

**LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE  
MEETING ON 19 APRIL 2004**

**Review of Civil Service Allowances**

**Purpose**

This paper briefs Members on the progress of the Administration's comprehensive review of allowances payable to civil servants.

**Background**

2. It is the Government's established policy to keep our civil service management system under review and to ensure that the continued provision of various allowances is justified and in line with present day circumstances. Coupled with the Government's commitment to achieving significant economy in its operating expenditure in the next few years, Civil Service Bureau has undertaken a comprehensive review of civil service allowances, including those related to the performance of duties and those provided as fringe benefits.

**Duty-related allowances**

3. Regarding allowances related to the performance of duties, we keep them under review on an on-going basis to improve their administration in line with today's circumstances. For instance –

- (a) In December 2000, we introduced revised guidelines to strengthen the control and administration of overtime and related allowances;
- (b) In 2002, we rationalised the leave and leave passage allowance arrangement as well as the payment of Special Posting Allowance for officers posted outside Hong Kong; and
- (c) In January 2003, we reduced the rates of Duty Mileage Allowance and introduced a new formula, which takes into account only the running costs of a vehicle, for determining the allowance rates.

4. Since the announcement of the comprehensive allowance review last year, we have made the following progress in respect of duty-related allowances –

- (a) In consultation with departmental management and taking account of the views of staff, we completed two phases of the review on job-related allowances (JRAs) payable to civilian grades in 2003. Certain allowances that were considered no longer justified because of changing circumstances were ceased; and areas of improvements (e.g. tightening up the payment criteria) were identified for some others. The estimated annual savings following review are about \$20 million. We aim to complete the review on individual JRAs payable to disciplined services grades and the third-phase review<sup>1</sup> on JRAs payable to civilian grades later this year; and
- (b) We have recently consulted the staff sides and departmental management on our proposals to reduce the rates of acting allowance and to tighten up the payment rules. We shall, taking account of the comments received, make a decision on the change proposals soon.

5. Due to our continuous efforts in improving the administration of duty-related allowances, the overall expenditure in this regard has been decreasing steadily. The actual expenditure in 2001-02 and 2002-03 was \$1,611.9m and \$1,470.6m respectively, representing a 8.8% year-on-year reduction. The projected expenditure in 2003-04 is \$1,159.4m, or a further 21.2% reduction. We shall continue to closely monitor the payment of duty-related allowances and keep them under review with the objective of ensuring that their continued payment is justified and enhancing administrative efficiency.

### **Fringe benefit type of allowances**

6. We have been taking proactive steps over the years to modernise the provision of fringe benefits to civil servants. The payment of many fringe benefit type of allowances has been either ceased or tightened up for new recruits joining the service after a specified date as set out below -

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<sup>1</sup> The third-phase review on JRAs payable to civilian grades covers the payment of Hardship Allowance in Food and Environmental Hygiene Department, Department of Health and the Hospital Authority.

- (a) On **education and related allowances**, we have ceased the provision of overseas education allowance and school passage allowance for civil servants offered appointment on or after 1 August 1996 and the provision of local education allowance for civil servants offered appointment on or after 1 June 2000;
- (b) On **passage and related allowances**, we have ceased the provision of sea passage and sea baggage allowance for officers offered appointment on or after 1 December 1984 and 1 January 1999 respectively. The provision of travelling expenses and unaccompanied air baggage allowance in conjunction with school passage allowance has been ceased for officers offered appointment on or after 1 August 1996. The provision of travelling expenses and unaccompanied air baggage allowance in conjunction with leave passage allowance has been ceased for officers offered appointment on or after 1 January 1999. For leave passage allowance which is available to directorate officers only, family members of officers offered appointment on or after 1 June 2000 are no longer eligible for the allowance; and
- (c) On **housing and related allowances**, we have ceased the provision of house allowance and private tenancy allowance for officers offered appointment on or after 1 October 1990; the provision of accommodation allowance for officers offered appointment on or after 1 January 1999; the provision of furniture and domestic appliances allowances and hotel subsistence allowance for officers offered appointment on or after 1 May 1999; and the provision of air-conditioning allowance for those occupying substantively a directorate post on or after 1 May 1999. We have also replaced all existing housing allowances with a non-accountable allowance for officers offered appointment on or after 1 June 2000.

**Generally speaking, the package of fringe benefits available to officers offered appointment on or after 1 June 2000 has been substantially trimmed down in step with present day circumstances.** The key features of the fringe benefits package for new recruits offered appointment on or after 1 June 2000 (i.e. under New Terms) are set out at **Annex A**.

7. In view of the foregoing, the current review principally focuses on identifying feasible ways to further rationalise the payment of various allowances to officers who are currently or potentially<sup>2</sup> eligible for these

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<sup>2</sup> The payment of fringe benefit type of allowances is normally pegged to an officer's salary point. Thus, an officer who is not currently receiving an allowance may become eligible for it at a future date through salary progression or promotion.

allowances as fringe benefits under their terms of employment. Such a review is, in comparison, a much more complex exercise than that concerning duty-related allowances as we need to take full account of the legal, policy and other relevant considerations.

## **Way forward**

8. The Department of Justice has advised us that there is some scope under the Basic Law and the employment contracts with serving officers for rationalising the payment of fringe benefit type of allowances. We have during the past months explored the possible directions and scope of change for individual allowances that are of a fringe benefit nature. The Secretary for the Civil Service has also met with the staff sides of the four central consultative councils to listen to their views. These discussions have been constructive and useful. Taking account of the views received from the staff sides and other relevant considerations, we shall take forward the review exercise in two phases.

9. Under the first phase, we shall pursue change proposals for allowances that affect relatively fewer civil servants and those change proposals that are less complicated. The allowances concerned and the broad direction of the possible changes are set out at **Annex B**. We aim to consult staff on the detailed proposals in about a month's time, with a view to implementing the change measures at an early date.

10. As regards those change proposals which are likely to have a more extensive impact within the civil service (e.g. change proposals concerning education allowances and housing allowances), we are developing concrete proposals taking into account the views received from the staff sides. We aim to consult staff on the detailed proposals regarding these allowances later this year under the second phase of the review exercise.

11. **We are guided by the principles of lawfulness, reasonableness and fairness in carrying out the review.** In developing the detailed change proposals, we shall ensure that they are consistent with the Basic Law and other legal considerations. As undertaken, we shall fully consult staff in the process. We shall also seek the views of the advisory bodies on civil service salaries and conditions of service. Before making a decision, we shall give due considerations to all relevant policy, legal and other factors, including impact on staff.

12. We shall keep Members informed of further progress of the review.

Civil Service Bureau  
April 2004

**Key features of the fringe benefits package for  
civil servants offered appointment on or after 1 June 2000 (i.e. under New Terms)**

Fringe benefits	Provision
Leave	Annual entitlement from 14 days to 22 days for officers with less than 10 years of service, and from 18 days to 26 days for those with 10 or more years of service, depending on the officer's substantive pay point. Entitlement is on a working-day basis. Accumulation limit is two years' entitlement.
Housing Benefits	<b>For officers on or above MPS 34 or equivalent</b> Non-accountable Cash Allowance (NCA) (100% non-accountable) except recruits who have forfeited their entitlement to civil service housing benefits.
Leave Passage Allowance (LPA)	Officers at directorate level may receive a non-accountable LPA for each 12-month cycle. LPA rates are currently \$11,515 to \$43,720, depending on the officer's substantive pay point. Family members are <u>not</u> eligible.
Medical & Dental Benefits	Medical advice and treatment, investigative procedures, medicines and dental treatment are provided to civil servants, retired civil servants in receipt of a pension and their eligible dependents free of charge at the Government or the Hospital Authority hospitals and clinics. A reduced charge is made for hospital maintenance and a charge is applied on specified dentures and dental appliances.
Retirement Benefits	Civil Service Provident Fund Scheme

### First Phase of the Review of Civil Service Allowances : Broad Direction of Possible Changes

Allowance	Description	Broad direction of possible changes
<b>Passage and related allowances</b>		
Leave passage allowance (LPA)	To cover eligible officers' travel-related expenses. Payable to all directorate officers and officers on overseas terms. Eligible officers appointed on local terms <sup>1</sup> , overseas terms <sup>1</sup> and common terms <sup>1</sup> may claim LPA for themselves and their family members.	We shall consider lowering the LPA rates and ceasing the provision of LPA for family members of officers who are appointed/promoted to the directorate from a prospective date.
Sea passage	To provide homeward passage by sea for overseas terms officers on their final departure from the service. Payable to officers on overseas terms offered appointment before 1.12.1984.	The allowance was originally provided to overseas officers appointed to the permanent establishment before 1958. Since 1972, sea passage is provided to overseas terms officers who retire at the age of 50 or above and, for agreement officers, on satisfactory completion of not less than 15 years of public service in Hong Kong or another UK dependent territory. At present, about 220 officers remain eligible for this allowance. We shall consider ceasing the provision of sea passage in view of the alternative of air passage for the purpose of the homeward passage.
Sea baggage allowance	To cover expenses on transportation of baggage by sea. Payable to officers on overseas terms and their family members on their final departure from the service. The amount of allowance payable is determined by the cost of sea transportation of baggage up to the officer's maximum	We shall consider freezing the volume entitlement for each eligible officer at the level calculated in accordance with the existing rules at a prospective cut-off date.

<sup>1</sup> We ceased to offer local terms and overseas terms to new entrants to the civil service with effect from 1 January 1999 and common terms with effect from 1 June 2000.

Allowance	Description	Broad direction of possible changes
	volume entitlement having regard to his years of service, salary point and marital status.	
<b>Housing related allowances</b>		
Provision of hotel accommodation	To provide hotel accommodation on a short-term basis when quarters are not available. Provided to officers on overseas terms offered appointment before 1.10.1990 who are eligible for non-departmental quarters.	We shall consider shortening the period for which hotel accommodation will be provided.
Hotel subsistence allowance	To assist eligible officers to meet expenses while occupying hotel accommodation. Payable to officers offered appointment before 1.5.1999 who are eligible for hotel accommodation. The current allowance rate is \$85 per night for an adult and a child aged four or above, and \$35 per night for a child aged below four.	The allowance was introduced in 1972. We shall consider ceasing the payment of the allowance in view of present day circumstances.
Provision of furniture and domestic appliances and furniture and domestic appliances allowances	Furniture and domestic appliances are provided to officers eligible for non-departmental quarters, officers directed by their heads of departments to occupy post-tied quarters, and officers who were offered appointment on local terms or common terms before 1.5.1999, receiving a substantive salary on Master Pay Scale Points 17 – 44 or equivalent and are occupying departmental quarters. If for any reason no furniture or domestic appliances are supplied, they are eligible for the furniture and domestic appliances allowances. The current rates of the furniture allowance and the domestic appliances allowance are \$100 a month and \$50 a month respectively.	We shall consider ceasing the provision of furniture and domestic appliances and the payment of furniture and domestic appliances allowances.



<b>Allowance</b>	<b>Description</b>	<b>Broad direction of possible changes</b>
Removal allowance	To assist officers who are directed to move from one quarter to another, and to disciplined services officers who move from departmental quarters into Housing Authority accommodation under the Special Quota of the Civil Service Public Housing Quota. The allowance comprises an accountable component and a non-accountable component.	We shall consider turning the allowance into a non-accountable allowance at a reduced rate.
Air-conditioning allowance	To cover expenses on purchase of air-conditioners. Payable to officers occupying a directorate post substantively before 1.5.1999. The allowance is payable on a reimbursement basis, up to two air-conditioners at \$3,135 each.	The allowance was introduced in 1973. At present, about 1 000 officers are eligible. We shall consider ceasing the allowance in view of present day circumstances.