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電話 Tel. No.: [REDACTED]
圖文傳真 Fax No.: [REDACTED]

香港灣仔皇后大道東213號
胡忠大廈十六樓

20 June 2002

Secretary-General
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,

**Consultation Paper on Review of
Civil Service Pay Policy and System**

I attach for the consideration of the Task Force the departmental views on the questions raised in paragraphs 19 – 23 of the above Consultation Paper.

Yours faithfully,

[REDACTED]
[REDACTED]
for Director of Education

Review of Civil Service Pay Policy and System

Comments on the Consultation Paper

Phase I Study

Pay Policies, Pay System and Pay Structure

Question	Comments
Should there be a major overhaul of the civil service pay policy and system, should more emphasis be put in performance-pay, clean wage policy (i.e. paying "all-cash" wages in lieu of allowances, housing and medical benefits etc)?	<ul style="list-style-type: none"> ◆ We agree that a major overhaul be carried out. ◆ The changes should be implemented using a gradual and incremental approach to allow time for development of clear and measurable performance standards and a proper result-based performance appraisal system. ◆ The objectives of any changes should be clearly explained to staff to diffuse staff resistance and ensure "buy-in". ◆ Certain job-related allowances (e.g. Shift Duty Allowance) can be subsumed into the salary. Besides, some out-dated allowances can be abolished. ◆ The "all-cash" concept where the cost of the fringe benefits and allowances are subsumed into the officer's take-home pay is supported. Benefits that cannot be applied across the board should be converted into non-accountable cash payment to cut out the administrative work.
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?	<ul style="list-style-type: none"> ◆ Agree in principle that a different pay policy should be introduced for the senior civil servants, placing more emphasis on risk/award factors since they need to be more accountable for their decisions. There is, however, some concern that the introduction of different pay policy for different ranks may be divisive.
Should the disciplined services' pay be treated differently from the rest of the civil service?	<ul style="list-style-type: none"> ◆ Agreed, since they are subject to different working conditions and risk factors.
Should we continue to conduct regular pay level, pay structure and pay trend surveys to ensure civil service pay remains comparable with that of the private sector?	<ul style="list-style-type: none"> ◆ The pay trend surveys currently adopted should continue to serve as the reference for reviewing civil service pay level. However, some "differences" in the pay system should be allowed because the two sectors are different.

<p>Or should Government's affordability to pay be an over-riding consideration in pay adjustments?</p>	<ul style="list-style-type: none"> ◆ Agree in principle that Government's affordability to pay should be one of the considerations in pay adjustments. The basis of calculation should be derived after consultation with the staff side. ◆ This should not be the over-riding consideration as it could be seen by the civil servants that they had to bear the major responsibility for the government's fiscal constraints that the community as a whole has a part to play.
<p>What features of the existing pay policy and system should be retained to ensure stability and morale of the civil service?</p>	<ul style="list-style-type: none"> ◆ The existing feature that the system should be able to attract and retain good civil servants should be maintained. A respectable pay is also essential for maintaining a high standard of integrity and probity of the civil service.

Replacing Fixed Pay Scales with Pay Ranges

Question	Comments
<p>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?</p>	<ul style="list-style-type: none"> ◆ Supported, but needs to be supplemented with a good performance management system to maintain objectivity and fairness since the success of the civil service usually involves highly co-ordinated contributions from various stakeholders and it is difficult to measure civil servant's performance quantitatively.
<p>Would flexibility in pay progression lead to potential divisiveness among civil servants?</p>	<ul style="list-style-type: none"> ◆ We need a good performance management system to create an enabling and motivating environment for the civil service. ◆ There should not be pre-set quota for the award of the flexible pay, otherwise, divisiveness and protectionism will replace co-operation and synergy.
<p>Should flexible pay ranges be applied to the entire civil service, or only to senior civil servants, who typically have heavier management responsibilities?</p>	<ul style="list-style-type: none"> ◆ Agreed in principle that flexible pay ranges should be applied to the entire civil service since the requirement of good performance should be similarly expected from all grades and ranks. ◆ Staff in general tends to favour having a minimum and a maximum salary specified to each pay range, with flexibility allowed for individual to move within the range based on performance. ◆ We generally support that more flexibility should be built in for senior civil servants who have heavier management responsibilities.

Should flexible pay ranges apply both to civilian grades and the disciplined services?	<ul style="list-style-type: none"> ♦ Government should be cautious in introducing the pay range system. We propose that before full implementation of the system to the entire civil service, it should be piloted first among a small number of senior civil servants.
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"> ♦ The use of flexible pay ranges must be accompanied by a fair and reliable performance system that can effectively measure the performance of the civil servants. This will call for a thorough review of the existing appraisal system. Otherwise, it will lead to divisiveness among the civil servants, create unnecessary disputes and conflicts over performance appraisal reports, giving rise to staff management problems, and a subsequent negative impact on staff's performance. ♦ The performance management system including assessment standards must be worked out and agreed by civil servants before its implementation.
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"> ♦ The existing rather "automatic" mechanism in granting annual increment and the relatively long pay scale cannot drive staff to perform nor motivate them to take up heavier duties. A performance management system directly linked to pay will have a strong motivating effect. ♦ For officers who have reached the maximum of the pay range, a bonus point should be awarded for good performance to provide incentive.

Pay Adjustment System and Mechanism

Question	Comments
Should the principle of broad comparability with the private continue to be adhered to?	<ul style="list-style-type: none"> ♦ The Government is competing with the private sector for the best talents. Broad comparability with the private sector should still apply in pay adjustments. ♦ The comparison with the private sector pay is not totally relevant in present-day circumstances as there is difficulty in finding comparable jobs in the private sector, e.g. typing and filing clerk posts are almost extinct in the private sector. ♦ The system should, therefore, be further improved so that it could respond more quickly to changes in the employment market.

<p>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?</p>	<ul style="list-style-type: none"> ◆ The existing pay adjustment mechanism is perceived as somewhat “outdated”, yet it can, to a great extent, maintain the stability of the civil service. This is more a problem of perception. ◆ The public contention is more on the “high” level of the civil service pay and the “automatic” annual increment. The cause of the former was that we did not respond quickly enough to the market forces, e.g. that we are being criticized by the private sector for overpaying an Assistant Clerical Officer. There are at least 2 reasons for this. Firstly, the qualification benchmark system cannot truly reflect the job complexity and workload involved. This is further aggravated by the steady improvement in the general education level of the community, resulting in the downward trend for pay level for private sector jobs. Secondly, the civil service has not conducted an overall grade review exercise for more than 10 years and grade and pay structure of most of the civil service grades are outdated. As for the “automatic” increment, we do have a mechanism to stop or withhold the increment, yet this is not clearly known to the public.
<p>Is there a need for changing or introducing more flexibility in the existing adjustment mechanism?</p>	<ul style="list-style-type: none"> ◆ Agreed. We should consider other factors such as Government’s ability to pay, the achievement of performance goals, recruitment, retention and motivation of staff. We should also consider ways of responding quickly to salary level changes of different grades/professions and not just across the board changes. ◆ The existing annual pay adjustment mechanism can be modified by splitting the annual pay increase (or decrease) according to the findings of the Pay Trend Survey into two components: basic and performance pay (the equivalent of bonus in the private sector but paid on a monthly basis). The basic pay adjustment will apply to all in the same band while the Head of Department and supervisors will determine the performance pay by distributing the total of the adjustment according to individual performance.
<p>Should fiscal constraints be an over-riding factor in determining pay adjustments?</p>	<ul style="list-style-type: none"> ◆ We consider that this should not be the only over-riding factor.

<p>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?</p>	<ul style="list-style-type: none"> ♦ In principle, pay administration of professional/departmental grades of unique recruitment and performance standards could be decentralized to departments. ♦ Department heads should be given the authority to determine the optimal level of the manpower requirements, including the mix of civil servants and contract staff and the salary level offered to them according to the department's operational needs. Decentralization of pay administration by way of one-line vote, or a "trading fund" type of operation, are viable options.
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Introducing Performance-based Rewards

Question	Comments
<p>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"> ♦ Agreed in principle as this provides an incentive for civil servants to strive for excellence in their performance, resulting in the enhancement of quality of the public service. ♦ We anticipate however a number of potential problems in implementation, especially over performance management. The success of the scheme depends on a fair and credible performance appraisal system and adequate funding for the grant of such rewards.
<p>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"> ♦ Other forms of performance-based rewards such as merit trip, certificate of merit, year-end bonus could be considered.
<p>Should team-based performance rewards be used and, if so, to which groups (senior, middle, lower or all levels) should they apply and on what basis?</p>	<ul style="list-style-type: none"> ♦ Team-based performance rewards should be piloted in a few departments initially to collect staff feedback and gain experience before full implementation. ♦ There are concerns that team-based performance rewards may defeat the collaborative culture in the civil service as teams may compete against each other at the expense of the organizational goals. Moreover, team-based performance is normally associated with completion of a particular task/project or achieving a prescribed performance target. In the civil service, most work is project-based and staff achievement cannot be assessed in quantitative terms. There is also the problem of how to allocate the rewards to officers fairly and equitably.

<p>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"> ♦ Agreed in principle that individual performance rewards should be introduced to all levels of staff, in particular where team-based performance reward is not applicable, the award of bonuses to individuals with outstanding performance can be considered. ♦ The reward should be based on a set of objective criteria on performance assessment and introduced on top of the existing pay scale.
<p>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"> ♦ A set of well-developed management tools with monitoring mechanism to avoid prejudice and favoritism and an appeal mechanism is essential to any successful performance-based reward system. ♦ Complementary measures for speedy removal of non-performers are required to reinforce the performance culture. ♦ We should adopt a more cautious approach and wait to see the improvements to take effect before introducing further changes.

Simplification and Decentralization of Pay Administration

Question	Comments
<p>Should consideration be given to introducing decentralization of civil service pay administration for a city like Hong Kong?</p>	<ul style="list-style-type: none"> ♦ Agreed in principle to the decentralization of pay administration and consider that this should be tested out in a few departments before full roll-out.
<p>If decentralization of civil service pay administration is to be introduced, how much pay and grading responsibility should be devolved to departments?</p>	<ul style="list-style-type: none"> ♦ Departments with professional departmental grade staff should be given the free hand to administer the pay and grading responsibility to these staff as the Head of Department concerned is in the best position to monitor the performance and pay of these staff. ♦ It is useful if the Administration can assist the Departments to conduct surveys and devise yardsticks in determining the pay of their professional staff. This will avoid duplication of efforts, inconsistent criteria, potential divisiveness and over-domination by the market forces.

<p>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"> ◆ Agreed in principle for the clerical and secretarial grade staff especially for those departments that can provide the necessary exposure and grade structure for the career development of the staff concerned. ◆ For the Executive Officer grade, few departments will be able to provide on their own the exposure needed to enable officers to take up the broad range of responsibilities in the management of systems and resources, in project planning and development and other administration duties. We consider that departmentalizing the Executive Officer grade will not be beneficial to the career development of its members, and the Departments at the receiving end will lose the versatility and breadth of experience currently vested in the executive grade. ◆ To ensure successful implementation of departmentalization of the general/common grades staff, arrangements should be made to accommodate the serving officers and their aspiration and eligibility for career advancement.
<p>If civil service pay administration is to be decentralized, there may be a rather long transitional period. How can the standard of service and staff morale be maintained during that period?</p>	<ul style="list-style-type: none"> ◆ We do not see any problems to maintain the standard of service. To gain acceptance and maintain staff morale, it is more important that staff are consulted and kept informed of developments in the interim.
<p>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"> ◆ Agreed in principle that there is scope for having flatter organizations with wider span of management control and fewer rank layers. ◆ We agree that the existing grade and rank structure of the education grades should be simplified and flattened. In line with the declared policy of achieving an "all-trained, all graduate" teaching force, the existing non-graduate and graduate grades should be combined to form a new graduate teaching grade. There are also operational advantages to combine the various non-teaching grades into a single education professional grade as the rank/grade differentiation in most jobs being diluted.

<p>Should a formal job evaluation system be introduced and, if so, should this be operated centrally or at department level?</p>	<p>♦ The introduction of a formal job evaluation system is supported in principle. The work involved is expected to be tremendous and the initial exercise might need to be carried out by an independent consultant with subsequent updating done at the departmental level to provide quick response to changes in the job requirements. Some form of central government auditing should also be introduced to ensure consistency.</p>
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Education Department

May 2002