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which case the amount of allowance would be fixed for the balance of the ten-year period. If they subsequently succeed in transferring to new P&P terms, however, they would cease to be eligible for the rent allowance and would be given six months in which to buy a property to join the HFA scheme and to receive the appropriate allowance for the balance of the ten-year period. A downpayment loan could be made available in these cases. For officers on agreement terms at MPS 33 or below, they would have to compete with other civil servants under the annual HPA quota.

47. Following consultation, the Administration proposes that the above arrangements be re-affirmed. The Administration considers that it will not be possible to accede to the suggestion from staff that the flexibility of using the housing allowance for renting or purchase should be extended to all staff, on grounds that home ownership should be the main objective of the housing allowance for P&P staff. Also, because of the considerable financial implications involved, the Administration maintains that the duration of housing assistance should continue to be limited to ten years. As regards other comments by staff on the accountability and level of allowance and other forms of housing benefit schemes, the Administration is of the view that these should be covered separately when individual schemes are reviewed.

48. As for serving officers appointed prior to the introduction of the Home Financing Scheme (HFS) on 1 October 1990, the Consultation Document proposed that on transfer to new P&P terms, they would retain the options for Non-Departmental Quarter and Private Tenancy Allowance if and when they become eligible for them. Following consultation, the Administration has clarified that this concession also applies to serving agreement officers appointed before 1 October 1990 who transfer to the new P&P terms or new agreement terms.

49. We see no objection to the Administration's proposals above.

Education Assistance

50. At present, there are three forms of education assistance viz. Overseas Education Allowance (OEA), Local Education Allowance (LEA) and school passage.

51. In the Consultation Document, the Administration considered that because of the significant developments in the quality and the level of provision of education in Hong Kong over the years, the case for providing OEA for local officers had worn thin. In addition, the Administration noted that the English School Foundation schools and other international schools in Hong Kong providing

quality education for non-Chinese-speaking children had become a serious alternative to education in one's country of origin. The need for OEA for overseas officers had thus become less compelling in present day circumstances. The Administration therefore proposed that OEA and school passage be abolished. The LEA, however, would continue to be payable to meet the cost of education in Hong Kong.

52. One of the most controversial proposals during the consultation exercise related to the proposed abolition of the OEA. The AECS considered that the withdrawal of the OEA from persons already in service would constitute a general reduction of benefits and was thus unacceptable. They further suggested that for existing staff whose children were educated in a country other than the UK, they should be able to continue to draw the allowance for education in that country. The HKCCSA, on the other hand, was of the view that a new scheme with wider country coverage and at a rate between the existing OEA and LEA should be introduced for new recruits, and serving officers should be allowed to opt for the new scheme.

53. Notwithstanding the comments from staff associations, the Administration remains of the view that, as far as future recruits are concerned, the rationale and arrangements for OEA are difficult to justify and that OEA for new recruits should be abolished. For serving agreement officers, however, the Administration concedes that on compassionate grounds, they should, on appointment to new terms of service, continue to draw the allowance for children who are already in receipt of the allowance. Whether such officers should be allowed to draw the allowance for children not currently in receipt of the allowance will have to be considered further.

54. In connection with the above, we would like to mention that when we were consulted by the Administration in 1992 on its proposals for a new Education Allowance Scheme and a new School Passage Scheme for future recruits, there were divided views amongst us on the continued provision of OEA even for serving officers. While some of us saw the need for a new scheme to replace the existing OEA which might not survive after 1997, others had reservation on the continued provision of OEA in view of the substantial increases in school places following improvements to the local education system in recent years. There was also a suggestion that the OEA and LEA should be replaced by a single education allowance with no stipulated country coverage so that eligible civil servants could decide for themselves whether to educate their children locally or overseas making use of the allowance. We had not tendered any views at that time but asked the Administration to conduct further surveys before we would give the proposal further consideration. In our recent informal meetings with major staff associations, we noted again strong staff representations on the need for the continued provision of the OEA, or the introduction of a replacement scheme with wider country coverage than the UK or one's country of origin as were permitted

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under the current scheme.

55. On account of these developments, it is clear that the Administration's proposal to abolish the OEA without any replacement scheme is likely to draw severe criticism from staff who will consider this as a diminution of their conditions of service. On the other hand, we are by and large persuaded by the Administration's view that with the much improved education provisions in Hong Kong in recent years, the case for providing OEA for future civil service recruits is becoming more difficult to justify. In addition, the Administration has reassured us that it would seek to increase further the number of school places in the English School Foundation schools and other international schools in Hong Kong. In the circumstances, we recommend that the Administration's proposal to abolish OEA and school passage for future civil service recruits be supported. However, as we have noted above, the Administration should give further consideration to the question of providing new arrangements for OEA for serving officers, an issue in which the staff associations are keenly interested. This is of course a separate issue which can be pursued by the Administration outside the context of the current exercise.

Arrangements for serving officers

56. In the Consultation Document, the Administration proposed that the new terms and conditions would not apply to serving P&P officers. However, serving P&P officers who opt to switch over to the new P&P terms and serving agreement officers who might be offered further employment either on new P&P terms or on agreement terms would be subject to the new conditions of service as those applicable to future new recruits. The only exception would be in respect of housing as noted in paragraph 48 above.

57. However, following the recent consultation exercise, the Administration now proposes that as a concession to serving agreement officers, they will be subject, on renewal of agreement, to the new terms and conditions but modified in respect of such provisions as housing, leave, baggage and education assistance. As we have discussed in the preceding paragraphs, these modified proposals appear to be reasonable and acceptable and accordingly the Administration's proposals have our support.

Special arrangements

58. In the Consultation Document, the Administration proposed that exceptionally, where there was a genuine need and difficulty in acquiring special expertise or professional service, other conditions might be offered to attract suitably qualified candidates both locally and overseas, having regard to the

prevailing market situation.

59. Following consultation, the Administration noted that departmental management generally welcomed the flexibility of offering special terms and conditions to deal with exceptional circumstances. Some had expressed concern that too much flexibility might be provided and that it might be abused. To address these concerns, the Administration proposes to draw up detailed guidelines to ensure that the arrangements would work properly.

60. We consider this flexibility essential for departmental management. The Administration's proposal therefore has our strong support.

Encashment of fringe benefits

61. In our earlier observations to the Administration, we suggested that the feasibility of encashment of civil service fringe benefits should be considered. In response, the Administration has informed us that while this is a worthwhile cause, it should be explored in the longer term, preferably in the wider exercise of the Human Resource Management Review currently being undertaken by the Administration. The Administration further explains that our suggestion calls for extensive research and consultation and that the major objective of the present exercise is to remove the current differences in local and overseas terms and conditions.

62. In the light of the Administration's explanations, we agree that the feasibility of encashment of civil service fringe benefits should be pursued outside the current exercise.

CONCLUSION

63. In conclusion, we support the Administration's proposal to introduce one set of new terms of appointment and conditions of service for future civil service recruits, on the basis of those terms and conditions as set out in the summary at the Annex. Specifically, we recommend that -

- (a) the new conditions of service should be a modernised version of the existing local conditions of service taking into account present day circumstances;
- (b) the new conditions of service proposed in the Consultation Document and modified by the Administration in the light of staff comments, be accepted as the basis for implementation; and

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- (c) the new conditions of service proposed in the Consultation Document and modified by the Administration in the light of staff comments, be applied to serving agreement officers on renewal of agreement with concessions as regards housing, leave, baggage and education assistance.

64. Furthermore, we recommend that the Administration should consider, as a separate exercise, the following issues -

- (a) changing the basis of leave earning rates for serving officers from calendar days outside a year to working days within a year, irrespective of whether they wish to opt for the new terms, provided that their existing entitlements will not be affected;
- (b) rationalisation of leave provisions in the civil service to bring them more in line with the practice of steady and good employers in the private sector;
- (c) provision of new arrangements for Overseas Education Allowance including the feasibility of replacing the existing Overseas and Local Education Allowances by a single education allowance with no stipulated country coverage for both serving officers and future civil service recruits; and
- (d) the feasibility of the encashment of civil service fringe benefits.

Yours faithfully,

(Sidney Gordon)
Chairman
For and on behalf of
Members of the Standing Commission

**CSB's latest package on civil service
terms of appointment and conditions of service**

Summary

1. Uniform terms of appointment and conditions of service

- concept re-affirmed in view of overwhelming support.

2. New terms of appointment

(a) New P&P terms

- new recruits should normally be appointed on new P&P terms.
- recruits should be local candidates and proficient in Chinese language.
- a 'local' should be defined as a permanent resident under the Immigration Ordinance for the time being. As and when the latter is amended in alignment with the Basic Law, the definition of a 'local' will be changed accordingly.
- the norm of Chinese language proficiency requirement for new P & P terms should be set at a pass in a Chinese subject in the HKCEE but with an alternative of a pass in a basic Chinese language proficiency test (for those who did not have formal education in Chinese up to Form V).

(b) New agreement terms

- to be offered when new P&P terms fail to attract suitable candidates or where there is a need for expertise for a specific period.
- recruits need not be 'local' but preference will be given to locals.

M. Annex to Appendix M (Cont'd)

- proficiency in Chinese language would only be required on a job-related basis.

3. New conditions of service

(a) General

- to modernize the existing conditions of service and to make concessionary arrangements for serving officers on transfer to new terms.

(b) Leave

- to standardize and express all leave earning rates as working days within a year.
- to set the leave accumulation limits to a maximum of two years' entitlement. Exceptional operational considerations will be dealt with on a case by case basis.
- proposed leave earning rates and accumulation limits:

	<u>Leave earning rates</u>	<u>Accumulation limits</u>
Mod 1	14(21)	28(42)
MPS 1-13	21(27)	42(54)
MPS 14-D10	27(34)	54(68)

* figures in brackets are the rates/limits for those with 10 or more years of service

- Concession : it is now proposed that serving local officers below D4 should be allowed to retain accrued leave in excess of the new accumulation limit as a 'sinking balance'. For overseas officers and local officers at D4 and above, the officers should as far as practicable take their accrued leave before transfer to new terms.

(c) Passage

- a leave travel allowance should be provided at rates to be determined from time to time, based on the return air fares between HK and London as specified in the contract between Government and the Airlines.
- the allowance should be fully accountable and may be used in the same way as the current leave passage allowance.
- proposed scale of provision:

D7 - D10	First class, annually
D4 - D6	Economy class, annually
D1 - D3	Economy class, every two years
- concession : passage and baggage allowance should be provided to officers recruited directly from overseas on taking up appointment and also on completion or termination of employment.
- serving overseas agreement officers should be granted sea baggage allowance on basis of their total length of service on finally leaving the service. But if they leave the service after transferring to new terms, they would not be eligible for final sea passages because they will no longer be on overseas terms.

(d) Housing

- officers appointed on new agreement terms should be eligible for rent allowance and Home Financing Scheme if they are above MPS 34. Those below may apply for Home Purchase Scheme.
- officers appointed on new P & P terms should be eligible for Home Financing Scheme if they are above MPS 34. Those below may apply for Home Purchase Scheme.

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- for serving agreement officers who were appointed before 1 October 1990 and who transfer to the new P & P terms or new agreement terms, they may retain the options of Private Tenancy Allowance and Non-Departmental Quarters if and when they become eligible.

(e) Education assistance

- to abolish OEA and school passage for new recruits.
- concession : on compassionate grounds, serving agreement officers should continue to receive OEA on transfer to new terms for children already in receipt of the allowance, until they reach the age of 19. No need to change the country of study on transfer to new terms.

4. Arrangements for serving officers

- Serving P&P officers: new terms of appointment and conditions of service would not be applied to them, but they could apply to switch over to new terms if they so wish.
- Serving agreement officers: would be subject to new terms of appointment and conditions of service on renewal of agreement after the implementation of new terms. However, there are special concessionary arrangements for them as regards housing, leave, passage and education assistance.

5. Special arrangements

- other terms of appointments and conditions of service might be offered to attract suitable qualified candidates when there is a genuine need and difficulty in acquiring special expertise. Due regard would be made to the prevailing market situation.

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- in areas of rapidly changing or special organisational or management needs or where the new terms are not suitable, other terms and conditions might also be offered. A recent proposal to introduce under certain circumstances Flexible Contract Terms of employment to non-Public Service Commission posts is supported by the Standing Commission.
- special arrangements would be applicable to both local and overseas candidates.
- guidelines would be issued to ensure that the arrangements work properly.