

**Legislative Council Panel on Public Service
Meeting on 17 March 2003**

**Civil Service-related Initiatives in the
2003-04 Budget**

Purpose

This paper informs Members of the civil service-related initiatives in the 2003-04 Budget.

Background

2. The Financial Secretary delivered his 2003-04 Budget on 5 March 2003. This budget sets out clear targets and introduces concrete measures to achieve a balanced budget by 2006/07 through a three-pronged approach : reviving the economy, reducing public expenditure and increasing revenue.

3. The Financial Secretary has reaffirmed the target of reducing Government's operating expenditure by \$20 billion to \$200 billion in 2006/07. The Government is committed to ensuring administrative efficiency through optimal use of resources and controlling the size of the public sector workforce. As far as civil service matters are concerned, the Budget mentioned the size of the civil service, civil service pay adjustment and the Staff Suggestions Scheme. While we have briefed Members on these topics recently, we take the opportunity to update Members on their latest progress.

Civil Service-related Initiatives

Size of the Civil Service

4. The Chief Executive announced in his Policy Address in January 2003

that the civil service establishment would be reduced by 10% to about 160,000 by 2006/07. Members may wish to note that as at 31 December 2002, the civil service establishment was 177,629. As compared with that in March 1999, we have already reduced the establishment by 10%.

5. We shall continue to maintain a lean and fit civil service through a general recruitment freeze, Second Voluntary Retirement Scheme (Second VRS) and natural wastage. The general recruitment freeze will commence from 1 April 2003 onwards. There will be no external recruitment unless there are very strong justifications and with prior approval from a high-level panel which is co-chaired by the Chief Secretary for Administration and the Financial Secretary, with Secretary for the Civil Service as member.

6. As regards the Second VRS, the implementation framework of the scheme is set out in the Legislative Council Brief issued on 14 January 2003. Subsequently, Finance Committee approved on 21 February 2003 a commitment of some \$2.1 billion for funding compensatory and ex-gratia payments under the scheme. The Second VRS will be open to 229 grades which have identified or potential surplus staff. These grades together have a strength of about 100,000 officers. Officers in these designated grades may retire from the service voluntarily with compensatory payment and immediate pension benefits where applicable. The application period for the Second VRS will start on 21 March 2003 and last for two months. In parallel, the approval authorities of these grades will inform their staff of specified ranks/streams to be included under the scheme. To handle staff enquiries on the scheme, a Staff Resource Centre has been set up in the Civil Service Training and Development Institute to provide information and assistance.

7. We shall develop a monitoring mechanism to coordinate with bureaux and departments on their manpower plans to ensure that the civil service establishment will be reduced according to our target. We shall brief Members of our initiative on this front in greater detail in the near future.

Civil Service Pay Adjustment

8. At the special Panel meeting held on 25 February 2003, we informed Members of Government's decision on the impending civil service pay adjustment. The dollar value of all civil service pay points will be restored to the levels as at 30 June 1997 in cash terms through two adjustments on 1 January 2004 and 1 January

2005 respectively (Note : the pay points at Directorate Pay Scale Point 3 and above or equivalent will be restored to the levels as at 30 June 1997 in cash terms in one go on 1 January 2004). With the full implementation of the civil service pay reduction, the Government will save about \$7 billion annually on salary expenses and subsidies to subvented organizations.

9. We shall implement the pay reduction decision by legislation. We aim to introduce the bill into this Council before mid-2003, and we shall consult Members and the staff sides during the preparation process.

10. Separately, we shall take forward the exercise of developing an improved civil service pay adjustment mechanism, which would comprise the conduct of periodic pay level surveys to compare civil service pay levels with those in the private sector, the conduct of annual pay trend surveys based on an improved methodology and an effective means for implementing both upward and downward adjustments. For this purpose, we shall set up a steering committee under the chairmanship of the Secretary for the Civil Service and comprising members from outside the civil service to oversee the conduct of the pay level survey and the review of the pay adjustment mechanism. We shall also consult the staff sides during this process. We aim to complete this exercise, including the conduct of a pay level survey, within 2004.

11. Apart from the review of the pay adjustment mechanism, we have recently undertaken to review all the existing civil service allowances with a view to improving the civil service management system and reducing public expenditure where practicable. We shall take careful assessment of the legal considerations governing these allowances and shall consult civil servants fully in the process. We shall adopt the principles of lawfulness, reasonableness and fairness in taking forward the matter. We shall brief Members on the scope, guiding principles and time-table of this review in greater detail at the next meeting.

Staff Suggestions Scheme

12. At the last meeting, we briefed Members on our initiative to enhance the operation of the Staff Suggestions Scheme (SSS). This is an incentive system established to award civil servants who have come up with practicable suggestions that help improve the efficiency and effectiveness of the civil service, enhance the quality of service to the public or achieve financial savings.

13. Earlier this month, we launched a focused cost-saving campaign entitled 'Let's Join Hands to Cut Costs' under the SSS. The central theme of the campaign is 3'R' and 1'M', i.e. Re-organization, Re-prioritizing, Re-engineering and making greater use of Market forces in service delivery. This special campaign will last up to 17 May 2003. As an added incentive, the cash award will be raised to \$30,000 for practicable suggestions which can save more than \$1 million for Government within 12 months. This proactive campaign is expected to give further impetus to the cost-saving drive within the civil service. We shall take stock of the results of this campaign in mid-2003.

Way Forward

14. Tackling the fiscal deficit and reviving the economy are the top priorities of Government. The civil service will remain dedicated and professional in assisting the Government to achieve these two missions. In particular, the civil service will facilitate the Government to reduce public expenditure through re-organization of structure, re-engineering of procedures, re-prioritization of service provision so as to ensure that public services are provided efficiently and cost-effectively.

Civil Service Bureau
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