

An Update on the Civil Service Reform

The Civil Service Reform was launched in March 1999 with the objectives of creating an open, flexible, equitable and structured civil service framework, a more enabling and motivating environment for civil servants and an accountable and responsible culture, thereby modernising the civil service, and enhancing the efficiency and quality of public service.

2. The Civil Service Reform focuses on the following five policy areas:

- (a) Civil service establishment;
- (b) Appointments;
- (c) Pay and fringe benefits;
- (d) Management of performance and discipline;
- (e) Training and development.

Civil Service Establishment

3. The principle of "small government" is upheld to contain the size of the civil service. Through process re-engineering, organizational review and outsourcing, the civil service establishment had been reduced by over 12% from around 198 000 in January 2000 to about 173,000 as at 31 December 2003.

4. We aim to further downsize the civil service establishment to about 160,000 by 2006/07. In addition to natural wastage, the implementation of the Second Voluntary Retirement Scheme and the general civil service recruitment freeze will facilitate bureaux and departments to reduce their establishment and contribute to this target. We are reviewing their manpower plans and shall further discuss with bureaux and departments about their individual situations and consider what additional measures may be needed to facilitate them to realize further reductions in the subsequent years.

5. 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.

Appointments

6. 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 term after the 3-year probation period, are normally appointed on probationary terms for the first 3 years and then agreement terms for another 3 years before they are considered for appointment on the prevailing permanent terms. This allows the Government more opportunities to assess their performance and potential so as to decide whether they qualify for permanent appointment. The first batch of officers on permanent terms was appointed in July 2003.

7. The Management-Initiated Retirement Scheme was launched in 2000 to allow the Government, for the purpose of meeting the needs for organizational improvement, to initiate early retirement of individual directorate officer to make way for more dynamic and stronger leaders to rise to the top posts.

8. The Civil Service Provident Fund Scheme has been introduced as the system of retirement benefits for new appointees in lieu of the pension schemes. The Scheme adds flexibility to the civil service appointment policy and facilitates talents from the private sector to join the civil service.

Pay and Fringe Benefits

9. 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%.

10. Following the civil service pay reduction on 1 October 2002, we have further reached a consensus with the staff representatives that the pay

pertaining to each pay point on the civil service pay scales will be brought back to the level it was 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 (2004/05) 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.

11. 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 involving staff representatives to provide input to the exercise. In November 2003, we issued a progress report setting out the policy considerations as well as the time-table for taking forward the exercise.

12. We plan to present proposals on the pay level survey methodology, improvements to the pay trend survey methodology and general ideas on the application of the pay level survey results in the second quarter of this year for extensive consultation before the field work of the pay level survey commences in the fourth quarter of 2004. We expect that the whole exercise, including presentation of detailed proposals on the application of the pay level survey results and introduction of any necessary legislation for implementing both upward and downward pay adjustments into the Legislative Council, will be completed in the second quarter of 2005.

13. Fringe benefits for civil servants have been revised to suit today's circumstances and to streamline administrative work. The new arrangements apply to officers recruited on or after 1 June 2000.

14. In parallel, we have commenced a comprehensive review of civil service allowances in keeping with changing circumstances and achieving substantive savings. A review of job-related allowances has been conducted to ensure that payment of the allowances is fully justified. We have

completed the first two stages of the review and the full-year estimated savings are around \$20 million. We have also undertaken to review various civil service allowances. We shall draw up proposals for individual allowances for staff consultation by March 2004.

Management of Performance and Discipline

15. 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.

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

17. 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 a new scheme in 2004, known as the Secretary for the Civil Service's Commendation, to award officers with consistently outstanding performance.

Training and Development

18. 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 December 2003, some 156,000 training places were provided through the programme.

19. The Civil Service Training and Development Institute launched the Cyber Learning Centre Plus in September 2002 providing easy access to a wide range of e-learning materials in a more systematic way. The purpose is to facilitate continuous self-learning on the part of civil servants anytime and anywhere. In the 15 months ending December 2003, there have been close to 475,000 visits to this new website.

20. 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 to grow as leaders and to further enhance their skills in face of the challenges ahead.

21. To better position the Civil Service Training and Development Institute for the evolving training and development needs of the civil service, we plan to restructure the institute and subsume it under the Civil Service Bureau starting in April 2004. Following restructuring, the institute will focus 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.

22. In addition, we have entered into civil servant exchange agreements with the municipal governments of Beijing, Shanghai and Hangzhou. Under the agreements, we may send up to 14 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.

Civil Service Bureau
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