

For discussion on
25 April 2014

Legislative Council Panel on Public Service

Consultation on Extension of the Service of Civil Servants

Purpose

This paper briefs Members on the consultation on extension of the service of civil servants being conducted by the Civil Service Bureau (CSB). A copy of the consultation paper released on 3 April 2014 is at **Annex**.

Background and Scope of the Study

2. As set out in the consultation document on population policy of the Steering Committee on Population Policy (SCPP), the number of people aged 65 or above is projected to increase to 2.16 million by 2031, more than double the 980 000 in 2012. This figure will rise further to 2.56 million by 2041, representing nearly one third of the then projected total population. An ageing population will lower our labour force participation rate, from 58.8% in 2012 down to 49.5% in 2041. According to the projection, our labour force is expected to peak at 3.71 million in 2018 and then decline to 3.51 million in 2035 before resuming modest growth.

3. One way to mitigate the impacts of ageing population and a shrinking labour force is to prolong the working life of the population by retiring later. The issue of extending the working life of our population has therefore been raised in SCPP's consultation document on population policy.

4. In the face of the demographic challenges arising from an ageing population and a shrinking labour force, the Government, being the largest employer in Hong Kong, considers it an opportune time to examine possible options for extending the working life of civil servants so as to enable us to better respond to such challenges. At the same time, in anticipation of the higher wastage of civil servants in the coming years mainly due to the expansion of the Civil Service in the 1980s, we need to examine whether there are any operational and/or succession issues that require to be addressed.

5. Against the above backdrop, CSB has conducted a study to assess the manpower and retirement situation in the Civil Service in the coming years, and to examine possible options for extending the service of civil servants after their retirement. In this connection, we had carried out a survey to size up the retirement and manpower situation of individual civil service grades/departments in the ten-year period between 2013-14 and 2022-23. We had also gauged the feedback of grade/departamental management on the need for and, if so, the means of retaining experienced civil servants beyond their retirement age to address any operational or succession issues identified.

Major Study Findings

6. Based on our records, for the five-year period from 2008-09 to 2012-13, the annual average number of retirees (excluding Voluntary Retirement retirees) was about 4 200 (or 2.7% of the civil service strength). According to our projection, the number of civil servants who will retire in the coming years is expected to increase further. Specifically, the annual average number of retirees will increase from around 6 000 (or 3.7% of the civil service strength as at 31 March 2013) for the five-year period ending 2017-18 to around 7 000 (or 4.4% of the civil service strength as at 31 March 2013) for the next five-year period ending 2022-23. But the number is expected to decline to around 5 400 (or 3.4% of the civil service strength as at 31 March 2013) for the following five-year period ending 2027-28 and the declining trend will continue thereafter.

7. The study findings indicate that no specific succession problems are anticipated for most grades as anticipated and consequential vacancies arising from retirement could, in general, be filled by promotion and recruitment without much difficulty. There are a few professional and technical grades with higher natural wastage rate up to 2022-23 that might have possible succession problems/recruitment difficulties and hence the need for further employment of civil servants beyond their retirement age.

8. While the findings of the study indicate that from the civil service management perspective, there is no need to extend the retirement age of serving civil servants across the board, there is a strong case to introduce a higher retirement age for civil service new recruits against the backdrop of an ageing population as well as to set an example to other employers. Furthermore, we see merits in introducing suitable retirement and employment initiatives to equip HoGs/HoDs with additional human resource tools to extend the service of serving civil servants after their retirement age so as to cope with the different operational and succession needs of individual grades/departments at different times, and to address the aspirations of different cohorts of civil servants.

Proposed Framework of Retirement and Employment Initiatives

9. In the light of the findings of the study, we propose to adopt a holistic approach which embraces a range of flexible retirement and employment initiatives, which include the following –

- (a) To adopt a higher retirement age for civil service new recruits as from a future date. Specifically, we propose that the retirement age of new recruits for the civilian grades be extended by five years to 65. For the disciplined services, we propose that the retirement age for new recruits of all the disciplined services grades, regardless of their ranks, be set at 57, but may be further extended up to the age limit of 60 subject to an annual suitability assessment.

The proposal of adopting a higher retirement age to new recruits would result in an increase in the Government's voluntary contributions under the Civil Service Provident Fund Scheme (CSPF Scheme) since such contributions increase progressively with the years of service of officers covered by the Scheme¹. We need to examine in greater detail the financial implications of the proposal with a view to hammering out the implementation details at the next stage. We might also need to consider adopting a phased approach by applying a higher retirement age to new recruits progressively in order to smoothen any adverse impacts such as promotion blockage on the Civil Service in the transition process.

- (b) To provide HoGs/HoDs with more flexibility to further employ officers, on a need and selective basis, after they have reached retirement age to fill civil service posts.

Under the existing mechanism, we may offer, on an exceptional basis, further employment to officers on pensionable terms without a break in service beyond their normal retirement age if HoGs/HoDs see a genuine need to retain the officers for a specified period to meet special operational and/or succession needs which cannot be met through other possible means such as promotion, redeployment, etc.

To meet specific operational and/or succession needs against the backdrop of the higher wastage of civil servants in the coming years up to 2022-23, we propose to make suitable adjustments to the existing mechanism on further employment so that HoGs/HoDs would have more flexibility to retain experienced officers beyond their retirement age under the current further

¹ At present, under the CSPF Scheme, the Government's contributions, inclusive of mandatory and voluntary contributions, would increase from 5% of the basic salary of an eligible officer at his substantive rank for below three years of service, to 15% from three years to below 15 years of service, and then progress every five years until reaching 25% for 30 or above years of service. For disciplined services officers, they are provided with the Special Disciplined Services Contribution (SDSC) in recognition of their earlier retirement age vis-à-vis civilian staff. The SDSC is at a rate of 2.5% of the basic salary on top of the Government's voluntary contributions under the CSPF Scheme. CSPF officers may withdraw the accrued benefits attributable to the Government's voluntary contributions upon leaving the Civil Service at the prescribed retirement age (60 for civilian officers, and 55/57 for disciplined services officers).

employment terms (e.g. allowing a longer period for further employment (in any case, such period should, in total, not more than five years) subject to relevant conditions being met including well justified operational and/or succession needs, no undue promotion blockage, good performance and physical fitness; and relaxing suitably the approval criteria).

- (c) To introduce a new “Post-retirement Service Contract Scheme” (“PRSC Scheme”) for engaging retired civil servants on contract terms, on a targeted basis, to fill non-directorate positions for undertaking ad hoc duties requiring specific civil service expertise or experience.

The proposed PRSC Scheme seeks to provide HoGs/HoDs with additional flexibility for employing retired civil servants on contract terms to perform ad hoc/time-limited tasks which require civil servant expertise and/or experience. Since the contract positions under the proposed PRSC Scheme will not form part of the civil service establishment, this will have minimal impacts on the existing civil service system, including promotion², establishment, injection of new blood into the service, etc.

- (d) To streamline the control regime of post-service employment for non-directorate civil servants at junior ranks to facilitate their taking up of outside work after retirement, if they so wish.

Under the existing mechanism, non-directorate civil servants on pensionable terms leaving the Civil Service on retirement are required to seek prior approval from the authority before taking up outside work in the first two years of retirement. It seeks to ensure that no impropriety (e.g. conflict of interests, embarrassment to the Government) is involved in retired civil servants taking up post-service outside work. At present, blanket permission has been granted to civil servants remunerated on the Model Scale 1 Pay Scale to take up post-service outside work after retirement. In a bid to remove any unnecessary barriers for

² In 2012-13, it took an average of 14.6 years for civil service promotees to be promoted to the next higher rank.

retired civil servants to stay in the labour market and considering the relatively remote risk of impropriety for non-directorate civil servants at junior ranks taking up outside work after retirement, we propose that consideration be given to extending such blanket permission to other frontline and supporting civil servants, say, those holding positions below a certain pay point.

Consultation and Next Steps

10. The consultation will last for four months until 2 August 2014. During this period, we will engage in active exchange with the staff sides, grade/department management and other parties concerned to tap their views on our proposed framework.

11. Taking into account the views received through this consultation and further examination of the relevant issues including the financial implications of the proposals particularly the one concerning the adoption of a higher retirement age to the new recruits, we would decide on the way forward and work out the implementation details.

Advice Sought

12. Members are invited to note this paper.

Civil Service Bureau
April 2014