

立法會
Legislative Council

LC Paper No. CB(1)1836/99-00

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by the Administration)

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Legislative Council
Panel on Public Service

Minutes of meeting
held on Monday, 15 May 2000 at 10:45 am
in the Chamber of the Legislative Council Building

Members present : Hon TAM Yiu-chung, GBS, JP (Chairman)
Hon Mrs Sophie LEUNG LAU Yau-fun, JP (Deputy Chairman)
Hon Michael HO Mun-ka
Hon LEE Cheuk-yan
Hon LEE Kai-ming, SBS, JP
Hon CHEUNG Man-kwong
Hon CHAN Kwok-keung
Hon CHAN Wing-chan
Hon Andrew WONG Wang-fat, JP
Hon Howard YOUNG, JP

Members attending : Hon Fred LI Wah-ming, JP
Hon NG Leung-sing
Hon CHAN Yuen-han

Member absent : Hon Ambrose LAU Hon-chuen, JP

Public officers attending : Items III to V
Mr LAM Woon-kwong
Secretary for the Civil Service

Ms Anissa WONG
Deputy Secretary for the Civil Service (1)

Mr D W PESCOD
Deputy Secretary for the Civil Service (2)

Mrs Susan MAK
Deputy Secretary for the Civil Service (3)

Item III

Mrs Carrie LAM
Deputy Secretary for the Treasury (1)

Clerk in attendance : Miss Salumi CHAN
Chief Assistant Secretary (1)5

Staff in attendance : Mr Matthew LOO
Senior Assistant Secretary (1)7

Action

I. Date of next meeting and items for discussion

(LC Paper No. CB(1)1549/99-00(01) — List of outstanding items for discussion

LC Paper No. CB(1)1549/99-00(02) — List of follow-up actions)

The Panel noted the list of outstanding items for discussion and agreed to discuss the following two items at the next regular meeting to be held on 19 June 2000:

- (a) Promotion of integrity within the civil service; and
- (b) Mandatory Provident Fund arrangements for government employees who are not exempt from the Mandatory Provident Fund Schemes Ordinance.

2. Mr CHEUNG Man-kwong was concerned about the cases recently reported in the media about abuse of office by some of the senior civil servants. He suggested that the Administration be invited to brief the Panel on the current preventive measures against such abuse and whether the Administration had any plan for putting in place legislation to govern such abuse. He pointed out that the United Kingdom (UK) and

the Independent Commission Against Corruption in Hong Kong had conducted studies on the subject, and that UK was working on legislation in this area. Members agreed to add this item to the agenda for the meeting to be held on 19 June 2000.

(*Post-meeting note:* With the concurrence of the Chairman, the item of "Proposal on conversion of Model Scale 1 Staff from Category B Officer to Category A Officers" was added to the agenda for the meeting to be held on 19 June 2000. This item was referred to the Panel by the Duty Roster Members after their meeting with the Model Scale 1 Staff Consultative Council (Staff Side) on 23 May 2000.)

II. Draft Report of the Panel on Public Service for submission to the Legislative Council on 14 June 2000
(LC Paper No. CB(1)1549/99-00(03))

3. The Chairman invited members' comments on the draft report of the Panel for submission to the Legislative Council on 14 June 2000.

4. On "Pay and fringe benefits for civil servants and for the subvented sector", the Chairman suggested and members agreed to replace "Pay" by "Starting Salaries". Mr CHEUNG Man-kwong said that the Administration had undertaken on one occasion to establish a consultation mechanism for consulting staff of subvented organizations on policies affecting their pay and fringe benefits. He suggested adding this point to the draft report. In response, the Clerk advised that as far as she could remember, the Administration had not made such an undertaking at any of the Panel meetings. However, she would check to confirm.

5. Members endorsed the draft report with the amendment mentioned in paragraph 4 above. They also authorized the Clerk, in consultation with the Chairman, to incorporate into the report the Panel's major deliberations made at the meeting. The revised draft report would be circulated to members for consideration.

(*Post-meeting note :* With the concurrence of the Chairman, the revised draft Panel report was circulated to members for endorsement via LC Paper No. CB(1)1758/99-00 on 5 June 2000. Members were also advised vide the same circular that the Administration's undertaking to improve its consultation mechanism to effect interactive communication with staff of the subvented organizations was made at the Establishment Subcommittee meeting on 26 January 2000, but not at any of the Panel meetings.)

III. Civil Service Voluntary Retirement Scheme

(LC Paper No. CB(1)1546/99-00 — Legislative Council Brief on "Civil Service Voluntary Retirement Scheme")

6. The Chairman advised that a submission dated 13 May 2000 from the Hong Kong Chinese Civil Servants' Association on agenda items III to V of the meeting was tabled for members' reference.

(*Post-meeting note* : The submission was circulated to members vide LC Paper No. CB(1)1608/99-00 on 16 May 2000.)

Nature and scope of the Voluntary Retirement Scheme

7. Deputy Secretary for the Civil Service (3) (DSCS3) advised that the proposed Voluntary Retirement (VR) Scheme was a means to deal with potential staff surplus problem, and hence would only be introduced to the 59 grades where there was staff surplus or anticipated staff surplus problem. Mr LEE Cheuk-yan and Miss CHAN Yuen-han were concerned that the staff surplus problem was in fact caused by the Administration's attempt to contract out more Government services to achieve the target of reducing 10 000 posts in the civil service establishment by 2003. They pointed out that with the deletion of posts, the staff concerned would become surplus staff who would have no choice but to apply for the VR Scheme. For example, part of the services provided by Chauffeurs, Ward Attendants of the Hospital Authority (HA), and Land Inspectors had already been contracted out. As a result, these three grades were included in the 59 grades covered by the VR Scheme.

8. In response, DSCS3 assured members that it remained the Government's policy to avoid redundancy and that application to join the VR Scheme would be entirely voluntary. If the staff concerned did not wish to join the Scheme, the Administration would not force them to do so by deleting their posts. Deputy Secretary for the Treasury (1) (DS(Tsy)1) added that in order to avoid staff redundancy as a result of Enhanced Productivity Programme and dissolution of the two provisional Municipal Councils, 358 posts had been created through the central clearing house mechanism to accommodate the surplus staff pending redeployment. Moreover, the Civil Service Bureau (CSB) and Finance Bureau (FB) had issued a circular in 1999 advising Heads of Department (HoDs) to slow down the pace of contracting out of services and to plan their efficiency measures in line with natural wastage of the relevant grades in their own department. For example, the pace of contracting out of cleansing services for police stations had been kept in line with the natural wastage of Workman II in Hong Kong Police Force. Despite the fact that the services provided by outside contractors were more cost effective, the Administration had been rather restraint in its outsourcing programme. She gave the example of the trial scheme for the Information Services Department to engage outside hired car service in receiving VVIPs which cost \$210 per hour compared to in-house service

provided by the Government Land Transport Agency at \$840 per hour. The Administration had not sought to expand outsourcing in order to avoid staff redundancy. In response to Mr LEE Kai-ming's query, DS(Tsy)1 advised that the average cost of the VVIP services provided by Chauffeurs included staff costs (salaries and overtime allowances) and administrative costs.

9. DS(Tsy)1 further pointed out that the staff surplus problem of the Ward Attendant grade was caused by the closing of maternity homes under the Department of Health, not HA. However, the Ward Attendants of the civil service seconded to HA were also allowed to apply for the Scheme, as the Scheme was applicable to all civil service staff in the designated grades regardless of where they worked.

10. As regards the Land Inspector grade, DSCS3 advised that recruitment for the grade had been frozen since 1995. Part of the work of the grade were performed by agreement officers. The grade had anticipated staff surplus problem and was therefore covered by the VR Scheme. Mr LEE Kai-ming and Miss CHAN Yuen-han considered the Administration's assessment unreasonable. They pointed out that due to the recruitment freeze and the increasing service demand arising from new projects, the grade had staff shortage problem, but not staff surplus problem.

11. In order to have a fair assessment of the anticipated staff surplus problem in each of the 59 grades, Mr LEE Cheuk-yan requested the Administration to provide the Panel with a paper on the position of and its plans for contracting out of the services being provided by the 59 grades. Miss CHAN Yuen-han considered that the Administration should cease contracting out the services being provided by the 59 grades and cease recruiting non-civil service contract staff into the 59 grades.

(*Post-meeting note* : The Administration's response was circulated to members via LC Paper No. CB(1)1852/99-00 on 15 June 2000.)

12. Mr CHEUNG Man-kwong asked whether some of the 59 grades existed in name only. DSCS3 advised that the Lift Operator grade and the Projectionist grade had four and 14 staff respectively, and that the staff concerned had been redeployed to other posts. Mr CHEUNG considered that in addressing the staff surplus problem of the 59 grades, the Government as a good employer should allow the staff concerned to have a choice between voluntary retirement, redeployment and retraining. Some members shared his view and considered that the Administration should not only announce the details of the VR Scheme, but also the details of its plan for redeployment and retraining so that the staff concerned could make an informed decision. At members' request, DSCS3 undertook to provide the Panel with the following information:

- (a) which of the 59 grades existed in name only;
- (b) a breakdown of the number of staff of each of the 59 grades redeployed

to other grades in the previous years and the other grades involved; and

- (c) the Administration's plans for redeployment and retraining of the staff of the 59 grades who did not wish to join the VR Scheme.

(Post-meeting note : The Administration's response was circulated to members via LC Paper No. CB(1)1852/99-00 on 15 June 2000.)

13. Mr Howard YOUNG supported the VR Scheme and asked whether the Administration would consider extending the Scheme to other grades. DSCS3 stressed that the Scheme was targeted at the 59 grades where there was staff surplus or anticipated staff surplus problem. Staff of other grades who wished to apply for early retirement could only do so under the existing mechanism.

14. Mr LEE Cheuk-yan considered that the VR Scheme was targeted at staff at the lower levels of the civil service. He asked whether the Scheme would be extended to cover staff at the managerial levels where there might be anticipated staff surplus problem when their subordinates had joined the Scheme and the services previously provided by them were contracted out. DS(Tsy)1 clarified that the 59 grades included managerial grades such as the Building Supervisor grade.

Staff consultation

15. Mr LEE Kai-ming, Mr CHAN Wing-chan and Miss CHAN Yuen-han were concerned whether the Administration had consulted the 59 grades on their inclusion into the VR Scheme and the responses of the Staff Sides. DSCS3 advised that before a decision was made on the grades to be included in the Scheme, HoDs and Heads of Grade (HoGs) were required to review the establishment of their department/grade against the service demand in the coming few years. They were also required to communicate with the staff concerned on the matter. As a whole, the Staff Sides were first consulted on the concept of voluntary retirement in March 1999 when the Civil Service Reform Consultation Document was issued. The Staff Sides were further consulted on the proposed VR Scheme through the Working Group on Exit Arrangements which comprised representatives of the four central staff consultative councils and four service-wide staff associations. The Working Group met three times and it was generally in support of the introduction of the VR Scheme provided that it was strictly voluntary.

16. Miss CHAN Yuen-han advised that the Hong Kong Federation of Trade Unions (HKFTU) had no objection to the VR Scheme as it was entirely voluntary. However, HKFTU noted that some of the staff concerned had indicated that they had not been consulted on the matter. HKFTU considered it unfair to the staff concerned.

Eligibility for the Voluntary Retirement Scheme

17. In response to Mr Howard YOUNG's enquiry, DSCS3 advised that officers with less than one year active service before normal retirement age were not eligible for the Scheme. "Active service" did not cover leave periods.

Financial and staffing implications

18. Mr Howard YOUNG sought clarification from the Administration on the rationale of its assessment that the VR Scheme should be sufficiently attractive to officers with 25 years of service or more, and the percentage of this category of staff out of the 70 000 staff concerned. DS(Tsy)1 advised that the Administration had done some sensitivity tests and these indicated that an officer, say of the Clerical grade, with 25 years of service remunerated at the maximum point of his pay scale, joining the Scheme would be provided with a lump-sum (VR payment and pension) the total amount of which was greater than what he would have received upon normal retirement 15 years later. Among the 25 000 staff of the Clerical grade, 4 200 had 25 years of service or more, i.e. about 16% of the staff concerned in that grade.

(*Post-meeting note:* The financial commitment for the implementation of the VR Scheme was approved by Finance Committee (FC) on 9 June 2000.)

IV. Civil Service Management-initiated Retirement Scheme

(LC Paper No. CB(1)1549/99-00(04) — Paper provided by the Administration)

Nature and scope of the Management-initiated Retirement Scheme

19. Members considered it unjustified for the Administration to introduce the Management-initiated Retirement (MIR) Scheme to allow management to initiate early retirement for directorate officers simply because they had difficulties in adapting to the changes in the requirements of their jobs or departments and had posting problems. Some members pointed out that at the Panel meeting on 20 March 2000, the Administration had advised that the MIR Scheme was targeted at mediocre directorate officers. However, the present proposal was not targeted at this group of officers. The change of target group caused concern that the Scheme was not well thought out.

20. In response, Deputy Secretary for the Civil Service (1) (DSCS1) advised that when the concept of MIR was first introduced in the Civil Service Reform Consultation Document issued in March 1999, the Administration had indicated that an exit mechanism would be introduced to allow permanent and pensionable civil servants to be directed by management to retire early to cater for human resource management needs, for example, for staff succession planning or where certain staff had become unpostable. The Administration had also mentioned that the exit mechanism would allow the injection of new blood, and help maintain the quality of management, particularly at the senior echelons. These were in fact the characteristics of the present proposal. DSCS1 added that the MIR Scheme was not proposed for the removal of non-performers, and was not a punitive act to deal with disciplinary cases,

as these two categories of cases should continue to be dealt with in accordance with the established procedures under the present civil service management system.

21. Mr CHEUNG Man-kwong, Mr Michael HO and Mr LEE Cheuk-yan considered the MIR Scheme illogical as its target group was not the non-performers, nor officers who had committed serious misconduct. If the directorate officers concerned had difficulties in adapting to the changes in the requirements of their jobs or departments, the management should address the problem by redeployment, or providing guidance and assistance to them. DSCS1 advised that under the present proposal, the MIR Scheme should only be initiated at top management level by policy secretaries or HoDs. In each and every case, the initiating officer had to confirm that the retirement of the directorate officer concerned was in the interest of organizational improvement of a department or grade, and that other management measures (such as posting, redeployment, secondment or demotion) to accommodate the officer within the civil service had been exhausted or were not appropriate. Mr CHEUNG, Mr HO and Mr LEE found it hard to accept that civil servants should be removed for these reasons, having regard to the fact that the officers concerned had not committed any misconduct. Mr LEE was also concerned that the Scheme would be expanded at a later stage for the removal of non-directorate officers. DSCS1 confirmed that the Scheme would only apply to permanent and pensionable civil servants at directorate level.

Implementation of the Management-initiated Retirement Scheme

22. Mr LEE Cheuk-yan pointed out that in the absence of objective criteria for invoking the MIR Scheme that the retirement of an officer was in the interest of organizational improvement of a department or grade, the Scheme might be abused by policy secretaries or HoDs to remove the subordinates whom they disliked. In response, DSCS1 advised that each case should be considered and approved by a high-level panel chaired by the Chief Secretary for Administration, with members comprising the Financial Secretary, Secretary for the Civil Service and the relevant policy secretary or HoD. The panel might also include as co-opted members up to two policy secretaries or HoDs who had no direct supervisory relationship with the officer concerned but had knowledge of the officer or the work of his department or grade. Furthermore, the retirement of an officer under the Scheme would be subject to advice by the Public Service Commission. The officer concerned might also make representations to the Chief Executive (CE) against a decision to retire him under the Scheme. DSCS1 assured members that the Administration would also build in various procedural safeguards in the detailed procedures for the Scheme to ensure that the Scheme would be invoked only when necessary and justified, and would be subject to very stringent scrutiny up to the highest level.

23. Mr Howard YOUNG and Mr Michael HO were concerned that the MIR Scheme might be abused by directorate officers who wished to switch to the private sector. By claiming that they had difficulties in adapting to the changes in the

requirements of their jobs or departments, directorate officers might ask for early retirement under the Scheme so that they would be granted immediate and enhanced pension and the ex-gratia payment. DSCS1 reiterated that the MIR Scheme should only be initiated at top management level by policy secretaries or HoDs. Each case would be subject to very stringent scrutiny and the past performance record and posting history of the directorate officers concerned would also be taken into account.

24. Mr CHEUNG Man-kwong considered that the MIR Scheme was complicated by the fact that the Administration would assist the directorate officers retiring under the Scheme in exploring career opportunities in the private sector. DSCS1 advised that this service was proposed to be offered to the officers concerned as a goodwill gesture. It would be entirely up to the private organizations to decide whether to accept their applications.

Conclusion

25. In the light of members' concern, the Chairman urged the Administration to reconsider the rationale and details of the Scheme.

(*Post-meeting note:* The Administration issued a Legislative Council Brief on 9 June 2000 advising that the Executive Council (ExCo) advised and CE ordered on 30 May 2000 that the MIR Scheme should be introduced, and that the approval of FC would be sought on 16 June 2000 for the ex-gratia payment.)

V. **Review of civil service pension adjustment policy and mechanism** (LC Paper No. CB(1)1274/99-00(01) — Paper provided by the Administration Chapter 8 of the Director of Audit's Report No. 34 issued in March 2000)

26. The Chairman advised that agenda item V was referred by the Public Accounts Committee to the Panel for consideration.

27. Mr NG Leung-sing noted that the Administration had, in the light of the Director of Audit (D of A)'s recommendations, reviewed the existing mechanism which only provided for pension increase on account of inflation, but not pension decrease in the event of deflation. He asked whether D of A had accepted the outcome of the Administration's review. DSCS1 advised that following the completion of the review, CSB had made a submission to ExCo in February 2000. The ExCo advised and CE ordered that the current pension increase policy and mechanism should be maintained and reaffirmed. The D of A had been so informed and he had made no further comments.

28. Responding further to Mr NG Leung-sing, DSCS1 considered that the current pension increase policy would not set an example for the private sector as it was a statutory arrangement unique to the civil service. She also considered it inappropriate to compare the pension increase policy with other welfare policies.

29. Mr Fred LI stated that he had no objection to maintaining the existing arrangement that pensions would be frozen on deflation. However, he noted that in Australia and New Zealand, subsequent increase of pensions would take into account previous deflation. He asked whether the Administration would consider adopting the same policy. DSCS1 advised that the Administration had made reference to the practices in overseas countries, including Australia and New Zealand, before concluding the review. The Administration did not consider it appropriate at this stage to revise the current pension increase policy which was based on the pension increase legislation enacted in 1993, as it would involve fundamental changes to the whole pension system.

VI. Any other business

30. There being no other business, the meeting ended at 12:45 pm.

Legislative Council Secretariat

15 June 2000