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The Joint Secretariat for the Advisory Bodies on
Civil Service and Judicial Salaries and
Conditions of Service
Room 701, 7/F
Tower Two, Lippo Centre
89 Queensway
Hong Kong

Dear Sir,

**Task Force on Review of Civil Service Pay Policy and System
Interim Report on Phase I Study**

We refer to the captioned interim report and would like to offer our initial views and comments as follows :

General

2. We support continual adoption of the established objective of the civil service pay policy i.e. to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an efficient and effective service. When considering the pay principles and systems, due considerations and weighting are to be given to factors that are conducive to high integrity, political neutrality, professionalism and highly efficient civil service. The approach to be taken must be very cautious, gradual and be able to uphold the staff morale and to maintain stability of the civil service and the community at large. The focus should be more on quality and long term improvements rather than on short term cost savings.

3. The effect of the review of civil service pay policy and system is far reaching. It is fundamental and very important that both the Government and the Task Force should have an open mind in carrying out the exercise. There should not be any "established" or perceived directions nor attempts to dispense of the good attributes in the current system due to political consideration. Reforms must take into account the particular situation of Hong Kong and should not be at a rush. Improvements should concentrate on the deficient parts of the current system in order to uphold stability, integrity, professionalism and efficiency of the civil service and to attract talents to join the civil service.

4. We consider the current civil service pay policy to be very effective. This is similar to the 90/10 Rule in management. While we focus on improving 10% of the unsatisfactory activities, we should not forget that 90% is working well. Instead of

making extensive changes, just concentrate on improving the 10% deficiency. Such focus would facilitate a gradual reform as well as staff buy-in.

5. The consultant has looked into 5 Commonwealth countries in his study. We consider that the coverage is not adequate, other developed countries such as the United States, Japan and Germany should also be explored. Special attention and caution should be paid in making reference to foreign countries. There are major differences between the social and political background, the social security system and the staff recruitment and appointment system of the foreign countries and Hong Kong. Objective comparison with the Hong Kong situation and system should be made. It is worthwhile taking note that there were failure cases in which the new system was abandoned and the old system was re-established. The consultant has failed to address these issues in detail.

6. The pace of the review should be gradual to maintain stability of the community and the civil service. The consultant has indicated that most countries spent 10 to 15 years to carry out comprehensive reform. The new accountability of principal official system also brings about uncertainty to the civil service. We consider that the review should be made systematically and in a priority sequence. We anticipate that more than two years is required to carry out the review and to initiate any necessary reform.

Underlying Principles of Current System

7. The consultation report has outlined the underlying principles of the current pay policy and system. We totally agree with these principles. We also note that a portion of the community has some views regarding the pay adjustment mechanism. We are prepared to listen to these views in details and provide our feedback accordingly.

8. Affordability of the Government has been highlighted in the report. In fact the economic condition of the community and the budgetary condition are currently considered and taken into account in the existing pay adjustment mechanism. Affordability of the Government has been one of the factors but not the sole nor over-riding factor in pay adjustment. In a situation that the Government has failed to remedy a structural defect arising from the downward cascade in revenue collection, it would be both unfair and unreasonable to put all the blames of the structural deficit on civil servants and henceforth forcing the civil servants to shoulder that burden fully.

Performance Pay and Flexible Pay Range

9. The work of many civil servants is primarily team based. It is difficult to appraise these officers by quantifying their output and assessing the quality of their work. Our current staff appraisal system should be critically reviewed before we can proceed to explore performance pay and flexible pay range. Our members have expressed their worries over potential shoe-shining culture and adverse effects on the integrity of the civil service as well as potential conflicts between colleagues in the same department or across different departments. In case the concerned issues are to be implemented, we recommend that they should operate on reward basis rather than penalty basis. For obvious reasons, it would be desirable to award one-off bonuses to a selected minority

rather than to effect penalty to a small portion of the staff force. Furthermore, we recommend to start with some pilot runs for senior officers first.

Priority of Issues

10. We suggest that the review should be prioritised and be itemised in the following sequence :

- (i) review of outdated allowances;
- (ii) paying "all cash" wages in lieu of allowances;
- (iii) review of pay adjustment mechanism;
- (iv) amalgamation of some grades within broader occupational categories;
- (v) critical review of staff appraisal system.
- (vi) performance pay as one-off bonus;
- (vii) flexible pay range; and
- (viii) decentralization of pay administration to departments.

Implementation of Changes

11. We agree with the consultant's observation that "Gaining buy-in and commitment to change from key stakeholders is critical. Early consultation with Civil Service managers and staff is an important means of raising awareness about the need and options for change, overcoming concerns and anxieties and benefiting from their thinking in shaping proposed reforms.". Staff should be consulted as early as possible and at all stages.

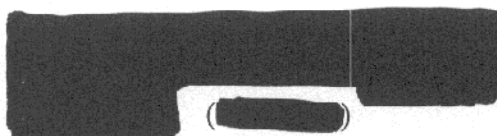

12. Throughout the process of implementation, stability of the community and civil service should be maintained. As per the established practice such as for the previous introduction of the New Pension Scheme, options should be given to the serving officers to enable their choice of system voluntarily.

Replies to the Major Questions

13. Our views on the major questions raised in the consultation document have been summarized as per the attached Annex I.

Because of quite a few major issues that have to be handled by this Association recently, we apologize for the late reply.

Yours sincerely,


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Chairman

**Review of Civil Service Pay Policy and System
Major Questions to be addressed**

- 1. Should there be a major overhaul of the civil service pay policy and system, putting more emphasis on performance-pay, clean wage policy (i.e. paying "all cash" wages in lieu of allowances, housing and medical benefits, etc.), etc., and building in more flexibility for adjustment?**
 - A. No. It is a 90/10 situation. Things are working well for the 90%. Suggest concentrate on improving the 10% problem areas (e.g. by streamlining administrative procedures etc.).

- 2. 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?**
 - A. Yes, senior directorates should be treated as a separate group due to their unique position.

- 3. Should the disciplined services' pay be treated differently from the rest of the civil service?**
 - A. No, both disciplinary grades and civilian grades should have the same consistent set of pay policy and system. They should be compared with civilian colleagues using the qualification method (plus job factor analysis). This is similar to treating different disciplines of professionals similarly under the same consistent set of pay policy and system.

- 4. Should we adhere to the principle of broad comparability with the private sector and continue to conduct regular pay level, pay structure and pay trend surveys to ensure that civil service pay remains competitive?**
 - A. Yes, the principle has been working fine and should be followed.

- 5. Or should Government's affordability to pay be an over-riding consideration in pay adjustments?**
 - A. No. It is a factor to be considered but not the sole nor over-riding factor. The current

pay adjustment mechanism has considered the economic situation of the community as one of the factors and apparently Government's affordability has always been taken into account.

6. **Should flexible pay ranges be introduced into the Hong Kong civil service to replace fixed pay scales? If so, should they apply only to senior civil servants or the entire service, including both the civilian grades and the disciplined services?**
 - A. The approach of flexible pay ranges may be too aggressive for the service. Moreover, many grades are working on a team basis and it is not easy to assess personal performance.

7. **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?**
 - A. Yes, we consider the existing pay adjustment system fair.

8. **Is there merit for elements of performance pay to be incorporated into civil service salaries?**
 - A. No.

9. **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?**
 - A. Pilot runs are being carried out in 6 departments. The feasibility and effectiveness of the approach can then be assessed. They should apply only to non-directorate staff.

10. **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?**
 - A. No. It is too complicated to administer.

11. **Should consideration be given to introducing decentralisation of civil service pay administration for a city like Hong Kong?**
 - A. No. The existing system is simple and efficient. Decentralization will create more conflicts between departments and within departments. There will be inconsistency and irregularities across departments.

12. **Should some or all of the current general/common grades staff be departmentalized to facilitate department-based management?**
- A. No. Some departments may be subject to downsizing. The general/common grades staff in these departments will be sagged, or else their promotion prospect will be worse than their counterparts in other departments. The current system provides flexibility for them to be redeployed or transferred to other departments.
13. **If civil service pay administration is to be decentralized, there may be a rather long transition period. How can the standard of service and staff morale be maintained during that period?**
- A. We do not support decentralization of civil service pay administration.
14. **In terms of simplification, is there scope to amalgamate existing grades within broader occupational categories? Is there scope for having flatter organizations with wider span of management control and few rank layers?**
- A. The typist grade has successfully been integrated into the clerical assistant grade. There may be scope to amalgamate some existing grades provided that staff associations are consulted, staff training is provided and the transfer arrangement is gradual and smooth. The approach of flatter organizations may be more complicated but the above principles are still valid.
15. **Should a formal job evaluation system be introduced and, if so, should this be operated centrally or at department level?**
- A. It should be operated at department level.

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