

食物環境衛生署
FOOD AND ENVIRONMENTAL HYGIENE DEPARTMENT

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Our Ref. : (39) in FEHD/APP 15/707 III

Mr LEE Lap-sun
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Joint Secretariat for the Advisory Bodies on
Civil Service and Judicial Salaries and Conditions of Service
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28 June 2002

Dear Mr Lee,

Review of Civil Service Pay Policy and System

I refer to the letter of 25 April 2002 from the Chairman of the Task Force on Review of Civil Service Pay Policy and System inviting views from departments and staff on its interim findings and observations on the captioned subject.

I append in the ensuing paragraphs the views of the management of this department.

(A) Pay Policies, Pay System and Pay Structure

- (1) Irrespective of Hong Kong's socio-economic developments in recent years, we consider it important that the **existing civil service pay policy should be maintained**, i.e. sufficient remuneration should be offered to attract, retain and motivate staff of a suitable calibre to provide the public with an efficient and effective service. In this connection, regular pay level and pay trend reviews should be conducted to ensure that the pay policy is effectively applied. The difficulties in measuring the value of output of civil servants as opposed to their private sector counterparts would need to be taken into account in the process.

- (2) There have been rapid improvements in the provision of post-secondary education in the last decade. It is necessary to examine whether the current **pay structure**, which determines the pay scale of grades **according to entry qualifications (largely based on academic qualifications)** and was introduced more than twenty years ago in 1979, reflects appropriately the needs of society today. It

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appears that job contents, specific requirements, expertise as well as relevant experience of candidates required, instead of entry qualifications, should carry more weight in deciding the pay scale of different grades. If objective job factors are set up, **pay differentials between civilian and disciplined grades** can be reasonably explained.

- (3) **Performance pay is supported in principle** but its implementation is fraught with difficulties. It needs to be underpinned by an effective performance appraisal system which is able to distinguish accurately good performers from the under-performers. Staff union would likely argue for appeal channels to be set up to contest decisions allegedly involving unfairness and favoritism.
- (4) Following from (2), the job value of **senior civil service (directorate) posts, which demands higher level of responsibility and carry a more significant stress factor, should be assessed differently from those of other ranks.** The former should be compared to the management staff of major employers in the private sector, while the latter with the general employees in the territory. Generally, greater flexibilities should be provided in determining the pay structure for senior civil servants.
- (5) **Government's affordability to pay** the civil service should be a factor, but not an over-riding one in determining pay level or pay trend revisions. Over dependence on affordability, which could be interpreted subjectively, could politicize the pay issue and undermine the stability of the civil service.
- (6) The division between directorate and non-directorate pay scale, civilian and disciplined services, **the annual pay trend review** with reference to major companies in the private sector **should be retained.**
- (7) To improve efficiency and in keeping with modern management practice, we consider it appropriate to implement the '**total remuneration**' package by subsuming the various forms of allowances into pay. This would also significantly reduce administrative cost. However, care should be exercised to ensure that this does not inflate pension or related payments when the officer leaves the service in future.

(B) Replacing Fixed Pay Scales with Pay Ranges

- (1) We **support the idea of replacing fixed pay scales with pay ranges** – good performers will receive more pay without the hindrance of a pay maximum. This would motivate more civil servants to perform better. The pay range proposal should in principle apply universally, as all officers, be they senior or junior in rank, or members of the civilian or disciplined service, have a responsibility for giving of their best and an entitlement to being recognised for good performance.
- (2) An **effective and impartial performance appraisal system** which is convincing to all staff **would be crucial** to the successful implementation of the flexible pay range system. This will entail the establishment of assessment panels to guide appraising officers in adopting the right assessment standards and to help re-distribute performance assessments on a more reasonable spectrum. Over time, we believe that a performance pay system will effectively nurture a performance culture in Hong Kong, as in the case of other countries where the practice has been introduced.
- (3) The **flexible pay range system will inevitably be divisive**. But divisiveness is a necessary evil, as the situation where good performers are promoted more quickly than their not-so-good counterparts. The proposal will have the effect of motivating those officers who are already on their pay maximum without any promotion prospects.

However, it is expected greater difficulties would be encountered in implementing this arrangement among staff of grades in the lower pay ranges, e.g. Workmen, who exhibit a different work culture. A lot of appeals and complaints can be foreseen which require additional resources to deal with.

It should be considered whether flexible pay ranges should be introduced for middle ranking and senior civil servants in the first instance.

(C) Pay Adjustment System and Mechanism

- (1) Civil servants form about 5.5% of the labour force in Hong Kong. Like their counterparts in the private sector, they contribute to the territory's

economy. Their **pay and conditions of service should broadly be in keeping with those in the private sector.** The principle of broad comparability should continue to be adhered to.

- (2) The **existing pay trend adjustment mechanism is considered broadly fair**, although fluctuations in market highs (labour shortage) and lows (staff layoffs) are not adequately reflected in the survey results. On the other hand, the absence of any pay level reviews conducted since 1990 has resulted in civil service pay and condition matters falling out of place compared to movements in the private sector. Consideration may be given to moving away from the formula-based approach in pay determination to provide greater flexibilities to meet changing social and economic circumstances, and the review mechanism could be simplified (say, a set of index established) to facilitate timely reflection of private sector changes.
- (3) **Private sector comparability should be the over-riding factor in determining pay adjustment for the civil service.** Fiscal constraints should be taken into account but not the major factor to be considered. This is because civil servants should enjoy or share the burden of changes in the economy as employees in the private sector. Too much emphasis on non-objective factors may politicize the pay adjustment issue and will bring instability to the civil service to the detriment of Hong Kong.
- (4) Even if administration of individual grades' pay scales is delegated to HoDs/HoGs subject to operational and funding controls (explained in (E)(1) below), we consider it appropriate for **central government to determine the civil service wide annual pay revisions** which are meant to align the general civil service pay with yearly changes in the cost of living. It is not possible for individual HoDs/HoGs to conduct their annual pay trend survey.

(D) Performance-based Rewards

- (1) We **support the proposal to incorporate performance pay in civil service salaries.** This will motivate the below-the-line staff to pull their socks and the good performers to do better. Perhaps a portion of the annual pay trend revision (assuming pay increase) could be set aside as the reward for the better performers to reduce the effect of this

change on public expenditure. Year-end bonuses may also be another form of incentive to enhance service efficiency. This should be made a floating payment separated from the annual remuneration with a view to avoiding any knock-on effects on pension or provident fund schemes.

- (2) Owing to their work nature and responsibility, **senior officers should be subject to performance pay on an individual basis**, while mid-management or front-line staff may be considered for group rewards on an individual basis or group basis depending on the nature of work.
- (3) If performance pay were to be introduced, consideration should be given to **prescribing the percentage of outstanding/very effective/effective etc performances to align with the amount of pay awards to be distributed**. This would simplify administrative arrangements.
- (4) Success of introducing performance-based rewards depends very much on a credible and widely accepted performance management mechanism and change in the staff appraisal culture for a lot of grades. To facilitate the making of objective performance assessments, **appraisal forms should be competencies based. Assessment panels should be established** to ensure consistency in assessment standards. **Appraising and countersigning officers should be properly trained** to make their appraisals more objectively.
- (5) **Practical difficulties are however foreseen in implementing performance-based rewards among junior rank staff**. It would not be easy to establish objective yardsticks to measure performance which are considered fair and acceptable to these staff. Without too much promotion prospect, they tend to look at their pay more critically. While performance-based rewards would enhance and encourage better performance, the operating mechanism should be designed to minimize or effectively deal with appeals thus arising to avoid having to incur additional administrative efforts and cost.

Comparatively, performance-based pay may be more readily acceptable among senior civil servants which has been the case in countries surveyed by the consultant.

(E) Simplification and Decentralization of Pay Administration

- (1) **There are merits in decentralizing pay administration matters on individual grades to heads of grades and heads of departments so that they can better utilize their resources to meet service demands.** On the one hand, there are already too many grades and ranks in the civil service which results in too fine a distinction of duties among ranks and grades, a feature not conducive to effective management. Serious consideration should be given to terminating the proliferation of such. On the other hand, the existing centralised mechanism on the creation of new grades and ranks on the MPS is too rigid to enable departments to respond effectively to changes in demand for services. Flexibility in the employment of NCSC staff in the last few years has enabled departments to recruit staff with flexible qualification and experience requirements as well as remuneration package.

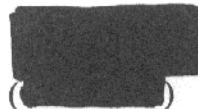
A possibility may be for the central government to determine a policy framework and establish a formal job evaluation system within which heads of departments are given discretionary authority to assess and determine pay and structure for their staff having regard to operational needs and qualities of staff required, but subject to budgetary constraints and value-for-money auditing.

- (2) **The pros and cons of devolving the control on common grades and general grades staff to their respective HoDs should be carefully considered.** The devolution might face strong staff resistance since it will drastically affect the career of the grade members concerned.
- (3) To ensure consistency and stability as well as service-wide mobility of senior civil servants, **pay and grade structure matters of directorate staff should continue to be controlled and managed centrally.**
- (4) To reduce administrative cost and enhance efficient pay administration on decentralization, **the existing multifarious grades and ranks structure need to be simplified and reduced** in the first instance. For example, there are no less than 50 grades in FEHD, including general, common and departmental grades. Flexibilities in delayering and other forms of broadbanding and simplification of grade structure should be provided. It should be noted however that if the policy that

no staff should be rendered surplus is to be adhered to, there would only be very limited scope for delayering and simplification of structure.

- (5) Decentralization would bring about a fragmented pay system for the civil service (with departments operating individually on pay and structure matters). It is for consideration whether importance should continue to be placed on preserving internal relativities among staff doing similar work in different departments. If it should, then decentralization would create problems of internal relativities between staff doing similar work in different departments but being awarded different levels of pay. **Central government should establish a formal job evaluation system** for observation by departments to ensure consistency within the civil service.
- (6) **Decentralization of pay administration would mean a mammoth task for large departments** such as FEHD. It would necessitate deployment of additional resources and expertise.

Yours sincerely,



for Director of Food and Environmental Hygiene