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Hong Kong

6 May 2002

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 Sirs,

### **Review of Civil Service Pay Policy and System**

I am writing in reply to your call for views on the Task Force's interim Report on the Review of Civil Service Pay Policy and System. I should be grateful if my views would be taken into account in your deliberations. I shall address the issues in the same order as in the consultation paper. But first I should like to make some general points.

#### **General Points**

2. As set out by the consultants, PwC, it is vital that far more than simply changing pay scales, introducing performance pay, simplifying grades/ranks etc is done. I would set out **the below changes as being essential-** without them there is little point in embarking of large scale reform of the pay system:

- a) The whole basis under which all levels of the civil service operate must change so that meeting genuine targets (such as management, financial or productivity) becomes a key driver in the system. It is this that is lacking through the entire system. And it is this that makes the civil service the complacent organisation it is.

- b) The change in a) above requires very considerable delegation to Heads of Departments in the financial and HR areas.
- c) The near impossibility of getting rid of pensionable civil servants must be genuinely tackled. It defies belief that, even with the enormously generous redundancy terms, the government cannot decide which individuals it would like to do with out- and under what circumstances.
- d) There must be a radical change to the highly compartmentalized nature of the civil service. It is almost impossible for most civil servants to apply for jobs/move from one department to another-without starting at the bottom. It is almost impossible to recruit at anything other than recruitment rank. This leads to rigidity and ossification. It also leads to the very unhealthy cliques/shoe shinning that develops. (If you cannot escape from department X, and no new/outside blood can be injected in the management layer, how else do you progress up the ladder?)

### **Pay Policies, Pay System and Pay Structure**

3. The current system of comparability with the private sector has not met its objective, since civil service pay is far higher than the private sector. But it is sensible that civil servants should be paid roughly what the going rate is in the private sector, otherwise the service standard will ultimately decline. Only the Police and Correctional Services staff merit different pay treatment. But all civil servants should of course, be subject to an "affordability" policy. (Our problem has been that it has been too easy to give pay rises- not that we have not had an affordability policy. What is needed is more backbone to face the challenge of ensuring that pay does not get way out of line. And that service provision is what it should be.) If a sensible system- and mentality- can be instilled, then performance pay, at all levels, is worth pursuing. But that is a big if.

### **Replacing Fixed Pay Scales with Pay Ranges**

4. Pay ranges are a good idea. We must have more flexibility. But it can only really be done when other parts of the machinery are in place. That means responsible management at all levels. And abandoning the policy that only

someone from within a particular grade can apply/be considered for a "promotion post". So perhaps start with some pilots in certain (good) departments and/or with certain senior staff groups.

### **Pay Adjustment System and Mechanism**

5. The pay adjustment system should not be see – as it is now- as a science but should be for broad reference only. The failure of the current system shows the science does not work. (How can it be that starting salaries are upwards from 50% higher in the civil service even for direct comparison jobs like clerk?). The question of flexibility for each department to do its own thing is a hard one for HK. Being geographically so small, differentials in pay because of where you work are not very relevant. Probably not a high priority item to take forward.

### **Introducing Performance-based Rewards**

6. I have dealt with this above. On the staff appraisal system, this is just one, albeit important, part of what needs to be enhanced. Yes one would need genuine targets and a "up and down" appraisal system (where the supervisor also gets appraised). But the whole culture change needs to come first.

### **Simplification and Decentralization of Pay Administration**

7. Any pay system with 400 grades and 1400 ranks is clearly in need of drastic simplification. There should be radical simplification, combined with the opening up of positions both the other grades in the government and to outside recruitment. If this is in place, then there is a reasonable case for the general/common grades to be departmentalized. Flatter organisational structures should be an important aim in simplification.

Yours faithfully,

