

**Legislative Council Panel on Public Service
Meeting on 15 March 2007**

**Civil Service-related Issues
featuring in the 2007 Budget Speech**

Purpose

This paper informs Members of the civil service-related issues featuring in the 2007-08 Budget Speech.

Background

2. The Financial Secretary delivered his Budget Speech 2007-08 on 28 February 2007. In it he paid tribute to the civil service for its contribution towards reining in government expenditure, implementing a wide range of policies and providing quality services to the community, while coping with greatly increased pressure from various austerity measures. He gave an update on the progress made in reducing the size of the civil service establishment. He announced the resumption of open recruitment of certain civil service grades with effect from 1 April 2007. He also referred to ongoing discussions with staff representatives on the application of the findings of the recently completed Pay Level Survey to the civil service and on the development of an improved civil service annual pay adjustment mechanism. These issues are described in greater detail below.

Control of the civil service establishment

3. In his 2003 Policy Address, the Chief Executive announced the target to reduce the civil service establishment to around 160 000 by 2006-07. As stated in the Financial Secretary's 2007-08 Budget Speech (paragraph 11 therein), we will broadly meet this target by the end of March 2007 when the civil service establishment will stand at around 161,800. This represents a reduction of over 18% as compared with the civil service establishment of around 198 000 in early 2000. We are able to achieve this reduction through Controlling Officers' efforts in

implementing structural reorganization and streamlining procedures and staff redeployment, and through the implementation of the Second Voluntary Retirement (VR II) Scheme and a general civil service open recruitment freeze.

4. As stated in the Financial Secretary's 2007-08 Budget Speech (paragraph 60 therein), we will continue to strictly control the size of the civil service. With the help of Controlling Officers, we have been monitoring and will continue to monitor the staffing situation of individual bureaux and departments through annual manpower plans. Controlling Officers will fill existing civil service vacancies or create and fill new posts only after critically reviewing their manpower situation and exploring the feasibility of other alternative means of service delivery. Taking this into account and having regard to the need to implement various policy initiatives and meet the community's increasing demand for public service, we estimate the civil service establishment will increase by about 0.7% to around 162 900 by the end of March 2008.

Resumption of open recruitment of civil servants

5. As stated in the Financial Secretary's 2007-08 Budget Speech (paragraph 61 therein), to complement the creation of new posts and to pre-empt possible succession problems arising in the civil service in the long run, we will resume open recruitment of civil servants from 1 April 2007 save for those grades included in the VR II Scheme. The open recruitment freeze on VR II grades will remain in force until March 2008. In the meantime, Controlling Officers who consider they must conduct open recruitment to fill vacant posts in the VR II grades may apply to a Panel co-chaired by the Chief Secretary and the Financial Secretary.

Civil service pay adjustment

6. As stated in the Financial Secretary's 2007-08 Budget Speech (paragraph 62 therein), it has long been our civil service pay policy to offer adequate remuneration to attract, retain and motivate staff of suitable calibre to provide the public with quality service. We also ensure civil service remuneration is considered fair by both civil servants and the public by adhering to the principle of broad comparability between civil service and private sector pay. In this connection, we are developing, in close consultation with staff representatives, an improved civil service pay adjustment mechanism. The key elements of this mechanism include the periodic conduct of Pay Level Surveys (PLS) and an improved annual pay adjustment

mechanism. We have recently completed the first PLS and are now discussing with staff representatives on how to apply the findings to the civil service. We have also completed our discussions with the staff representatives on an improved annual pay adjustment mechanism. We will continue to keep Members informed of the progress on the development of an improved civil service pay adjustment mechanism at the coming meetings of the Panel.

Way Forward

7. Members are invited to note the above progress. A more detailed account of the establishment of the civil service and the lifting of the open recruitment freeze is provided in a separate Panel paper entitled “Civil Service Establishment and Related Matters”. The Administration is committed to maintaining a civil service with the highest level of integrity, efficiency and performance. We will continue to work with Controlling Officers to control the size of the civil service establishment while maintaining a professional, stable and motivated civil service.

Civil Service Bureau
March 2007