

From:

Date: 2002/05/03 05:09 PM

ANNEX 6

To:

cc:

Subject: Re: (EO) Task Force on Review of Civil Service Pay Policy and System 

thank you for your invitation and i have the following comments-

"i follow the neo-classical school of thought in commenting on the civil service pay policies, in particular, along the thinking of Ronald Coase and Stephen NS Cheung. i interpret the pay and condition of service as a major part of the market price package of the civil service labour. my response is guided by my research interest in the transaction costs and property rights of the civil service labour market.

2. each individual question stated below won't have an easy or correct answer. collectively, they pose a formidable matrix of combination of possibilities without a right or wrong answer. it's a whole spectrum of grey area that demands a value judgement leading to a resolute choice between individual economic freedom or the power of the government intervention [and all its consequence].

3. for simplicity purpose, a short answer is given below, please interpret in the light of my firm belief in the 'invisible hand' and a free market economy [see - 濟學千禧大疑案-無形之手主宰世界? by 楊懷集、梁海國、候運輝 publisher- 匯訊出版有限公司 4th edition (revised)
<http://www.cp1897.com.hk/cgi-bin/ncommerce3/ProductDisplay?SECTNBR=18&prmenbr=178&prnbr=9789628383177>]

<http://www.info.gov.hk/jsscs/en/report/tf/consult/consultpaper.htm>

19. On 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)?

yes, performance pay, clean wage policy - simple economics that all-cash pay maximises marginal utilities;

(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?

no, a team is only as good as the worst member - a high performance team shares similar risk;

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

no, otherwise divisive;

(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?

no, comparability should no longer be the major yardstick; survey is therefore unimportant;

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

yes, this will encourage cost-effectiveness;

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

nil, we need a clean start. it's self-deceiving that the old formula continues to work in the modern arena;

20. On 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?

yes, most likely;

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

no, on the contrary, without such a flexibility, do-36 no-do 36 [equality in pay irrespective of performance] is more divisive;

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

should apply to all; everyone is manager of himself/herself;

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

sure;

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

sure; more team based; 360-degree; output/outcome oriented, market value of the employee;

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

probably but not necessarily, very complicated issue with many variables - performance mgt system just a single factor, other factors such as job satisfaction, opportunity for advancement and development, social recognition, team spirit...

21. On Pay Adjustment System and Mechanism -

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

no;

(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?

no; probably;

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

yes;

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

yes;

(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?

decentralised pay administration coupled with decentralised finance/hrm/departmental objectives;

22. On Introducing Performance-based Rewards -

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

yes;

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

yes;

(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?

yes; all; overall team performance;

(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?

yes; team leader's decision with free movement of staff between teams;

(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?

team-based, 360 degree, greater freedom of transfer between posts;

23. On 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?

yes;

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

total;

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

yes, all; with freedom of choice for transfer and posting;

(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?

shorten the transition period;

(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?

yes; delayering and generalising;

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

yes, departmental level."