

**LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE**

**Meeting on 15 March 2004**

**Civil Service-related Issues in the Budget Speech 2004-05**

**Purpose**

This paper informs Members of the civil service-related issues in the Budget Speech 2004-05.

**Background**

2. The Financial Secretary delivered his Budget Speech 2004-05 on 10 March 2004 and reaffirmed the Government's commitment to reducing Government's operating expenditure to \$200 billion by 2008-09. As far as civil service matters are concerned, the Budget Speech covered civil service pay adjustment, streamlining the organisation structures of bureaux and departments and containing the size of the civil service. It also pointed out that a stable civil service is a key element of Hong Kong's long-term development. In implementing the foregoing measures, the Government will strive to maintain civil service morale. While we have briefed Members on these subjects on different occasions, we take this opportunity to update Members on their latest progress.

**Civil Service-related Issues**

*Civil Service Pay Adjustment*

3. In February 2003, the Chief Executive in Council decided that the pay pertaining to each pay point on the civil service pay scales should be restored to the level it was at, in dollar terms, on 30 June 1997 by two adjustments of broadly equal amount to be implemented from 1 January 2004 and 1 January 2005 respectively. The decision reflects

the consensus proposal that we had reached with the staff representatives of the four central consultative councils and the four major service-wide staff unions in February 2003 on the timing and magnitude of the adjustments to civil service pay following the pay reduction implemented from 1 October 2002. The Public Officers Pay Adjustments (2004/2005) Ordinance, which implements the pay adjustments decision, was enacted on 19 December 2003. With the full implementation of the pay adjustments in 2002, 2004 and 2005, the Government will save about \$10 billion a year on civil service salary expenses and subsidies to the subvented sector.

4. Meanwhile, as part of our on-going efforts to modernise the management of the civil service and to address public comments on the existing civil service pay adjustment mechanism, we have embarked on an exercise to develop an improved pay adjustment mechanism for long-term adoption in the civil service. The objective of the exercise is to put in place an improved mechanism which reflects the civil service pay policy (i.e. to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service) and upholds the principle of maintaining broad comparability between civil service pay and private sector pay.

5. In April 2003, CSB established a steering committee comprising selected members drawn from the three advisory bodies on civil service salaries and conditions of service and a consultative group involving staff representatives to provide input to the exercise. In November 2003, we issued a progress report setting out the policy considerations as well as the time-table for taking forward the exercise. In addition, we have commissioned a consultancy to assist us in drawing up a detailed and feasible methodology for the pay level survey. According to our work plan, we intend to present proposals on the pay level survey methodology, improvements to the pay trend survey methodology and general ideas on the application of the pay level survey results in the second quarter of this year for extensive consultation. Our plan is to complete the whole exercise, including presentation of detailed proposals on the application of the pay level survey results and introduction of any necessary legislation for implementing both upward and downward pay adjustments into the Legislative Council, in the

second quarter of 2005. In finalising the detailed arrangements for the improved mechanism, we shall give due consideration to the views put forward by staff and other concerned parties and be guided by the overall interests of the community as a whole.

*Streamlining the Organisation Structures of Bureaux and Departments*

6. Several major reorganisation exercises have taken place in the past year to streamline the organisation structures of bureaux and departments and to enhance efficiency and productivity through re-engineering and re-prioritisation of service delivery. These include, inter alia, the merger of the Government Land Transport Agency, Government Supplies Department and Printing Department into a new Government Logistics Department; the merger of the Labour Department and the Labour Branch of the Economic Development and Labour Bureau; and the incorporation of the Official Languages Agency into the Civil Service Bureau.

7. In 2004-05, the Administration will continue to step up efforts on this front. The first initiative to be implemented in the financial year is the incorporation of the Civil Service Training and Development Institute into the Civil Service Bureau and a refocusing of its objectives and core activities with effect from 1 April 2004. The proposal will result in a net deletion of 47 posts by 2005-06 and net annual savings of \$34.1 million in staff cost and of \$13 million in training and departmental expenses.

8. Other re-organisation proposals in the pipeline include –
- (a) the amalgamation of the Civil Engineering Department and the Territory Development Department into a new Civil Engineering and Development Department with a view to achieving greater efficiency and productivity;
  - (b) streamlining of the organisation structure and deployment of staffing resources of the Hong Kong Economic and Trade Offices through de-layering, redistribution of duties and reduction of directorate posts; and

- (c) further review of the organisation structure of the Housing Department with a view to building a leaner and more dynamic organisation that can respond to service demand more efficiently and effectively.

The Administration will submit these proposals to the Establishment Sub-Committee and Finance Committee for approval in due course.

*Containing the Size of the Civil Service*

9. In his 2003 Policy Address, the Chief Executive announced the target to reduce the civil service establishment to around 160 000 by 2006-07.

10. We have been implementing the initiative of reducing civil service establishment through a combination of measures including the Second Voluntary Retirement Scheme, a general civil service recruitment freeze, natural wastage and other measures such as re-organisation. Through continuous efforts of departments to streamline and re-engineer their operations and mode of service delivery, the total civil service establishment has been reduced to 172 865 as at 31 January 2004<sup>1</sup>.

11. With the continued efforts of bureaux and departments, it is projected that we may be able to further delete some 6 300 posts from now up to March 2005. If so, this will bring the civil service establishment down to about 166 500 by March 2005. The establishment position after March 2005 is less certain due to various on-going reviews and re-organisation exercises. It remains our objective to reduce the establishment to 160 000 by 2006-07. A detailed report on progress of reduction of the civil service establishment has been separately submitted to the LegCo Panel on Public Service.

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<sup>1</sup> Including 1 629 judicial officers, ICAC officers and locally engaged staff in Hong Kong Economic and Trade Offices.

## **Way Forward**

12. The civil service will remain dedicated and professional in assisting the Government in tackling the fiscal deficit and revitalising the economy. In particular, the civil service will continue to support the Government in reducing public expenditure and to ensure that the public services are provided efficiently and cost-effectively through re-prioritisation of service provision, structural re-organisation and streamlining of procedures.

**Civil Service Bureau**  
**March 2004**