

**Speech by Joseph WP Wong, Secretary for the Civil Service
at the Special Finance Committee Meeting on 29 March 2004**

Mr. Chairman and Members,

The Financial Secretary has reiterated in his Budget Speech 2004/05 the Administration's determination to reduce the Government's operating expenditure to \$200 billion and restore fiscal balance by 2008/09.

The civil service is fully committed to supporting the Government's initiatives to reduce public expenditure. Today, I would like to brief Members on the three major tasks to be undertaken by the Civil Service Bureau (CSB) in the coming year.

First, **the reduction of civil service establishment.** Given the continuous efforts of various departments in re-organisation and re-engineering of work procedures and modes of service delivery, as at end-February this year, the civil service establishment has already been brought down to some 172 500 posts, which represents a reduction of 25 500 posts or 13% within four years as compared with the establishment of 198 000 in early 2000. We anticipate that by March next year, the civil service establishment will be further reduced to some 166 500 posts as a result of the Second Voluntary Retirement Scheme and the deletion of certain vacant posts arising from natural wastage. As I said at the meeting of the Panel on Public Service in mid-March, CSB will keep in view the manpower plans of various bureaux and departments and explore ways to help them cut down on manpower. This year, we are going to launch certain new measures, but they will not lead to any forced redundancy. We hope that such initiatives, coupled with the general civil service recruitment freeze and natural wastage, will enable the Government to reduce the civil service establishment to 160 000 posts by 2006/07 as scheduled.

Second, **the development of an improved civil service pay adjustment mechanism.** In November 2003, we issued a progress report setting out the policy considerations as well as the time-table for taking forward this exercise. A consultancy has also been commissioned to offer us the expertise for drawing up a detailed and feasible methodology for the pay level survey. We aim to present proposals on the methodology of pay level

survey and general ideas on the application of pay level survey results in the second quarter of this year for extensive staff consultation. Our plan is to embark on the pay level survey by the end of this year and then introduce to the Legislative Council any necessary legislation for implementing both upward and downward adjustments to civil service pay in the second quarter of 2005.

Third, **the review of civil service allowances.** Last year, we completed the first two stages of review of job-related allowances for civilian grades. It is estimated that this can bring about an annual saving of approximately \$20 million. We have also recently completed the review of acting allowances and the consultation on the proposed new measures among departments and staff. We are now gauging the views collected and new arrangements will soon be announced. For allowances provided as fringe benefits, the review is relatively complicated since we need to take into account policy, legal and other relevant considerations. Over the past few months, CSB has explored some improvement proposals for various allowances and I have also met with staff representatives of the four central consultative councils to solicit staff views on the review exercise. Based on such inputs and other relevant considerations, we are now developing concrete proposals for allowances which are more important and has a wider coverage (such as housing and education allowances) so that extensive consultation among staff can be carried out later this year. In the short run, we shall consult the staff on proposed amendments to allowances which are less important or affect fewer civil servants so as to make early implementation possible. We are confident that this review exercise can help the Government achieve substantive savings in staff allowances and bring the granting of allowances in line with present day circumstances. In mid-April, we shall further update Members on the progress of this exercise at the meeting of the Panel on Public Service.

The Legislative Council has also approved the incorporation of the Civil Service Training and Development Institute into CSB with effect from 1 April this year. Following this, the core activities and work objectives of the Institute will be refocused to enhance the effectiveness of civil service training. The incorporation will result in the deletion of 47 posts and an annual saving of \$47 million.

I wish to point out that with the streamlining of civil service establishment and the adjustments of civil service pay and allowances, our recurrent payroll expenditure excluding pension is expected to drop from \$51.9 billion in 2001/02 to \$47.8 billion in 2004/05.

In the process of implementing civil service reforms, we shall remain adhered to the principles of lawfulness, fairness and reasonableness, and continue to have the staff thoroughly consulted whenever necessary and cater for the overall interests of the community. Members will no doubt share my view that over the past few years, civil servants have indeed displayed a high standard of professionalism and continued to provide quality service for the community while coping with reduced resources but ever-increasing challenges.

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