

ITEM FOR ESTABLISHMENT SUBCOMMITTEE OF FINANCE COMMITTEE

VARIOUS HEADS OF EXPENDITURE

Members are invited to recommend to Finance Committee the delegation of authority to Controlling Officers to create supernumerary posts, to be held against permanent posts of a lower pay scale, to enable a maximum of 41 staff of the Marine Department, who would become surplus to requirement following the implementation of the new management structure for Public Cargo Working Areas of the department, to take up alternative employment within the Civil Service.

PROBLEM

Upon the implementation of the new management structure for Public Cargo Working Areas (PCWAs) with effect from 1 December 1998, we will abolish 47 artisan posts in 1998-99 (of which 21 are vacant posts and therefore only 26 officers will be affected) and another 15 in 1999-2000. We need to make suitable arrangements to facilitate these surplus staff of Marine Department to find alternative employment within the Civil Service.

PROPOSAL

2. In the event that the redundant staff who wish to remain in the Civil Service are unable to find alternative jobs with equivalent or higher pay scales in Marine Department or other Government departments, they may have to take up employment in posts with a lower pay scale, while retaining their current salaries. In line with established government policy to absorb displaced staff as far as

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possible, the Secretary for Economic Services, with the support of the Secretary for the Civil Service, proposes that the Controlling Officers employing the staff under these circumstances should have the delegated authority to create supernumerary posts, to be held against permanent posts of a lower pay scale, to accommodate them.

JUSTIFICATION

3. Following the successful completion of the first phase of the management reform of PCWAs, Marine Department has conducted an internal review on the staff complement with a view to improving efficiency and rationalising the management structure of PCWAs. The review recommends to reform the management structure in two phases in 1998-/99 and 1999-/2000 which will result in a surplus of a total of 41 artisans (MPS Pt. 6-8).

4. It is government policy to absorb surplus staff as far as possible and we will give these staff priority to filling vacancies in other grades/departments. In the event the only post available is remunerated at a lower pay scale, these surplus staff may be allowed to retain their personal pay scale and non-job related benefits. Failing this, we will have to offer abolition-of-office terms to the surplus staff and pay them enhanced retirement benefits, and ex-gratia payments to compensate for the loss of fringe benefits.

5. Up to the present, the 41 artisans have made a total of 147 applications for alternative employment in the Civil Service, including posts such as Launch Assistant (MPS Pt. 4-7) in Marine Department. We shall continue to assist affected staff to find alternative employment with the same or higher pay scale. However, for those surplus artisans who are found suitable for Launch Assistant or other posts of a lower pay scale and are willing to accept the appointments, we propose to permit them to retain their existing pay scale and other non-job related benefits on a personal basis, subject to no serious staff management and staff relations problems being created to the receiving departments/grades. We hope that this arrangement will meet the aspirations of some officers concerned and would reduce the number of staff who have to be subsequently made redundant.

6. There is a staff morale angle to this consideration as most of the serving artisans have been working for the Government for more than 20 years. We consider that the Government, as a responsible employer, should try to facilitate this job-matching process as far as possible.

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7. On transfer to a new grade, the surplus staff will be allowed to revert to posts in their original rank during the one year trial period if they opt not to continue with their new appointment due to adaptation problems, or if they are found not suitable for the new job. If such posts are not available at the time of reversion, they may retire on abolition of office terms. Their service during the trial period would be counted as pensionable service. Since it is not possible to predict the number of staff likely to fall into this group, we are not able to estimate the additional commitment arising from a longer period of pensionable service at this stage. However, the number of staff involved is likely to be small.

8. To implement the above arrangement, we propose to delegate to Controlling Officers of the receiving departments the authority to create supernumerary posts at the appointee's rank, to be held against vacant posts on a lower pay scale. The Finance Committee has given similar delegations to the Controlling Officers in previous occasions including the staff redundancy in the Architectural Services Department following the revamping of the department's Military Group and that in the Correctional Services Department after the closure of Vietnamese Migrants Detention Centres.

FINANCIAL IMPLICATIONS

9. There will be additional expenditure mainly arising from the differences between the personal salaries and the salaries of the lower ranks to which the staff concerned are appointed. At present, we are unable to ascertain the exact amount as this will depend on the number and rank of appointment to be offered and accepted as well as the length of time which the officers will remain on personal pay scales before their promotion, transfer to another grade or leaving the Civil Service. Nevertheless, as the number of staff involved will not exceed 41, we do not expect that there will be significant additional financial implications. As a rough indication, the financial implications would be around \$0.95 million a year, calculated on the basis of the pay differences between their existing ranks and the likely lower ranks to which they may be appointed. Detailed calculation is at Enclosure 1.

Encl. 1

10. For surplus staff who fail to secure alternative employment in the Government, they will have to retire on abolition-of-office terms and will be eligible for enhanced pension benefits under the Pensions Ordinance (Cap. 89) or the Pension Benefits Ordinance (Chapter 99). In addition, we propose to grant them an ex-gratia payment equivalent to six times of their final monthly salary. We have made similar ex-gratia awards to retired officers in other redundancy exercises, for example, in the disestablishment of the Airport Management Division of the Civil Aviation Department.

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11. We estimate that if all the 41 artisans accept the offer to retire on abolition-of-office terms and that they all choose to make the maximum percentage commutations of their pension into a gratuity, the non-recurrent commuted pensions gratuity payable to these 41 staff will be about \$16.71 million, comprising the enhanced portion of approximately \$3.34 million and the normal portion of approximately \$13.37 million. The non-recurrent ex-gratia award payable will be about \$3.30 million and the annual recurrent pension will be about \$1.23 million. Detailed breakdown is at Enclosure 2.

Encl. 2

BACKGROUND INFORMATION

12. PCWAs are fenced off waterfront areas managed by Marine Department for the purpose of cargo handling. Currently, there are eight PCWAs in various locations along the coastline. Berths used to be allocated to cargo barges on a "first-come-first-served" basis. However, this berth allocation system was inefficient and had brought about many management problems. At the recommendation of the Director of Audit and after consultation with the Economic Services Panel and the cargo handling operators, Marine Department has put the management of PCWAs under reform. The first phase of management reform involves the allocation of the berthing spaces of PCWAs to existing operators by a restricted tender exercise and the remaining berths to all interested parties by way of open tender. The tendering exercise was successfully completed in February 1998 with all the berthing spaces in PCWAs being let out for a period of three years. In 2000-01, Economic Services Bureau will review the results of the first phase of the management reform and consider to implement the second phase in 2001-02 which will involve the land-side management reform.

CIVIL SERVICE BUREAU COMMENTS

13. Civil Service Bureau supports the proposal to offer personal pay scales and non-job related benefits to redundant staff who are appointed on transfer to other posts within the Civil Service with lower pay scales.

Economic Services Bureau
November 1998

Financial Implication Arising from Redundancy of PCWA staff

<u>Post</u>	<u>Pay Scale</u>			<u>Maximum salary difference</u>
Artisan	MPS	6 - 8	\$11,820 - \$13,425	--
Launch Assistant	MPS	4 - 7	\$10,420 - \$12,595	(\$830)
Property Attendant	MOD	4 - 8	\$10,370 - \$11,230	(\$2,195)
Workman II	MOD	1 - 3	\$9,785 - \$10,175	(\$3,250)

(a) The 26 Artisan posts to be deleted by 31 March 1999

Latest position indicates that -

- (i) 20 Artisans will transfer to Launch Assistant
- (ii) 3 to Workman II
- (iii) 2 to Property Attendant
- (iv) 1 to other jobs (**NO** financial implication)

The financial implication is as follows -

20 x Launch Assistant	20	x	\$830	=	\$16,600
3 x Workman II	3	x	\$3,250	=	\$9,750
2 x Property Attendant	2	x	\$2,195	=	\$4,390
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25 staff				=	\$30,740
at 12 months				=	x 12
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25 staff at 12 month				=	<u><u>\$368,880</u></u>

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(b) The 15 Artisan posts to be deleted by 31 March 2000

Assuming 15 staff transfer to Workman II* -

(i)	15 x \$3,250	=	\$48,750
	at 12 months	=	x 12
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	15 staff at 12 months		\$585,000
(ii)	25 staff at 12 months		\$368,880
	40 staff at 12 months		<u><u>\$953,880</u></u>

* Workman II is used because the salary difference is the largest amongst the three tabulated above.

Breakdown of Commuted Pension Gratuity, Annual Pension and Ex-gratia Award

Grade	Number	<u>Non-recurrent</u>		<u>Recurrent</u>
		Ex-gratia awards payment (\$ million)	Maximum commuted pension gratuity (\$ million)	Reduced annual pension (\$ million)
Artisan				
- to be made redundant in 1998-1999	26	2.09	10.37	0.74
- to be made redundant in 1999-2000	15	1.21	6.34	0.49
Total	41	3.30	16.71	1.23

Note : The enhanced portion of maximum commuted pension gratuity is approximately \$3.34 million.