

MEMO



From Commissioner of Correctional Services

To Secretary General, JSSCS

Ref. (85) in CSD PER 1-55-4 R

Attn. [Redacted]

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Task Force on Review of
Civil Service Pay Policy and System

I refer to your memo under reference.

- 2. Please find attached the comments of the Department for your necessary action.

[Redacted Signature]

([Redacted Name])
for Commissioner of Correctional Services

**CSD's Comments on the Consultation Paper
Review of Civil Service Pay Policy and System**

(1) Pay Policies, Pay System and Pay Structure

(a) Should there be a major overhaul of the civil service pay policy and system, should more emphasis be put on performance-pay, clean wage policy (i.e. paying "all cash" wages in lieu of allowances, housing and medical benefits, etc)?

- *Performance-pay is a good incentive of rewarding competent officers who outperform and encouraging average workers to strive for the best output.*
- *Clean-wage policy though is able to streamline administrative work by amalgamating various types of allowances into a simple pay system, it could not appropriately address the circumstances of individuals. In particular, Disciplinary Services Overtime Allowance shall be maintained to address unforeseeable operational needs.*
- *While allowances are currently granted to eligible applicants on need basis, a clean-wage policy incorporating comparable benefits, if implemented in a service-wide manner, may cause fiscal impairment to the Government.*
- *The Department considers that there is room for refining the current pay policy but extreme caution should be paid to staff sentiment and the possible repercussions. A step-by-step change is preferable.*

(b) 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?

- *Senior civil servants play a prominent role in guiding their departments towards the determined departmental visions through making use of personal traits, exercising leadership, and bearing high level of accountability.*
- *Emphasizing the risk and award factor in the pay policy for senior grade staff and differentiating their pay scale from that of the middle and junior ranks could help attract and retain competent persons to work for the Government under the pay conditions comparable to the private sector.*

(c) Should the disciplined services' pay be treated differently from the rest of the civil service?

- *Having regard to the specific work nature and accountability of disciplined services and their contribution to the stability of the community, it is important that the pay policy in respect of disciplined forces should be separately considered.*

(d) Should we continue to conduct regular pay level, pay structure and pay trend surveys to ensure that civil service pay remains comparable with that of the private sector?

- *The future orientation of human resource management in the civil service should also be aligning with the broad principle of seeking continuous improvement like the one commonly adopted by the private sector.*
- *The pay level, pay structure and pay trend of the private sector should remain as good and comparable indicators to reflect the current pay conditions of the general human resources market in Hong Kong for the reference of the Civil Service.*

(e) Or should Government's affordability to pay be an over-riding consideration in pay adjustments?

- *A good balance between the formal pay comparability with the private sector and the Government's financial affordability should be emphasized in determining the annual pay adjustment. In any case, affordability should not be an over-riding factor. In the event of financial constraint, the Government may consider reshuffling the allocation of human resources as a means to minimize expenses.*

(f) What features of the existing pay policy and system should be retained to ensure stability and morale of the civil service?

- *Hong Kong requires a loyal and experienced civil service to provide the community with quality service. The mechanism of annual increment is a form of recognition of experience which is conducive to promoting staff morale and work incentive. Furthermore, regular reviews of pay trends should be retained in the pay system for ensuring comparability with the private sector.*

(2) Replacing Fixed Pay Scales with Pay Ranges

(a) 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?

- *Flexible pay ranges may serve as an effective management tool in boosting morale and work incentive of individuals in the private sector in which the output of the employees can be quantified, and where profitability help determine the performance of individuals.*
- *Civil service emphasizes on performance pledges and quality of output rather than profitability. Pay ranges tie-in with quantified output and profit margins are not applicable in the Civil Service.*
- *Moreover, flexible pay ranges may cause disintegration and conflicts. It is in particular inappropriate to apply flexible pay ranges in disciplined services where esprit de corps is the key to efficacy.*

(b) Would flexibility in pay progression lead to potential divisiveness among civil servants?

See (2)(a).

(c) Should flexible pay ranges be applied to the entire civil service, or only to senior civil servants, who typically have heavier management responsibilities?

See (2)(a).

(d) Should flexible pay ranges apply both to civilian grades and the disciplined services?

- *The unique nature of disciplined services requires absolute obedience and involves involuntary elements in job assignment. Flexible pay ranges cannot and should not be applied.*

(e) Would changes be required to the existing performance measurement and appraisal systems to support the introduction of flexible pay ranges?

- *The Department has lately implemented a competency-based performance appraisal system with quantitative measuring parameters for the core competencies and functional abilities of our staff members. The system aims at providing an effective tool for monitoring and reinforcing an officer's progress rather than to cope with the flexible pay*

ranges. Benchmark for performance must be made available to cope with the introduction of flexible pay ranges.

(f) Would a performance management system directly linked to pay be the most effective way of nurturing a performance culture?

- *Linking the performance management system directly to pay is one of the effective tools to foster a performance-oriented culture. But the essential factors of consideration should also include a wide range of parameters such as work nature, learning culture, personal ethics and esprit de corps, and the existence of which would greatly depend on the organizational framework, means of communication and the overall culture within the department.*

(3) Pay Adjustment System and Mechanism

(a) Should the principle of broad comparability with the private sector continue to be adhered to?

- *The principle of broad comparability with private sectors incorporated in the pay adjustment mechanism has been functioning effectively to reveal contemporary pay trends of the human resources market in Hong Kong.*
- *It is considered a fair and transparent referencing system that the civil servants have widely accepted as generic indicators to their pay and condition of service. Apart from providing information on pay conditions, maintaining such principle in the pay adjustment mechanism can alleviate unnecessary worries and avoid volatility of the civil service.*

(b) 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?

- *The public may tend to voice out different opinions when the economic situation of Hong Kong becomes increasingly turbulent in late years.*
- *The Administration has already taken into account a wide range of factors when deciding the annual pay adjustment with due regard to pay trend survey, cost of living, staff proposals, and the economic climate.*

(c) Is there a need for changing or introducing more flexibility in the existing adjustment mechanism?

- *The need for implementing a change in the pay adjustment system has to be considered in conjunction with the recommendations drawn by the consultancy study, comments collected on the consultation paper, and the responses from the staff side. No conclusive comments could be drawn at the present stage.*

(d) Should fiscal constraints be an over-riding factor in determining pay adjustments?

- *While it is agreed that fiscal constraint is one of the deciding factors of which the Administration must critically address, it is equally important that commensurate degree of emphasis be put on other factors to form a holistic view of pay adjustment.*

(e) Depending on whether, and to what extent, pay administration should be decentralised to departments, what would be the right balance for Hong Kong in terms of central control/guidance versus autonomy/flexibility for individual departments?

- *Hong Kong has no experience in managing a flexible, performance-based pay policy. Decentralizing the pay administration to departmental level would create further difficulties such as potential divisiveness among departments on the implementation of the future pay policy.*
- *The Administration should remain as the central body in setting the pay policy framework and carrying out pay negotiations while the departments could spare themselves on implementation of the policies.*

(4) Introducing Performance-based Rewards

(a) Do we see the merit for Hong Kong to incorporate elements of performance pay in civil service salaries?

- *With reference to the five countries studied, it is noted that most of them have adopted or are increasingly tending to adopt the performance-based rewarding system in the civil service.*
- *Incorporating flexible pay-range into the pay policy deserves serious consideration for the reasons specified in (2)(a). It is however considered that performance-based rewards, if administered independently, could serve as motivators for competent performers.*

(b) Apart from pay ranges which already have performance-related elements, do we need to consider other forms of performance-based rewards?

- *This is the onus of a good employer to commend the good performers with both tangible and intangible rewards. Pay ranges mechanism is tangible. Intangible rewards could be of any kind ranging from encouragement, appreciation, commendation and other forms of recognition that the department considers appropriate.*

(c) Should team-based performance rewards be used and, if so, to which group (senior, middle, lower or all levels) should they apply and on what basis?

- *Team-based performance rewards could function as one kind of rewards to encourage cooperation and esprit de corps among the departments. Its applicability should depend on the specific work nature of the teams rather than being confined to a certain level or group of staff members.*

(d) 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?

Please refer to 4(c) above.

(e) 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?

Please refer to 2(e) above.

(5) Simplification and Decentralisation of Pay Administration

(a) Should consideration be given to introducing decentralisation of civil service pay administration for a city like Hong Kong?

- *Decentralization is a means towards lean and efficient management system. Nonetheless, devolution of authority to departmental level may to a certain extent undermine unity and consistency of pay administration across the Civil Service.*

- *It is considered that a centralized mechanism detailing clear-cut guidelines for the compliance of respective departments could serve equally well in putting forth the implementations of future determined pay policies for the Civil Service.*

(b) If decentralisation of civil service pay administration is to be introduced, how much pay and grading responsibility should be devolved to departments?

- *Unless an initial framework could be seen on how the pay administration is to be devolved, there is no sufficient information for consideration of the pay and grading responsibility.*

(c) Should some or all of the current general/common grades staff be departmentalised to facilitate department-based management?

- *The advantages of switching the general/common grades staff to departmental establishment to facilitate department-based management are perceivable. However, it must be conducted fully on voluntary basis with sufficient time for staff consultation.*

(d) If civil service pay administration is to be decentralised, there may be a rather long transition period. How can the standard of service and staff morale be maintained during that period?

- *Before decentralization of pay administration is materialized, staff must be fully explained of the needs for implementing the changes in pay policy and the decentralization mechanism, and be allowed ample opportunities to reflect their ideas in the consultation period.*
- *Should sharing of purposes and opinions with staff members be adequately addressed, problems on service standards and staff morale could be minimized.*

(e) In terms of simplification, is there scope to amalgamate existing grades within broader occupational categories? Is there scope for having flatter organisations with wider span of management control and fewer rank layers?

- *Disciplined forces are specific in their work nature and their rank structures are totally incomparable with the private sectors. The chance for amalgamating the existing departmental grades without undermining operational effectiveness is extremely slim.*

(f) **Should a formal job evaluation system be introduced and, if so, should this be operated centrally or at department level?**

- *A broad and generic occupational classification could hardly be applied in the disciplined forces. As the job nature of individual post or rank requires different aptitudes and expertise, only a well-differentiated job description could fully depict the nature of work performed. Besides, duties of individual rank of the Department are respectively spelt out and governed by the Prison Rules.*