

For discussion on  
15 March 2010

## **Legislative Council Panel on Public Service**

### **Civil Service-related Issues Featuring in the 2010-11 Budget**

#### **Purpose**

This paper provides some highlights on the civil service-related issues featuring in the 2010-11 Budget.

#### **Control of the civil service establishment**

2. The Government is committed to continuing to keep the civil service establishment under control in order to maintain a lean and efficient civil service. This is in keeping with the principles of “big market – small government” and prudent management of public resources. New civil service posts will only be created when the operational need is fully justified, when the work involved cannot be undertaken by re-deployment of existing staff, and when alternative modes of service delivery (e.g. outsourcing) are considered inappropriate.

3. Since we achieved the target of reducing the size of the civil service establishment to around 160,000 by the end of 2006-07, we have allowed a moderate increase in the civil service establishment each year to facilitate the delivery of new policy initiatives and to meet the demands for new or improved public services. The yearly changes to the civil service establishment since end-March 2007 are set out below -

(a) end-March 2007: 161 015

(b) end-March 2008: 161 960

(c) end-March 2009: 163 216

(d) end-March 2010: 165 572 (estimated)

4. The 2010-11 Draft Estimates of Expenditure project a 0.6% increase (about 1 050 posts) in the civil service establishment. Subject to the approval of

the Legislative Council of the 2010-11 Draft Estimates, the civil service establishment is estimated to stand at 166 625 posts by end-March 2011.

### **Recruitment of civil servants**

5. The Government is an equal opportunities employer. The fundamental principle for appointment to the Civil Service is to appoint “the best person for the job” in an open, fair and competitive manner. Recommendations on appointment are subject to established procedures and, where appropriate, advice of the Public Service Commission. As part of the efforts to reduce the civil service establishment, a five-year open recruitment freeze was imposed in March 2003 on grades included in the Second Voluntary Retirement Scheme. Shortly afterwards, a general civil service open recruitment freeze was implemented. Exceptions were allowed under special circumstances. Since 2007, the Government has gradually revived open recruitment to fill vacancies in most civil service grades.

6. In his 2010-2011 Budget Speech, the Financial Secretary recapitulated the measures taken by the Government in December 2008 to counter the financial tsunami which included, amongst others, “preserving employment” by means of expediting recruitment of civil servants. As at end-February 2010, bureaux/ departments (B/Ds) have already filled about 7 780 vacancies, and another 840 new recruits will report duty soon. We envisage that the number of civil service posts filled from December 2008 to March 2010 will exceed the target of some 7 700 due to vacancies arising from unexpected wastage and unanticipated operational needs.

### **Financial provisions**

7. The 2010-11 Draft Estimates of Expenditure seek the following financial provisions which are directly related to the policy area of central management of the civil service –

- (a) Head 37 Department of Health: Programme 7 “Medical and Dental Treatment for Civil Servants”: \$823.5 million;
- (b) Head 46 General Expenses of the Civil Service: \$2,792.7 million;
- (c) Head 143 Government Secretariat: Civil Service Bureau: \$410.2 million;

- (d) Head 174 Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service: \$20.0 million;
- (e) Head 120 Pensions: \$18,587.4 million; and
- (f) Head 136 Public Service Commission: \$16.5 million.

8. Worthy of particular note is the proposed allocation at paragraph 7(a) above to meet the estimated direct expenditure on medical and dental services for serving and retired civil servants and their eligible dependants at government families clinics and dental clinics, as well as on reimbursement of medical fees and hospital charges. On the latter, an allocation of \$335.4 million is proposed, representing an increase of 53% as compared to the 2009-10 Revised Estimates.

9. Under Head 46 (ref. paragraph 7(b) above), a provision of \$751.3 million is proposed for the payment of education allowances. Recruits to the civil service since 1 August 1996 and 1 June 2000 are no longer eligible for the overseas and local education allowances respectively. Therefore, over time, these allowances will be phased out.

10. Under Head 120 (ref. paragraph 7(e) above), a provision of \$17,771.9 million is proposed for pension payments to eligible retired civil servants. This represents a 10% increase over the 2009-10 Revised Estimate. The increase is due to an increase in the number of new retirees in 2010-11 and the full-year effect of pension payments to new retirees in 2009-10. Since 1 June 2000, new recruits to the Civil Service are no longer eligible for pension payments upon retirement. Instead, they are subject to the Mandatory Provident Fund scheme and to the Civil Service Provident Fund (CSPF) Scheme. In the 2010-11 Draft Estimates of Expenditure, a total provision of \$555 million (under the expenditure heads of individual B/Ds) is proposed for CSPF contributions, compared with the Revised Estimate of \$388 million in 2009-10. The estimated 43% increase in expenditure is mainly due to an increase in the number of new CSPF members in 2010-11 and the full-year effect of CSPF contributions to new members who join the Scheme in 2009-10.