

# **Civil Service into the 21<sup>st</sup> Century**

## **Civil Service Reform**

*Consultation Document*

Government Secretariat  
Civil Service Bureau  
March 1999



## **Foreword**

We have outlined in this consultation paper the overall framework and our initial thinking on the reform of the Civil Service. We are open to suggestions on the reform proposals and look forward to receiving the views of all parties concerned. The aim of our reform is to lay the foundation for developing the Civil Service into the next century.

We welcome comments and suggestions on this consultation document.

W K Lam  
Secretary for the Civil Service  
8 March 1999



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## Chapter 1 Introduction

### Reasons for Reform

1.1 In accordance with Article 99 of the Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, public servants must be dedicated to their duties and be responsible to the Government of the Hong Kong Special Administrative Region. The Civil Service aims to provide quality service to the community and has been playing an important role in maintaining the stability and prosperity of Hong Kong. Through its dedication and professionalism, the Civil Service contributed significantly to the successful reunification. Hong Kong has since been affected severely by the Asian financial turmoil and is going through a period of adjustment: the economy has been badly hit, unemployment has kept climbing, and the community's expectations towards the Government have been on the rise.

1.2 At the same time, the public have not been happy with the handling of a number of specific incidents by the Government. There are also criticisms that the efficiency of certain departments has to be improved. We take public opinions seriously and are determined to look for ways to further improve the Civil Service.

1.3 It is the policy objective of the Civil Service Bureau as well as the expectation of the community to ensure that the Government of the Hong Kong Special Administrative Region has a clean, trustworthy, quality and efficient Civil Service. With the approach of the 21<sup>st</sup> Century and a rapidly changing external environment, Hong Kong is undergoing major changes politically, economically and socially. To meet the challenges ahead, it is essential that the Civil Service keeps pace with the community it serves, improves itself and enhances its efficiency.

1.4 We should seize this opportunity to review in depth the current Civil Service management system and to implement structural reforms in order to make the system more flexible and better meet the needs of the community.

## Principles of Reform

1.5 We believe that the review and the reform of the Civil Service should be conducted in accordance with the following basic principles –

- **Change amidst stability** – with the responsibility of serving a community of over six million, stability in the overall operation of the Civil Service is very important. In the process of reviewing and reforming the Civil Service, we must maintain the smooth operation of the Civil Service.
- **Step by step** – given the scope of the reform exercise, we must take a gradual approach by setting priorities, formulating detailed proposals for reform, and implementing the proposals step by step. We aim to tackle relatively straight-forward proposals first.
- **Comprehensive overview** – we must maintain a comprehensive overview of the reform exercise. Proposals should have due regard to all aspects of the Civil Service system and should align with the overall reform framework.
- **Wide consultation** – the reform will have wide and far-reaching implications. We must consult widely and with an open mind.
- **Practicable measures** – the proposals must be practicable. We should consider all suggestions in an objective and practical manner in formulating detailed reform proposals.
- **Reasonable and lawful** – a prerequisite for the success of the reform proposals is that they must be reasonable. Furthermore, the reform proposals have to be consistent with the Basic Law and must not breach our contractual commitments.

## Objectives of Reform

1.6 The objectives of the reform are, on the basis of the strengths of the current system, to create –

- (a) **an open, flexible, equitable and structured civil service framework** – with more flexible means of entry and exit to allow for the intake of talent and removal of non-performers at all levels;
- (b) **an enabling and motivating environment for civil servants** – a competitive remuneration package and performance-based reward system to attract, retain and motivate civil servants; and
- (c) **a proactive, accountable and responsible culture** – increase the sense of responsibility and motivation of civil servants at all levels, enhance efficiency and quality of service, and nurture a performance-based and service-oriented management culture.

## Scope of Reform

1.7 The Chief Executive announced in the Legislative Council on 14 January 1999 that the review and reform of the Civil Service management system will be conducted in the following policy areas -

- (a) **entry and exit mechanism;**
- (b) **pay and fringe benefits;**
- (c) **disciplinary procedures; and**
- (d) **performance management, professional training and personal development.**

## Consultation Timetable

1.8 This document sets out the overall framework for the review and reform of the Civil Service and our initial thinking on individual areas for reform. We welcome comments and suggestions from departmental management, staff at all levels and concerned parties. The formulation of reform proposals and the eventual success of the reform hinge on the active participation and support of all sides.

1.9 If you have views or suggestions on this consultation document, please send them to the Appointments Division of the Civil Service Bureau **before 8 June 1999**:

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Fax number: 2530 1265

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## Chapter 2 Entry and Exit

### Appointment Principles

2.1 The basic principles of Civil Service appointment are openness, fairness and the best person for the job. A clear and stable career development structure for civil servants is important in the recruitment and retention of good calibre people. At the same time, the appointment system, including entry and exit arrangements, must be sufficiently flexible to allow the intake of quality candidates and removal of non-performers. Hence, we should strive to achieve a reasonable balance between stability and flexibility in the Civil Service entry and exit system, in order to get the best civil servants at all levels.

2.2 The current Civil Service system is essentially a system of permanent employment. The great majority of civil servants enter at the lowest rank of different grades and are appointed on permanent and pensionable terms. They can normally expect to keep their jobs regardless of their performance unless they have committed serious misconduct. The advantage of this system is the ability to maintain a stable Civil Service. This has helped to minimise the turnover of staff when the economy is buoyant and has contributed to the retention of expertise and experience. The pension system has also increased the opportunity cost of corruption for civil servants and played a part in maintaining a clean Civil Service.

2.3 However, the expectations of the community have been ever increasing given Hong Kong's rapid pace of development. They expect a Civil Service that is more efficient, more accountable and more responsive to community needs. It is thus necessary to consider whether the current permanent and pensionable appointment system is still appropriate and whether it should apply across the board.

2.4 The current Civil Service system has the following drawbacks -

- (a) Hong Kong has developed into a mature economy, with rich job opportunities and rapid changes in the external environment. Talented youngsters may not be ready to make the commitment to pursue a life-long career as a civil servant;

- (b) the lack of flexibility under the entry and exit arrangements is stifling exchange of talents between the Civil Service and the private sector; and
- (c) the permanent and pensionable appointment system provides security of tenure to the extent that it results in some civil servants being less than fully motivated.

2.5 We consider that there is the need for the Civil Service to continue to maintain a stable career structure at the supervisory ranks so as to maintain professional standards and integrity. Thus we should continue to provide a clear and structured career path for these levels of civil servants within the appointment system. But, at the same time, we should also introduce other more flexible means of entry and exit at various levels.

### **Entry System**

2.6 We propose to introduce new entry terms for the Civil Service to replace the current permanent and pensionable appointment terms at the basic ranks. One of the ideas is to employ basic rank civil servants on agreement terms. These civil servants would continue to be employed on fixed-term agreement terms so long as they stay at the basic ranks. Only those with good performance record will be offered further agreements. Those whose performance is unsatisfactory, or who do not demonstrate the potential and ability to undertake supervisory and management duties within a specified period, would have their agreements terminated. This system will ensure that only good calibre candidates are retained in the Civil Service and will allow for regular injections of new blood.

### **Appointment System**

2.7 We consider that the selection of civil servants to fill posts at supervisory ranks should be made through a more competitive appointment system, instead of the current promotion system. Basic rank civil servants with proven performance can compete for vacancies in supervisory ranks, in competition with outside candidates as necessary. At the same time, we should consider filling vacancies at various promotion ranks not just by promoting serving civil servants.

Where necessary or desirable, individual grades may recruit outside candidates to bring in new talent and allow for competition at various levels. We may also allow experienced civil servants who have left the service to rejoin. Selection should be on the basis of ability, performance, potential and integrity. Basic rank civil servants of proven ability and potential can be offered new permanent terms (see below) when appointed into supervisory ranks. Outside candidates selected for direct appointment into supervisory ranks should be appointed on fixed-term agreements. Only those with proven performance and potential will be allowed to switch to the new permanent terms.

### **Permanent Terms**

2.8 Under the new entry system for the Civil Service, we need to redefine the concept of “permanent” career. Permanent terms should no longer mean full security of tenure, but rather a promise of a structured career and long-term employment for those who continue to contribute their best. We should consider introducing new permanent terms to improve the flexibility of our entry and exit system.

### **Retirement System**

2.9 The redefined concept of “permanent” career will require a revamp of the retirement protection system to allow for compatibility of retirement protection between the Civil Service and the private sector. The new retirement benefits system should allow employees to carry their retirement protection with them when switching jobs between the Civil Service and the private sector. This will ensure that the retirement protection system of the Civil Service will not discourage outside candidates from joining. The current trend in the private sector and other governments is to use contributory provident funds to replace pension as the retirement protection system. We will enlist the expertise of consultants to work out proposals on the setting-up of a Civil Service Provident Fund scheme.

2.10 We need to have due regard for the special needs and circumstances of certain grades in the Civil Service and consider whether there is a need to retain the existing permanent and pensionable terms for these few grades.

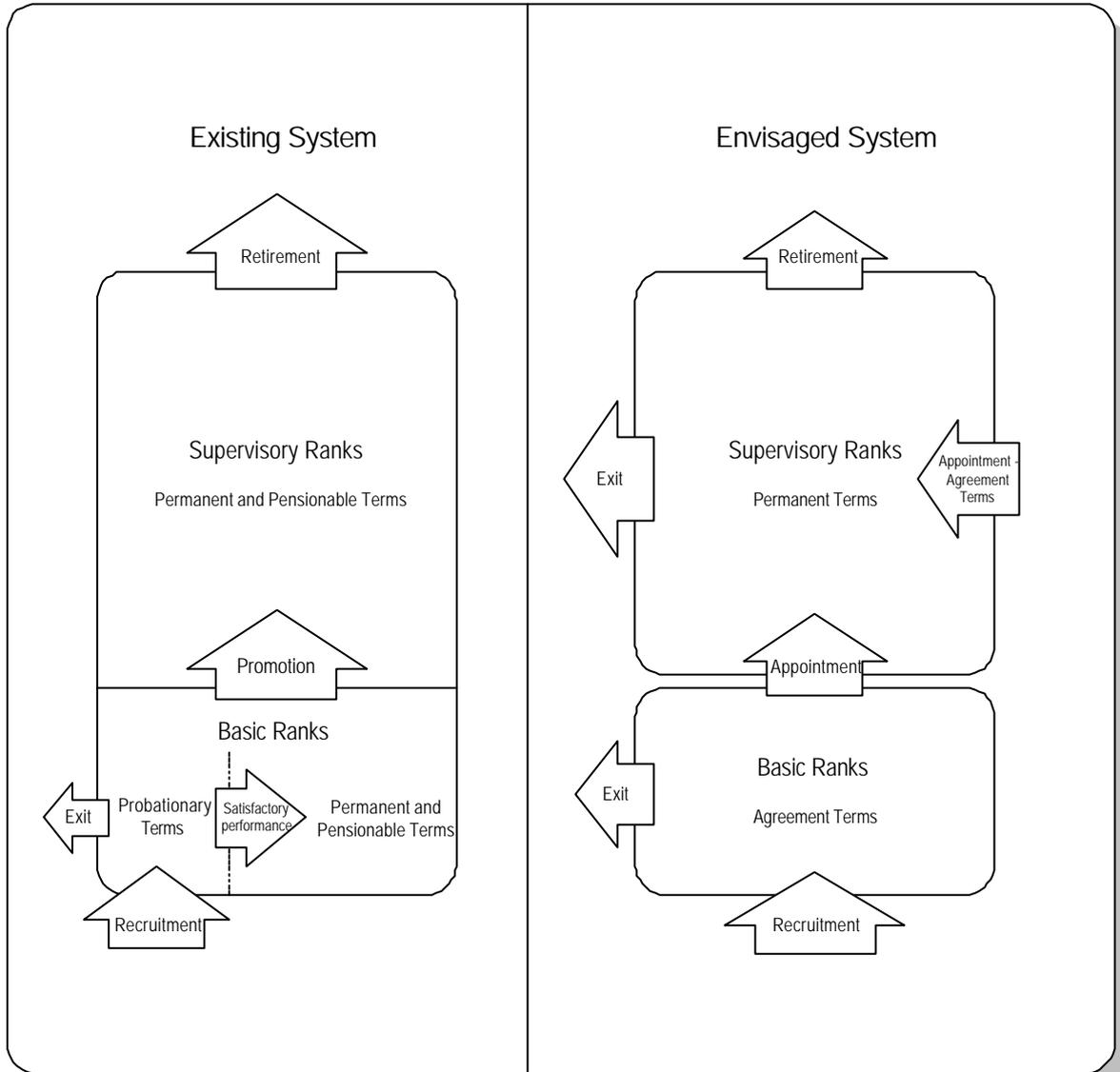
## **Redundancy Arrangements**

2.11 We propose to streamline the existing procedures for redeployment and redundancy of staff found surplus to requirement, arising from reorganisation or other efficiency enhancement initiatives, so that the procedures may be dealt with more expeditiously. We will also introduce the concept of voluntary retirement in order to minimise the impact of redundancy on the staff concerned.

## **Management-Initiated Retirement**

2.12 We propose to introduce a new exit mechanism to allow pensionable civil servants to be directed by management to retire early, in order to cater for human resource management needs (e.g. for staff succession planning or where certain staff have become unpostable). This will ensure the injection of new blood where necessary, and help to maintain the quality of management, particularly at the senior echelons.

2.13 At the same time, we need to strengthen and streamline the procedures under current regulations for directing civil servants with persistent sub-standard performance to retire in the public interest. Our current thinking is to delegate the relevant authority to Heads of Departments, so as to strengthen the human resource management authority of department heads and to deter slack performance.



Initial Thinking on the Appointment System



## Chapter 3 Pay and Conditions

### Pay Principles

3.1 The objective of civil service pay is to offer sufficient remuneration to attract, retain, and motivate staff of suitable calibre to provide quality 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.

### Starting Salaries Review

3.2 The Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission) has accepted the Government's invitation to conduct a review of starting salaries in the Civil Service. The review is now under way and will be completed in mid 1999. We have no preconceived views on the outcome and will consider how to take forward the findings after we have received recommendations from the Standing Commission. However, in order to ensure that salaries in the Civil Service remain in step with those in the private sector, we believe more frequent reviews should be undertaken in future.

### Performance Pay

3.3 The existing system of increments in the civil service pay scale is not closely linked to performance. Under the existing system, the reward for good performance comes through accelerated promotion. But promotion prospects are highly dependent on the individual grade's or department's vacancy situations and does not provide a major incentive for all staff. This is particularly evident in grades where promotion prospects are limited. Such a system is not in line with the latest approach to human resource management.

3.4 In addition to the widespread adoption of performance-based pay systems in the private sector, increasingly local public sectors and civil services overseas are also adopting some form of performance-based pay system. Whilst the underlying principle is to reward the better performer with higher pay rises, the systems used to achieve this vary greatly.

3.5 At this stage, we do not consider that any single model of performance pay could be applied throughout the Civil Service. However, we should try to introduce progressively elements of performance-based reward systems into the Civil Service and assess the outcome. We are looking into how an appropriate mechanism could be introduced according to the following principles -

- High standards of performance should be rewarded ;
- Underperformers should be made aware of their short-comings and encouraged to improve;
- Sub-standard performance should not be tolerated;
- A transparent and fair performance appraisal system should be set up to determine pay based on performance;
- Cost neutral *vis-a-vis* the current increment system; and
- Easy to administer; must not lead to more bureaucracy.

3.6 We are in the process of studying different forms of performance-based system and performance appraisal system used by both the private and public sectors in and outside Hong Kong, and will work out options that best suit our circumstances.

### **Pay Review Mechanism**

3.7 In order to ensure that the Civil Service pay adjustment follows that of the private sector, a Pay Trend Survey is conducted annually to track pay movements in the private sector. A controversial element in the pay adjustment mechanism is how increments in the Civil Service should be taken into account *vis-a-vis* the bonus system in the private sector. At present, the findings from the survey produce “gross pay trend indicators”, which are adjusted by means of an increment deduction formula to produce “net pay trend indicators”. This forms the basis on which Civil Service pay is determined.

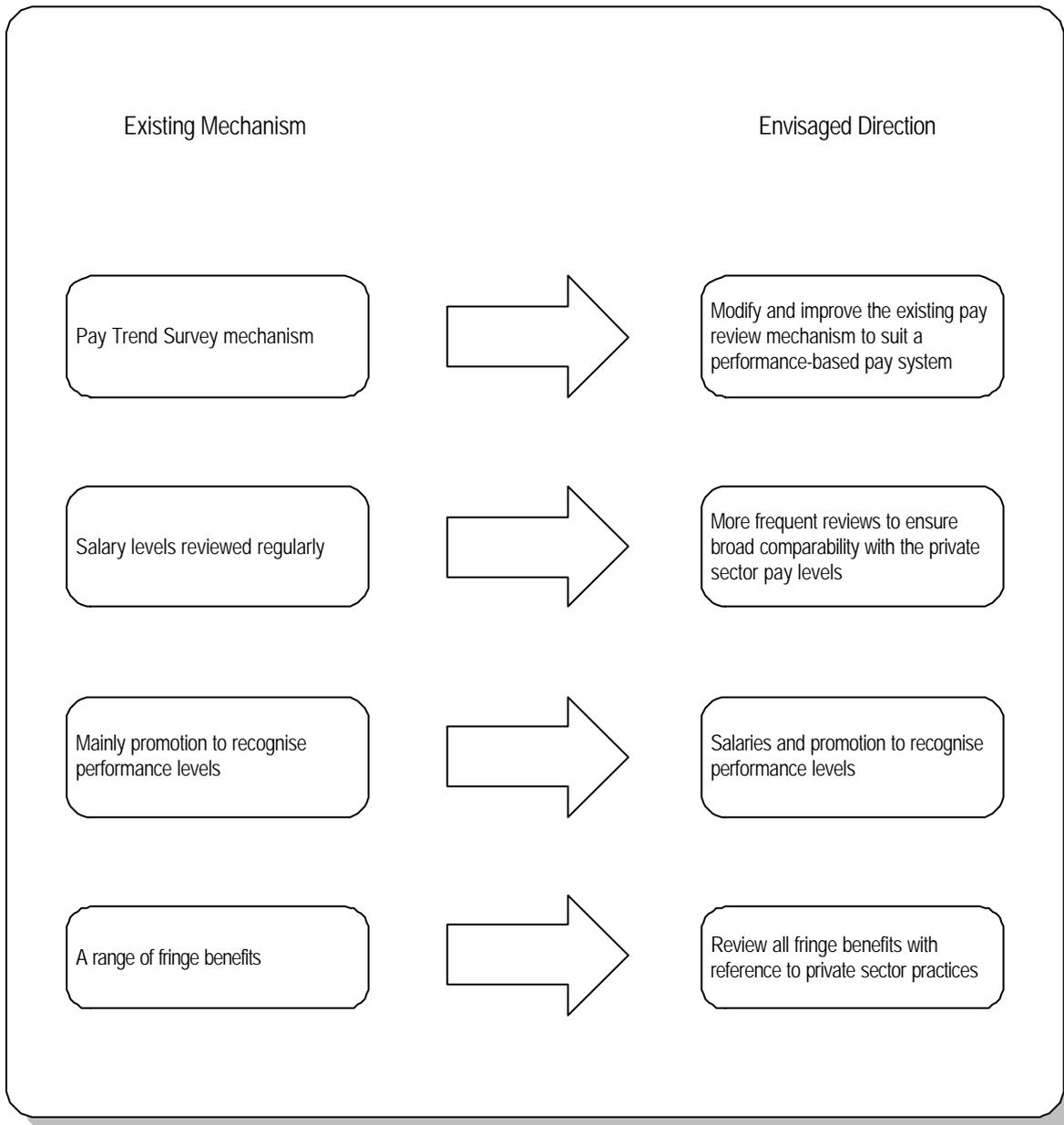
3.8 The Pay Trend Survey mechanism is well established and widely accepted. However, the increment deduction formula used to arrive at the net pay trend indicators has to a certain extent led to the present disparity between Civil Service and private sector pay. While we consider that the Pay Trend Survey

mechanism should be retained, we will consider whether and how the system could be modified and improved to allow for compatibility with a performance-based pay system.

### **Fringe Benefits**

3.9 Apart from salaries, civil servants currently enjoy a variety of fringe benefits. As with the policy on Civil Service pay, fringe benefits of civil servants should be provided with reference to practices and arrangements in the private sector. We note that the private sector in Hong Kong is increasingly moving towards a “total remuneration” concept, streamlining and encashing as much as possible the provision of fringe benefits. The Civil Service has also been moving away from the provision of fringe benefits in kind. This is the direction in which we will continue to improve the system of providing fringe benefits for civil servants.

3.10 We consider that the fringe benefits provided to civil servants should be on a sliding scale proportionate to the rank of an officer. At starting rank where appointments will only be made on agreements, fringe benefits should be confined to the minimum necessary for attracting candidates. As an officer moves up the hierarchy and from agreement terms to the new permanent terms, he would qualify for additional benefits such as additional leave, plus housing and passage benefits (possibly encashed) to be determined in accordance with the relevant private sector practice. We will formulate as soon as possible a new system of providing fringe benefits for new Civil Service recruits, which will be comparable to that at the equivalent level in the private sector. We also propose to review whether there is a need to retain the various existing allowances and whether these allowances are out of step with the private sector.



Initial Thinking on  
Pay and Fringe Benefits

## Chapter 4 Conduct and Discipline

### Principles of Integrity

4.1 We are committed to maintaining a high level of integrity in the Civil Service. This is particularly essential in face of the challenges ahead and public expectations and demands on the Civil Service.

4.2 We need to ensure that our rules and regulations governing the standards of conduct of civil servants are sufficiently up-to-date to meet present day circumstances. To this end, we have pledged in the Policy Commitments to set up a task force jointly with Independent Commission Against Corruption (ICAC) to develop and launch a “Civil Service Integrity Programme”. The objective is to review the rules and regulations on conduct and discipline and to assist departments to strengthen departmental procedures and guidelines to help staff avoid potential conflict of interest. We have also recently published a booklet on “Civil Servants’ Guide to Good Practices” to promote general awareness and reinforce the culture of integrity in the Civil Service.

4.3 We need to ensure that we have in place an effective disciplinary mechanism to punish misconduct and to maintain deterrent effect. The current disciplinary mechanism, including the disciplinary procedures and administrative arrangements for handling disciplinary cases, should be revamped to ensure that disciplinary cases are processed promptly, equitably and impartially.

### Disciplinary Procedures

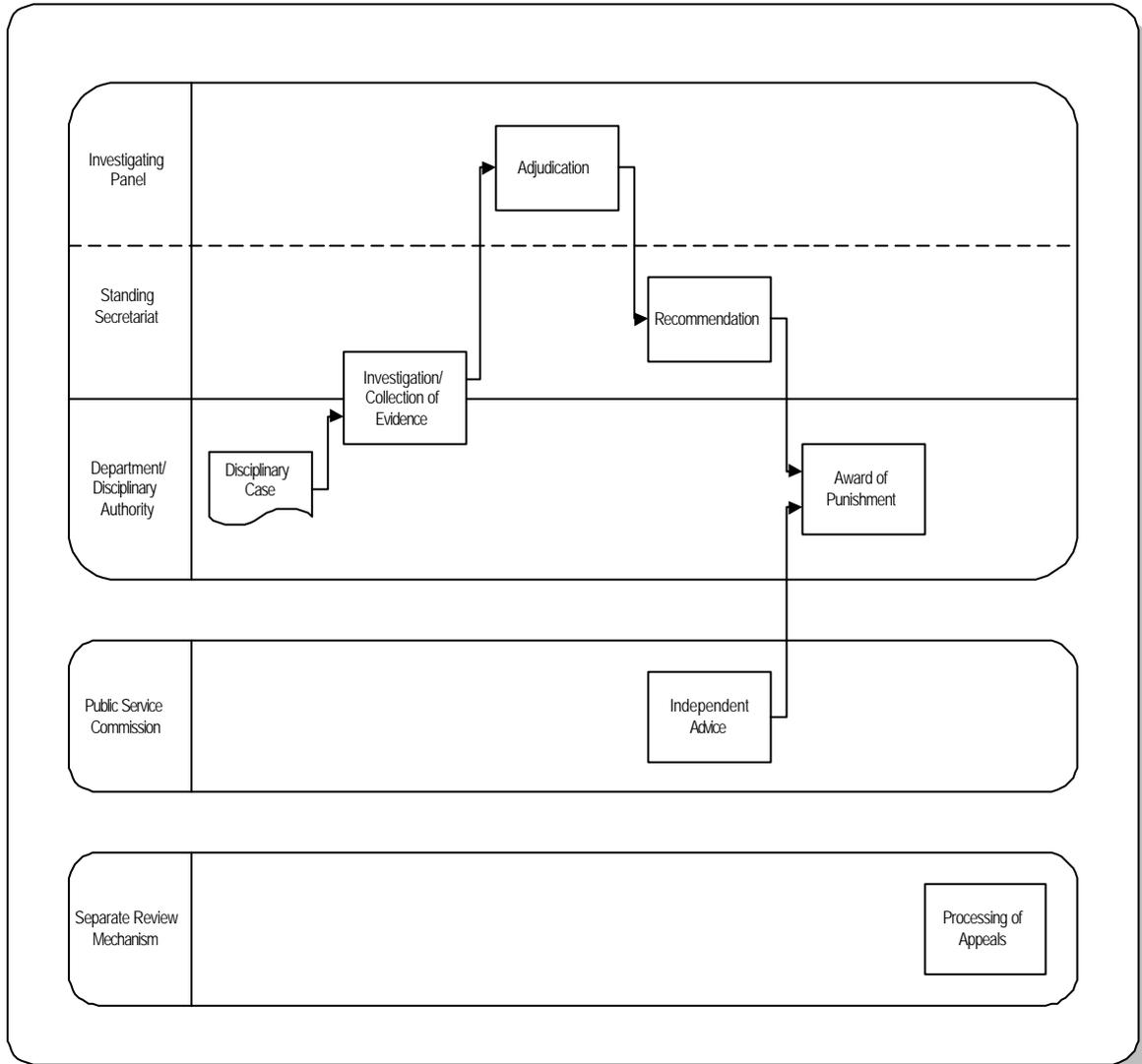
4.4 The authority for and conduct of disciplinary proceedings is governed by the Public Service (Administration) Order 1997 (“the Order”) and the Public Service (Disciplinary) Regulation (“the Regulation”) as made under the Order. The provisions in the Order and the Regulation are straight adaptations from the previous Colonial Regulations. Some of these provisions are outdated and restrictive. We aim to review at a fundamental level the provisions in the Order and the Regulation with a view to streamlining the disciplinary procedure.

4.5 To ensure the fair and impartial handling of disciplinary cases, we should set up a check-and-balance system and a review mechanism. At present, the Public Service Commission provides independent advice on disciplinary cases and the levels of punishment. The role of the Public Service Commission should remain unchanged. Officers who feel aggrieved by disciplinary decisions against them can appeal against the decisions. The appeal may be handled by a new, independent review mechanism.

### **Disciplinary Mechanism**

4.6 At present, depending on the ranking of the officers under investigation, disciplinary cases are processed by officers in departments or the Civil Service Bureau, and many of them may not be specialised in handling disciplinary matters. There is a case for centralisation of expertise and experience so that disciplinary cases are processed in a prompt, impartial and equitable manner.

4.7 We propose to set up an independent standing secretariat to process disciplinary cases for all civil servants (other than those in the disciplined services who are covered by separate disciplinary procedures under their respective legislation). The secretariat will be staffed by a team of officers with experience in disciplinary proceedings. Separately, a pool of officers with experience in disciplinary matters will serve as potential adjudicating panel members responsible for hearing individual disciplinary cases and determining whether the officer is guilty of misconduct. Centralising the processing of disciplinary cases by a dedicated pool of experienced officers separated from departments will provide for greater speed and efficiency in the processing of cases and more consistency in deciding on the level of punishment.



Initial Thinking on the Disciplinary Mechanism



## **Chapter 5 Performance Management, Training and Development**

### **Performance Management**

5.1 Our current individual-based performance management systems have the merit of being comprehensive, structured and well-designed. However, in practice, there is a strong tendency for reporting officers to be over-generous in grading their subordinates. We are considering how the system may be improved. An option is to establish a system of assessment panels to monitor distribution of grading and handle appeals against performance appraisal. Whilst reporting officers will continue to report on the performance of the staff concerned, grading would be left to an assessment panel to be formed by senior members of the department.

5.2 System reform aside, reform of the performance appraisal culture and standardization of grading are also necessary. An indicative benchmark for grading distribution (e.g. a certain percentage of appraisees should be outstanding, a certain percentage should be very good, etc) might be necessary to provide guidance to departmental management.

5.3 For performance management at the organisation level, we will continue to promulgate a result-oriented management culture. We will further develop and promote the system which we put in place with the Efficiency Unit to design performance measurement systems for departments. This system is linked to departmental goals and responsibilities, so that departments can focus on key result areas and performance targets, as well as improve efficiency.

### **Training and Development**

5.4 Training and development should continue to serve the important function of helping to enhance the efficiency and effectiveness of the Civil Service. Training and development programmes should be tailor-made to address identified training needs, to bridge competency gaps, to prepare civil servants to take up further responsibilities in the higher echelon, and to encourage civil servants to enrich their knowledge in order to adapt to changing environments and meet new challenges.

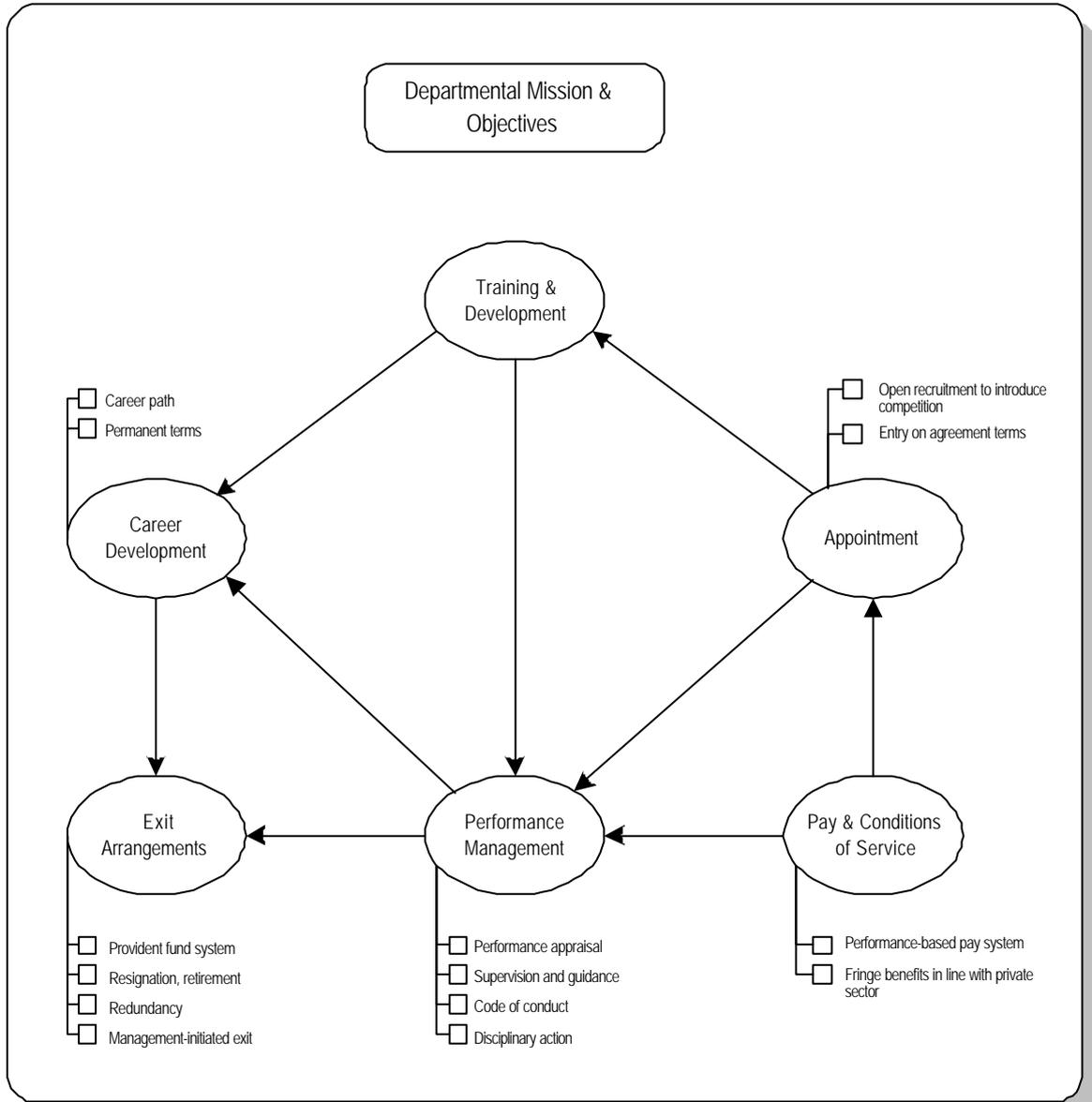
5.5 The wider use of tailor-made training plans should be encouraged at the departmental and individual level. Departmental management should take a more proactive approach to training and development to pursue corporate goals. Departmental training and development plans should be drawn up to enhance organizational and grade competence. Within the broad framework, individual training and development plans help to enhance the competency and on-the-job skills of staff.

5.6 Diversification should be the key in organising training and development activities. On programmes, we should maintain a wide scope, ranging from national affairs, leadership training, formulating public policies, modern management, language studies, information technology, as well as professional training and work skills, etc. On methodology, classroom training, multi-media training, self-learning, on-the-job development, exchanges and experience sharing sessions as well as other training modes should all be used as appropriate.

5.7 The horizons of civil servants should be widened not only through the exchange of inter-departmental experiences but also through an interface with the private sector and other administrations. Exchanges should set up whereby officers can have exposure to work which will allow them to develop their professional knowledge or gain experience with the latest developments in administration and management.

### **Training Programmes to Support Civil Service Reform**

5.8 Training and development programmes should also be used extensively to support the implementation of the Civil Service reform initiatives. They should support the reform programme to facilitate culture and attitude change. For individual reform measures, training and development programmes should be developed at both the orientation level and the skills level: to assist staff to adjust to and be properly orientated with the reform measures; and to equip staff with the necessary technical know-how and skills to ensure the smooth implementation of new measures.



Initial Thinking on Performance Management, Training and Development



## Chapter 6 Looking Ahead

6.1 The Civil Service must keep pace with the community and strive continuously improve its efficiency and quality.

6.2 This consultation document marks the beginning of the reform process. Over the next three months, we look forward to receiving constructive comments and suggestions from all sectors. We also hope that civil servants will appreciate the need for reform and give their strong support to this important process.

6.3 We will collate the views and suggestions on various proposals, engage in active exchange with staff and departmental management, and work out detailed packages of proposals for more in-depth consultation and gradual implementation over the next 18 months.

6.4 Our objectives are clear: we aim to build a firm foundation for developing the Civil Service into the 21<sup>st</sup> Century. We aim to maintain **a quality Civil Service which is clean, trustworthy, efficient and responsive.**



## Annex A Background of Existing Civil Service System

### Appointment System

#### *Existing Entry System*

Appointment policies govern the “entry” and “exit” of the Civil Service. “Entry” system comprises recruitment, promotion and terms of appointment. “Exit” system comprises resignation, termination and normal, voluntary early and compulsory retirement.

Major features of the existing policies on appointment in relation to “entry” are -

- Civil Service posts are normally filled by appointments on permanent and pensionable (P&P) terms. Agreement terms are used only when there are recruitment difficulties or special service needs (e.g. time-limited projects).
- Civil Service is divided into different grades in accordance with the division of functionality. A grade is further sub-divided into a number of ranks. Vacancies at starting ranks (basic ranks) are normally filled by open recruitment and/or by in-service appointment from other grades.
- Civil Service vacancies at higher ranks (promotion or supervisory ranks) are normally filled by serving staff at lower ranks on promotion or by in-service appointment. Recruitment at promotion ranks is conducted only when no serving staff is considered suitable for promotion.

#### *Existing Terms of Appointment*

There are two aspects of **permanent and pensionable terms** -

- (a) permanent employment terms : new appointees of the Civil Service will be employed on probationary terms for a period of two to three years. The appointee will be confirmed to permanent establishment, i.e. a “career” civil servant and permanent employment until reaching retirement age (currently at 60), if his performance is satisfactory during the probation period.

- (b) pension system : retiring civil servants (or resigned civil servants reaching retirement age) with at least ten years of service are eligible for retirement benefits (i.e. pension). Pension is calculated on the basis of years of service and the highest emolument. Apart from a portion of the pension which could be drawn as a lump sum at the time of retirement, the remaining fixed pension will be distributed monthly until the civil servant passes away.

The agreements for civil servants on **agreement terms** set out the terms of employment (usually two to three years) and the termination arrangements. These agreement officers will normally receive agreement-end gratuities. Upon the end of the agreements, there is no obligation or right on the part of the Government or the employees to renew the agreements. However, if the tasks still need to be carried out, agreement officers may have their agreements renewed, subject to satisfactory performance, conduct and physical fitness.

### *Existing Exit System*

Major features of the current policy on removal and leaving the service are -

- P&P staff have a right to resign. Those without ten years of service will not be eligible for pension benefits. Those with at least ten years of service will only be eligible for pension benefits upon reaching retirement age.
- P&P staff are not normally removed from service before reaching normal retirement age except on the grounds of -
  - (i) medical infirmity, abolition of office : compulsory retirement with immediate payment of enhanced pension; or
  - (ii) conduct and discipline, public interest (consistently sub-standard performance or loss of confidence) : dismissal or compulsory retirement with deferred pension (those without ten years of service will not be eligible for pension).
- There is no obligation or right on the part of the civil servants on agreement terms to have their agreements renewed. They may resign in the course of their agreements, but they will not be eligible for gratuities.

- Similarly, there is no obligation on the part of the Government to offer further employment to civil servants on agreement terms beyond their current agreements. The agreements stipulate that the Government may give notice at any time to terminate the agreements within the agreement period on grounds of cessation of service need or unsatisfactory conduct or performance. Except in cases of misconduct or unsatisfactory performance, staff whose agreements are terminated are eligible for agreement-end gratuities on a pro-rata basis.

### ***Pension System***

The Government operates two statutory, non-contributory pension schemes for civil servants who are employed on P&P terms. The Old Pension Scheme (OPS), which is governed by the Pensions Ordinance (Cap. 89), applies to civil servants who were appointed before 1 July 1987. The New Pension Scheme (NPS), governed by Pension Benefits Ordinance (Cap. 99), was introduced in 1987 for application to civil servants who are appointed on or after 1 July 1987, as well as those who were appointed before that day but had exercised their option to join the scheme before 31 December 1995 or the specified option deadline.

The main differences between the OPS and the NPS are the retirement age, provision for early retirement, provision for deferred pension on resignation and the maximum commuted pension gratuity (i.e. the percentage of pensions payable as a lump sum upon retirement). To maintain the purchasing power of pensions, the relevant pension ordinances prescribe in detail that the rate of pensions is increased annually in accordance with the average movement of the Consumer Price Index (A).

## **Pay and Fringe Benefits**

### ***Existing Civil Service Pay System***

At present, civil servants are remunerated on the pay scales of their respective grade and rank. Different grades belong to the various pay scales listed below. Rank scales for different ranks in a grade are expressed as a range of points on the respective pay scales. Officers normally advance one increment a year within their respective rank scales until they reach the maximum point of the scales. Most non-directorate civil servants outside the disciplined services are remunerated on the Master Pay Scale. Model Scale 1 covers workman ranks staff. There are 11 sets of Civil Service pay scales -

- Master Pay Scale
- Model Scale 1 Pay Scale
- Police Pay Scale
- General Disciplined Services (Commander) Pay Scale
- General Disciplined Services (Officer) Pay Scale
- General Disciplined Services (Rank and File) Pay Scale
- Directorate (Legal) Pay Scale
- Directorate Pay Scale
- Training Pay Scale
- Technician Apprentice Pay Scale
- Craft Apprentice Pay Scale

### ***Existing Pay Adjustment System***

Civil Service pay is adjusted annually on the basis of changes in the cost of living and the overall changes in market rates. Other factors such as the state of the economy, budgetary considerations and the impact on Civil Service morale etc. are all taken into consideration in determining the size of the adjustment.

The Pay Trend Survey mechanism has been in place since 1974. The survey is conducted by the independent Pay Survey and Research Unit (PSRU) of the Standing Commission on Civil Service Salaries and Conditions of Service. The survey covers the period from 2 April of the previous year to 1 April of the current year. It includes all full time employees of 75 companies in Hong Kong who work 75% or more of the normal weekly working hours and whose basic salaries are equivalent to the three salary bands of the non-directorate staff in the Civil Service. Basic salary adjustments relating to changes in the cost of living, overall changes in market rates, economic situation and company performance, merit payments and inscale increments are accounted for in the survey. Changes in payments additional to basic salary such as year end bonuses, whether permanent or temporary, are also included.

The survey produces three gross pay trend indicators, each representing the weighted average pay adjustments for all surveyed employees within each salary band. The information is then agreed by the Pay Trend Survey Committee comprising

representatives from the Staff Sides, the Administration, the Standing Commission on Civil Service Salaries and Conditions of service, and the Standing Committee on Disciplined Services Salaries and Conditions of Service.

From the gross pay trend indicators, the payroll costs of Civil Service increments are deducted to produce net indicators which form the basis for a decision on the Civil Service pay adjustment.

### ***Existing Fringe Benefits***

Civil servants currently enjoy a range of fringe benefits. The entitlements of fringe benefits by individual officers are dependent on their rank, seniority, length of service, terms of appointment and other rules prevailing at the time. Civil Service fringe benefits are reviewed as and when necessary to take into account changing circumstances. Civil Service fringe benefits mainly comprise -

#### **(a) Leave and Passage**

- Civil servants' leave earning rates depend on their terms of appointment, but are generally from 12.5 days to 40.5 days per year. Under the common terms of appointment and conditions of service implemented with effect from 1 January 1999, leave earning rates and leave accumulation limits have been standardised to 21 to 34 days and 42 to 68 days respectively.
- Directorate officers, their spouses and dependent children are eligible for passages biennially or annually, depending on the ranks of the officers. Effective from 1 January 1998, a leave passage allowance was introduced to replace the provision of air tickets. Future annual revisions to the allowance will be based on changes in package tour prices within the Consumer Price Index.

#### **(b) Housing Benefits**

- The Government provides a range of schemes to assist civil servants to purchase or rent their homes (e.g. the Home Finance Scheme, the Home Purchase Scheme, the Private Tenancy Allowance), as well as to provide quarters (including Departmental Quarters and Non-Departmental Quarters). Civil servants and their spouses may only receive one housing benefits at any one time, irrespective of whether or not it is provided by the Government.

- Recent changes to housing benefits include the replacement of the non-time limited Accommodation Allowance Scheme by the Rent Allowance Scheme (limited to 10 years) for eligible officers appointed on agreement terms on or after 1 January 1999.
- (c) Medical and Dental Benefits
- Monthly paid officers and their families are eligible for medical and dental service at Government clinics and public hospitals/specialist clinics managed by the Hospital Authority.
- (d) Education Allowances
- Local Education Allowance - payable towards the cost of primary and secondary education of civil servants' dependent children under the age of 19.
  - Overseas Education Allowance - payable towards the cost of civil servants' dependent children between the age of 9 and 19 studying at overseas approved schools. The Government has ceased to provide Overseas Education Allowance and school passages to all new recruits who are offered appointment on or after 1 August 1996.
- (e) Other Allowances
- Owing to the nature of the work or other special circumstances, civil servants may be eligible for a range of job-related allowances, for example acting allowance, overtime allowance, shift duty allowance, subsistence allowance and travelling expenses, etc.

### ***Existing Disciplinary System***

Civil servants are liable to disciplinary action if they -

- (a) fail without reasonable cause to observe any government regulations or official instructions;
- (b) misconduct themselves in any manner; or

- (c) by their actions bring the Civil Service into disrepute.

Disciplinary provisions governing Government officers are contained in the Public Service (Administration) Order 1997, the Public Service (Disciplinary) Regulation and the Civil Service Regulations. Members of the disciplined forces are also subject to the disciplinary provisions in their respective Ordinances, Regulations and Rules.

In addition to punishing misconduct, disciplinary action should also rehabilitate and deter other staff from similar misconduct. Depending on the gravity of the misconduct or criminal offence, punishment under formal disciplinary action may include reprimand, severe reprimand, financial penalty, reduction in rank, compulsory retirement or dismissal. The advice of the Public Service Commission is sought before inflicting punishment on officers who are confirmed to the permanent establishment.

### ***Existing Disciplinary Procedures***

Disciplinary proceedings should be conducted in a fair manner. The existing disciplinary procedures are -

- (a) Issue letter-of-intent stating the grounds for taking disciplinary action, inviting the accused officer to make representations to exculpate himself.
- (b) If the representations received are considered, with legal advice, not exculpatory, order disciplinary investigation and appoint investigating officer/committee.
- (c) Inform the accused officer the date and timing of the disciplinary hearing and give him all documentary evidence to be presented and a list of witnesses who will give evidence.
- (d) Conduct the disciplinary hearing.
- (e) Investigating officer/committee to prepare investigation report.
- (f) Ensure, with legal advice, that the disciplinary proceedings are in order and the findings of the investigation is supported by the evidence presented.

- (g) Inform the accused officer of the findings of the investigation and, in case the accused officer is found guilty, invite him to make representations on the findings.
- (h) Seek the advice of the Public Service Commission on the recommended level of punishment after considering the representations and other mitigating factors.
- (i) Award punishment.

## Performance Management

Performance appraisal assesses the performance of civil servants against previously agreed work objectives. Heads of Department/Heads of Grade have the flexibility to design their own performance appraisal system within the following guidelines -

- performance appraisal is a multi-purpose management tool. Outcomes from staff appraisal should guide other HRM functions;
- it should be a joint-responsibility of the individual and the supervisor;
- it is a continuous and ongoing process;
- it should relate individual performance to organisational objectives; and
- checks and balances should be built into the system to ensure fairness and objectivity.

### *Existing Performance Appraisal System*

The Government encourages all departments / grades to adopt a more open reporting system in their performance appraisal system whereby staff would be more involved.

At the beginning of the reporting cycle, supervising officers and the appraisees should discuss and agree the appraisee's objectives and responsibilities and

the measuring standards. This would enable the appraisee to have a better understanding of the management's expectation.

Throughout the reporting cycle, frequent feedbacks should be given to the appraisee for motivation, supervision or other purposes. The appraisee should be informed of the extent to which he has achieved the objectives/responsibilities. In the system adopted by the Administrative Service grade, a half-yearly "interim" review is scheduled to formalise the discussion between the supervising officer and the appraisee on the latter's performance.

At the end of the reporting cycle, the appraising officer should write his assessment and pass his assessment to the countersigning officer for the latter's views. To provide feedback to the appraisee, a performance appraisal interview would be held at the end of the reporting cycle. The appraising officer and the countersigning officer should decide themselves who would interview the appraisee to discuss with him the performance during the reporting period. A summary of discussion at the interview and the points made by the appraisee should be recorded in the appraisal form.

## Training and Development

Good training and development efforts are essential to enhance the performance for the effective functioning of the organisation, culminating in providing quality service to the public. Effective training and development of staff contributes to organisational effectiveness. Training -

- helps disseminate the vision, mission and core values of the organisation;
- enables staff to acquire the knowledge and skills to meet organisational goals and standards;
- improves individual performance and changes attitudes and behaviour; and
- prepares staff to cope with increasing demands arising from the changing political, economic and management environment.

The guiding principle is that any training and development programmes must be designed to enhance performance and support the core principles and values in

the civil service. To this end, civil service training and development programme is formulated in a strategic manner to address the changing needs of the Government and civil servants together in the process.

### ***Existing Training and Development Arrangements***

At present, the Civil Service Training and Development Institute (CSTDI), the Government's central training agency, offers a wide variety of central courses catering to the needs of staff from the directorate grade to junior rank officers. It is responsible for the organisation of -

- (a) management studies;
- (b) language and communication courses;
- (c) information technology programmes; and
- (d) China studies programmes.

In the planning and design of training courses, CSTDI works closely with Heads of Department and Heads of Grade to address their needs. Evaluation and feedback from course participants are solicited to seek improvements.

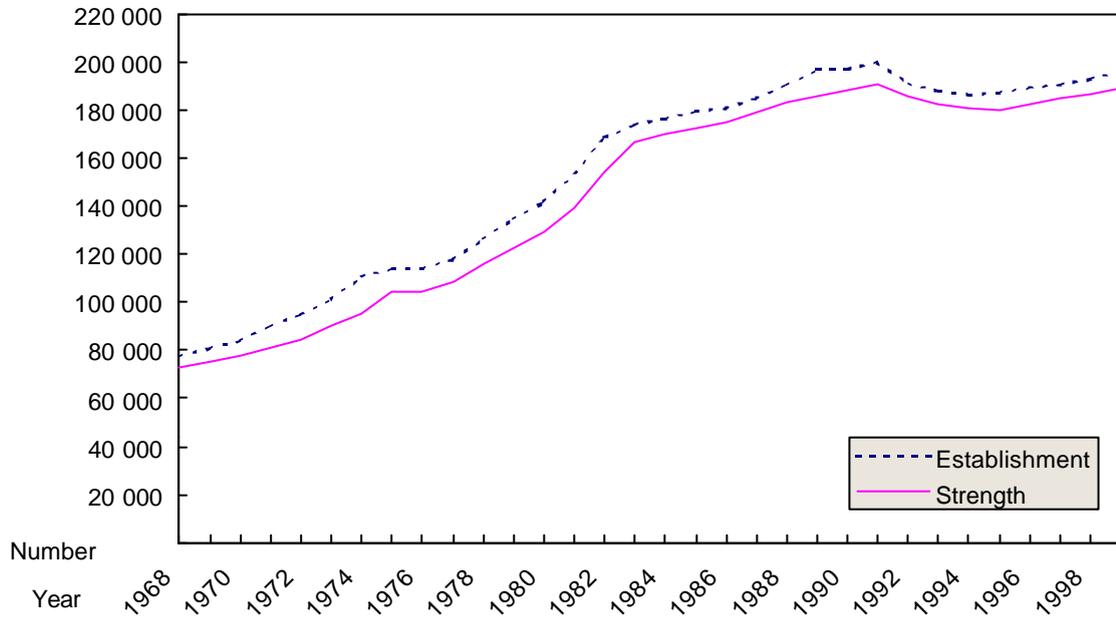
Induction training is principally organised by individual departments or Heads of Grade to familiarise new recruits with job requirements and procedure, organisation goals, performance standards, and values. In addition, departments organise vocational training for their staff to provide them with the professional or technical knowledge and skills required for effective delivery of service.

## **Annex B Statistics**

Figure 1: Establishment and Strength of the Civil Service 1968-1998 (as at 1 April)

<i>Year</i>	<i>Establish.</i>	<i>Strength</i>	<i>Year</i>	<i>Establish.</i>	<i>Strength</i>
1968	77 666	72 936	1972	94 816	84 495
1969	80 778	75 444	1973	101 193	89 941
1970	84 081	77 975	1974	110 596	95 284
1971	90 198	81 438	1975	113 842	104 291

<i>Year</i>	<i>Establish.</i>	<i>Strength</i>	<i>Year</i>	<i>Establish.</i>	<i>Strength</i>
1976	114 139	104 157	1995	187 155	179 972
1977	117 756	108 385	1996	189 136	182 675
1978	126 489	115 674	1997	190 503	184 639
1979	134 712	122 838	1998	192 687	186 213
1980	141 738	129 217	1999.1.1	195 694	189 282
1981	153 532	139 252			
1982	168 298	154 034			
1983	173 788	166 569			



1984	176 322	170 051
1985	179 160	172 641
1986	180 646	174 946
1987	184 810	179 053
1988	190 586	182 843
1989	196 856	186 054
1990	196 919	188 393
1991	199 840	190 448
1992	190 935	185 685
1993	187 670	182 099
1994	186 251	180 695

Figure 2: Strength of the Civil Service by Appointment Terms (as at 1.1.1999)

<i>Appointment Terms</i>	<i>Strength</i>	<i>Percentage of Strength</i>
Pensionable*	183 391	96.9%
Agreement	1 680	0.9%
Re-employed on Agreement	1 872	1.0%
Other	2 339	1.2%
<b>Total</b>	<b>189 282</b>	<b>100%</b>

\* Include Model Scale I staff

Figure 3: Establishment and Strength of the Civil Service by Rank Type and Salary Group (as at 1.1.1999)

<i>Salary Group</i> <i>(see note of fig.4)</i>	<i>Establishment</i> <i>(percentage of salary group)</i>			<i>Strength</i> <i>(percentage of salary group)</i>		
	<i>Basic Rank</i>	<i>Supervisory Rank</i>	<i>Total Establish.</i>	<i>Basic Rank</i>	<i>Supervisory Rank</i>	<i>Total Strength</i>
Directorate	6 0.4%	1 579 99.6%	1 585 100.0%	1 0.1%	1 385 99.9%	1 386 100.0%
Senior Management/ Professional	27 0.7%	3 592 99.3%	3 619 100.0%	26 0.8%	3 161 99.2%	3 187 100.0%
Junior to Middle Management/ Professional	12 777 31.6%	27 609 68.4%	40 386 100.0%	14 281 36.9%	24 393 63.1%	38 674 100.0%
Other	117 027 78.0%	33 077 22.0%	150 104 100.0%	115 169 78.9%	30 866 21.1%	146 035 100.0%
<b>Total</b>	<b>129 837</b> <b>66.3%</b>	<b>65 857</b> <b>33.7%</b>	<b>195 694</b> <b>100.0%</b>	<b>129 477</b> <b>68.4%</b>	<b>59 805</b> <b>31.6%</b>	<b>189 282</b> <b>100.0%</b>

Figure 4: Recruitment to the Civil Service by Salary Groups in 1998

<i>Salary Group</i> (see note)	<i>Recruits*</i>	<i>% of Total Recruits</i>	<i>Strength</i> (as at 1.1.1999)	<i>Recruits as % of Strength</i>
Directorate	15	0.2%	1 386	1.1%
Senior Management/ Professional	9	0.1%	3 187	0.3%
Junior to Middle Management/Prof.	1 746	22.5%	14 498	12.0%
Other	5 990	77.2%	170 211	3.5%
<b>Total</b>	<b>7 760</b>	<b>100.0%</b>	<b>189 282</b>	<b>4.1%</b>

\* Exclude in-service transfer of serving civil servants

**Note:**

- (1) Directorate: maximum monthly salaries of ranks at about \$104 000 or above
- (2) Senior Management/Professional: maximum monthly salaries of ranks at about \$74 000 to \$93 000
- (3) Junior and Middle Management/Professional: maximum monthly salaries of ranks at about \$33 000 to \$74 000
- (4) Other: maximum monthly salaries of the ranks at about \$33 000 or below

Figure 5: Wastage of the Civil Service by Types in 1998

<i>Wastage Type</i>		<i>Number</i>	<i>Percentage</i>
Resignation		1 208	31.2%
Retirement	Normal/Early*	1 839	47.5%
	Compulsory	37	1.0%
Completion of Agreement		77	2.0%
Dismissal		293	7.6%
Termination of Service		220	5.7%
Death		196	5.1%
<b>Total</b>		<b>3 870</b>	<b>100%</b>

\* Include retirement on abolition of office and invaliding