



28 June, 2002

The Joint Secretariat for the Advisory Bodies
On Civil Service and Judicial Salaries and
Conditions of Service
Room 701, 7/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

Dear Sir,

TASK FORCE ON REVIEW OF CIVIL SERVICE PAY POLICY AND SYSTEM

The Business and Professionals Federation of Hong Kong wishes to commend the Administration for initiating this review in January this year and the Task Force for the progress made to date on highlighting the issues relating to Pay Policy and Systems which must be addressed in continuing the task of Civil Service Reform in Hong Kong.

In particular we consider the overview of the pay arrangement in other selected countries to be most helpful and believe that it provides a clear picture of the required direction of reform. This is, above all, to devolve responsibility for pay management issues and the administration of pay systems. The monolithic, highly centralised nature of the current system which may have served Hong Kong well in the past has become, today, the greatest barrier to efficiency, affordability, accountability and value for money, both within the Civil Service and other subvented organisations tied into the Civil Service model.

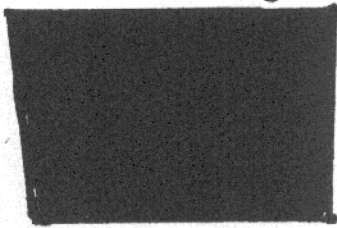
Whilst realising that there are complex issues to be resolved, which will require widespread consultation and negotiations, it is our strong belief that the sense of urgency and the recognition that change is essential must remain at the forefront of the deliberations of the Task Force, the relevant advisory bodies and the Administration. A firm decision, in principle, to adopt a policy of phased devolution, coupled with a determination to abandon immediately the current flawed annual pay review mechanism would go a long way towards achieving this vital momentum and provide the framework for addressing all other related issues. The current pay review mechanism



should be replaced by a formula which places main emphasis on pay level comparisons on a department by department basis. Immediate priority should be given to the conduct of a realistic pay level and starting level survey between the Civil Service and the private sector which will show just how much out of line Civil Service salaries and benefits have become.

The questions posed by the Task Force for Public Consultation are entirely appropriate and we are pleased to be able to submit herewith our response and views on each of these.

yours sincerely,





BPF RESPONSE TO LIST OF QUESTIONS RAISED IN
PUBLIC CONSULTATION ON REVIEW OF CIVIL SERVICE PAY POLICY AND SYSTEM

1. *Should there be a major overhaul of the civil service pay policy and system, putting more emphasis on performance-pay, clean wage policy (i.e. paying "all cash" wages in lieu of allowances, housing and medical benefits, etc.) etc., and building in more flexibility for adjustment?*

Yes to all three elements. Above all however this overhaul must be implemented on a devolved basis, subject to general guidelines and principles.

It is vital that the sense of urgency for Civil Service Reform in the broader sense, that is including but not restricted to pay policies and system, be maintained. To attempt to retain the current monolithic approach would make the task of implementation and achieving stakeholders' acceptance measurably greater and the time scale for effective benefits totally unacceptable.

Indeed, since the monolithic approach ignores the realities of modern day diversity both of job nature and relevant related rewards, it is doubtful whether equitable solutions could be achieved.

As reiterated in our response to question 11 it is our belief that devolvement is the single most important issue in civil service and indeed all public sector related employment issues.

2. *Should senior civil servants be subject to a pay policy which is different from that of the middle-ranking and junior ranks, placing more risk/reward factors on the former?*

The risk/award factor in pay policy should be related more to the nature of the job than to the level of seniority although in practice the more senior the level of responsibility the more likely is incentive reward to be a factor in remuneration. The policy for AO's including the risk reward element in their pay should however remain uniform and be centrally administered.

3. *Should the disciplined services' pay be treated differently from the rest of the civil service?*

In principle yes, especially given that devolvement by its nature will result in difference in treatment across the civil service.



4. *Should we adhere to the principle of broad comparability with the private sector and continue to conduct regular pay level, pay structure and pay trend surveys to ensure that civil service pay remains competitive?*

Past attempts to achieve comparability have foundered largely for two basic reasons, firstly that there has been a failure to compare properly pay levels rather than trends and more importantly that a true comparison between a monolithic system and one that is highly diversified is not possible.

We do not consider comparability should continue to be the overriding principle but agree that it should continue to one of a number of factors albeit on a devolved basis of comparison, with emphasis on pay levels and structure.

5. *Or should Government's affordability to pay be an overriding consideration in pay adjustments?*

Again this should be one of the factors not an overriding factor. On a devolved basis, each department will have to work to their budget. They should have a greater flexibility to manage their manpower resources within this budget both as to pay levels and head count within general guidelines.

6. *Should flexible pay ranges be introduced into the Hong Kong civil service to replace fixed pay scales? If so, should they apply only to senior civil servants or entire service, including both civilian grades and disciplined services?*

Fixed pay scales with automatic adjustment ignoring as they do both economic realities and the value content of jobs, are the exception rather than the rule in modern employment practice. Their general replacement particularly for the master pay scale and above by flexible pay ranges with minimum and maximum levels and advancement based on merit should be a fundamental element in the reform of civil service pay. Again this should be on a devolved basis and does not preclude the retention of fixed scales for some junior ranks – both civilian and disciplined services.

7. *Is the existing pay adjustment system still regarded as fair by both civil servants and the public which they serve? Would another mechanism serve this purpose just as well, or better?*

No, definitely not. Discontinuation in its present form is a pressing priority.

A pay adjustment system based on a questionable analysis of trend and excluding regular measurement of pay levels cannot be fair and is frankly flawed. The current system is widely so regarded. This has been magnified in recent times because the pay trend survey takes no account of reduced scales of pay and benefit which have been implemented in the private sector. Tackling the existing flawed system is a matter of priority and it should not be continued in its present form. The preoccupation with across the board implementation based an unreal measure of comparability should be replaced by a less rigid system based more on pay levels than short term



trends and assessed and implemented on a department by department basis. The current policy that remuneration should be sufficient to attract, retain and motivate staff and that comparability with the private sector should be one factor remains valid.

8. *Is there merit for elements of performance pay to be incorporated into civil service salaries?*

Yes.

This is a general trend which should be developed as appropriate on a department by department basis, subject to broad guidelines. Performance pay for AO's should be centrally controlled.

9. *Should team-based performance rewards be used and, if so, to which group (senior, middle, lower or all levels) should they apply and on what basis?*

Yes in principle on a department by department basis, as appropriate to the team activity involved.

10. *Should individual performance rewards be introduced and, if so, to which group (senior, middle, lower or all levels) should they apply and on what basis?*

Yes progressively as a department by department basis, with initial emphasis on the more senior levels.

11. *Should consideration be given to introducing decentralization of civil service pay administration for a city like Hong Kong?*

Most definitely yes.

This is the key to effective reform, particularly given the complexities and differences in a sophisticated environment such as Hong Kong today.

Any decentralization must however be within an overall and centrally determined framework with devolution of responsibility clearly defined so that transparency of practise appropriate to the public sector is maintained.

12. *Should some or all of the current general/common grades staff be departmentalized to facilitate department-based management?*

Yes, this is a natural corollary to decentralization.

13. *If civil service pay administration is to be decentralized, there may be a rather long transition period. How can the standard of service and staff morale be maintained during that period?*

We believe that decentralization, particularly on a progressive basis – i.e. department by department - will reduce rather than increase effective transition times and



facilitate the maintenance of service standards and morale. Decentralised management of the process places responsibility at the operating level and enables each department to handle their specific issues and ensure direct stakeholder involvement. The process could incorporate incentives for successful implementation.

14. *In terms of simplification, is there scope to amalgamate existing grades within broader occupational categories? Is there scope for having flatter organizations with wider span management control and fewer rank layers?*

The introduction of flatter organizations and reduction in the number of grades and ranks should be the second most fundamental area of reform, after decentralization. To a major extent this should also be implemented on a department by department basis.

A major element in reform of the civil service is the imperative to reduce its cost. In the long run eliminating unnecessary levels and rationalizing structures to reduce headcount must be the objective.

15. *Should a formal job evaluation system be introduced and, if so, should this be operated centrally or at department level?*

This is a desirable discipline, which could be introduced on a departmental basis, as considered appropriate within broad central guidelines.
