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圖文傳真 FAX.: 

Secretary General  
Joint Secretariat for the Advisory Bodies on Civil Service  
And Judicial Salaries and Conditions of Service  
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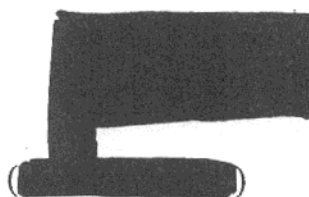
Dear Secretary General,

**Review of  
Civil Service Pay Policy and System**

I refer to the letter dated 25 April 2002 from the Chairman of the Task Force on Review of Civil Service Pay Policy and System inviting views on the consultation paper of their Phase I Study.

2. The issue was discussed among members of the departmental management team and our comments from the departmental management perspective are set out in the Annex for your consideration.

Yours faithfully,



for Director of Health

## I Area of Study: Pay Policies, Pay System and Pay Structure

Questions raised by the Task Force	Comments from the departmental management perspective
<p>(a) Should there be a major overhaul of the civil service pay policy and system, should more emphasis be put on performance-pay, clean wage policy (i.e. paying "all cash" wages in lieu of allowances, housing and medical benefits, etc)?</p>	<ul style="list-style-type: none"> <li>▪ Before an overhaul or modernization of the civil service pay policy and system is considered, we should first identify the problems of the current policy and system and be clear in our mind what we want to achieve through the overhaul. The "how" aspect has to be well thought out to ensure that the overhaul could be implemented and the objectives could be achieved.</li> <li>▪ We should also set out clearly what we want our civil service to be — another organization similar to that in the private sector or one with its distinct qualities (like loyalty, commitment, integrity, expertise, continuity etc) and providing a career-service for those who want to serve the community.</li> <li>▪ We should learn from the private sector its good practice. However, we should be mindful that work objectives of the private sector are different from that of Government. Government has its social and regulatory responsibilities to fulfill while the private sector mainly concerns itself with profit-making and expansion of business. Civil servants are expected to follow a code of practice which is more stringent than that expected in the private sector, e.g. to be fair and open in decision-making and all operations.</li> <li>▪ The "clean wage policy" is fully supported to save the manpower currently deployed to administer, manage and monitor the different types of benefits/allowances payable to civil servants by virtue of their ranks or jobs, e.g. the various housing benefit schemes, the directorate holiday passage scheme, provision of departmental transport to directorate officers, payment of obnoxious duty allowance etc.</li> <li>▪ A balance between stability and flexibility should be maintained for any changes to be introduced.</li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
<p>(b) 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/award factors on the former?</p>	<ul style="list-style-type: none"> <li>▪ The report has not defined who the senior civil servants are. This must be clearly and carefully defined.</li> <li>▪ The “ability to recruit, retain and motivate” should be an important objective of the civil service pay policy. This policy objective should be applicable to all civil servants irrespective of rank, including the senior civil servants.</li> <li>▪ The pay for senior civil servants should be comparable to the market pay to retain talents in the civil service. However, in designing their remunerations package, such factors like job satisfaction, sense of achievement and ability to influence public policy should also be taken into account.</li> </ul>
<p>(c) Should the disciplined services’ pay be treated differently from the rest of the civil service?</p>	<ul style="list-style-type: none"> <li>▪ The “ability to recruit, retain and motivate” should be an important objective of the civil service pay policy. This policy should be applicable to all civil servants, including those in the disciplined services.</li> <li>▪ If disciplined services staff are to be treated differently, a clear definition on disciplined services and their uniqueness will be required.</li> </ul>
<p>(d) Should we continue to conduct regular pay level, pay structure and pay trend surveys to ensure that civil service pay remains comparable with that of the private sector?</p>	<ul style="list-style-type: none"> <li>▪ Market comparison is necessary in order to ensure that the civil service pay is competitive and sufficient to attract, retain and motivate staff of a suitable caliber to provide the public with an efficient and effective service. The question is how to develop a mechanism that is acceptable to the staff, the management and the public, particularly in present day circumstances. It is difficult for the civil service system to react as quickly to economic trends as the private sector.</li> <li>▪ Direct job-to-job comparison with the private sector is not cost effective. It is also difficult and complex because many government activities and hence jobs do not have comparable activities and jobs in the private sector.</li> <li>▪ Other indicators should be used for the purpose of comparison to maintain competitiveness. In Singapore, reference is made to the salaries of top earners from a basket of six professions when setting pay for the senior civil servants. We could consider making reference to the average earning of a worker with similar experience/qualification/skill in a similar trade/field/profession in the private sector.</li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
(e) Or should Government's affordability to pay be an over-riding consideration in pay adjustment?	<ul style="list-style-type: none"> <li>▪ Government is not a profit making organization, the question is therefore how to measure/determine its affordability. In fact, Government does not have a free hand over its fees increase or its revenue. And its expenditure is always subject to political and social pressure. Civil servants may have to make financial sacrifice if Government's affordability is the over-riding consideration in pay adjustment.</li> </ul>
(f) What features of the existing pay policy and system should be retained to ensure stability and morale of the civil service?	<ul style="list-style-type: none"> <li>▪ Pay is not the only element of attraction. However, it must be sufficient to attract the right people to join the civil service. Hence the current objective of the civil service pay policy "to offer sufficient pay to attract, retain and motivate staff of a suitable caliber to provide the public with an efficient and effective service" should be maintained.</li> <li>▪ Other elements like a reasonable security of tenure, an established career structure, and adequate training and development opportunities are also important to maintain the stability and morale of the civil service.</li> <li>▪ The Government should also build up the image that being a civil servant is something one can be proud of.</li> </ul>

## II. Area of Study: Replacing Fixed Pay Scales with Pay Ranges

Questions raised by the Task Force	Comments from the departmental management perspective
(a) Would the introduction of flexible pay ranges bring benefits in terms of better rewarding performance and enhancing a performance-oriented culture in the Hong Kong context?	<ul style="list-style-type: none"> <li>▪ The move to strengthen the link between performance and pay is supported. However the effectiveness of the "pay range" system in achieving this goal is questionable.</li> <li>▪ For the system to work, additional resources have to be provided to the department to: <ul style="list-style-type: none"> <li>— develop a performance measurement and management system acceptable to both staff and management to measure the performance of individual staff and to determine the amount of merit increment to be granted; and</li> </ul> </li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
	<ul style="list-style-type: none"> <li>— equip all supervisors with the skill to set work targets and performance standards, measure performance, distribute merit increments, conduct appraisal interview and handle dissatisfied staff.</li> <li>▪ The effectiveness of the system will be greatly reduced if the merit increments granted are not significant enough to differentiate difference in performance. Additional funding will have to be provided to departments.</li> <li>▪ The pay range system also has a maximum level. Staff cannot be rewarded with merit increment beyond the maximum level. Hence an outstanding performer will not be rewarded for his/her performance, same as civil servants reaching the maximum point of their salary scales in the present system.</li> <li>▪ A pay range system may be worthy of consideration for the directorate officers. At present D5 and above officers do not have any annual increments in their pay scale. Promotion is the only form of reward for them. If there is a pay range for them, their pay could compose of two elements: basic and award. The award portion is adjustable depending on the achievement/result in the previous year.</li> </ul>
(b) Would flexibility in pay progression lead to potential divisiveness among civil servants?	<ul style="list-style-type: none"> <li>▪ Yes if we maintain the current transparency of individual officer's salary. If individual officer's salary or merit increment is to be kept secret, the administration will be accused of operating in the dark.</li> </ul>
(c) Should flexible pay ranges be applied to the entire civil service, or only to senior civil servants, who typically have heavier management responsibilities?	<ul style="list-style-type: none"> <li>▪ In view of the resources required of an effective flexible pay range system, its application to the entire civil service is not considered cost-effective.</li> </ul>
(d) Should flexible pay ranges apply both to civilian grades and the disciplined services?	<ul style="list-style-type: none"> <li>▪ If the flexible pay range system is to be adopted, it should be applied to both civilian and disciplined grades.</li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
(e) Would changes be required to the existing performance measurement and appraisal systems to support the introduction of flexible pay ranges?	<ul style="list-style-type: none"> <li>▪ Yes, a more vigorous approach in performance target setting and performance measurement will be required. Appropriate checks and balance to discourage staff to please their supervisors or the supervisors to pressurize their subordinates are necessary.</li> <li>▪ The appeal system for performance appraisal will have to be carefully worked out to ensure fairness within reasonable resources.</li> </ul>
(f) Would a performance management system directly linked to pay be the most effective way of nurturing a performance culture?	<ul style="list-style-type: none"> <li>▪ There are many different ways to nurture a performance culture, e.g. exit system to remove non-performers, recognition system other than promotion and pay to reward good performance.</li> <li>▪ The effectiveness of a performance management system with direct link to pay will depend on the design of the system, e.g. whether there will be a reduction in take-home pay for non-performers, whether the merit increment is sufficient to become a motivator.</li> </ul>

### III. Area of Study: Pay Adjustment System and Mechanism

Questions raised by the Task Force	Comments from the departmental management perspective
(a) Should the principle of broad comparability with the private sector continue to be adhered to?	<ul style="list-style-type: none"> <li>▪ The principle of comparison is more important in pay setting than in pay adjustment. Regular pay level survey should be conducted to maintain the competitiveness of the civil service pay.</li> </ul>
(b) 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?	<ul style="list-style-type: none"> <li>▪ Both the civil servants and the public do not regard the existing system fair. In fact fair comparison is difficult to achieve because the private sector and the civil service operate differently.</li> <li>▪ An alternative to the current system is to split the annual pay adjustment into two components: a permanent element in the form of salary increase or decrease according to the movements in the cost of living. The other component is a temporary one linked to the</li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
	<p>economic situation of Hong Kong in a particular year. It will be in the form of a one-off bonus given to civil servants during good times or one-off contribution levied from the civil servants during bad times.</p> <ul style="list-style-type: none"> <li>▪ This suggested mechanism can help maintain the dollar value of the civil service pay vis-a-vis the living standard while at the same time enabling civil servants to share the boom as well as the down turn of Hong Kong's economy.</li> <li>▪ This suggested mechanism is also simpler to administer than the existing pay trend survey, which is very manpower intensive. The one-off nature of the bonus/contribution will not create a snowball effect on the base pay, thus incurring additional financial commitment on Government on a long-term basis.</li> </ul>
(c) Is there a need for changing or introducing more flexibility in the existing adjustment mechanism?	<ul style="list-style-type: none"> <li>▪ Yes, the current system is very manpower intensive — in terms of data collection and negotiation. It also has a big time gap between what has happened in the private sector and the civil service in terms of pay adjustment.</li> </ul>
(d) Should fiscal constraints be an over-riding factor in determining pay adjustments?	<ul style="list-style-type: none"> <li>▪ Stability is one of the factors for joining the civil service. Pay adjustment should not pose threat to the legitimate expectation of the civil servants for a steady income.</li> <li>▪ Fiscal constraints should be an important but not an over-riding factor in determining pay adjustments. During bad times, the issue of civil service pay adjustment could become very political.</li> </ul>
(e) Depending on whether, and to what extent, pay administration should be decentralized to departments, what would be the right balance for Hong Kong in terms of central control/guidance versus autonomy/flexibility for individual departments?	<ul style="list-style-type: none"> <li>▪ For effective use of resources, annual pay adjustment, pay negotiation and regular pay level review should be centrally administered.</li> <li>▪ Departments should have the authority to make interim market adjustments within a centrally set framework for jobs/occupations encountering recruitment and/or retention difficulties, thus suffering from critical staffing level.</li> </ul>

#### IV. Area of Study: Introducing Performance-based Rewards

Questions raised by the Task Force	Comments from the departmental management perspective
<p>(a) Do we see the merit for Hong Kong to incorporate elements of performance pay in civil service salaries?</p>	<ul style="list-style-type: none"> <li>▪ The present system of rewarding good performance by promotion is not always practical or feasible, e.g. the civil servant is already promoted to the top of his/her grade, or the civil servant does not have the potential for further advancement, or there is no vacancy in the next higher rank. It is therefore necessary to introduce other means to reward good performers.</li> <li>▪ Performance pay could be one of the means. However, it is not a panacea to all performance issues. Moreover, its successful implementation will be very costly. A lot of resources are required to put the necessary HRM tools in place. On top of this, the funds made available for the system must be sufficient to make the pay difference significant enough to be a motivator. The Government should not introduce performance-related pay without a clear objective and a detailed assessment of its implications.</li> <li>▪ In parallel with a reward system for those who put in extra effort and take up extra responsibilities in their jobs, an appropriate mechanism should also be put in place for those who are unwilling to pull their weight, fail to perform up to the required standard or get slack after promotion.</li> </ul>
<p>(b) Apart from pay ranges which already have performance-related elements, do we need to consider other forms of performance-based rewards?</p>	<ul style="list-style-type: none"> <li>▪ Yes, the Government should do more to promote a culture of "celebrating success". Departments should be given more free hands to use its financial resources for this purpose.</li> <li>▪ Rewards could take many different forms other than pay and promotion. They could be cash bonus, annual dinner, Christmas party, or other forms of departmental function, share use of corporate club membership, study tour, training and development opportunity, commendations, public recognition etc. Government should encourage departments to be more creative in this area.</li> </ul>



Questions raised by the Task Force	Comments from the departmental management perspective
<p>(c) 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?</p>	<ul style="list-style-type: none"> <li>▪ Yes, rewards should be given when the team has made some special achievements, e.g. it has completed the project ahead of schedule thus saving cost, or it has reduced the operating cost through process re-engineering etc. The reward could be in the form of one-off cash bonus having regard to the financial gain achieved. Everyone in the team who has contributed to the success should be rewarded.</li> </ul>
<p>(d) 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?</p>	<ul style="list-style-type: none"> <li>▪ Anyone, irrespective of rank, in the civil service who has performed well should be duly rewarded. However, the reward system should not be the same for all. Some examples are: <ul style="list-style-type: none"> <li>— Fast track development/advancement for outstanding performers with potential for advancement.</li> <li>— One-off nature reward in the form of holiday trip or cash coupons for outstanding performers whose salaries have already reached the maximum (salary range also has a maximum level) and with no prospect for promotion.</li> <li>— Open directorate for grades with limited promotion opportunities.</li> </ul> </li> <li>▪ In designing the reward system, due regard should be given to the rank and level of the civil servants involved to ensure that the reward is meaningful to them and is a real motivator for good performance. Monetary reward is not the only form of reward and it does not always by itself add to performance motivation.</li> </ul>
<p>(e) Some improvements to the staff appraisal system have been introduced in recent years. What further changes are needed to support the introduction of performance-related pay?</p>	<ul style="list-style-type: none"> <li>▪ System has to be managed or implemented through people. Extensive training should be provided to all the appraising officers and appraisees to ensure that the system is properly implemented. Ability to conduct and engage in performance appraising should also be made one of the pre-requisites for promotion to supervisory position.</li> <li>▪ Inculcation of a culture of fair staff management and fair reflection of performance is important.</li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
	<ul style="list-style-type: none"> <li>▪ The current mechanism of dealing with appeals/complaints lodged by dissatisfied or discontented staff against their appraisals and merit increments should be reviewed. At present, staff can lodge their appeals against the appraisals within the department or the civil service, and also with District Council/LegCo Members, and other public bodies like EOC. They sometimes make their appeals through solicitors. A balance has to be struck between maintaining fairness and meaningful use of resources.</li> </ul>

**V. Area of Study: Simplification and Decentralization of Pay Administration**

Questions raised by the Task Force	Comments from the departmental management perspective
(a) Should consideration be given to introducing decentralization of civil service pay administration for a city like Hong Kong?	<ul style="list-style-type: none"> <li>▪ Decentralization of civil service pay administration is not cost effective. Expertise will have to be provided to every department for the work. Efforts will be duplicated in collecting the market information.</li> <li>▪ Decentralization of civil service pay administration is also not practical. With Government rather than individual departments as the employer of civil servants, certain degree of consistency and internal relativity in the civil service pay have to be maintained. This could be achieved only with a central pay administration body. An alternative is to make individual departments independent employers.</li> </ul>
(b) If decentralization of civil service pay administration to be introduced, how much pay and grading responsibility should be devolved to departments?	<ul style="list-style-type: none"> <li>▪ Heads of departments could be given the authority to vary the starting pay for recruitment purpose. The variation has to be made within a set of centrally approved framework with its justification clearly documented and subject to audit checking.</li> <li>▪ Departments should be required to regularly review their grading structures to ensure that they are appropriate to service delivery in present day</li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
	<p>circumstances. They should have the flexibility to create new grades and remove obsolescent grades within a set of centrally designed guidelines including pay ranges determined by qualifications.</p>
<p>(c) Should some or all of the current general/common grades staff be departmentalized to facilitate department-based management?</p>	<ul style="list-style-type: none"> <li>▪ Common grades staff are already managed by individual departments. Departmentalization will help strengthen the concept of 'individuality' and provide more room for departments to tailor made the job requirements to meet operational need and to absorb the job-related allowances into the pay.</li> <li>▪ Departmentalization of general grades staff would enable departments to pick and choose their own staff and to keep them for good instead of releasing them for career posting. This should work to the advantage of departments.</li> <li>▪ A proper and healthy career structure and sufficient training and development opportunity will have to be provided to the departmentalized general grades staff. This could be a problem for departments with a small establishment of general grades staff, e.g. GFS, AMS and for general grades with only a small number of staff working in departments, e.g. Information Officer grade.</li> <li>▪ Departmentalization may eventually lead to the creation of one or two new multi-skilled grades in each department to carry out duties currently performed by various general grade staff.</li> </ul>
<p>(d) 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?</p>	<ul style="list-style-type: none"> <li>▪ First of all, staff should be clearly informed of the rationale and the benefits of the move. Their buy-in is important not only to maintain their morale but to make the change feasible and possible.</li> <li>▪ Maintain good and effective communication with staff throughout the transition period.</li> <li>▪ The change should not be launched with other major civil service reforms or initiatives (e.g. EPP) to avoid creating too much anxiety to the civil servants.</li> </ul>

Questions raised by the Task Force	Comments from the departmental management perspective
<p>(e) 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 of management control and fewer rank layers?</p>	<ul style="list-style-type: none"> <li>▪ Amalgamation of grades is supported to enhance efficiency and to simplify administration.</li> <li>▪ There is certainly scope for amalgamation although the scope may be more limited with the professional disciplines.</li> <li>▪ Government should be more ready to delete grades and ranks that have become obsolete or redundant over time.</li> <li>▪ The concept of flatter organization should be pursued independent of the proposed amalgamation of grades and ranks. Staff should be reminded to review constantly their work procedures to ensure that personnel in different ranks will be involved only on a need basis and that decision should be made at the lowest competent level.</li> </ul>
<p>(f) Should a formal job evaluation system be introduced and, if so, should this be operated centrally or at departmental level?</p>	<ul style="list-style-type: none"> <li>▪ Yes and it should be operated centrally with objectivity and the necessary expertise. The job evaluation and pay level study should be carried out regularly to ensure that the civil service pay and structure are capable of meeting the challenges of the changing world.</li> </ul>