



**Audit Commission
Examiner Grade Association**

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30 June 2002

Mr Yeung Ka-sing
Chairman
Task Force on Review of Civil Service Pay Policy and System
c/o Joint Secretariat for the Advisory Bodies
on Civil Service and Judicial Salaries and Conditions of Service

Dear Mr Yeung

**Interim Report in Phase One of
the Review of Civil Service Pay Policy and System**

In response to some of the findings and observations contained in Chapter 3 of the captioned Interim Report of the Task Force on the Review of Civil Service Pay Policy and System, we would like to forward the following comments of our Association for the reference of the Task Force.

A. Pay Policies, Pay System and Pay Structure

2. Paragraph 3.23(a) of the Interim Report refers. We welcome the Task Force's suggestion of a major overhaul of the civil service pay policy and system, in particular, the suggestion of putting more emphasis on performance-pay and clean wage policy with job-related allowances consolidated. However, we would like to remind the Task Force that any suggestions of the Task Force should not be implemented in isolation from the broader civil service reform agenda and without adequate staff consultation.
3. Paragraph 3.23(d) of the Interim Report refers. According to the consultant, the civil service in the five selected countries also has a leadership role to play as a good employer. The pay of civil servants in these countries is competitive with the private sector. Likewise, the principles and system of determining civil service pay in Hong Kong should be based on the principle of fair comparison with the private sector in order to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre. As such, regular pay level, pay structure and pay trend surveys should continue to be conducted to ensure that civil service pay remains comparable with that of the private sector.
4. Paragraph 3.23(e) of the Interim Report refers. Most of the five selected countries under review have some labour unions to conduct negotiation for the employees. For example, in Australia, there is a minimum set of terms and conditions for the public service and private sector to follow. The civil

servants of these countries are entitled to a certain flexible payments and bonus based on performance. However, if the Government of these countries is facing tight fiscal and public expenditure, the civil service will suffer in the contraction of the size, no pay increase and restricted performance related pay. According to the consultant, the Government's affordability to pay is an over-riding consideration in pay adjustments in these countries.

5. Each government department in Hong Kong is under its own budgetary control. However, unlike the overseas countries, the civil service of Hong Kong does not have a formal collective bargaining arrangement. The civil service in Hong Kong have a fixed pay scales and adjustment system. For the past few years, the number of civil service has been reduced through the Enhanced Productivity Program and voluntary retirement scheme. In spite of the additional workload as a result of the reduced manpower, there have been no civil service pay adjustments in two years. In this sense, Government's affordability to pay is already an over-riding consideration in civil service pay adjustment in Hong Kong.

B. Replacing Fixed Pay Scales with Pay Ranges

6. Paragraphs 3.30 (a) to (f) of the Interim Report refer. We are of the view that the introduction of flexible pay ranges, for both civilian grades and disciplined services, to replace fixed pay scales will bring benefits in terms of better rewarding performance and enhancing a performance-oriented culture in the civil service of Hong Kong. However, this flexible pay ranges should be supported by a vigorous performance measurement and management. In this regard, the Task Force should take into consideration of the comments on performance management from staff side in the civil service reform.

C. The Pay Adjustment System and Mechanism

7. Paragraphs 3.36(a), (c) and (d) of the Interim Report refer. As mentioned in our comments in paragraphs 3 to 5 above, the principle of broad comparability with the private sector should continue to be adhered to and the fiscal constraints are already an over-riding factor in determining pay adjustments in Hong Kong. In regard to the introduction more flexibility in the existing adjustment mechanism, please refer to our comments at paragraph 6 above. In general, we welcome the Task Force's suggestion as long as the broader civil service reform agenda have been taken into consideration and there is adequate staff consultation.

8. Paragraph 3.36(b) of the Interim Report refers. In general, the existing pay adjustment system is fair although, due to its rigidity, it is slow to react to changes. As a result, the civil service pay is too slow to rise in economic bloom or to adjust downwards during recession. In addition, we would like to suggest that pay level assessment to identify comparable work in the private sector and assessing corresponding pay levels should be conducted in a more frequent interval (say, five years) in order to provide a more responsive guideline on the comparability of the civil service pay with the private sector.

9. Paragraph 3.36(e) of the Interim Report refers. We do not agree to the Task Force's suggestion of decentralizing the pay administration to departments. There are lessons we have learnt from the problems in the pay packages of some public bodies. In Hong Kong, the pay packages of some public bodies are pegged to the civil service so that the total remuneration of an employee of the public bodies will not be better off than the counterpart of similar qualification and experience in the civil service. However, there are cases in which these public bodies revise the pay of their employees without reference to the civil service pay, resulting in their employees enjoying pay packages better off the civil service. There will be similar problems if the pay administration of government departments is decentralized unless there is an effective monitoring system.

D. Introducing Performance-based Rewards


10. Paragraphs 3.44(a) to (e) of the Interim Report refer. As mentioned in paragraph 6 above in our response to introduction of flexible pay ranges, we welcome the introduction of elements of performance pay in civil service salaries. As in overseas countries, the rewards should be on the merits of individuals instead of team-based. We suggest that the rewards should apply to all levels of the civil service. As the risk/award factor attached to the nature of work will be higher for heavier responsibility, the percentage of reward should be different for each level, say, for example, 30% for the senior, 20% for the middle, and 10% for the lower.

E. Simplification and Decentralization of Pay Administration

11. Paragraphs 3.51(a), (b) and (d) of the Interim Report refer. For reasons mentioned in paragraph 9 above, we do not agree to the decentralization of civil service pay administration.

12. Paragraphs 3.51(e) and (f) of the Interim Report refer. We agree that there are merits in simplifying and amalgamating existing grades so as to have flatter organizations with wider span of management control and fewer rank layers. In order to introduce an effective performance reward to support the flexible pay ranges, we would like to suggest that a formal job evaluation system should be introduced at the departmental level to come up with a performance measurement method agreeable to both the departmental management and the staff.

Yours faithfully,


Chairman
for the Executive Committee of
the Examiner Grade Association