

政府總部  
環境食物局



Environment and Food Bureau  
Government Secretariat

Our Ref. : (19) in EFB(CR)4/10

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20 June 2002

Mr Lee Lap-sun  
Secretary General  
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 Mr Lee,

**Task Force on Review of  
Civil Service Pay Policy and System**

Thank you for your letter of 2 May 2002 which was further to the Chairman, Task Force's letter of 25 April 2002 seeking our views and comments on the Task Force's Interim Report and the questions raised in the consultation papers.

I now attach the views of the management of this Bureau for your consideration. You may also wish to know that we have invited our staff to express their views on the subject but no view has been received.

Yours sincerely,



for Secretary for the Environment and Food

**Task Force on Review of  
Civil Service Pay Policy and System**

**Views of the Environment and Food Bureau**

**A. 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)?

In order to keep pace with the changing social and economic circumstances and expectations from all quarters in Hong Kong, the principle of putting more emphasis on performance-pay and clean wage policy is supported. The technicality for implementing the new policy would require careful consideration.

A common trend in pay policy reform is to link pay more closely to performance as well as adopting flexible pay ranges. Staff performing well will therefore rise to the top pay bracket much more quickly. The merits of this system are to provide civil servants with the incentive to improve their efficiency and productivity, and help cultivate a performance culture. This system will have a positive impact on the overall civil service performance in terms of improved service quality and greater accountability. It will also encourage better performance and help attract, retain and motivate quality staff.

We however feel that the success of a performance-based system depends very much on whether the performance appraisal and monitoring systems are fair and equitable so that those who have performed well will be appropriately rewarded. Care should be taken to ensure the impartiality of the performance-based system and that such a system will not encourage a “shoe-shining” culture among civil servants. To avoid possible negative effects arising from the performance-based system, adequate measures to ensure a fair and equitable appraisal and monitoring system must be in place before the implementation of the performance-based system.

The idea of a clean wage policy is also supported. There have been public criticisms that there are currently too many types of allowances and benefits for civil servants and the rationale of granting some of these benefits are no longer valid nowadays. Initiatives to remove and consolidate these allowances and fringe benefits into the basic salaries can help improve civil service transparency and reduce administration cost. On the other hand, encashment or consolidation of allowances and fringe benefits into the basic salaries will provide staff with greater flexibility in spending their incomes. However, in the light of the very special nature and requirements of certain jobs, the need for retaining a small number of job-related allowances such as allowances for undertaking particularly difficult or unpleasant duties, and working in remote areas should be considered.

- (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?

As senior civil servants are required to perform duties of a greater complexity and sensitivity, they are subject to greater stress and work pressure. Moreover, the level of responsibilities and accountability shouldered by them is much higher than that of the junior civil servants. We therefore support the idea that senior civil servants should 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.

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

We note that there are at present separate pay scales for the disciplined services to reflect the special and different nature of job of the disciplined services, e.g. danger and stress in performing law enforcement duties. If the job nature of the disciplined services is to remain unchanged, we consider that the existing arrangement that the disciplined services' pay be treated differently from the rest of the civil service should continue.

- (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?

Whilst the trend is moving towards more decentralised pay adjustment mechanisms with less emphasis on formal private sector pay comparability, the importance of the need to provide sufficient pay to attract, retain and motivate good quality civil servants must not be neglected. It therefore appears appropriate to maintain "broad comparability" with the private sector. Pay trend surveys of the private sector should continue to be conducted and the information can be used as references for the civil service pay adjustment process. In response to criticisms that the existing pay trend surveys do not reflect fully the pay level in the private sector, particularly those of the small and medium enterprises, consideration could be given to improving the existing mechanism.

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

We note that emphasis on formal pay comparability with the private sector has been reduced, with affordability considerations increasingly taking precedence in some countries. We however feel that broad comparability with the private sector should be maintained. Any amendment to the system for determining pay changes should be fully justified. Therefore, unless there are good reasons for changing the current system under which reference would be made to pay trends in the private sector, a new system based on affordability or on the ability to recruit/retain should not be introduced.

We appreciate that the Government's affordability to pay is an important factor. However, it should not be the over-riding consideration in the pay adjustment process. Unlike the private sector, the Government is service-oriented rather than profit-oriented. Certain essential services must be provided irrespective of the cost. The ability to recruit and retain quality staff should remain the prime consideration for pay adjustment for the civil service.

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

We consider that the existing principle of offering sufficient remuneration to attract, retain and motivate staff of a suitable caliber to provide the public with an efficient and effective service should be maintained.

The basic principle of a fair comparison with the private sector should be retained, albeit the emphasis may be suitably adjusted. This is to ensure that the civil service pay would not lag behind the private sector, which may cause difficulties to recruit and retain quality staff to the civil service.

Grant of annual increment within a specified pay scale should also be retained so as to provide incentive for civil servants to put up a good performance. The existing practice of following but not leading the private sector in respect of the level of salary should also continue to ensure stability and morale of the civil service.

#### **B. 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?

We support in principle the introduction of flexible pay ranges as this would help foster a stronger performance-oriented culture in the civil service. However, as a policy bureau, we are concerned about the difficulties in administering flexible pay ranges, as it would have to be set arbitrarily since quantitative assessment would not be practicable. It could also give rise to abuse of the system and favouritism. We feel that the sine qua non for the introduction of flexible pay ranges is the setting up of an unbiased and objective appraisal system for assessing and comparing individual officers' performance objectively. We also consider that there should be a dispute resolution or appealing system to enhance staff confidence and to curb possible abuse of the system.

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

Generally speaking, under the new rules of game, every officer will stand an equal chance to earn credits under the new mechanism. One is expected to obtain a better return with better performance. However, there may be allegations of differential award of credits as one may claim, by self-perception, that one has achieved the same performance standard. Any likely divisiveness will rely on the setting up of measurable and objective criteria for the award system. In this context, it is quintessential to fully consult the staff sides before implementation.

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

Ideally, the new mechanism should apply to the entire civil service in order to nurture a stronger performance-oriented culture throughout the service. To reflect the heavier management responsibilities of civil servants at senior ranks, different sets of criteria for awarding flexible pay ranges could be drawn up for use by different categories of civil servants.

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

On a fair and square basis, we feel that flexible pay ranges should apply throughout the service. Consideration could be given to draw up different sets of guidelines to reflect the unique job nature and job requirements of different categories of civil servants.

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

The success of the new mechanism will depend on a fair and transparent appraisal system. The existing appraisal systems for both civilian and disciplined services are inadequate in the provision of objective measurables to enable the introduction of flexible pay ranges. Consideration could be given to

set up an objective “merits” system which is related to clear and precise work targets to be achieved. The work targets would be mutually agreed by both the management and staff beforehand.

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

We agree that a merit pay system is an effective means for promoting a performance culture. However, for the civil service which is not profit-oriented, there could be difficulty in drawing up objective and clear benchmarks for measuring the standard of performance of individual officers.

### **C. The Pay Adjustment System and Mechanism**

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

We consider that the principle of broad comparability with the private sector should continue, but the types of jobs selected for comparison should be broadly similar and comparable.

- (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?

To some members of the public, the existing civil service pay adjustment system is regarded as fair. But to others, this system is considered out-of-date and has not reflected the real pay level in the private sector. We feel that the difference in perception is due to the different underlying principles adopted for adjusting the civil service pay, namely “the ability to recruit, retain and motivate” versus “the Government’s affordability”. We consider that the more fundamental point is to decide on which underlying principle should be adopted. The remainders are technical procedures and arrangements.

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

We consider that there is a need for changing or introducing more flexibility in the existing adjustment mechanism so as to modernize the system and to ensure that it meets present day circumstances. We however consider that the mechanism should be supported by full-scale research and with adequate consultation with the staff sides. Before making any changes, the need for maintaining a stable civil service should be considered. Besides, flexibility without adequate control measures might lead to abuse e.g. favouritism and corruption.

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

We consider that fiscal constraint should be one of the main factors but not the only and over-riding factor in determining pay adjustments. Other factors such as staff morale, staff acceptability, current pay level across different sectors of the community and economic impact on pay cuts etc. should also be considered.

- (e) Depending on whether, and to what extent, pay administration should be decentralized to departments, what would be the right balance for Hong Kong in terms of central control/guidance versus autonomy/flexibility for individual departments?

It is difficult to strive a "right" balance between central control/guidance and autonomy/flexibility for individual departments. This is a highly subjective matter and whichever approach adopted would be subject to debate and criticism. However, based on the premise that civil servants' salaries are paid by taxpayers, there should be a control mechanism over pay administration. It is suggested that whilst pay should be decentralized to the departments, the central government should devise general guidelines on the pay range for each broad category of job types. This set of guidelines should also be reviewed regularly in order to keep it up-to-date.

In view of far-reaching impact on the civil service pay administration system, it



would be prudent for the new arrangement to be put on trial on a small scale in the first instance.

#### **D. Introducing Performance-based Rewards**

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

We feel that there are merits to incorporate elements of performance pay in civil service salaries. This would encourage individual officers to exert their utmost effort in performing their duties, or serve as rewards to those who have already worked hard. The main concern is that there must be a set of objective benchmarks for measuring and comparing the performance of different officers. This is particular so for officers of the same rank working in different bureaux/departments.

At the policy bureau level, we anticipate that it is feasible to introduce performance pay. A system under which an officer will either get or will not get a performance pay should not be difficult to administer.

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

Apart from incorporating elements of performance pay in civil service salaries, it would be desirable to implement other forms of performance-based rewards to further strengthen the emphasis on performance. An example is the 'Ten Outstanding Drivers Award' implemented by the Government Land Transport Agency. Staff would be concerned about the fairness, consistency, and transparency of such rewards.

- (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?

The feasibility and practicability of team-based performance rewards worth further consideration. We note that this will depend very much on the job nature of the teams concerned. It would not be appropriate and desirable to

compare the performance of several groups with different job nature. For example, in a general office, it will be difficult to compare the performance of officers of the General Registry with that of the Personnel Registry in a fair manner.

As a start, consideration could be given to introduce team-based performance rewards amongst officers at the lower level and who are performing duties of a very similar nature. An existing example is the "Licensing Counter Services Award". The desirability for extending the award to officers at other levels could be considered in the light of the outcome of the pilot scheme.

- (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?

As a start, we feel that individual performance rewards could be introduced at the senior level where the achievements of the officers concerned could be recognized easily and be assessed more objectively. It might not be appropriate to introduce individual performance rewards at the lower level as very often duties at the lower level are performed on a team basis.

- (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?

The recent introduction of improvements to the staff appraisal system has greatly enhanced system. Subject to the kind of performance-based rewards system to be introduced, we would have to make suitable amendments to the existing appraisal system. For example, if a pay-related system is to be introduced, i.e. one's reward is in money terms or advanced increment of salary, the staff appraisal system should be suitably amended to provide for this arrangement, e.g. percentage of reward, increment of salary to be advanced, the need for providing justifications for supporting the grant of performance-based rewards.

Care must also be taken to maintain a fair, unbiased and open appraisal system to forestall the possibility of staff grievances.

## **E. Simplification and Decentralisation of Pay Administration**

- (a) Should consideration be given to introducing decentralization of civil service pay administration for a city like Hong Kong?

The desirability for introducing decentralization of civil service pay administration in Hong Kong is dependent on whether one would like to maintain a comparatively rigid but consistent pay structure for the civil service, or to introduce a flexible and therefore “inconsistent” pay structure for the civil service.

The former approach is perceived as a fair and consistent arrangement amongst civil servants, conducive to maintaining a stable and continuous civil service, but which may not closely reflect changing economic circumstances especially at a time of economic downturn. The latter approach will on the other hand reflect the prevailing economic circumstances more closely, provide the Head of Grade/Head of Department with the management tool to recruit and retain quality staff at the appropriate market price, but it would not be conducive to maintaining stability and continuity in departments as the staff concerned would inevitably be attracted by more lucrative jobs offered by other departments.

For policy bureaux which mainly comprise general or common grades staff, the feasibility of introducing decentralization of civil service pay administration is closely related to the wider question of whether these general or common grades staff should be departmentalized. It would not be possible to introduce decentralization of civil service pay administration in policy bureaux when the staff members are subject to posting to other bureaux regularly.

However, it would be worthwhile to introduce decentralization of civil service pay administration on a trial basis in those departments or for those posts which are mainly filled by departmental technical and professional grades staff. To safeguard the departments from being criticized as paying undue attention to their own vested interest, there should be clear guidelines drawn up at the central level. A pay range should also be stipulated within which the relevant Head of Department could decide for his staff.

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

As a first step, departments mainly serviced by departmental technical and professional grades staff could be allowed to decide on the pay and grading responsibility for their technical and professional grades staff within a centrally determined policy framework and subject to compliance to broad guidelines issued centrally. The position of the general grades should be reviewed at a later stage in the light of the experience of the departmental technical and professional grades staff.

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

Certain general/common grades staff, e.g. Administrative Officers and Executive Officers are posted to take up different jobs in different bureaux/departments during their career so as to enable them to acquire the necessary breadth and depth of experience in the operation of the government machinery. This arrangement is considered necessary and should continue in order to nurture and maintain a pool of qualified staff to administer the overall functioning of the government. It is therefore not desirable for all of the current general/common grades staff to be departmentalized. Certain general/common grades posts responsible for specific department-tied technical or operational duties, such as human resource management, licensing or electoral matters could however be departmentalized. For other general/common grades staff such as clerical, secretarial, accounting, and supplies officers who are mainly responsible for the provision of general support services, we also consider that they could be departmentalised to facilitate department-based management.

- (d) 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?

In order to maintain the standard of service and staff morale during the period when the civil service pay administration is to be decentralized, there should be ample consultation with the staff sides beforehand so as to gain their

commitment to change. Similarly, there should be continuous dialogue between the management and the staff sides during the transitional period so that the pace of change could be adjusted if and when required. A task group at the central should also be set up to closely monitor the decentralization process and to revise the scope or pace of the process in the light of actual experience.

- (e) 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?

For certain general/common grades and departmental grades whose duties are not technical in nature, there is surely scope for amalgamation under the process of multi-skilling and through the provision of proper training to the officers concerned. Possible examples are amalgamation of clerical and secretarial grades, and executive officer and management services officer grades. The possibility of having flatter organizations with wider span of management control and fewer rank layers is a more complicated subject which requires careful and thorough consideration. Given the increase in variety and complexity of work undertaken by departments, a need for several rank layers may exist to reflect the different levels of work responsibility and difficulty and there may be operational difficulties for having flatter organizations with wider span of management control and fewer rank layers under certain circumstances.

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

There are merits for reducing the weighting attached to educational qualifications as the primary determinant of rank and grade under the existing system, and to replace the existing system by a formal job evaluation system for assessing the weighting of individual jobs. However, the job evaluation system should not be introduced in isolation from other civil service reform agenda, such as amalgamating existing grades within broader occupational categories and setting up flatter organizations with wider span of management control and fewer rank layers. As a pilot scheme, a formal job evaluation system could be introduced and operated centrally. The desirability for operating the system at the department level could be considered in the light of the experience of the

pilot scheme.

Environment and Food Bureau

June 2002