changes have been implemented since 2006.

(ii) Job-related Allowances

5. Taking account of the recommendations of the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) and the Standing Committee on Disciplined

¹ For instance, the leave entitlements (subject to different deduction basis) for civil servants appointed on different terms of service are as follows:

	New Terms <i>(Applicable to civil servants offered appointment on or after 1 June 2000)</i>	Common Terms <i>(Applicable to civil servants offered appointment on or after 1 January 1999 and before 1 June 2000)</i>	Local Terms <i>(Applicable to civil servants offered appointment before 1 January 1999)</i>
MPS	22 <i>(10 or more years of service)</i>	34 <i>(10 or more years of service)</i>	40.5 <i>(10 or more years of service)</i>
14-49	18 <i>(less than 10 years of service)</i>	27 <i>(less than 10 years of service)</i>	31 <i>(less than 10 years of service)</i>
MPS	18 <i>(10 or more years of service)</i>	27 <i>(10 or more years of service)</i>	31 <i>(10 or more years of service)</i>
0-13	14 <i>(less than 10 years of service)</i>	21 <i>(less than 10 years of service)</i>	22 <i>(less than 10 years of service)</i>
MOD	18 <i>(10 or more years of service)</i>	21 <i>(10 or more years of service)</i>	22 <i>(10 or more years of service)</i>
1	14 <i>(less than 10 years of service)</i>	14 <i>(less than 10 years of service)</i>	14 <i>(less than 10 years of service)</i>

Note: MPS stands for Master Pay Scale.
MOD1 stands for Model Scale 1 Pay Scale.

Services Salaries and Conditions of Service (Disciplined Services Committee) and the feedback from the staff sides, departmental management and this Panel, the Administration updated the principles governing the payment of job-related allowances (JRAs) and introduced a review and monitoring mechanism in 2002.

6. Under the mechanism, the Administration completed the first round of comprehensive review of all the individual Extraneous Duties Allowances and Hardship Allowances payable to civilian staff in February 2005, having regard to the updated JRA governing principles, the original justification for the allowances, present day circumstances, accountability for public expenditure, departmental management's recommendation and staff feedback. Certain allowances that are no longer justified because of changing circumstances (such as changes in the mode of operation) have been ceased. For allowances that continue to be payable, improvements have been identified and implemented (e.g. tightening of the payment criteria) where appropriate. A comprehensive review of most JRAs payable to disciplined services staff was also completed in November 2007. All the JRAs that continue to be payable will be subject to regular reviews and close monitoring in the intervening years.

Improved Civil Service Pay Adjustment Mechanism

7. The civil service pay adjustment mechanism has also undergone considerable changes in recent years. The Administration decided in February 2003 to develop an improved civil service pay adjustment mechanism which comprises the conduct of periodic pay level surveys (PLSs); the conduct of annual pay trend surveys (PTSs) based on an improved methodology; and an effective means for implementing both upward and downward pay adjustments. Following extensive consultation, we have developed the methodology for the conduct of the PLSs, and completed the 2006 PLS using 1 April 2006 as the reference day. We have, in consultation with the staff sides representatives, developed a general framework for the conduct of six-yearly PLS and a general framework for the application of the results of the PLS to the civil service. These frameworks, together with the results of the 2006 PLS,

were endorsed by the Chief Executive (CE)-in-Council in April 2007 on the advice of the Standing Commission, the Disciplined Services Committee and the Standing Committee on Directorate Services Salaries and Conditions of Service. We have reported the details of these matters to this Panel in May 2007.

8. Separately, we have developed an improved PTS methodology in consultation with the staff sides representatives. The improved PTS methodology was endorsed by the CE-in-Council in March 2007. The 2007 PTS based on the improved methodology was completed in May 2007. Based on the results of the 2007 PTS and having regard to other relevant considerations, the CE-in-Council decided on the pay adjustment rates for the civil service in 2007-08. With the approval of the Finance Committee of this Council, the 2007 Civil Service Pay Adjustment was implemented with retrospective effect on 1 April 2007.

9. The Administration is now working on the remaining part of the improved civil service pay adjustment mechanism, namely, the development of an effective means for implementing both upward and downward pay adjustments. We will shortly start discussion with the staff sides representatives on this subject.

10. As regards the starting salaries for entry ranks in the civil service, the CE-in-Council has decided in May 2007 to conduct a starting salaries survey once every three years. The last starting salaries survey using 1 April 2006 as the reference day was completed in early 2007, and revisions were made to the starting salaries of some civilian grades and most disciplined services grades in accordance with the results of the survey. With the approval of the Finance Committee of this Council, the new starting salaries were implemented on 1 August 2007.

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