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JS/CSP/TF

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,

**Task Force on Review of Civil Service Pay Policy and System
Consultation Paper – Phase I Study**

We refer to the Task Force's invitation for views on its Phase I Study on civil service pay policy and system. In view of the complexity and long-term implications on the civil service, we believe it necessary to solicit and provide as much feedback to the Task Force as possible. For the same reason, it is practically difficult to come to any consensus view within the Department on each and every one of the questions raised in the Consultation Paper. Below are some perspectives that we would like to offer to the Task Force for consideration. The staff side has been encouraged to submit their views to the Task Force separately.

Pay Policies, Pay System and Pay Structure

(a) Should there be an overhaul of the civil service pay policy and system (Para 19(a))

Certainly there are merits in introducing performance-pay as a means to motivate and retain staff. The idea of 'clean wage policy' is also welcome as it would help reduce administrative work. Yet, any decision to seek a 'major overhaul' of the civil

service pay policy and system should be taken with caution as the long-established pay policy and system is itself an important element underpinning a stable civil service. If an 'overhaul' is considered necessary, it is necessary to set out a long term plan with short term implementation targets to ensure smooth progression.

(b) Should senior civil servants be subject to a different pay policy (Para 19(b))

It may be advisable to inject flexible elements, e.g. award factors, into the pay arrangements for senior civil servants since they should be able to exercise more discretion, flexibility and influence over their work, their staff and their supervisors. However, the pay system should not embody an unnecessarily high element of risk as it would jeopardize the stability of the civil service. Rather, Government should examine ways to strengthen the negative reinforcement tools for handling sub-performance and misconduct.

(c) Should the disciplined services' pay be treated differently (Para 19(c))

We see no objection to treat disciplined services' pay differently from the rest of the civil service.

(d) Should regular pay level/trend survey be conducted to ensure public sector comparability with the private sector (Para 19(d))

It is important for the Government to be able to offer remunerations competitive enough to attract and retain quality people. We believe, therefore, that certain mechanism has to be put in place to ensure that civil service pay is broadly comparable with the private sector. Whether the mechanism has to be in the form of a regular pay level, pay structure or pay trend survey is another question that requires further examination. It is appreciated that such surveys could be highly technical but hardly comprehensive enough to embrace all work disciplines in the Government. More often than not, its methodology and findings are not accepted by all parties concerned. The annual pay trend survey has been a laborious exercise for the management, the Staff

Side, and the community at large. We should target at a simpler system.

(e) Should Government's affordability be an over-riding consideration for pay adjustment (Para 19(e))

In the past years, apart from the findings of the pay trend survey, Government has taken into account a number of factors in determining the civil service pay adjustment, namely, changes to the cost of living, the state of the economy, budgetary considerations, the Staff Sides' pay claims and civil service morale. While the Government's affordability is a reasonable factor to be considered, it should not be the 'over-riding' factor in pay adjustments. The state of the economy, cost of living and the Government's ability to attract quality people, for example, remain important factors to be considered.

The civil service pay was structured under a qualification benchmark system with the benchmark entry pay being associated with the minimum qualification required. Given the development of our education system and the increased supply of candidates with strong academic background, it is necessary to review whether academic qualifications should be taken as the over-riding factor in determining entry pay. Furthermore, for grades without recruitment difficulties, the present pay system requires management to pay new appointees at the minimum point of the pay scale. This requirement prohibits recognition of higher academic/professional qualification or relevant experience and cannot therefore help to attract well qualified/experienced candidates.

(f) Features of the existing pay policy and system to be retained (Para 19(f))

The civil service pay system has been accepted by staff as 'fair' and equitable because the 'rigidity' provided little room for personal maneuvering. Front-line staff members may, however, feel they are more vulnerable to complaints by the public and are therefore more worried about a system that links pay with performance.

Replacing Fixed Pay Scales with Pay Ranges

- (a) Should flexible pay ranges be introduced and linked to performance (Para 20(a), (c) and (f))

As pointed out in para. 3.29 of the Report, the use of flexible pay ranges must be accompanied by a vigorous approach to performance measurement and management. Such an idea, therefore, does not seem to be readily feasible with junior staff since their supervisors, who may also be in the junior ranks, might not be able to support a more sophisticated appraisal system.

Rather, a different award system should be explored for the junior grade staff, e.g. a team-based award or bonus-based award system that is assessed and maintained on the basis of result and completion of targets. This is easier to administer and may help promote a team-performance culture.

- (b) Would flexible pay progression lead to divisiveness among staff (Para 20(b))

No doubt, flexibility in pay progression would create jealousy and distrust among staff. The system, if introduced, must be seen to be administered in a fair manner.

- (c) Should flexible pay ranges be applied to the disciplined services (Para 20(d))

With our limited knowledge on the demands and performance requirements of the discipline services, we cannot comment on whether flexible pay ranges should apply to the disciplined services.

- (d) Should flexible pay ranges be accompanied by changes in the performance appraisal system (Para 20(e))

The introduction of flexible pay ranges would no doubt require reinforcement of the existing performance measurement and appraisal system in addition to a well-designed framework and criteria for application.

Introducing Performance-based Rewards

(a) Considerations of performance pay (Para 22(a) – (d))

We see the merit of introducing an award system for promoting a performance-oriented culture. With the recent introduction of more stringent measures to control the claims of job-related and overtime allowance, some supervisors have found it increasingly difficult to motivate junior staff to work longer hours or take up unpopular duties. Many staff also find promotion opportunity remote. Hence, some elements of performance pay should be introduced to induce good performance. For the more junior ranks, a team-based rather than an individual-based award scheme may be more appropriate as a culture of cooperation rather than individual excellence would be more conducive to effective management and service delivery.

Flexible pay ranges could be considered for the more senior managerial grades/ranks in order to allow management the flexibility to award pay which commensurates with qualification, experience and performance. The award should, however, be supported by well-defined scope and criteria.

(b) Changes needed in the staff appraisal system (Para 22(e))

It is necessary to promote honest staff reporting to support an effective performance pay system. Since it is not uncommon for staff members to raise appeals against unfavourable performance assessment, there must be a mechanism, or an independent appeal board, to handle the appeals so as to give the staff a fair hearing and to protect appraising officers from malicious complaints.

Simplification and Decentralisation of Pay Administration

(a) Decentralization and devolution of responsibilities to departments (Para 23(a) and (b))

We have reservations on the idea of a decentralized pay administration system. The arrangement might not be favourable

to those 'service-providing' departments as they might be obliged to deploy their resources to meet departmental commitments at the expense of staff costs. As a result, the pay level of these departments might be less attractive than that of the revenue-generating ones. Furthermore, a decentralized pay administration system may arouse unnecessary competitions among departments for quality candidates. Devolving pay administration to departments might strain the relationship between departmental management and staff. Departments may be required to enter into unnecessary negotiations with the Staff Side or individual staff members over the subject of pay administration. The devolution will also increase the administrative work of departments, e.g. a lot of research work might need to be done to ensure that the pay offered is competitive. Lastly, it is necessary to have staff's general support before the Government should take any steps towards pay decentralisation.

(b) Departmentalization of Common/General Grades (Para 23(c) and (d))

The concept of departmentalizing most of the general/common grades staff is worth pursuing since their mobility is generally low and departmental experience is desirable. If agreed, it might take a very long time for the policy to be fully implemented if posting preference of individual officers has to be taken into account. For common/general grades in the managerial cadre, e.g. the Executive Officers grade, we do not support their departmentalization as inter-departmental transfer would help to broaden their horizon and enrich their management experience.

(c) Amalgamation of existing grades (Para 23(e))

There is scope to review the existing grades and ranks with a view to simplifying and de-layering the civil service structure. Yet, as a staff motivation tool, any new structure must provide room for career advancement and pay progression.

(d) Introduction of a job evaluation system (Para 23(f))

There are merits in trying out a job evaluation system with a few selected grades to examine whether such a system would provide a

more realistic assessment of the job content and thereby facilitate the determination of an appropriate pay level. This should be done centrally to maximize the use of expertise in administering the system.

I hope you will find the above comments useful. If you require further elaborations, please let me know.

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([REDACTED])

for Director of Leisure and Cultural Services

c.c. Secretary for the Civil Service
(Attn: [REDACTED])