

MEMO

From Director of Home Affairs

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Date 29 June, 2002

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

(Attn.: _____)

Your Ref. _____ in JS/CSP/TF

dated 2.5.2002 **Fax. No.** 2877 0750

Total Pages 3

**Task Force on 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. We have consulted our staff members and grade managers on the subject. They generally agree that there is a need to review civil service pay policies, pay system and pay structure to meet the changing socio-economic situation, and there is room for merger of different grades and delayering. However, there are concerns with the detailed arrangements and implementation. Their initial views on the five specific areas under study are appended below:

On Pay Policies, Pay System and Pay Structure

2. While agreeing that there is room for improvement in the existing system and there are suggestions for a more flexible pay policy and system to reflect the true value of jobs done in the changing environment, encourage good performance and punish mediocrity, most staff do not see the need for a major overhaul of the system. To avoid resentment and confrontation and to gain staff commitment, if any changes are to be introduced, they should be gradual, after full consultation with stakeholders. Besides, the new policy and system must be able to maintain a stable and clean civil service.

3. It is considered all civil servants, including disciplined staff, should be subject to the same pay system.

4. Most staff consider that Government's affordability should be one of the factors in determining pay adjustment but it should not be an over-riding consideration. Regular pay surveys should continue to be carried out in order to ensure that civil service pay remains highly competitive in order to attract and retain talents.

On Replacing Fixed Pay Scales with Pay Ranges

5. It is generally agreed that flexible pay ranges may bring about better initiative, work performance and diligence amongst staff. However, there are concerns

about the fairness of such a system. The system, if adopted, must be based firmly on a credible and objective performance appraisal system. Therefore, unless such an effective appraisal system has been put in place, it is premature to implement pay range in the civil service.

6. If the administration is determined to implement flexible pay ranges in the civil service, some suggest that they should be applied to senior civil servants for a trial period before full implementation.

On Pay Adjustment System and Mechanism

7. The principle of broad comparability with the private sector should continue to be adhered to. However, given the different nature of business between the public and private sectors, this should not be the sole basis for evaluation to maintain competitiveness of the civil service.

8. On decentralization of pay administration, an open and fair mechanism with clear guidelines and a transparent appeal system is a pre-requisite to avoid abuse and manipulation. Full staff consultation should be conducted before implementation.

9. For general and common grades staff, there is a preference for pay administration to be dealt with centrally to maintain consistency amongst different departments.

On Introducing Performance-based Rewards

10. The idea of performance-based pay is not well supported. The majority view is that it is difficult to implement in the civil service where there is a lack of an objective measurement of output. Moreover, staff are very concerned that performance-based pay would aggravate the culture of "apple-polishing" in the civil service. It could also hamper staff morale and teamwork due to competition amongst staff to outshine each other in competing for a higher pay increase.

11. As regards the team-based performance rewards, they can be applied to service areas with specific and well-defined performance targets. Apart from team-based performance rewards, individual performance rewards or a bonus system may be introduced to motivate staff to perform better. As a start, an incentive system using non-monetary rewards may be considered.

12. A fair and effective appraisal system should be developed to support any initiatives in linking pay with performance. In this connection, we can make reference to the private sector's practice. A multi-dimensional evaluation process including assessments from the peers, clients and subordinates should be explored.

On Simplification and Decentralization of Pay Administration

13. While it is generally agreed that pay policy should be determined at the central level, it is also recognized that some forms of decentralization would allow departments to have more discretionary powers to manage their workforce including pay.

14. Regarding amalgamation of existing grades within broader occupational categories and de-layering, staff are worried that such measures may seriously affect their career prospect. Career aspiration is a legitimate expectation the management cannot ignore. Staff's interests should not be unreasonably sacrificed.

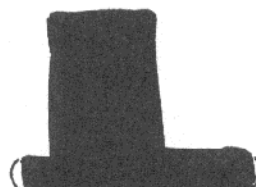
15. Given the large number of grades and ranks we have at the moment, the amalgamation and delayering arrangements should be carefully planned; the job evaluation process open and fair; and the grade management and staff members fully consulted throughout the design and planning process. Staff commitment and support is essential to ensure a smooth implementation.

16. On the question of departmentalization of general grades staff, we share the views expressed by the Director of General Grades in his letter addressed to you dated 11.6.2002. We agree that this matter requires further consideration before any changes are to be introduced. Again, general grades management and members should be duly consulted for any proposed departmentalization plans.

Other Views

15. Staff generally feel that it is not the opportune time to radically change the pay policies and system of the civil service under the current economic situation. Any new pay policies/measures resulting in pay cut would definitely affect the livelihood of minor and junior staff. The economic recovery of Hong Kong would also be affected as well.

16. It is also felt that the merits of the existing system should be preserved as it has made significant contributions to bring about a stable and highly acclaimed civil service in Hong Kong. Radical changes are regarded as unnecessary. Before implementing any changes, staff should be consulted extensively. Perhaps the administration should consider whether staff should be given a choice to opt for the new system to be put in place or to remain with the existing rules of the game.



for Director of Home Affairs