

**Legislative Council Panel on Public Service
Meeting on 20 March 2000**

Update on Civil Service Reform

INTRODUCTION

This paper gives an update on the latest position on the various proposals under Civil Service Reform since the release of the Civil Service Reform Consultation Document on 8 March 1999.

BACKGROUND

2. On 8 March 1999, we released the Civil Service Reform Consultation Document. It outlined the overall framework and our initial thinking on the reform of various aspects of the civil service management system including entry and exit, pay and conditions, conduct and discipline, performance management, and training and development. The Consultation Document generated considerable discussion amongst civil servants, staff unions, academics, legislators as well as the public at large. The first phase of the consultation exercise comprising a three-month consultation period on the Civil Service Reform Consultation Document ended in June 1999. Over 700 submissions were received. These submissions provided useful and valuable views, comments and suggestions which have helped us to develop our proposals.

3. As a result of feedback received during the first stage of consultation, we have drawn up more detailed proposals in the various policy areas for discussion with the Staff Sides and department/grade management over the last few months. At the Staff Sides' suggestion, we have set up Working Groups comprising representatives from the Central Staff Consultative Councils and the major service-wide associations to facilitate discussions on reform proposals in five major areas: entry, exit, fringe benefits, discipline and performance management.

REVIEW OF STARTING SALARIES

4. The Finance Committee approved at its meeting on 18 February 2000 the new pay scales and the delinking of entry pay from the annual pay trend for recruits and serving staff on transfer. We will

implement the new system on 1 April 2000. We estimate that about \$335M per annum will be saved in a normal recruitment year.

REVIEW OF JOB-RELATED ALLOWANCES

5. We have invited the Standing Commission on Civil Service Salaries and Conditions of Service and the Standing Committee on Disciplined Service Salaries and Conditions of Service to conduct a comprehensive review on job-related allowances. The review covers the principles, payment criteria, categorization as well as rates of job-related allowances. It will also advise on ways to improve the present monitoring and review mechanisms. The review commenced in August 1999 and is expected to be completed next month. Separately, we are also reviewing overtime allowance which covers eligibility and payment criteria and the adequacy of the existing guidelines on control of overtime. We have already implemented changes to the Acting Allowance and the Home-to-Office Travelling Allowance. These latter two changes are expected to save \$235M per annum.

PROPOSED CIVIL SERVICE ENTRY SYSTEM

Appointment of new recruits

6. We have proposed a new entry system for recruits having regard to the aim to make the civil service appointment system more flexible to suit management needs, to achieve an appropriate balance between stability and flexibility, and to allow reasonable aspirations for long term appointment.

7. Under the proposed new entry system, recruits will normally enter the civil service on probationary terms for three years. During this period their suitability for the job and their potential will be closely monitored and assessed. Those who have satisfactorily passed the probation will be appointed on agreement terms (usually for three years). Recruits can be considered for more permanent tenure and be appointed on the prevailing terms after fully demonstrating their suitability and potential to advance in their chosen career in the agreement period.

8. In accordance with the principle of enhancing flexibility in the civil service management system, we will allow for variations to this basic entry system for individual grades to cater for their management needs and operational circumstances. Feedback from department/grade management so far indicates the following possible variations -

- (a) the disciplined services see a need to appoint recruits directly to long term tenure upon completion of probation for reasons of greater stability, retention of experience, and assuring staff in undertaking life-risking duties;
- (b) the Administrative Service and the Executive Officer Grades are likely to appoint recruits on more permanent terms only upon their promotion to the next higher rank to ensure the quality of permanent members of these important management grades; and
- (c) some professional grades have also indicated that they prefer greater use of agreement terms in various ranks to facilitate transfer of expertise with the private sector.

Competitive appointment system

9. Department and grade management will be given greater flexibility to widen the field of candidates to fill higher rank vacancies by in-service recruitment among candidates with relevant experience, qualifications or expertise. Open recruitment to higher rank vacancies, where justified, may also be considered on an individual case basis to bring in skills, experience and expertise not available within the grade.

10. We are now finalising the proposals in the light of the views of the Staff Sides and department management and aim to have the new entry system for recruits in place as soon as possible.

PROPOSED CIVIL SERVICE FRINGE BENEFITS FOR RECRUITS

11. We have been working on a new fringe benefits package proposal with reference to private sector practice bearing in mind the need to ensure that the benefits, when coupled with the new starting salary levels are sufficient to attract and motivate persons of suitable calibre. The main features are -

- (a) revised leave terms which are more in line with private sector terms;
- (b) revised housing benefits scheme with a new non-accountable housing allowance;

- (c) a new insurance based scheme for the provision of medical and dental benefits; and
- (d) cessation of education allowance scheme.

12. On medical and dental benefits, given the complexity of an insurance scheme, we need more time to analyse the alternatives. As regards the other items, we are now finalising our proposals in the light of the views expressed by the Staff Sides and department management and aim to have the revised benefits in place very soon.

13. The suggested new fringe benefits package will apply to recruits only. We are still considering whether, and if so how, serving officers should be given an option to switch to the new system.

CIVIL SERVICE PROVIDENT FUND (CSPF) SCHEME

14. We have commissioned a consultancy study on the design and implementation of a CSPF scheme.

15. The consultancy study is to be undertaken in two stages: Stage 1 – study and design will be completed by mid-2000; and Stage 2 – implementation study will take another four months. We will involve the Staff Sides in the process of the consultancy study. We will also conduct consultation with the Staff Sides and other stakeholders on the design of the CSPF scheme on completion of the Stage 1. Subject to the outcome of the consultation, we aim to commission Stage 2 implementation study within 2000 with a view to finalising the proposal in 2001.

16. The proposed CSPF scheme is intended for application to recruits. We are still considering whether, and if so how, serving officers should be given an option to switch to the new system.

DISCIPLINARY MECHANISM

17. We will streamline the existing disciplinary procedures under the Public Service (Administration) Order. We will also set up an independent disciplinary secretariat and a dedicated pool of officers to process disciplinary cases and conduct disciplinary hearings.

18. We have discussed the proposals with the Staff Sides and management. There is general agreement to the setting up of the proposed

disciplinary secretariat and the dedicated pool of officers, and also the proposed improvements to the disciplinary procedures.

19. We are taking steps to set up the disciplinary secretariat and the dedicated pool and aim to implement the new disciplinary mechanism in April 2000.

VOLUNTARY RETIREMENT IN REDUNDANCY SITUATIONS

20. We have worked out the principles for a Voluntary Retirement (VR) scheme for discussion with the Staff Sides and management. Based on the comments received, we are working on a compensation formula and other scheme details and will talk further to the Staff Sides and management later this month. We aim to finalise the VR scheme in mid 2000.

21. It remains the government policy to avoid staff redundancy as far as possible. VR, retraining and redeployment within the civil service will be used to achieve the Budget target of cutting 10,000 posts over the next three years.

MANAGEMENT-INITIATED RETIREMENT SCHEME

22. The purpose of the proposed management-initiated retirement (MIR) scheme is to allow the management to initiate early retirement of directorate civil servants to facilitate improvement to the organisation. It is not intended to be a punitive act to deal with poor-performing officers or conduct problems, which shall continue to be dealt with under the disciplinary mechanisms as outlined in paragraphs 17-19 above.

23. In developing the scheme, we have to strike a balance between the need for an effective management tool in support of organisational improvement by enhancing the quality of officers at the senior level, and the tenure held by permanent civil servants who aspire for secure employment until retirement. Directorate officers play a key role in shaping policies, steering service provisions and formulating development strategies of their departments. We firmly believe there is a case to introduce the scheme in this important decision-making echelon of the civil service so that the management will be able to create space at the top to cater for organisational improvement.

24. We will shortly issue a paper on the proposal for the management-initiated retirement scheme for further discussion with the Staff Sides.

PERFORMANCE MANAGEMENT AND PERFORMANCE-BASED REWARD SYSTEM

25. As a first step, we will tighten up on the application of the relevant Civil Service Regulations on granting of increments and introduce measures to improve the performance management system. We are discussing proposals with the Staff Sides and department management and aim to implement them as soon as possible.

26. In the meantime, we are studying the various performance reward systems currently in use locally and overseas to see if any could be adapted for use in the civil service here. Given the fact that such systems have been controversial, we need to proceed cautiously and start with trials in selected areas.

TRAINING AND DEVELOPMENT

27. We have reaffirmed that training and development should continue to serve the important function of helping to enhance efficiency and effectiveness of our service. We shall promote a learning culture and develop diversified training and development programmes which are tailored to identified training needs.

28. Assistance is being given to departments to enhance organisational training capacities and to draw up training and development plans which aim to enhance competency and on-the-job skills. These involve continuous efforts over the next few years. The Civil Service Training and Development Institute will work closely with the departments to take forward these changes.

Civil Service Bureau
March 2000