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Panel on Public Service

Meeting on 18 February 2019

Updated background brief on extension of the service of civil servants

Purpose

This paper provides background information on the extension of the service of civil servants, and summarizes the major views and concerns expressed by members of the Panel on Public Service ("the Panel") on the subject in previous discussions.

Background

2. Having regard to an ageing population and shrinking labour force and in anticipation that the wastage of civil servants would be relatively high in the coming years,¹ the Government announced in January 2015 the adoption of a package of flexible measures for extending the service of civil servants.² The latest implementation progress of the measures is briefly summarized below:

- (a) since 1 June 2015, the retirement age of new recruits to the civilian grades has been raised to 65 and that for disciplined services grades to 60;
- (b) the Post-retirement Service Contract ("PRSC") Scheme has been introduced since November 2015 for bureaux/departments ("B/Ds") to engage retired/retiring civil servants on contract terms to undertake ad hoc, time-limited, seasonal or part-time tasks which call for specific civil service expertise/experience;

¹ The retirement of civil servants would peak in the five-year period from 2017-2018 to 2021-2022, and the annual average number of retirees would be about 7 000.

² For details, see the Administration's paper [LC Paper No. CB\(4\)343/14-15\(04\)](#).

- (c) the final extension of service for serving civil servants has been raised from 90 days to 120 days since February 2016, and CSB has relaxed the approval criteria and the application procedures to allow B/Ds flexibility to retain suitable serving officers beyond retirement age to meet specific and short-term operational and succession needs; and
- (d) the adjusted mechanism on further employment ("FE") has been implemented since June 2017 for B/Ds to flexibly retain serving civil servants beyond retirement age for a longer duration of up to five years in the light of operational needs, succession planning and recruitment situation of individual ranks. Specifically, when there is a need for FE in a rank, applications for FE will be invited from all eligible civil servants. An FE selection board will then be conducted to consider the applications received. The period that may be approved in each FE selection exercise should normally be 12 calendar months or less for promotion ranks, and 12 or 18 calendar months for entry ranks/one-rank grades. The approving authority has to seek the comments and advices of CSB and/or the Public Service Commission ("PSC") before approving FE.

3. In order to tie in with the goal of expanding the labour force and to respond to the aspirations of serving civil servants, the Chief Executive announced in her 2017 Policy Address that serving civil servants who joined the Government between 1 June 2000 and 31 May 2015 will be allowed to choose to retire at 65 (for civilian grades) or 60 (for disciplined services grades). CSB then launched a consultation to seek staff views on the proposed implementation framework of this new initiative ("new initiative")³ from 20 February 2018 to 30 April 2018 and received a total of 496 submissions, including 19 submissions referred by the Panel. The majority of respondents supported the new initiative in principle, while individual civil service bodies had major concern about the proposed migration of the contribution scale of the Civil Service Provident Fund ("CSPF") Scheme.

4. After considering views received during the consultation, the Chief Executive-in-Council decided to provide civil servants who joined the Government between 1 June 2000 and 31 May 2015 with the option to retire at

³ The link to the consultation paper is https://www.csb.gov.hk/english/publication/files/Consultation_Paper_2018_Eng.pdf.

65 (for civilian grades) or 60 (for disciplined services grades) ("the Option") under the following terms:

- (a) civil servants who joined the Government between 1 June 2000 and 31 May 2015 and are in active service on the date the Option is launched be eligible for taking the Option if they are appointed on permanent terms ("Eligible Civil Servants");
- (b) Eligible Civil Servants who have taken the Option be required to migrate to the CSPF scale applicable to those who joined the civil service on or after 1 June 2015 ("2015 CSPF Scale"), subject to a grandfathering arrangement⁴;
- (c) Eligible Civil Servants be given two years to decide whether or not to take the Option, subject to transitional arrangements,⁵ and their decision be irrevocable; and
- (d) Eligible Civil Servants who have taken the Option be given the flexibility to retire during the period of their extended service.

Subsequently CSB launched the Option in July 2018.

Discussions at the Panel

5. The Panel discussed the issue at its previous meetings and invited deputations/individuals to give their views on 21 July 2014 and 18 May 2015

⁴ Under the grandfathering arrangement, Eligible Civil Servants who have taken the Option will retain the Government's CSPF contribution rate immediately before the Option took effect until they have progressed above that rate along the migrated scale, i.e. the 2015 CSPF Scale. The grandfathering arrangement addresses the staff side's concern that upon taking the Option, an Eligible Civil Servant would stand to lose out on the Government's CSPF contribution before enjoying the benefits the Option will bring.

⁵ The Administration will make transitional arrangements for Eligible Civil Servants who, under the current retirement age, will cease active service during the period from the day when the Option is launched to the end of the option period. To cater for their circumstances, they may generally decide whether or not to take the Option two months before they would otherwise cease active service, and the migration to the 2015 CSPF Scale will take effect a short period afterwards. A short extension of service may be granted for the Eligible Civil Servant concerned to allow time for processing the case. Such a short extension should be similarly granted if an Eligible Civil Servant will otherwise retire soon after the option period expires.

respectively. The major views and concerns expressed by Panel members and deputations/individuals, as well as the Administration's responses are summarized below.

New initiative

6. Members in general welcomed the implementation of the new initiative. On a member's query whether this new initiative might cause promotion blockage to younger civil servants, the Administration advised that since the majority of serving civil servants who joined the Government between 1 June 2000 and 31 May 2015 would only reach their non-extended retirement age 15 to 25 years later, B/Ds would have sufficient time to make succession planning in a systematic manner. In addition, the retirement age of civil servants who joined after 31 May 2015 had been raised, promotion blockage should not be a major concern to staff.

7. Since the Option taken by Eligible Civil Servants is irrevocable, a member expressed his worry that some civil servants on new permanent terms ("NPT") who chose to take the Option might not be able to work subsequently before their new retirement age due to family or health reasons. He hence requested the Administration to make flexible arrangement to allow these civil servants with special reasons to retire early. The Administration responded that under the proposed implementation framework, eligible civil servants taking the Option could retire during their extended service after giving the requisite notice.

8. As Eligible Civil Servants on disciplined services grades were only allowed to choose to retire at 60, a member suggested that the Administration should consider allowing them to choose to retire at 65 and deploying them to clerical positions or positions with less physical fitness requirements during their extended service. Due consideration should be given to avoiding promotion blockage, say, by creating new posts to accommodate them in order to make use of their experience and expertise.

9. In reply to a member's enquiry about the proposed changes to the retirement benefits system under the new initiative, the Administration explained that CSPF Scheme was the retirement benefits system for civil servants appointed on new civil service terms on or after 1 June 2000 and when they subsequently progressed onto NPT. In compliance with the parameter of keeping the Government's overall financial commitment to the CSPF Scheme within 18% of the salary cost, when the retirement age of civil servants appointed on or after 1 June 2015 was raised, 2015 CSPF Scale applicable to these civil servants was introduced. As the appointment terms and conditions of eligible civil servants who had taken the Option and civil servants appointed

on or after 1 June 2015 would be largely the same, the Administration proposed that Eligible Civil Servants who had taken the Option should migrate to the 2015 CSPF Scale with effect from the implementation date of the Option.⁶

10. On members' enquiries on whether the fringe benefits, such as the annual leave earning rate, of eligible civil servants would be affected if they took the Option and whether the flexible measures as mentioned in paragraph 2(a) to 2(d) above to extend the service of civil servants ("flexible measures") were still applicable to them, the Administration advised that there would be no major changes to their fringe benefits for taking the Option, and the flexible measures should continue to apply to them.

Retirement age of serving civil servants who joined the Government before 1 June 2000

11. Some members opined that the new initiative was unfair to serving civil servants who joined before 1 June 2000. In order to retain talents and facilitate the transfer of experience of civil servants in a time when the working population of Hong Kong was in continuous decline, they urged the Administration to give this group of civil servants the same option to extend their service without selection.

12. The Administration explained that out of some 87 000 serving civil servants on pensionable terms who joined the Government before 1 June 2000, 88% were aged 45 or above (for civilian grades) and aged 40 or above (for disciplined services grades). The majority of these civil servants would reach their current retirement age in 10 years' time before the labour force of Hong Kong was expected to become critical starting from 2030. On the other hand, since the majority of the civil servants who joined the Government between 1 June 2000 and 31 May 2015 would reach their current retirement age starting around 2030, the new initiative tied in well with the goal of expanding the labour force. Nevertheless, B/Ds could make use of the flexible measures to extend the service of civil servants beyond retirement age in the light of operational needs.

Adjusted mechanism on further employment of serving civil servants

13. Members and deputations queried about the selection process and composition of the selection boards for considering applications for FE. They worried that preference might be given to officers of senior ranks, and suggested introducing an appeal mechanism to enhance transparency.

⁶ See footnote ⁴ on grandfathering arrangement as mentioned in paragraph 4(b).

14. The Administration responded that the adjusted mechanism would be applicable to all grades and ranks, and would be subject to oversight by CSB and PSC for ranks under its respective purview. To ensure fairness, the composition of selection boards would model on that of the promotion and recruitment boards comprising officers who were familiar with the work of the relevant rank. The chairman and members of the selection board should be of a substantively higher rank with the chairman holding a post at least two ranks above that of the required position.

Post-retirement Service Contract Scheme and Final extension of service beyond retirement age

15. Question was raised on whether there would be a mechanism to prevent Head of Departments/Head of Grades from employing retired civil servants under the PRSC Scheme to delay filling civil service vacancies in order to save costs. The Administration responded that there was no cause for such concern given the different nature of civil service posts and non-civil service positions under the PRSC Scheme. Whilst civil service posts would cover service needs of a permanent nature, the tasks to be taken up by retired civil servants under the PRSC Scheme were ad hoc/time-limited/seasonal tasks that should not be undertaken by civil service posts. Although retired civil servants under the PRSC Scheme would be employed on contract terms, they should not be confused with the non-civil service contract staff, as the former involved ad hoc tasks requiring civil servant expertise and/or experience.

16. In reply to members' enquiry, the Administration advised that there were around 1 200 full-time PRSC staff filling non-directorate positions as at 30 June 2017. For the final extension of service, as at 24 August 2017, the Administration had approved around 3 000 applications under the revised arrangements since their implementation in February 2016.

Fringe benefits of civil servants

17. Some members were concerned that the fringe benefits, such as medical and dental benefits, leave entitlement and housing benefits, of civil servants appointed on or after 1 June 2000 on NPT were less favourable than those on pensionable terms, which might adversely affect the morale of these civil servants. They hence enquired whether the Administration would consider improving the benefits of these civil servants with a view to boosting their morale.

18. The Administration explained that a series of civil service reforms were carried out in 1999 that involved a review of the terms and conditions of employment for new recruits who joined the Government on or after 1 June

2000. Upon the completion of the review, revisions were introduced having regard to a host of factors, including the principle of broad comparability with the private sector. The Administration would continue to keep in view the morale of civil servants and the attractiveness of the remuneration of civil servants, so that suitable people would be recruited to join the civil service and serving civil servants would be retained.

Relevant questions raised at Council meetings

19. Council questions on the extension of the service of civil servants have been raised from 2015 to 2017. Hyperlinks to these questions and the Administration's responses are in **Appendix**.

Latest position

20. The Administration proposes to update members on the progress of the implementation of the initiatives for extending the service of civil servants at the Panel meeting scheduled for 18 February 2019.

Relevant papers

21. A list of relevant papers is in the **Appendix**.

Council Business Division 4
Legislative Council Secretariat
14 February 2019

Extension of the service of civil servants

List of relevant papers

Meeting	Date of meeting	Paper
Panel on Public Service	19 January 2015	Administration's paper Minutes
	18 May 2015	Background brief prepared by the Legislative Council Secretariat Minutes
	21 December 2015	Administration's paper Updated background brief prepared by the Legislative Council Secretariat Minutes
	20 February 2017	Administration's paper Updated background brief prepared by the Legislative Council Secretariat Minutes
	26 February 2018	Administration's paper Updated background brief prepared by the Legislative Council Secretariat Minutes

Meeting	Date of meeting	Paper
Council Meeting	22 April 2015	<u>Official Record of Proceedings Pages 23 - 25 (Written question raised by Hon KWOK Wai-keung)</u>
	9 November 2016	<u>Official Record of Proceedings Pages 118 - 123 (Written question raised by Dr Hon Elizabeth QUAT)</u>
	14 June 2017	<u>Official Record of Proceedings Pages 73 – 77 (Written question raised by Hon WONG Ting-kwong)</u>
	6 December 2017	<u>Official Record of Proceedings Pages 100 – 107 (Written question raised by Dr Hon Elizabeth QUAT)</u>
Legislative Council Brief	19 June 2018	<u>Extension of service of civil servants who joined the government between 1 June 2000 and 31 May 2015</u>