

## **Chapter XVIII : Civil Service**

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18.1 At the Chairman's invitation, the Secretary for the Civil Service (SCS), Mr Joseph W P WONG, briefed members on the three major tasks to be undertaken by the Civil Service Bureau in taking forward the initiatives to reduce public expenditure in 2004-05 (Appendix IV-16).

### **Containing the size of the civil service**

18.2 In response to Mr Albert CHAN's enquiry, SCS confirmed that apart from the target of reducing the civil service establishment to 160 000 by 2006-07, the Administration had not set any other targets to further reduce the civil service establishment at this stage. He assured members that in taking forward the initiatives for reducing the civil service establishment, the Administration would ensure that the quality and delivery of public services would not be unduly affected.

18.3 Mr LEE Cheuk-yan expressed concern that there was a tendency to target the reduction of civil service posts at the clerical and secretarial grades or other junior ranks. With the implementation of the general recruitment freeze, vacant posts at recruitment ranks could not be filled while posts at higher ranks could continue to be filled through promotion exercises. Mr LEE considered the present arrangement unfair to lower rank staff. He was concerned that in the long term, the lower ranks would be thinned out, resulting in a totally distorted grade structure. While having no objection to the promotion of capable officers to higher ranks, Mr LEE expressed grave concern about the morale of the lower rank staff.

18.4 In reply, SCS stressed that the target of reducing the civil service establishment applied to all grades and ranks. Referring to the information provided in the Administration's written reply, SCS pointed out that directorate and non-directorate posts had been reduced by roughly the same percentage (i.e. by about 2.5%) from 31 December 2002 to 31 December 2003. This demonstrated the fact that staff savings had been achieved through the deletion of both directorate and non-directorate posts and not only posts at the lower ranks. SCS further pointed out that in implementing the general recruitment freeze, exemptions would be granted with the approval of a high-level panel under exceptional circumstances where there were operational needs to fill the posts concerned. Approval for exemption for open recruitment had been granted to fill over 500 posts, a majority of which were of the disciplined services while some were posts of the civilian grades.

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18.5 As regards new measures for reducing the civil service establishment, SCS advised that the Administration was exploring a number of measures, including the possibility of implementing targetted voluntary departure schemes for a limited number of grades or ranks should this be considered useful to deal with a likely sizable surplus staff situation in these grades and ranks. There was no detailed plan for such schemes at the present stage, such as the grades or ranks involved.

18.6 Mr James TO noted that the Administration was exploring the feasibility of civilianizing grades in the disciplined services. He sought information on the details of the exercise, including the target number of the posts to be civilianized, the approach to be adopted, and the timetable for consultation with staff and Legislative Council Members.

18.7 The Permanent Secretary for the Civil Service (PSCS) explained that following the approval given for exemption from the general recruitment freeze for open recruitment to fill posts in the disciplined services, the Administration considered that there was a need to examine the operational requirements in the disciplined services and identify whether any of the posts could be filled by staff of the civilian grades. The exercise was undertaken by the individual disciplined services departments under their departmental steering committees (DSCs) chaired by a directorate officer. The Efficiency Unit was invited to conduct a study on the subject and was expected to submit its recommendations to DSCs in mid 2004. DSCs would submit their reports to Secretary for Security thereafter. While some DSCs invited staff participation, some kept the staff informed of the progress through other communication channels. PSCS stressed that the Administration adopted an open mind towards the exercise and there was no target for the number of posts to be civilianized.

### **Administration of civil service allowances and housing benefits schemes**

18.8 Noting that the increase in the expenditure on overseas education allowance (OEA) in the past three years was mainly due to an increase in the number of children of eligible civil servants claiming the allowance and the appreciation of the sterling pound, Mr TAM Yiu-chung suggested that the Administration should consider extending the OEA scheme to cover countries other than the United Kingdom (UK) where school fees might be relatively lower.

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18.9 SCS pointed out that while the provision of OEA had ceased for new recruits offered appointment on or after 1 August 1996, officers who had joined the service before the cessation date remained eligible for OEA. The number of eligible officers was about 133 000. The Administration had previously considered the suggestion of extending the OEA scheme to cover countries other than UK but was of the view that the suggestion might result in a significant increase in the expenditure on OEA. The relevant issues were being considered in a comprehensive review of the OEA scheme and other civil service allowances, and the Administration planned to put forward some proposed changes for staff consultation in due course. In reply to Mr TAM's further enquiry, SCS said that the Government had not imposed any cap on the expenditure on OEA hitherto but measures for controlling the total expenditure, such as a quota system, had been introduced for some civil service housing benefits schemes.

18.10 Referring to the Administration's written reply, Mr Howard YOUNG sought information on the status of the 10 728 cases in which the officers concerned had not fully repaid the housing loans they obtained under civil service housing benefits schemes. In response, the Director of Accounting Services said that except for a small number of cases in which the officers concerned had failed to repay their loans, a great majority of the 10 728 officers were repaying the outstanding loans by regular instalments.

### **Expenditure on human resource management**

18.11 In response to Mr HUI Cheung-ching's question on the Administration's written reply, PSCS explained that the decrease of 5.7% in the provision for Head 143 Programme (2) Human Resource Management for 2004-05 was the net result of the civil service pay reduction, the deletion of 17 posts, and the slight decrease in the non-recurrent expenditure.

### **Outsourcing arrangements and employment of non-civil service contract staff**

18.12 Mr Albert CHAN was concerned that in achieving the target of reducing the civil service establishment, some Government departments were outsourcing their services without proper monitoring the pay level of the staff employed by Government contractors to perform the relevant duties. In some cases, the pay level of the staff employed by Government contractors was very low, about 30% of the pay of the civil servants undertaking similar duties. Mr CHAN asked whether the Administration would stipulate in the outsourcing contracts the minimum pay level of the staff employed by Government contractors.

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18.13 SCS pointed out that staff employed by Government contractors did not have any employment contract with the Government and were remunerated by the Government contractors concerned. Hence, the Administration had no control over their pay level. Given members' concern over their pay level, however, the Administration had requested its contractors to provide information on staff remuneration to the relevant bureaux/departments. In case of pay disputes between the Government contractors and their staff, the Labour Department could take follow-up actions as appropriate.

18.14 Responding further to Mr Albert CHAN, SCS advised that in determining the pay level of non-civil service contract (NCSC) staff, Heads of Department (HoDs) and Heads of Grade (HoGs) would observe the guiding principle that the pay so offered would not exceed the mid-point salaries of comparable civil service ranks or ranks of comparable level of responsibilities. They would also ensure that the terms and conditions for NCSC staff should be no less favourable than those provided for under the Employment Ordinance (Cap. 57).

18.15 Given the increase in the number of NCSC staff, Mr LEE Cheuk-yan was concerned that the Administration's efforts in reducing the civil service establishment were in fact an attempt to replace civil servants with NCSC staff at lower staff costs. In response, SCS clarified that NCSC staff were not employed for replacing civil servants, but for meeting service needs which were short-term, part-time or under review. He assured members that the need for such employment was subject to frequent review by the HoDs/HoGs concerned.