



# 香港工業總會 Federation of Hong Kong Industries

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26 June 2002

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

Dear Sir,

## Consultation on the Review of Civil Service Pay Policy and System

The Federation of Hong Kong Industries would like to submit the following views in response to the above consultation.

To start with, we believe the present review is long overdue. Over the past decade, employers associations in Hong Kong, including ourselves, have repeatedly pointed out the widening pay gap between the civil service and the private sector. Serious concern has been voiced about whether the annual pay trend surveys, which are used by the Government as the basis for determining pay adjustments for the civil service, can accurately reflect the wage movements in the private sector. Worries have also been expressed that pay rise for the civil service resulting from these surveys would generate pressure on private employers to increase staff remuneration, thus creating an upward spiral of wages for the entire workforce.

In addition, the methodology employed in these surveys is questionable as only the very big companies are included in the sample, while important factors in employers' overall pay strategy, such as staff retrenchment and the resultant increase in staff workload, are neglected. Since the Asian financial crisis, many companies in the private sector have resorted to downsizing, increasing the workload of the remaining staff as well as pay freeze, in order to save operating costs. This explains why there has only been a mild drop in the wage levels of private sector employees as revealed in the annual pay trend surveys. The omission of the workload factor in these surveys paints a distorted picture of the wage situation in the private sector.

Given the present fiscal circumstances, the Government's affordability should be a prime consideration in the civil service pay strategy. The living-within-means philosophy, which is commonly practised in the private sector, should prevail in the Government. As the governments of all the five countries studied by the Task Force's consultant have accorded affordability high importance when considering pay adjustments for their civil service, we do not see any reason why Hong Kong should

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differ from them in this respect.

In addition, we believe the existing complicated structure of the Government is no longer suitable for modern management. A reform is urgently needed to improve the management efficiency by significantly reducing the number of layers. With the advent of new technologies, some jobs in the Government have become obsolete. One notable example is typist. We recommend that such jobs should be consolidated or combined with others to enable better utilisation of human resources. Correspondingly, the job specifications of government employees should be appropriately refined and widened to facilitate effective work sharing between and within departments.

As far as the pay structure is concerned, we believe it should be one based on merit and performance, rather than seniority. Currently, government staff are awarded automatic annual increment until they reach the maximum point for their respective rank. In our view, this system is hardly a good way to motivate staff as performance only plays a minor role in the mechanism. Such a system, where everyone is receiving the same increment rate, is also unfair to those diligent and well-performing civil servants who deserve a better rise.

We would like to emphasise that any pay increase should be earned through hardwork and good performance, but not seniority. The practice of automatic annual increment obviously falls short of this purpose, and should therefore be abolished. Likewise, the Master Pay Scale should be revamped to allow more flexibility in rewarding the deserving employees. However, in order to avoid possible abuse, the number of civil servants that can receive a pay rise should be subject to a quota and the department's budgetary constraints.

To conclude, we believe civil servants in general are overpaid compared to their counterparts in the private sector. If the annual pay trend surveys are to be used in deciding civil servants' pay adjustment, the methodology and scope of these surveys should be revised to include more SME companies and other factors that impact pay strategy. As tax payers and employers, we see a strong need for the Government to act quickly to close this gap. We hope this review will yield useful measures to address the issue.

Yours faithfully,

