

(Translation)

**Speech by the Secretary for the Civil Service
at the Special Meetings of the Finance Committee
on 24 March 2003**

Mr Chairman and Members,

I would like to highlight five initiatives which the Civil Service Bureau (CSB) will take to help reduce the Government's public expenditure in the coming year.

First, **to reduce the civil service establishment.** With the implementation of the Enhanced Productivity Programme and various staff streamlining measures by all government departments, the civil service establishment has been reduced by 10% to around 177 700 over the past four years. Our target is to further reduce the establishment by 10% to about 160 000 by 2006/07 through a general recruitment freeze, the Second Voluntary Retirement Scheme and natural wastage.

Second, **to implement the decision on civil service pay reduction.** We have commenced discussion with the Department of Justice on the drafting of the pay reduction legislation. We aim to introduce the bill into the Legislative Council in May. With the full implementation of the civil service pay reduction, the Government will save about \$7 billion annually on salary expenses and subsidies to subvented organisations.

Third, **to develop an improved civil service pay adjustment mechanism.** In this respect, we are going to conduct a pay level survey, improve on the methodology of the pay trend survey and put in place a pay adjustment mechanism

which caters for both upward and downward adjustments. To secure public acceptance of the results of the pay level survey and the new pay adjustment mechanism, I shall set up a steering committee, comprising members from outside the civil service, to provide independent and impartial advice on the conduct of the pay level survey and other matters related to the development of the improved pay adjustment mechanism. The steering committee will commence work next month. In parallel, I shall ensure that the views of civil servants are given due consideration during the review process by setting up a consultative group, involving representatives from the staff sides of the central consultative councils and the major service-wide staff unions, to provide input to the deliberations of the steering committee. Our aim is to complete the whole exercise within next year.

Fourth, **to review all the existing civil service allowances.** It is an established Government policy to keep civil service allowances under review and to introduce improvements as appropriate. For example, we have recently reviewed the duty mileage allowance and, consequently, revised the formula for determining the rates of the allowance with effect from January this year. As a result, the Government's annual expenditure on this allowance will be reduced by nearly 40% or \$12 million. We have also embarked on a review of job-related allowances payable to civilian grades, which will be completed by the middle of this year. At the Legislative Council meeting on 12 March, I announced that the Government would conduct a comprehensive review of all the existing civil service allowances with a view to bringing the payment criteria for these allowances in line with present day circumstances and to reduce the Government's expenditure on allowances. I intend to brief the Panel on Public Service on the scope, guiding principles and timeframe of the review in April this year. We shall adopt the principles of lawfulness, reasonableness and fairness in taking forward the matter. We shall also fully consult the staff before making a decision.

Fifth, **to reorganise the CSB.** Last November, the CSB implemented Phase One of its reorganisation with an aim to enhance effectiveness and efficiency by simplifying work procedures and devolving more human resources management

responsibility to departments. The exercise has enabled the CSB to downsize its establishment by about 10%, representing an annual saving of approximately \$9.5 million. Phase Two of the reorganisation is now underway. One major reorganisation initiative is to subsume the Official languages Agency under the CSB with effect from July this year in order to streamline the administrative structure for better operational effectiveness. This exercise will result in the reduction of 25 posts, including two directorate posts, and will bring about an annual saving of nearly \$13 million.

Mr Chairman, as the Chief Executive stressed in his Policy Address this year, a clean and efficient civil service is one of the fundamental strengths of Hong Kong. My colleagues and I are committed to continuously improving the civil service management system so as to enable departments and the civil service to serve the public with better, faster and more economical results.

Thank you.