

Legislative Council Panel on Public Service

Maintaining a Progressive Hong Kong Civil Service

Purpose

This paper gives Members an overview of the work of the Civil Service Bureau (CSB) in maintaining a professional, clean and efficient civil service for the Hong Kong Special Administrative Region (HKSAR).

The Work of the Civil Service Bureau

2. Under the Accountability System introduced since July 2002, the Secretary for the Civil Service (SCS) is accountable to the Chief Executive (CE) for the policy and management of the civil service. The key role of the SCS is to maintain a world-class civil service with the highest level of integrity, efficiency and performance so as to support the continued prosperity and stability of the HKSAR. The specific functions of the SCS include –

- (a) continuing with the Civil Service Reform in keeping with the changing circumstances and growing expectation of the community for better and more cost-effective public services;
- (b) initiating various changes to civil service policies and practices in consultation with the civil service so as to secure the widest possible consensus on the proposals; and
- (c) setting or changing civil service policies and practices in the interest of the civil service and the community at large and securing the necessary approval and funding.

3. The SCS heads the CSB which is responsible for the formulation and implementation of policies on the management of the civil service, including matters such as appointments, pay and conditions of service, staff management, manpower planning, training and development, conduct and discipline and use of official languages in the civil service. Heads of bureaux and departments are responsible for the day-to-day civil service management functions in respect of staff under their purview.

4. The SCS is underpinned by the Permanent Secretary for the Civil Service, three Deputy Secretaries and the Director of General Grades. The organization chart of the CSB is at **Annex A**.

5. The SCS is advised by a number of statutory or advisory bodies on civil service matters. The key ones are –

- (a) Public Service Commission;
- (b) Standing Commission on Civil Service Salaries and Conditions of Service;
- (c) Standing Committee on Disciplined Services Salaries and Conditions of Service;
- (d) Standing Committee on Directorate Salaries and Conditions of Service; and
- (e) Advisory Committee on Post-retirement Employment.

Civil Service Management System

6. As at 30 September 2004, the establishment and strength of the civil service was about 168,500 and 161,600 respectively, or about 5% of Hong Kong's labour force. Apart from planning and building various infrastructure projects to meet the city's continued growth, the civil service also provides a wide range of essential services to the community, including social and health services, business support and the maintenance of law and order.

7. Civil servants are expected to uphold the following core values –

- (a) commitment to the rule of law;
- (b) honesty and integrity;
- (c) accountability for decisions and actions;
- (d) political neutrality;
- (e) impartiality on the execution of public functions; and
- (f) dedication, professionalism and diligence in serving the community.

These values have been enshrined in various civil service rules and guidelines governing the conduct of civil servants, covering subjects such as avoidance of conflict of interest; acceptance of advantages and entertainment; declaration of private investments; use of information obtained in one's official capacity; and outside work, etc.

8. Under the Accountability System, the CE has reaffirmed that the civil service would remain permanent, meritocratic and politically neutral. The system of appointment, posting, promotion and disciplinary action would remain unchanged. The principle of political neutrality of the civil service is built on its allegiance to the Government. It is every civil servant's duty to be loyal to the CE and the principal officials of the day. It is the role of civil servants to evaluate the implications of policy options and to tender clear and honest advice in the process of policy formulation. Once a decision has been taken by the Administration, civil servants should support and implement the decision fully and faithfully irrespective of their personal preferences and should not make known their own views in public. They should assist the principal officials in explaining policy decisions and in gaining support of the Legislative Council and the public.

9. The civil service management system covers a wide spectrum of policy areas which are set out in **Annex B**.

Civil Service Reform

10. To ensure that Hong Kong continues to maintain a world-class civil service in keeping with the changing circumstances, the HKSAR Government has launched the Civil Service Reform since 1999 with the following objectives –

- (a) to review and make changes to the remuneration and retirement package of civil servants to bring it more in line with market level and practices;
- (b) to encourage more efficient and cost-effective use of manpower resources;
- (c) to review and make improvements to the entry and exit system in the civil service so as to attract and retain talents and to remove under-performers effectively; and
- (d) to introduce changes to the management and pay systems in the civil service which will motivate staff to do their best.

11. Over the past five years, the CSB has been working closely with departmental management and staff to enhance the civil service management system. We have made substantive progress in the following areas –

- (a) streamlining the civil service establishment;
- (b) improving the entry and exit system;
- (c) reviewing civil service pay and benefits;
- (d) reinforcing a performance-based culture; and
- (e) increasing training and development opportunities.

The key achievements under the Civil Service Reform are set out in **Annex C**.

Major Tasks Ahead

12. At present, the CSB is working on a number of priority tasks under the Civil Service Reform. The latest progress of these initiatives is as follows –

(a) *Reducing civil service establishment*

With the continued efforts of bureaux and departments, we expect that the civil service establishment will be further reduced to 166,500 by March 2005. We shall continue to monitor the progress through the manpower plans to be submitted by bureaux and departments on a regular basis. We are also further liaising with bureaux with a view to discussing with them what additional measures would be required to facilitate them to realize further reductions in the coming years. Indeed, we are exploring a number of measures to make the most effective use of our staff resources. These include internal redeployment, tighter control over the employment of Non-Civil Service Contract staff, greater flexibility in granting no-pay leave and introduction of targeted voluntary departure scheme. We shall explore the foregoing measures more thoroughly and consult the departmental management and the staff sides as necessary.

(b) *Conducting a pay level survey*

In the light of feedback from the steering committee and the consultative group, our consultant is finalising his recommendations on the methodology of the pay level survey for inclusion in the final

consultancy report. In accordance with our work plan set out in the progress report issued in November 2003, we shall put forward general ideas on the application of the pay level survey results, together with the proposed methodology for the pay level survey, for extensive consultation. We aim to launch the planned consultation before the end of this year and envisage that the field work of the pay level survey will commence in the first quarter of 2005. As a next step after the completion of the current exercise, we shall approach in a step-by-step manner other broader remuneration-related issues, such as individual grade structure reviews and the issues identified by the Task Force on Review of Civil Service Pay Policy and System for detailed study in the medium and long term.

(c) *Review of civil service allowances*

We have adopted a phased approach in reviewing those fringe benefit type of civil service allowances. The staff consultation exercise in respect of the first phase review concerning passage and certain housing-related benefits ended in mid-August 2004. We are examining the feedback from staff and aim to present the proposals under the second phase review, concerning principally education allowances and school passage allowance as well as housing allowances, for staff consultation in November/December 2004.

(d) *Increasing training opportunities for civil servants*

We are expanding the attachment/secondment opportunities for both departmental staff and Administrative Officers, enabling them to work in policy bureaux and external organizations respectively to help widen their exposure and enhance their knowledge and skills. At present, we are also discussing with overseas organizations/governments like the European Commission and the Guangdong Provincial Government about the establishment of staff exchange programmes with them. We shall also continue to expand our repertoire of e-learning resources to meet the needs of civil servants so that they can learn anytime anywhere. In 2004-05, we will add at least 50 new items of learning resources to the Cyber Learning Centre Plus, including web courses, handy work tips, useful tools and references in all subjects as management, customer service, health and stress management, language, national studies, etc.

Conclusion

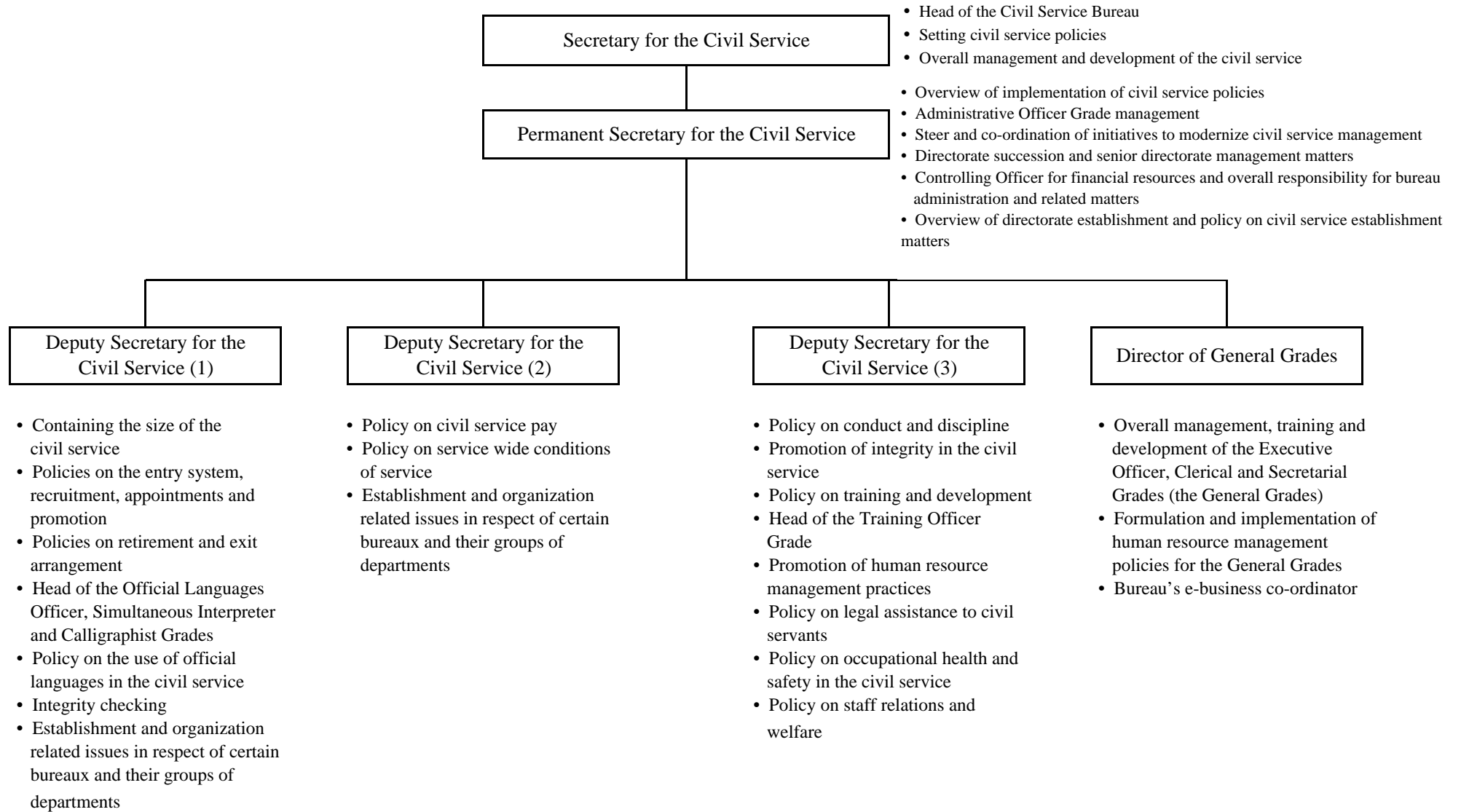
13. The civil service is an important element in the effective governance of the HKSAR. The SCS and his colleagues in the CSB will work with the civil service and the Legislative Council to ensure that we shall always have a world-class civil service to support the stability and prosperity of the HKSAR.

14. We shall brief this Panel on major civil service initiatives and consult Members on various proposals to improve the management of the civil service in meeting with increasing aspirations of our community.

Civil Service Bureau
October 2004

CIVIL SERVICE BUREAU

Organization Chart



Objectives of the Civil Service Management System

Appointment

The basic principles underpinning civil service appointments, including recruitment and promotion, are openness, fairness and the best person for the job. Open recruitment is the usual means for filling vacancies in basic ranks in the civil service. Vacancies in higher ranks may be filled by promotion or recruitment; both involve a competitive selection process based on merits. The current civil service system is essentially a system of permanent employment and we aim to provide a clear and stable career development structure for civil servants with a view to maintaining a committed, motivated and stable civil service. As an Equal Opportunities Employer, the Government is also committed to eliminating discrimination in employment, particularly in terms of disability, sex, marital status, age, family status and race.

Pay and conditions of service

2. The civil service pay policy is to offer sufficient remuneration to attract, retain and motivate staff of suitable calibre to provide effective and efficient service to the public. Such remuneration should be regarded as fair both by civil servants and by the public which they serve. Within these parameters, broad comparability with the private sector is an important factor in setting civil service pay. There are 11 sets of civil service pay scales, each with a range of pay points based on which the pay scales of individual civil service grades and ranks are represented. Under the prevailing annual civil service pay adjustment mechanism, the Government decides on the size of the annual pay adjustment having regard to a number of factors, including the pay adjustment in the private sector, changes in the cost of living, the state of the economy, budgetary considerations, the staff sides' pay claims and civil service morale.

3. Apart from salaries, civil servants are eligible for various fringe benefits depending on their terms of appointment, rank, salary point, length of service, and other eligibility rules. The major benefits include leave, retirement benefits, housing benefits, education allowances, passage, and medical and dental benefits.

Conduct and discipline

4. The civil service is committed to upholding a high standard of integrity and conduct. We strive to promote good standards of conduct within the civil service and to ensure that disciplinary action is duly taken in misconduct cases. Depending on the gravity of the misconduct, punishment under formal disciplinary action may include reprimand, severe reprimand, financial penalty, reduction in rank, compulsory retirement or dismissal. Proceedings under formal disciplinary action are held in accordance with the principles of natural justice.

Performance management

5. Performance management is an important aspect of human resources management as it offers regular feedback and guidance to improve the performance and efficiency of staff as well as provides a basis for rewards and management actions. Our policy is to appraise the performance of staff regularly and objectively and we have introduced core competency-based appraisal system to almost 100 grades. We also operate a commendation system to motivate good performance and take prompt actions to deal with under-performing cases.

Staff relations

6. The Government values good staff relations in the civil service. There is a well-established consultative machinery within the civil service, comprising the central staff consultative councils and departmental consultative committees. Through this machinery, staff associations and staff members are consulted on a wide range of subjects such as conditions of service, working environment and various aspects of their work.

Training and development

7. The CSB is committed to providing civil servants with training programmes that would equip them with the skills and knowledge necessary for providing quality service to the public. We advocate a continuous learning culture and encourage civil servants to continuously acquire new knowledge. The Government now spends about \$1 billion in staff training each year. At present, vocational training is mostly provided by bureaux/departments having regard to their operational needs.

Retirement

8. With an objective of maintaining a dedicated and stable civil service, the Government aims to provide retirement benefits that are sufficient for the purpose of retaining civil servants of suitable calibre and fostering long-term commitment to government service. Most civil servants appointed before June 2000 will be eligible for pensions upon reaching the prescribed retirement age, i.e. 55 for officers under the Old Pension Scheme and 60 for officers under the New Pension Scheme. Officers not appointed on pensionable terms are provided with provident fund benefits under the Mandatory Provident Fund Scheme or the Civil Service Provident Fund Scheme.

9. To guard against possible conflict of interest or embarrassment to Government, retired civil servants who intend to enter into business or take up an employment outside Hong Kong within two years of their retirement (three years for officers at the rank of Administrative Officer Staff Grade A) are required to seek prior permission from the Government if the principal part of their business or employment is carried out in Hong Kong. Non-compliance with this requirement may result in pension suspension.

Key Achievements under the Civil Service Reform

Streamlining civil service establishment

Through process re-engineering, organizational review and outsourcing, the civil service establishment has been reduced by nearly 15% from around 198,000 in early 2000 to about 168,500 as at 30 September 2004.

2. We launched two rounds of Voluntary Retirement Scheme in 2000 and 2003 for designated grades with identified or anticipated surplus staff. About 9,800 and 5,300 officers were approved to leave the service under these two exercises. An annual saving of about \$3.3 billion in salaries will be achieved progressively from 2003/04.

3. We are on course to meet the target announced by the CE in his 2003 Policy Address that the civil service establishment should be further reduced to about 160,000 by 2006/07. We have imposed a general civil service recruitment freeze to facilitate bureaux and departments to reduce their establishment and contribute towards this target. We are reviewing their manpower plans and considering what additional measures may be needed to facilitate further reductions in the subsequent years.

Improving the entry and exit system

4. The civil service entry system has been revised. Starting from 1 June 2000, new recruits to basic ranks, except for disciplined services members who can be considered for appointment on permanent terms after the three-year probation period, are normally appointed on probationary terms for the first three years and then agreement terms for another three years before they are considered for appointment on the prevailing permanent terms. The three-year probationary period is for assessing an officer's suitability for the basic rank, and the further period of fixed-term appointment allows further assessment of the officer's longer term potential and attributes suiting for the permanent civil service. The new entry system achieves a balance between stability and flexibility, and accommodates the staff's reasonable aspirations for appointment on permanent terms.

5. The Management-Initiated Retirement Scheme was launched in 2000 to allow the Government, for the purpose of organizational improvement, to initiate early retirement of individual directorate officers to make way for more dynamic and stronger leaders to rise to the top posts. Experience has confirmed that the scheme is an effective management tool to facilitate organizational improvement.

6. The Civil Service Provident Fund Scheme was introduced in June 2003 in lieu of the pension schemes for officers appointed on the new permanent terms. Apart from adding flexibility to the civil service appointment policy by facilitating entry of talents from the private sector into the civil service, the scheme is also transparent and predictable in terms of financial arrangements. Over 1,000 officers have joined the scheme.

Reviewing civil service pay

7. To adjust civil service pay according to market situation, the Starting Salaries Review was conducted in 1999. Subsequently, the entry pay of civilian grades was reduced by 6% to 31% and that of disciplined services by 3% to 17%.

8. Following the civil service pay reduction on 1 October 2002, we further reached a consensus with the staff representatives that the pay pertaining to each pay point on the civil service pay scales should be brought back to the level it was at, in dollar terms, on 30 June 1997 by two adjustments of broadly equal amount to be implemented on 1 January 2004 and 1 January 2005 respectively. The Public Officers Pay Adjustment (2004/2005) Ordinance, which implements the pay adjustments, 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.

9. 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. In April 2003, the 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 comprising staff representatives to provide input to the exercise. In November 2003, we issued a progress report setting out the policy considerations, the broad framework of the improved mechanism as well as an initial work plan for taking

forward the exercise. The CSB has also commissioned a consultancy to provide technical assistance in drawing up, in consultation with the steering committee and the consultative group, a detailed and feasible methodology for the pay level survey.

Modernising civil service allowances and fringe benefits

10. 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 offered appointment on or after 1 June 2000 to reflect present day circumstances.

11. In parallel, we have commenced a comprehensive review of civil service allowances to ensure that the continued provision of various allowances is justified and in line with present day circumstances and to achieve substantive savings in Government expenditure in this regard in the next few years. In respect of duty-related allowances, we have made steady progress during the past year in improving their administration. We have completed two phases of review on job-related allowances (JRA) payable to civilian grades and the review on acting allowance, leading to an annual estimated savings of \$20 million and \$12 million respectively. We aim to complete the review on individual JRAs payable to disciplined services grades and the third-phase review on JRAs payable to civilian grades later this year.

12. As regards the review of fringe benefit type of allowances, our objectives are to ensure that payment of civil service allowances is in line with today's circumstances, enhance control over government expenditure in this area and improve efficiency in the administration of these allowances. Under the first phase of the review which took place between June and mid-August 2004, we issued a consultation paper focusing on change proposals relating to passage and certain housing-related benefits. We are considering the views received during the consultation period and drawing up change proposals which are likely to have a more extensive impact within the civil service concerning principally education allowances, school passage allowance and housing allowances under the second phase of the review exercise.

Reinforcing a performance-based culture

13. In April 2000, the Secretariat on Civil Service Discipline was set up and disciplinary procedures were streamlined to shorten the processing time of disciplinary cases whilst preserving natural justice. In 2003/04, most of the disciplinary cases which require a hearing under the Public Service (Administration) Order can be completed within the timeframe of three to nine months in contrast with seven to 18 months before 2000. Cases which do not require a hearing could generally be dealt with in not more than three months.

14. The mechanism for handling persistent sub-standard performers has been reviewed and streamlined in early 2003 to expedite their compulsory retirement from the service in the public interest.

15. Having reviewed the operation of existing staff motivation and commendation schemes in the civil service, we have widened the scope of the Commendation Letter Scheme currently administered at the departmental level. We have also introduced the Secretary for the Civil Service's Commendation Scheme in 2004 to award officers with consistently outstanding performance.

Increasing training and development opportunities

16. To promote a culture of continuous learning within the civil service and to improve service quality, a three-year training and development programme was introduced in 2001/02 at a cost of \$50 million to bring about additional training places on top of those in the pipeline. Up to March 2004, some 174,000 training places were provided through the programme against the original target of 90,000.

17. The Civil Service Training and Development Institute launched the Cyber Learning Centre Plus in September 2002. The new portal provides an easy access to a wide range of e-learning materials in a more systematic way and facilitates continuous self-learning on the part of civil servants anytime and anywhere. Over 180 items of learning resources such as web courses and job aids are now available. Up to June 2004, there had been over 500,000 visits to this new website.

18. In September 2002, we issued the Directorate Leadership Guide and developed a "Leaders' Corner" in the Cyber Learning Centre Plus website, offering a one-stop learning portal to our directorate officers that will help them grow as leaders and to further enhance their skills in face of the challenges ahead.

19. To better position the Civil Service Training and Development Institute for the evolving training and development needs of the civil service, we have restructured the institute and subsumed it under the CSB starting from April 2004. Following restructuring, the institute now focuses on four core areas, namely, senior executive development, national studies programmes, consultancy services to departments on human resources management initiatives and the promotion of a continuous learning culture in the civil service.

20. In addition, we have entered into civil servant exchange agreements with the municipal governments of Beijing, Shanghai and Hangzhou. Under the agreements, each year we may send up to 16 middle ranking civil servants to these three cities for attachment and training of three to six months, in exchange for inbound attachment of civil servants from them. In addition, on top of the national studies courses provided by the Tsinghua University and the National School of Administration, we have commissioned the Peking University to conduct additional studies courses for our civil servants since 2004.