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Mr LEE Lap-sun, JP  
Secretary-General  
Joint Secretariat for the Advisory Bodies  
on Civil Service and Judicial Salaries  
and Conditions of Service  
Room 701, 7<sup>th</sup> Floor  
Tower Two, Lippo Centre  
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*Dear Mr Lee,*

### Review of Civil Service Pay Policy and System

Thank you for your letter of 2 May 2002.

My department has considered the Task Force's Interim Report, the observations therein and the questions raised in the consultation papers. I would like to forward for the consideration of the Task Force the following issues that are of concern to us.

In making reference to the practices in other places, we feel that given the difference in the structure and governance of the survey countries, what is considered a good practice in one place may not be suitable for another. Large countries with states or provinces each having different geographical conditions and socio-economic aspirations may see merits in devolving pay policy and administration to local departments or bureaux. Hong Kong, being more or less a 'city state', needs a solid and cohesive Civil Service to serve a compact society. Devolution of such responsibilities would inevitably divert departments from their

core business, increase administrative costs at departmental level and give rise to divisiveness in the Civil Service. The perceived merit of increased management autonomy for departments should be assessed against the likely impact on the Civil Service and the resource implications.

With mounting public pressure on pay comparability with the private sector and increasing awareness of the affordability considerations, there may be a need in some cases to take account of private sector pay bands in reviewing Civil Service pay levels, without losing sight of the need to provide sufficient pay to attract, retain and motivate quality personnel. In considering the way forward, grades which are unique to the Civil Service, such as the several departmental grades of this department responsible for meteorological services, would lack comparable reference in the private sector. In such cases, internal relativity within the Civil Service on the basis of educational and professional qualifications should remain an important yardstick for pay determination, further to the need to recruit and retain quality staff.

The concept of replacing fixed pay scales with pay ranges is considered potentially divisive. Unless wide pay ranges are to be introduced and there are ample funds to support accelerated progression through the pay ranges, any marginal or modest benefits awarded to exceptional performers are not worth pursuing in view of the suspicion, wariness, jealousy, heartache, etc. likely to be generated among staff. The same applies to performance-based rewards, particularly for individuals. Given the present resource constraints, it is difficult to envisage a performance-based pay and reward system that is financially agreeable, staff-friendly and easy to administer in terms of performance measurement and management. The lack of any of these three pre-requisites would render the management liable to complaints, appeals, etc.

With regard to departmentalization of general grades staff, I wish to point out that as a small department having only 30 general grades posts against an establishment of 329, we do not have an adequate grade structure to provide for the development of the staff concerned and to accommodate their aspirations for career advancement. We also value the current economy of scale in recruitment, training and promotion of general grades staff as a result of the centralized administration at present. While we cannot comment on the position of the large departments, we consider this option impracticable in small set-ups.

Our current pay policy and system, developed over the past decades, may have its inherent weaknesses to cater for the present-day circumstances.

While we see a need to review and improve, we expect an evolutionary rather than revolutionary process as well as ample staff consultation along the way. A balanced and well-administered pay policy and system is crucial to the upkeep of a clean and efficient Civil Service.

We look forward to the recommendations of the Task Force.

*With my best regards,*

*Yours ever,*

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( [REDACTED] )

Director of the Hong Kong Observatory

c.c. Secretary for Economic Services [Attn : [REDACTED] DS(ES)2]