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Secretary General
Joint Secretariat for the Advisory Bodies on Civil Service
And Judicial Salaries and Conditions of Service
Room 701, 7th floor
Tower Two, Lippo Centre
89 Queensway
Hong Kong.

Dear Secretary General,

Review of Civil Service Pay Policy and System

Pursuant to the letter dated 25 April 2002 from Chairman of the Task Force inviting views on the consultation paper on their Phase I Study, I attach two submissions from staff setting out their response to the 15 questions raised in the consultation leaflet. I understand that the Land Registration Officers' Branch of the HKCCSA has sent their submission to the Task Force through HKCCSA.

Staff Submissions

From the attached submissions, you may note some apprehension over any substantial changes to the civil service pay system, pay level and conditions of service. Our staff oppose introducing performance pay without an assurance of an equitable system. They have rejected the idea of clean wage policy on financial grounds and are wary of possible replacement of fixed pay scales by flexible pay ranges. While views on other aspects of the review are diverse – they cover questions of departmentalisation of general grades and the amalgamation of existing grades - staff are unanimous that affordability should not be over-riding in considering pay adjustments. As regards performance rewards, while supporting team-based rewards, staff oppose individual rewards for fear of the resultant divisiveness. There is also scepticism about the feasibility of decentralising pay administration.

Management's Views

I would like to offer the management's observations. In general, we share the views of the Task Force that:

- (1) pay and grading reform cannot be implemented in isolation from the civil service reform agenda as the two are inter-related;
- (2) making significant changes to pay and grading arrangements will bring both pain and gain. To maintain stability in the Civil Service and preserve high service quality, we will need to move cautiously and step by step in the reform process; and
- (3) a thorough re-think of the existing pay system is required in view of its present inadequacies.

On Pay Policies, Pay system and Pay Structure (para.19 of Consultation Paper)

- (4) We support an overall review of, and improvement to, the present pay policy and system. We support the payment of performance-pay as proper recompense for effort but consider that additional management and leadership initiatives are necessary to achieve organization wide performance improvement – pay alone should not be seen as the means to improve performance. We also support paying cash in lieu of allowances as this will simplify systems, save administrative costs and remove the inequity arising the present systems' inflexibility.
- (5) All civil servants irrespective of ranks should be subject to the same basic pay principles, e.g. pay according to job content, level of responsibility and special job requirements. However, within these broad parameters, there is scope for variations to suit different job demands.
- (6) To conduct regular pay surveys to ensure broad comparability between civil service and private sector pay may be useful only if the survey can cover truly comparable jobs and can be acted on promptly so that there is no long time lag between review and implementation.
- (7) Government's affordability does not need to be singled out as an over-riding factor. For departments such as ours, that are not dependent on centrally collected revenue, it is a meaningless concept. For the vote funded departments, Government should have a view as to the quality of service expected from them and then ensure that it has the revenue to ensure that level of service.
- (8) The present civil service provident fund scheme offers attractive incentive for people to join and remain in the Civil Service. Apart from financial consideration, other factors such as giving staff due recognition and support,

providing a decent working environment and job satisfaction, promoting team spirit, giving clear leadership and articulating clearly the value of the work performed are all essential factors in recruiting, retaining and securing performance from staff.

On Replacing Fixed Pay Scales with Pay Ranges (para.20 of the paper)

- (9) We agree that the introduction of flexible pay ranges will bring benefits. But, this needs to be managed carefully since this, together with flexibility in pay progression, is likely to create potential divisiveness among civil servants.
- (10) To apply flexible pay ranges to senior civil servants may be a good starting point, as might trial in one or two departments that had already developed strong HR and performance management systems that have gained the trust of staff. We recognize that in designing any such trials care has to be taken to ensure that they would be compatible with any more comprehensive mechanism that might follow, so as to ensure equity.
- (11) There is merit in applying flexible pay ranges to both civilian and disciplined services.
- (12) A fair performance appraisal system is a pre-requisite for introduction of flexible pay ranges. However, to devise a system that is seen by all to be fair requires significantly greater investment of time and effort in HRM by management than is generally the case at present.
- (13) Linking performance management system to pay may be a useful tool to help nurture a performance culture, but financial incentives are merely one of many factors affecting performance and by no means the most important in most cases.

On Pay Adjustment System and Mechanism (para.21 of the paper)

- (14) The present comparability with the private sector is suitable for comparable jobs and is likely to become more meaningful as political accountability is shifted from public servants onto appointed policy secretaries and the Chief Executive and his Executive Councillors. However, the general duty to the public of every public servant will remain, as will the broader range of considerations and responsibilities that many public service managers and leaders need to handle. This argues for using private sector comparators only as a general guide and giving acknowledgement to the distinctive nature of public service.

- (15) The existing pay adjustment mechanism is unduly rigid and is unable to react sufficiently quickly to changing conditions to inspire confidence.
- (16) Fiscal constraints are an inescapable consideration but should not be singled out as the key factor. It is reasonable for the public, and the public sector, to expect the Government to consider increasing revenue or scaling back on new expenditure programmes as well as constraining public service pay as means to address fiscal problems. Public sector pay does (or should) reflect assumptions about the quality of public services. Any decision to change those assumptions should follow from a public debate, not be an accident of fiscal management.
- (17) Decentralization of pay administration may be considered if a comprehensive set of broad principles and pay parameters can be worked out within which departments may maneuver according to individual needs and job market position. Suitable training for the decentralized pay administrators will also be necessary. Overall, a carefully thought-out system is needed.

On Introducing Performance-based Rewards (para.22 of the paper)

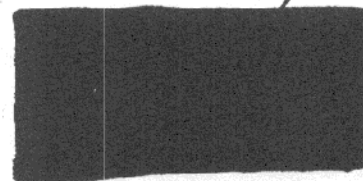
- (18) We see merit for incorporating elements of performance pay in civil service salaries.
- (19) Apart from pay ranges, other performance-based rewards may include year-end bonuses, project-based rewards, to be given according to performance.
- (20) A few government departments are presently experimenting with different team-based performance reward schemes. The outcome may cast light on the feasibility of such rewards.
- (21) There is also merit to introduce individual performance rewards if a reliable performance appraisal system is in place.
- (22) The present staff performance appraisal system will need substantial refinement, both in design of forms and process and in training of managers and staff. We may also consider introducing 360 degree assessment of the senior civil servants.


On Simplification and Decentralization of Pay Administration (para.23 of the paper)

- (23) Civil service pay administration may be decentralised to a limited extent, with the center retaining control over pay ranges, broad principles and standards to avoid parity and relativity problems.

- (24) If decentralization of pay administration is introduced, departments should operate within broad principles and set standards, and seek central approval before making exceptions.
- (25) We see merit for departmentalizing some of the general grades provided that the departments concerned are large enough and able to provide a reasonable career structure for the staff, and subject to suitable measures being worked out to address staff concerns over diminished promotion prospect and freedom of transfer.
- (26) The prime consideration before introducing any change is the ability of the Civil Service to remain stable and preserve high service standards during the long process. It is important to let civil servants see the reasons for the change and what better future it will bring to them.
- (27) There is definite scope to amalgamate the existing multifarious civil service grades and to have flatter organisations and fewer layers.
- (28) A formal job evaluation system may be considered after all the more pressing issues have been addressed. It will create chaos trying to do too many things at a time. Indeed, as a closing observation we feel that while there is merit in many of the proposals this would be undermined by trying to move too fast on too many fronts. Identifying departments or grades who are ready and willing to try out particular reforms, so as to create role models and allow time to learn from experience is likely to be the path to more profound, long lasting and beneficial reform than massive central impositions. Considerable investment has been made over the last few years in raising the quality of management and leadership within the public service. Creating a framework within which departmental leaders are encouraged to experiment with the various tools proposed in the review so as to support their wider strategies for developing the performance of their departments seems a better approach than constraining them to use only the more limited range of options likely to be acceptable to every department and grade.

Yours sincerely



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Land Registrar