

**Extracts from the Minutes of the
74th Meeting of the Departmental Consultative Committee
(Government Counsel Grade) on 9 May 2002**

3.3 *Review of Civil Service Pay Policy and System*

3.3.1 The Chairman said that the Task Force on Review of Civil Service Pay Policy and System had published an Interim Report on the Phase One Study in its Review, a consultation paper and a summary pamphlet for public consultation on 25 April 2002. The Task Force had extended the consultation period from 25 May 2002 to 30 June 2002. He then invited the CSB representative to brief members on the details.

3.3.2 [REDACTED] said that each member of staff should have received a summary pamphlet about the review. She welcomed staff to forward views on the findings and observations and on the questions asked in the Interim Report and the Consultation Paper to the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service. She also drew members' attention to the Secretary for the Civil Service(SCS)'s letter issued to all staff on the subject on 25 April 2002. She highlighted the objective of the review which was to identify ways to improve the civil service pay policy and system with a view to modernising them, making the system simpler and easier to administer; and building in more flexibility to facilitate the matching of jobs, talents and pay. In the letter, SCS also urged all staff to bear this objective in mind in future discussions during the review process and said that at this stage the administration had an absolutely open mind on what changes, if any, should be made to the present system.

3.3.3 [REDACTED] said that the subject had also been discussed at the Departmental Consultative Committee (Non-Government Counsel Grades) meeting held on 2 May 2002. Views that had been put forward included practical difficulties in implementing performance-based rewards for 180,000 civil servants and a wide variety of grades; and that replacing fixed pay scales with pay ranges would make civil servants feel insecure as they did not know the amount of their salary in the coming months, etc.

- 3.3.4 [REDACTED] opined that the introduction of broad pay range could give management more flexibility in rewarding staff for good performance.
- 3.3.5 [REDACTED] said that the term "pay range" was defined in the Interim Report as *a pre-determined upper and lower pay level that applies to a particular job/role/grade. The range is from the minimum to the maximum point and any part of the range is accessible (i.e. no fixed steps or pay points).*
- 3.3.6 The meeting then went through the fifteen questions raised by the Task Force one by one.

Question 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.), and building in more flexibility for adjustment?

- 3.3.7 [REDACTED] said that it would be difficult to apply performance-based pay system in the Department because the performance of counsel could not be measured by how much they "earned" in the way the performance of their counterparts in the private sector is measured. He also mentioned that a lot of staff were not happy with the recent review of civil service pay policy and system because their pay would become unstable. They considered that the review was demoralizing.
- 3.3.8 [REDACTED] said that the performance-based system might create more scope for staff to be paid more.
- 3.3.9 [REDACTED] said that staff would like to put more emphasis on how to perform their jobs better, rather than making themselves earn more. For the Department as a whole, a performance-based pay system was not a good thing either. Job assignments might have a direct impact on staff's performance and pay adjustment. Staff who were lucky enough to be assigned a post with lighter workload or easier duties would have the obvious advantage of putting up a better performance.

- 3.3.10 [REDACTED] added that under the performance-based pay system, it would also be difficult for the management to assess staff's performance because some staff were assigned easier cases than others.
- 3.3.11 [REDACTED] said that it would be difficult for the management to design an assessment system that was fair to everybody.
- 3.3.12 The Chairman said that performance-based pay system could give management an alternative way to reward staff for good performance. If no vacancy was available, staff could not be promoted even though their good performance deserved to be rewarded with higher pay.
- 3.3.13 [REDACTED] said that in the United Kingdom, the pay ranges for SGC and DPGC overlapped in part. Under such a system, good and experienced SGC could get a big jump in salary even if there was no DPGC vacancy.
- 3.3.14 [REDACTED] said that under the present system, an SGC acting as DPGC could also achieve the same result. [REDACTED] said this would not be feasible if there was no directorate post.
- 3.3.15 [REDACTED] asked if the application of a performance-based pay arrangement would be constrained by Government's financial situation. [REDACTED] said that she could not offer an answer to the question because the Task Force was seeking the views from all quarters of the community.
- 3.3.16 [REDACTED] said that under a performance-based pay system, it might be good for staff when there was an upward salary adjustment. However, staff morale would be badly affected if there was a downward salary adjustment.
- 3.3.17 Regarding the clean wage policy, [REDACTED] asked how housing benefits were to be converted into salary and whether the amount would be lower than at present. Members noted that there was not an answer at the moment. [REDACTED] said that he was in favour of this policy. Currently, staff wishing to buy a flat had to follow some elaborate procedures in order to enjoy the benefits. The administration cost involved was very high indeed. He also asked whether this policy, if implemented, would be applied to serving staff. Members considered that the adoption of this new policy should be optional to serving staff.

Question 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?

- 3.3.18 [REDACTED] said that there were three salary bands for salary adjustments: Lower Salary Band (MPS point 0-9); Middle Salary Band (MPS point 10-33) and Upper Salary Band (MPS point 34 and above). Civil servants with MPS point 34 and above might be considered as "senior civil servants".
- 3.3.19 The Chairman said that if this understanding was correct, the split in pay policy would apply to GC Grade. [REDACTED] said that it would be more appropriate for directorate officers to be considered as "senior civil servants".
- 3.3.20 The Chairman pointed out that as the pay policy was yet to be decided, it would be difficult to decide whether the pay policy for senior civil servants should be different from that of the middle-ranking and junior ranks.

Question 3

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

- 3.3.21 No specific comments were raised.

Question 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?

- 3.3.22 The Chairman said that for the GC grade in the Department no direct comparison was made with the salaries of lawyers in the private sector.
- 3.3.23 [REDACTED] said that the salary of the GC grade should not be varied according to the ups and downs in the private sector. It would be more desirable for the civil servants to have a stable pay system.

- 3.3.24 [REDACTED] opined that a comparison with the private sector on pay level, pay structure and pay trend, could not be made without the full cooperation of legal firms. If no representative legal firms were willing to provide the relevant information, no meaningful surveys could be conducted.
- 3.3.25 [REDACTED] said that the income of the solicitors and barristers in the private sector would depend on the volume of business in a year. Their income would drop if the business was poor. On the other hand, the volume of work in the Department will not reduce even if the business in the private sector was poor. He therefore wondered why the pay of GC should be dependent on the pay in legal firms.
- 3.3.26 The Chairman concluded that members generally did not support this policy. However, he said that the current pay policy also had its disadvantage. When the market was good in the private sector, the Department would have difficulties in recruiting good people.

Question 5

Should Government's affordability to pay be an over-riding consideration in pay adjustments?

- 3.3.27 The Chairman said that as salary adjustment was one of the expenditure items in the Government's budget, this item should not be neglected when policy decisions were made in respect of revenue raising measures and the allocation of resources. Members had no other comments.

Question 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?

- 3.3.28 Members had no specific comments.

Question 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?

- 3.3.29 [REDACTED] said that the existing pay adjustment system was scientific and based on objective market pay trend indicators. It also took account of other factors such as the state of the economy, the cost of living, budgetary considerations, the staff sides' pay claims and the morale of the civil service. She said that according to the Pay Trend Survey System, the civil service pay would be adjusted in accordance with the pay trend indicators after deducting the annual increment. The annual increment had to be deducted in spite of the fact that some civil servants had reached the maximum salary point. Members considered that this broad-brush arrangement was unfair to those staff who had already reached the maximum salary point.

Question 8

Is there merit for elements of performance pay to be incorporated into civil service salaries?

- 3.3.30 No specific comments were raised.

Question 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?

- 3.3.31 The Chairman said that the subject had been discussed at the two Departmental Consultative Committee meetings at an earlier time and the Department had decided not to participate in the scheme.

Question 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?

- 3.3.32 The Chairman said that this arrangement would have the same defects as the performance-pay policy mentioned in Question 1.

Question 11

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

- 3.3.33 [REDACTED] said if civil service pay administration was decentralised, Government's affordability to pay would become an important factor in deciding pay adjustment. It would be quite risky as the amount the Department could pay to staff would depend on how much it had acquired under the annual budget.

Question 12

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

- 3.3.34 [REDACTED] said that this arrangement might affect the promotion prospects of some grades in the Department. For instance, there were six Senior Personal Secretary (SPS) posts in the Department but there was no Personal Assistant post. If SPS posts were departmentalised, promotion prospects of the SPSs in the Department would be adversely affected unless they could be directly promoted to Senior Personal Assistant.

Question 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?

- 3.3.35 The Chairman opined that it was a matter for CSB to deal with.

Question 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 fewer rank layers?

- 3.3.36 [REDACTED] said that with over 400 grades and 1000 ranks in the Civil Service, the Task Force would like to seek views from staff on whether there was scope to amalgamate some grades with similar academic background and work nature.
- 3.3.37 The Chairman asked if the GC grade in the Department should be amalgamated with the counsel/solicitor grades in other legal departments.

- 3.3.38 [REDACTED] said that under this arrangement, all recruitment and promotion exercises for vacancies in departments with counsel/solicitor posts would need to be combined as well. This would lead to larger board composition and more complicated processes and procedures.
- 3.3.39 The Chairman concluded that there was no particular support for the amalgamation.
- 3.3.40 The Chairman then asked whether there was scope for having fewer rank layers for the GC grade. As GC and SGC basically performed similar jobs and were both supervised by a DPGC, he asked whether the two grades should be combined into one.
- 3.3.41 [REDACTED] said that this arrangement might not be desirable as the pay range would then be extended from MPS point 27-44 to MPS point 27-49. The less capable GC would be able to move up the ladder to a higher pay point.
- 3.3.42 [REDACTED] said that in fact there were only six rank layers in the Department. The abolition of one layer was unnecessary and might have demoralizing effect.

Question 15

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

- 3.3.43 [REDACTED] said that "job evaluation" was referred to in the Interim Report as *a systematic process for establishing the relative value/worth of jobs within an organisation (or internal relativity). The process by which the 'size' of the job is determined usually by defining the jobs according to certain agreed factors (such as know-how, span of control, complexity etc) and applying a score to each factor. Usually, the greater the evaluation score, the larger and more accountable the job and the higher the salary.*
- 3.3.44 The Chairman said that some departments might inflate the pay of their grades if they could decide job evaluations on their own. Members were not keen to have the change.