

# 立法會 *Legislative Council*

LC Paper No. CB(4)963/14-15(03)

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## **Panel on Public Service**

### **Meeting on 18 May 2015**

#### **Background brief on extension of the service of civil servants**

#### **Purpose**

This paper provides background information on the extension of the service of civil servants, and summarizes the major views and concerns expressed by members of the Panel on Public Service ("the Panel") on the subject in previous discussions.

#### **Background**

##### Consultation on extension of the service of civil servants

2. The Steering Committee on Population Policy, chaired by the Chief Secretary for Administration, released a consultation document on population policy on 24 October 2013. In the light of an ageing population and shrinking labour force and in anticipation that the wastage of civil servants would be relatively high in the coming years due to the expansion of the civil service in the 1980s<sup>1</sup>, the Civil Service Bureau ("CSB") began a study in late 2013 to assess the manpower and retirement situation of the civil service in the coming years ("the Study").

3. In the light of the findings of the Study which indicate that no specific succession problems are anticipated for most grades, except for a few professional and technical grades with a higher natural wastage rate, CSB put up

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<sup>1</sup> The Administration advised the Panel in May 2013 that the retirement of civil servants would peak in the five-year period from 2017-2018 to 2021-2022, and the annual average number of retirees would be about 7 000.

the following proposals<sup>2</sup> as set out in the Consultation Paper on "Extension of the Service of Civil Servants" ("the Consultation Paper") published in April 2014 -

- (a) to adopt a higher retirement age for civil service new recruits as from a future date. Specifically, the retirement age of new recruits for the civilian grades will be extended by five years to 65. For the disciplined services, the retirement age for new recruits of all the disciplined services grades, regardless of their ranks, will be set at 57, but may be further extended up to the age limit of 60 subject to an annual suitability assessment;
- (b) to make suitable adjustments to the existing mechanism on further employment of civil servants so that Heads of Grade/Department ("HoGs/HoDs") would have more flexibility to retain experienced officers beyond their retirement age under the current further employment terms to meet specific operational and/or succession needs against the backdrop of a higher wastage of civil servants in the coming years (e.g. allowing a longer period for further employment (in any case, such period should, in total, not be more than five years) subject to relevant conditions being met, including well justified operational and/or succession needs, no undue promotion blockage, good performance and physical fitness; and relaxing suitably the approval criteria);
- (c) to introduce a new Post-retirement Service Contract ("PRSC") Scheme for engaging retired civil servants on contract terms, on a targeted basis, to fill non-directorate positions for undertaking ad hoc duties requiring specific civil service expertise or experience; and
- (d) to streamline the control regime of post-service employment for non-directorate civil servants at junior ranks to facilitate their taking up of outside work after retirement, if they so wish.

The four-month consultation on "Extension of the Service of Civil Servants" ended on 2 August 2014.

#### Major feedbacks received through the consultation

4. According to CSB, a total of 371 submissions were received during the consultation period from the public (including individuals claiming themselves

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<sup>2</sup> For details, please refer to the consultation paper on "Extension of the service of civil servants" (LC Paper No. [CB\(4\)571/13-14\(05\)](#)).

as civil servants), the grade/departmental management, the staff side of Departmental Consultative Committees, civil service staff bodies and non-civil service parties concerned through different consultative platforms. The major views received on individual proposed initiatives are summarized below -

*Higher retirement age for new recruits*

- (a) whilst the majority of respondents support the direction of raising the retirement age for new recruits, staff bodies from the disciplined services consider it unfair to require only new recruits of the disciplined services grades to undergo an annual suitability assessment after 57 up to the age limit of 60 when the proposed extension of retirement age by five years from 60 to 65 for new recruits of the civilian grades is unconditional;

*Adjusted further employment mechanism*

- (b) the staff sides hold the view that all serving civil servants, in particular those who have been appointed on or after 1 June 2000 and on New Permanent Terms ("NPT") of appointment (i.e. those on the Civil Service Provident Fund ("CSPF")<sup>3</sup> Scheme), should be given the option to extend (or not) their service beyond their current retirement age up to the retirement age to be set for new recruits without going through any selection by the management. On the other hand, the grade/departmental management unanimously consider that applications for further employment should be subject to a fair and objective selection process by the management to avoid manpower mismatch, and adverse impacts on promotion prospects of serving officers and healthy turnover for the civil service. In addition, quite a number of respondents have expressed concerns about the selection process under the further employment mechanism. They consider that clear and suitable guidelines should be drawn up to ensure transparency and objectivity and to avoid creating a culture of cronyism or flattery in the civil service;

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<sup>3</sup> The CSPF Scheme is the retirement benefits system for civil servants appointed on or after 1 June 2000 and on NPT of appointment. Under the CSPF Scheme, the Government's contribution, inclusive of mandatory and voluntary contributions, would increase progressively with years of service in accordance with a contribution scale. Disciplined services officers are provided with an additional Special Disciplined Services Contribution, currently at a rate of 2.5% of the basic salary, in recognition of their earlier retirement age vis-à-vis civilian staff. CSPF officers may withdraw the accrued benefits attributable to the Government's voluntary contribution upon leaving the Civil Service at the prescribed retirement age.

*New PRSC Scheme*

- (c) the grade/departmental management are in support of the proposed PRSC Scheme as it would provide flexibility for adjusting staffing level and staff mix to meet their operational and succession needs. On the other hand, less than half of the respondents from the staff sides have provided views on this initiative. Generally, these respondents support, or have no objection to, the PRSC Scheme given its minimal impacts on the civil service system, including its establishment and retirement benefits; and

*Streamlining control regime on post-service outside work*

- (d) the grade/departmental management largely agree that this proposed initiative would help remove unnecessary barriers for junior non-directorate civil servants to continue to stay in the work force after retirement from the civil service and save administrative cost in processing these applications. Some respondents point out that due caution should be exercised in drawing the line of grades/ranks that would be eligible for blanket permission to forestall any real or perceived conflict of interests.

Way forward on extension of the service of civil servants

5. In his 2015 Policy Address delivered on 14 January 2015, the Chief Executive announced that the Government had decided to extend the service of civil servants. The Government would adopt flexible retirement and employment initiatives for extending the service of civil servants.

6. CSB informed the Panel on 19 January 2015 that, taking into account the views received/collected during the consultation and examination of relevant issues including financial implications<sup>4</sup>, it would adopt the following four flexible retirement and employment initiatives proposed in the consultation paper with suitable refinements and/or appropriate mechanisms -

- (a) raising the retirement age of new recruits joining the civil service from around mid-2015 to (i) 65 in respect of the civilian grades; and (ii) 60 in respect of the disciplined services grades, regardless of their ranks;

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<sup>4</sup> A consultant was commissioned by CSB to conduct an actuarial study on the financial implications of raising the retirement age of civil servants on the Government's contributions under the Mandatory Provident Fund ("MPF") Scheme and the CSPF Scheme.

- (b) in connection with the implementation of the new retirement age in (a) above, revising the scale of the Government's contributions to the CSPF Scheme for new recruits joining the civil service to keep the Government's overall financial commitment within 18% of the salary cost;
- (c) adjusting the present mechanism for further employment of civil servants beyond retirement age by (i) institutionalizing the selection process by reference to the modus operandi for promotion and recruitment; (ii) allowing a longer period of further employment up to a maximum of five years beyond the normal/prescribed retirement age; (iii) relaxing the approval criteria for further employment, such as allowing the transfer of expertise or experience to younger officers as an additional acceptable justification for all further employment cases; and (iv) extending the coverage of further employment to officers appointed on NPT in the form of extension of CSPF service;
- (d) introducing a new PRSC Scheme for engaging retired civil servants on contract terms to fill non-directorate positions to perform/time-limited/seasonal tasks which required specific civil service expertise or experience; and
- (e) extending the blanket permission for taking up post-service outside work after retirement to cover some 150 junior ranks of non-directorate civil servants whose maximum pay points did not exceed Master Pay Scale Point 20 or equivalent.

## **Discussions at the Panel**

### Views of the Panel on the Consultation Paper

7. At the meeting on 25 April 2014 to discuss the Consultation Paper, members generally supported the Administration's proposed initiatives continued in the consultation paper. Some members were further of the view that the Administration should devise an open and fair mechanism for further employment of serving civil servants beyond their retirement age, albeit such extension should not create promotion blockage to younger civil servants. There was also a suggestion of introducing an appeal mechanism to enhance transparency of the further employment mechanism.

8. The Administration advised that at present, consideration would only be given for an officer to be further employed beyond his/her retirement age under

exceptional circumstances for a specified period of time. The management was required to seek approval from CSB and advice of the Public Service Commission ("PSC") as appropriate for relevant cases. Subject to the outcome of the consultation, CSB would issue guidelines to bureaux/departments ("B/Ds") on further employment to ensure that applications for further employment would be subject to vetting through a transparent and objective process, and would only be approved where fully justified, such as meeting genuine operational and/or succession needs.

#### Views of deputations on the Consultation Paper

9. The Panel received views from a total of 31 deputations/individuals on the Consultation Paper at the meeting held on 21 July 2014. In gist, a majority of the deputations/individuals supported extending the service of civil servants. Specific views of the deputations are set out in the ensuing paragraphs.

10. Some deputations opined that serving civil servants should be allowed to extend their retirement age if they so wished. They pointed out that pensionable civil servants, especially those at junior ranks, could hardly sustain a living with their meagre pension. On the other hand, civil servants on the CSPF Scheme could only withdraw their accrued benefits derived from the mandatory contributions under the Scheme upon reaching the age of 65.

11. Whilst some deputations were of the view that civil service new recruits of all the disciplined services grades should be offered the right to work until the age of 60 without the need to undergo annual suitability assessment, the Hong Kong Fire Services Department Ambulancemen's Union ("the Union") did not support adopting a higher retirement age for civil service new recruits of all the disciplined services grades. The Union opined that given the immense workload and pressure frontline ambulancemen were facing at work, it was not possible for them to perform their duties beyond the age of 55 without compromising the quality of service provided to the public.

12. On the proposed initiatives for making suitable adjustments to the further employment mechanism and introducing a new PRSC Scheme, some deputations were worried that the selection and vetting of applications by management of B/Ds might give rise to cronyism. Concern was also raised that frontline civil servants might be excluded from the initiatives, as the management of B/Ds might choose officers of senior ranks for further employment.

13. In respect of the proposed initiatives for making suitable adjustments to the further employment mechanism and introducing a new PRSC Scheme, some deputations worried that the selection and vetting of applications by management of B/Ds might give rise to cronyism. The Administration

responded that applications for further employment should be subject to a selection process by the management. CSB would issue guidelines on the approval criteria for further employment mechanism to ensure that applications would be handled through a transparent and objective selection process, and only be approved where the relevant conditions were met.

14. Members asked why the Administration did not pay heed to the request that some of the serving civil servants would like to extend their retirement age. The Administration advised that the proposed initiatives were sought to provide HoGs/HoDs with more flexibility to retain experienced officers where necessary to meet their different operational and/or succession needs at different times in the face of the higher wastage of civil servants in the coming years. A service-wide extension of the retirement age of serving civil servants on a voluntary basis might not be conducive to manpower planning as this might lead to manpower mismatch between the expertise required by grades/departments and the skill-sets of those who were willing to serve beyond their retirement age. It would also adversely affect the promotion prospects of younger civil servants and injection of new blood into the civil service.

15. Some members enquired about the measures that the Administration would take to enhance the transparency of the mechanism for further employment of serving civil servants beyond their retirement age so as to inhibit the development of a cronyism culture in the civil service. The Administration advised that under the existing further employment mechanism, stringent approval criteria were adopted under which further employment would only be offered on an exceptional basis subject to the relevant conditions being met. The Administration would further consider appropriate measures to ensure that applications for further employment would continue to be subject to a transparent and objective selection process.

16. On the question as to the measures which the Administration would take to solve the succession problems, the Administration advised that a well-established mechanism was in place to facilitate B/Ds in making early planning for succession in the civil service and taking timely action where necessary. Under the mechanism, regular review of the succession situation in individual departments was conducted to ensure early identification of any succession problems, advance planning and timely implementation of suitable measures. For individual grades having possible succession problems, the proposed initiatives would provide B/Ds with more flexibility to retain experienced officers beyond retirement to meet their different operational and/or succession needs.

17. A member opined that succession problems in the civil service were largely attributable to the six years of open recruitment freeze from 1999-2000 to 2006-2007 and the extensive use of non-civil service contract ("NCSC") staff.

The Administration was urged to consider resuming the pension schemes for all civil servants to provide civil servants with better retirement protection.

18. The Administration advised that the retirement benefits offered under the CSPF Scheme to civil servants who were appointed on or after 1 June 2000 remained attractive, and B/Ds had kept the employment situation of NCSC staff under regular review. The Administration did not see the case to resume the pension schemes for all civil servants.

#### Way forward on the implementation of extension of civil servants

##### *Further employment of serving civil servants*

19. At the meeting held on 19 January 2015 to discuss the way forward on the implementation of extension of civil servants, a member enquired about the measures that would be put in place to ensure that the selection of civil servants for further employment beyond their retirement age in the civil service would be conducted in a transparent and objective manner.

20. The Administration advised that the existing further employment mechanism was already subject to checks and balances by CSB and/or PSC as appropriate. To further address staff's concern about the selection process for avoiding a culture of cronyism or flattery in the civil service, the selection process would be institutionalized by making reference to the modus operandi for promotion and recruitment under which selection boards would be convened to consider applications for further employment. HoG/HoD would be required to submit selection board reports to CSB and/or PSC as appropriate for scrutiny to ensure that the selection process was fair and objective. The Administration further advised that detailed guidelines setting out the criteria and procedures for considering applications for further employment would be drawn up by CSB. CSB would consult the grade/departmental management and the staff sides before finalizing the guidelines for implementation. The adjusted further employment mechanism would continue to be subject to checks and balances by CSB and/or PSC. Arrangements would also be in place to handle relevant complaints, if any, about deviation from the procedures or guidelines on the adjusted mechanism to be promulgated in due course. The Administration's target was to hammer out the implementation details in around mid-2015 after consultation with the management and staff sides.

##### *Automatic extension of the service of serving civil servants*

21. Some members considered that to effectively avoid the development of a culture of cronyism or flattery in the civil service, the Administration should give all serving civil servants the option to extend their service beyond their current retirement age up to the retirement age to be set for new recruits without



going through any selection by the management. To do so should not adversely impact on the promotion prospects of younger serving officers, as younger serving officers also had the same option to extend their service and they could have the chance to fill vacancies at the promotion ranks upon the retirement of the post-holders.

22. The Administration advised that it had carefully considered the feedback received through the consultation on extension of the service of civil servants, including the views that all serving civil servants should be given the option to extend their service beyond their current retirement age up to the retirement age to be set for new recruits without going through any selection by the management. As there would be no anticipated significant succession or recruitment problems across-the-board over the coming decade or so, the Administration was mindful of the management problems which might come with automatic extension of the service of serving civil servants, including manpower mismatch and adverse impacts on the employment prospects of younger generations and promotion prospects of serving civil servants.

23. A member suggested providing all serving civil servants, who had been appointed on or after 1 June 2000 and on the NPT of appointment (i.e. those on the CSPF Scheme), the option to extend their service beyond their current retirement age up to 65 in respect of civilian grades or 60 in respect of disciplined services grades without going through any selection by the management, if these civil servants agreed to be on the adjusted CSPF contribution scales for new recruits<sup>5</sup>.

24. The Administration pointed out that delineating which categories of serving civil servants should be subject to a higher retirement age would be impractical and divisive. As the challenges brought about by an ageing population to B/Ds would be a dynamic process, the Administration considered it more appropriate to devise a mechanism through which management could flexibly retain staff beyond retirement age in the light of operational needs, succession planning and recruitment situation, which varied from grade to grade and from time to time. In this regard, the Administration saw merits to enhance the flexibility of the further employment mechanism, which would strike a balance among various considerations, including addressing demographic challenges, meeting operational needs, and responding to the aspirations of different cohorts of civil servants.

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<sup>5</sup> Please refer to paragraph 11 of the Administration's paper entitled "Extension of the Service of Civil Servants" (LC Paper No. [CB\(4\)343/14-15\(04\)](#)).

*Higher retirement age for new recruits*

25. Noting that some staff from the Correctional Services Department, the Hong Kong Police Force and the Fire Services Department considered that the retirement age of disciplined services new recruits should remain at 55 because their jobs were physically demanding, the Administration was urged to listen more carefully to the views of the staff sides of disciplined services before raising the retirement age of disciplined services new recruits from 55 to 60.

26. The Administration advised that it had carefully considered all the views received through the consultation, including the views of staff bodies from the disciplined services. In the Consultation Paper, it was proposed that the retirement age of new recruits of disciplined services grades, regardless of their ranks, be extended to 57, which might be further extended up to the age limit of 60 subject to an annual suitability assessment. Taking into account the views received during the consultation, including those from disciplined services staff bodies, and subsequent discussion with the management of the disciplined services departments, the Administration had suitably refined the proposal to the effect that the retirement age for new recruits of disciplined services, regardless of their ranks, would be extended to 60. On possible concern about the physical fitness of disciplined services staff aged between 57 and 60, individual disciplined services departments would devise suitable staff deployment arrangements taking into account the prevailing circumstances.

27. Members noted that the Administration would adjust the CSPF contribution scale for new recruits by lengthening the years of service in order to jump to the next contribution scale. Question was raised as to whether it was a ploy to save money.

28. The Administration advised that it was an established policy to keep the Government's MPF/CSPF contributions at 18% of the overall salary cost, which was endorsed by the Executive Council in 2001. It should however be pointed out that the CSPF Scheme compared more favourably than the retirement benefits provided by many companies to their employees in the private market. The Administration further advised that the design of the CSPF Scheme was characterized by progressive contribution rates by the Government depending on the civil servants' completed years of continuous service to encourage staff to stay longer in the civil service.

*Employment of retired civil servants*

29. Members considered that with a longer life expectancy, many people were willing or able to work longer beyond 60 years of age. Members hoped that the Government's plan to extend the service of civil servants would not merely focus on addressing the succession needs of B/Ds and would also focus on

providing further employment opportunities for civil service retirees.

30. Question was raised as to whether there would be a mechanism to prevent HoGs/HoDs from employing retired civil servants under the PRSC Scheme to fill and/or delay filling civil service vacancies in order to save costs. The Administration responded that there was no cause for such concern given the different nature of civil service posts and non-civil service positions under the PRSC Scheme. Whilst civil service posts would cover service needs of a permanent nature, the tasks to be taken up by retired civil servants under the PRSC Scheme were ad hoc/time-limited/seasonal tasks that should not be undertaken by civil service posts. Although retired civil servants under the PRSC Scheme would be employed on contract terms, they should not be confused with staff employed by B/Ds under the NCSC Staff Scheme, as the former involved ad hoc tasks requiring civil servant expertise and/or experience.

### **Recent development**

31. On 23 March 2015, the Government announced that it would adopt a higher retirement age for new recruits with effect from 1 June 2015. Specifically, the retirement age of new recruits appointed to the civil service on or after June 1, 2015, will be raised to 65 in respect of the civilian grades, and 60 in respect of disciplined services grades, regardless of their ranks.

### **Latest position**

32. Civil service unions and other interested parties will attend the Panel meeting scheduled for 18 May 2015 to give views on extension of the service of civil servants.

### **Relevant papers**

33. A list of relevant papers is in the **Appendix**.

## Appendix

### Extension of the service of civil servants

#### List of relevant papers

| Meeting                 | Date of meeting                   | Paper  |
|-------------------------|-----------------------------------|--|
| Panel on Public Service | 25 April 2014<br>(Agenda item V)  | <a href="#">Agenda</a><br><br>Background brief on consultation on extension of the service of civil servants<br><a href="#">LC Paper No. CB(4)571/13-14 (06)</a><br><br>Powerpoint presentation on extension of the service of civil servants<br><a href="#">LC Paper No. CB(4)617/13-14 (01)</a><br><br>Minutes of meeting<br><a href="#">LC Paper No. CB(4)829/13-14</a>                       |
|                         | 21 July 2014<br>(Agenda item III) | <a href="#">Agenda</a><br><br>Administration's paper on consultation on extension of the service of civil servants<br><a href="#">LC Paper No. CB(4)571/13-14(05)</a><br><br>Updated background brief on consultation on extension of the service of civil servants<br><a href="#">LC Paper No. CB(4)932/13-14(01)</a><br><br>Minutes of meeting<br><a href="#">LC Paper No. CB(4)1060/13-14</a> |

| Meeting         | Date of meeting                     | Paper  |
|-----------------|-------------------------------------|--|
|                 | 19 January 2015<br>(Agenda item IV) | <a href="#">Agenda</a><br><br>Administration's paper on extension of the service of civil servants<br><a href="#">LC Paper No. CB(4)343/14-15(04)</a><br><br>Minutes of meeting<br><a href="#">LC Paper No. CB(4)663/14-15</a> |
| Council Meeting | 16 May 2012                         | <a href="#">Official Record of Proceedings Pages 105 - 109 (Written question raised by Hon Mrs Regina IP)</a>  |
|                 | 29 May 2013                         | <a href="#">Official Record of Proceedings Pages 102 - 106 (Written question raised by Hon CHAN Kin-por)</a>   |

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