

CHAPTER 3

ADVICE ON FRINGE BENEFITS, CIVIL SERVICE REFORM AND LIAISON WITH MAJOR CIVIL SERVICE STAFF ASSOCIATIONS

3.1 During the year, the Commission tendered advice to the Chief Executive on changes to two civil service fringe benefit items proposed by the Administration. The Commission also maintained a watching brief on the development of the civil service reform and met with representatives of major civil service staff associations to keep abreast of issues of topical concern to staff. A brief account of these activities is set out in this Chapter.

Advice on Fringe Benefit Items

(a) Cessation of Minor Housing Related Benefits for New Recruits

3.2 In April, the Commission was invited by the Administration to advise on its proposal that new recruits appointed under the Common Terms of Appointment and Conditions of Service (Common Terms) should cease to be eligible for the following minor housing related benefits –

- (a) Furniture and Domestic Appliances (F&DA) supplied to non-post-tied quarters and the Furniture and Domestic Appliances Allowance (F&DAA) payable in lieu; and
- (b) Hotel Subsistence Allowance.

3.3 The provision of F&DA/F&DAA dates back many decades when eligibility for non-departmental quarters (NDQ) was limited to expatriate staff. The provision of furniture and domestic appliances to make quarters habitable was reasonable then, given that expatriate staff employed from overseas would not be expected to bring bulky household items with them. Many of them were also employed on contract terms and were not expected to establish a permanent home in Hong Kong. Such considerations, however,

have become less tenable with the expansion of NDQ and departmental quarters over the years.

3.4 In the case of the Hotel Subsistence Allowance, which was approved in 1972, the rationale was that overseas officers who had to stay in hotels before they were allocated quarters would incur extra expenditure in meeting the additional cost of living in a hotel. Nowadays, however, there is a far wider range of restaurants and officers and their families do not necessarily have to have their meals in their hotels. The Administration does not think that there is any real reason why Government should continue to subsidize officers' daily expenses whilst being accommodated in hotels.

3.5 The Administration proposed that the provision of F&DA/F&DAA to non-post-tied quarters and the Hotel Subsistence Allowance to recruits appointed under the Common Terms should cease with immediate effect from a current date. F&DA, however, would continue to be provided to all post-tied quarters.

3.6 At the Commission's meeting on 1 April 1999, we considered and supported the Administration's decision to cease the payment of these two benefit items to new recruits appointed under the Common Terms. We noted the Administration's proposal to take steps to limit or phase out the provision of similar benefits to eligible serving officers and urged that this be done as expeditiously as possible.

3.7 Our views and recommendations were conveyed to the Chief Executive in a letter dated 19 April 1999 (Appendix F). We understand that with effect from 1 May 1999, new recruits are no longer eligible for these minor housing related benefits.

(b) *Review of Home-Office Travelling Expenses*

3.8 Home-Office Travelling Expenses (HOTE) and Home-Office Mileage Allowance (HOMA) were introduced in the 1950's to compensate staff posted to offices in the New Territories (NT) for the higher travelling

expenses incurred. The amount of HOTE claimed is based on the “cheapest route” minus a “no-claim” limit (currently at \$11.40 per return journey). Officers authorised to drive their private vehicle for duty purposes may claim HOMA instead.

3.9 With the overall urbanisation of Hong Kong and improvement in transportation network in the past 30 years, the Administration considered that the payment of HOTE/HOMA based simply on the NT criterion was outdated. To facilitate postings, however, the Administration considered that there was a need to continue to provide some form of a reasonable subsidy to staff working in offices in relatively inaccessible locations or in locations to which the cost of travel was high.

3.10 Following a review of home-office journeys of civil servants in 1998/1999, the Administration proposed that a new Supplementary Travel Allowance (STA) be introduced to replace HOTE and HOMA. Under the new arrangement, only staff posted to work in “designated offices” (but who do not reside in the same region as the “designated offices”) would be eligible for the STA. A list of “designated offices” located in outlying islands (including Lantau Island), border areas and in less accessible areas was drawn up by the Administration in consultation with departmental management.

3.11 Under the new proposal, STA would be payable on a non-accountable basis but it would be fully taxable. To reflect the costs of journeys to different locations, there would be two levels of payment, the initial rates of which would be –

- (i) \$29.0 - for staff working at the airport/outlying islands; and
- (ii) \$9.2 - for staff working at other “designated offices”.

3.12 Where officers (including those not working in “designated offices”) had a need to claim reimbursement of actual travelling expenses (e.g. for use of taxis when no other suitable means of public transport are available), they would be required to bear a “no-claim” limit. The initial rate of this limit is set at \$22.4 which was arrived at through the 1998 survey.

3.13 At the Commission's meeting on 2 December 1999, we considered the Administration's proposal and agreed that a review of HOTE/HOMA was overdue. By clearly designating the offices for which STA would be payable to staff working there, the new arrangement is better than the existing system based simply on the NT criterion. The proposed reimbursement rates also appeared to be reasonable. We, therefore, supported the Administration's proposal but urged that it should keep the list of "designated offices" and the reimbursement rates under close scrutiny to ensure that the new system would be realistic.

3.14 Our views and recommendations were conveyed to the Chief Executive in a letter dated 9 December 1999 (Appendix G). We understand that the Administration will seek approval from the Finance Committee of the Legislative Council to introduce the STA early next year.

Civil Service Reform

3.15 The Chief Executive announced in the Legislative Council on 14 January 1999 that the Government would conduct a review and reform of the civil service management system 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. On 8 March 1999, the Administration issued a consultation document on Civil Service Reform and initiated wide ranging discussions and debates amongst civil service unions and the community at large. Consultation ended on 8 June 1999. The Administration received more than 600 submissions, over 90 of which were from civil service unions. From August to December 1999, the Administration entered into the second stage of consultation. Four working groups with staff side representatives were set up by the Administration to work out detailed arrangements on how reforms in the four policy areas outlined by the Chief Executive could be taken forward.

3.16 The Commission maintained a watching brief on the development of the civil service reform. At our regular meetings, we were kept apprised of the latest position by the Administration's Representative. On "entry and exit mechanism", the Administration issued two consultation papers on 17 September 1999 and on 30 November 1999 respectively. There has been considerable discussion on how far new recruits should be employed on agreement terms instead of permanent terms as at present. The Administration's latest thinking is that all new recruits after probation would be appointed on agreement terms for normally three years. Consideration for their appointment on permanent terms would only be made at the end of the first agreement. A consultancy study would be commissioned on the feasibility, design and implementation of a civil service provident fund scheme in place of the existing pension scheme for new recruits. A working group meeting would be held in late December 1999 to consider how these and other related issues on the "entry system" would be taken forward.

3.17 On "fringe benefits", the Administration issued a consultation paper in October 1999 setting out its initial proposals on how fringe benefits for new recruits should be reformed. The proposals covered, inter alia, leave and leave passage, housing, medical and dental provisions and local education allowance. A noteworthy change is the Administration's proposal to introduce a new medical insurance scheme in place of the existing free medical and dental provisions. Feedback from staff so far, according to the Administration, is that there is no objection in principle to the proposal, subject to the condition that the coverage should provide a level of service not lower than the existing arrangement. A consultant will be appointed to work out detailed arrangements for further discussion with staff.

3.18 On "disciplinary mechanism", the Administration issued a consultation paper in August 1999 proposing the establishment of a centralised and independent standing secretariat to handle all disciplinary cases now being dealt with at departmental level and by the Civil Service Bureau at the central level. Feedback from staff, so far, has been positive.

3.19 Throughout the briefings, the Commission had been assured by the Administration that it would give careful consideration to the various views expressed by staff and that it would take forward the proposals step by step, seeking reform on the basis of stability of the system. Since the Commission had not been asked to formally advise on the reform proposals, we have not, so far, published our views. As the Commission would be invited to advise on the detailed implementation proposals to be worked out by the Administration in due course, the Commission considered that it would be pre-empting its position if it were to submit views to the Administration during the consultation period. Needless to say, the Commission will continue to maintain a keen interest in the further development of the reform proposals next year.

Liaison with Major Civil Service Staff Associations

3.20 Since 1992, the Commission has held informal meetings each year with the staff sides of the Senior Civil Service Council (SCSC) and the Model Scale 1 Staff Consultative Council, two central consultative councils constituted by the Government. The staff side of the SCSC is made up of the Association of Expatriate Civil Servants of Hong Kong (AECS), the Senior Non-Expatriate Officers Association (SNEOA) and the Hong Kong Chinese Civil Servants' Association (HKCCSA). In order to canvass a wider spectrum of views, the Commission decided in 1996 to meet also three major confederation type of unions not represented on the SCSC viz. the Hong Kong Civil Servants General Union (HKCSGU), the Government Employees Association (GEA) and the Federation of Civil Service Unions (FCSU). These meetings have proved to be very useful in keeping the Commission apprised of issues of topical concern to civil servants.

3.21 In 1999, the informal meetings took place between June and October. Topping the list of issues of concern are the benchmark and starting salaries review (which the Commission completed in June) and the civil service reform proposals. Other issues of interest include, inter alia, the enhanced productivity programme, the privatisation/corporatisation of public

services, the civil service consultative machinery; the need for improved housing and medical benefits and a number of grade specific issues.

3.22 On starting salaries, comments were focussed on the methodology for the pay comparison survey which they claimed was flawed because it ignored the unique characteristics of civil service jobs. Some were also concerned that there would be management problems in certain grades where reversed pay relativities occurred as a result of the direct application of the survey findings in adjusting civil service pay. Concern was also expressed that too frequent salary reviews would upset pay relativities and destabilise the civil service. There were also calls for a thorough review of the duties and responsibilities of all civil service grades in view of their growing complexity during the ten year period since the last major review in 1989 and for the salary of the civil service to be adjusted to take account of these changes.

3.23 On civil service reform, the Commission was repeatedly assured that civil servants were not against reforms introduced to enhance the productivity and efficiency of the civil service. Their main concern was that reform should not become a pretext to cut cost and to get rid of staff without due consideration for their re-employment or fair compensation for redundancy. There were criticisms of the management initiated retirement proposals and representatives of the more junior ranking staff, in particular, expressed concern over the enhanced productivity programme and the privatisation/corporatisation of public services. They made it clear to us that the Government's plans to privatise/corporatise some of its public services had caused much anxieties and frustration among civil servants. They ascribed much of the cause of the mass demonstrations and petitions organised by civil servants in 1999 to their fear of loss of job security. Against this unsettling background, it is not surprising that many of the staff representatives conveyed to us their dissatisfaction with the present consultative machinery in the civil service.

3.24 We listened carefully to their representations and shared our views with them where appropriate. We noted that with so many significant changes happening or in the offing, it was, indeed, a trying year for civil servants. We reminded them, however, that the trend for civil service reform is irreversible and in line with the re-engineering and structural changes that companies in the private sector were going through to improve efficiency and to stay competitive. To bring the civil service reform to fruition would require commitment and perseverance on the part of both the Administration and staff. We informed them that we had been kept apprised of developments by the Administration which had reassured us that the reform proposals would be implemented step by step and with as much staff involvement as possible. Although our meetings with the staff representatives were held on an informal basis, we nevertheless undertook to convey their concerns for the civil service reform and their requests for improvement in housing and medical benefits and in other grade specific issues to the Administration for consideration and follow-up, where appropriate.

3.25 In the course of the year, the Secretary General and Secretariat staff also maintained close contact with major interested private sector organisations to keep track of developments in the private sector, as well as to clarify misconceptions or explain matters related to civil service pay, conditions of service and pay trend surveys.