

Managing the Civil Service in Hardtimes

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Apart from enacting laws on national security under Article 23 of the Basic Law which has aroused a lot of public attention, another major issue of public concern is over the question of cutting expenditure on the civil service through trimming its size and cutting the pay for civil servants.

An issue of major Controversy

The issue has become one major controversy troubling Hong Kong, because it affects the 170,000 civil servants plus another 100,000 employed by government subvented bodies, covering among others the educational, medical and welfare sectors. Including their family members, the total size of population affected is well over 1 million. They are, of course, anxious to know to what extent their future livelihood would be affected by any major government decisions. That is easily understandable.

From another angle, the public is informed that in the year 2001-02, expenditure on personal emoluments for the civil service, including the subvented sector, covered some 70% (68.97%) of the entire government operating expenditure for the whole year. Looking at this set of figures alone without given any background knowledge might create some form of alarm. This is because compared to income and expenditure of a business corporation in the private sector, we would expect a large portion of the total expenditure to cover items such as capital expenditure on plants, machineries, buildings, land and other sophisticated equipments such as computers. There was also some public misconception that the HKSAR Government spent too much on salaries with the size of the service expanded probably too quickly in the past few years. Hence, some suggestions were made that Hong Kong should follow suit what Singapore did by taking a 30% cut across the board on all government salaries, and that would resolve a greater part of our budget deficit problem.

Let me correct this misconception. The role and structure of a government organization is quite different from that of a business corporation. 36 years ago, when I attended the induction course for Administrative Officers (AOs) in 1966. As a newly recruited AO, I asked a similar question as to why personal emoluments should take up such a large portion like 70% or more of total government spending. The answer was simple: in a government organization you need people to function as regulators and provide public service of a thousand kinds; therefore traditionally a

great proportion of government expenditure goes to personal emoluments.

A few weeks ago, I was discussing with a former colleague working in ICAC and was informed that well over 90% of ICAC's expenditure went to personal emoluments. When I think more about it, I fully understand that this is a typical example that you don't need plants and machineries to perform the role of ICAC in an efficient and effective way, but you do need an efficient and hard working team to deliver and maintain Hong Kong's image as a clean society both in the public and private sectors.

Those who thought we just need to rely on a major cut in salaries of civil servants to resolve the budget deficit problem would definitely be disappointed. Apart from the fact that it is politically unacceptable, under Article 100 of the Basic Law, civil servants' pay, allowances, benefits and conditions of service should be no less favorable than before 1 July 1997. That means the permissible cut would be about 6% according to calculations published in media reports.

The civil service as part of Hong Kong Society has responsibility

A clean and efficient civil service is a valuable asset which Hong Kong should treasure and feel proud of, as it forms an important pillar that is supporting Hong Kong's stability and prosperity. On the other hand, as a part of the Hong Kong society which takes up a sizable portion of the public spending, the civil service as a whole also has a duty and responsibility to play its part in helping to resolve the budget deficit problem.

In his policy address delivered on 8th January, Chief Executive has stressed that civil servants are not the cause of our fiscal deficit. He also praised the service which has indicated their readiness to participate in achieving the expenditure cut of HK\$20 billion and to accept a pay cut, if circumstances so require. To help reducing expenditure, Mr. Tung also set an overall target of cutting the civil service establishment by 10 % (size down to 160,000) by 2006-07, and freezing civil service recruitment across the board.

Fat chicken or lean pigeon meal

The SAR Government has recently announced the second round of the Voluntary Redundancy Scheme (VRS) while the Secretary for the Civil Service Joseph Wong said that government plans to start a pay level survey in February to compare the salaries of civil servants and their counterparts in the private sector. The pay level



survey could be completed in September. Union leaders expressed their discontent, describing the latest compensation package in the second round of the VRS as a "lean pigeon meal" compared to the relatively more attractive fat chicken meal offered in 2000. They feared that Government would have to resort to laying off staff if Chief Executive's 10% target could not be met even for the first year. On the pay level survey, some union leaders criticized that government is trying to do a hasty job to complete the survey by September, while government said that the comparison study would not be carried out on a job-by-job basis, only a few grades would be selected for the purpose.

Differences need to be ironed out through discussions

As I see it, the conflicts between government and the staff side are not insurmountable and could certainly be resolved if both sides would sit round the table in a calm and patient manner to resolve their differences. If we look at the cold fact and figures for the next four years, 85,000 officers will reach retirement age anyway, while another 4000 will leave for other reasons based on long past experience. We are now talking about 7,000 taking voluntary retirement in the next 4 years (less than 2000 a year), a figure that should be achievable without too much difficulty. Indeed I would even suggest that government should allow more to retire voluntarily if the response turns out to be better than expected. I am a little uneasy about the hiring freeze for new recruits covering the next four years. Not only is this bad news for young people leaving schools and universities, but also over the long run we shall have a gap of 4 years with no intake at all for the entire civil service. What is the long term effect on this? This is an unknown factor.

On the question of methodology in conducting the pay level survey, again I hope problems could be resolved in reaching a consensus through round table discussions with understanding and patience from both sides. The public is watching closely on future development and expects, government and the staff side to proceed with efficiency, in a fair and reasonable manner. It is also understood that at this stage there is no point in doing a pay trend survey this year, as it only measures movement of salaries on a year-on-year basis, which has, at this point in time, become an irrelevant factor under the present circumstances.

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