

香港中環康樂廣場二號  
香港郵政總部  
網址: www.hongkongpost.com

來函檔號 Your ref.: JS/CSP/TF  
本署檔號 Our ref.: (19) in PR/SA/SAL/CSP  
電話 Tel: [REDACTED]  
傳真 Fax: [REDACTED]

Hongkong Post Headquarters  
2 Connaught Place  
Central  
Hong Kong  
Website: www.hongkongpost.com

29 June 2002

Secretary General  
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

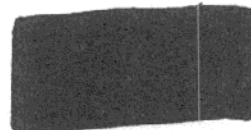
Dear Sir,

### Review of Civil Service Pay Policy and System

We have studied the interim report on the phase one study and the consultation paper and sought the views of our colleagues through our departmental circular and departmental consultative committee. The views from the management are summarized at *Appendix I* and views from the staff side are summarized at *Appendix II*.

Should you have any enquiry, please feel free to contact the undersigned at 2921 2210.

Yours faithfully,



( [REDACTED] )  
for Postmaster General

Enclosure

**Review of Civil Service Pay Policy and System  
Comments from Management Side, Hongkong Post**

**I. 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)?*

- We support a major overhaul of the civil service pay policy and system to bring in progressive changes.
- It is sensible for pay to be pegged to performance but there must be adequate monitoring and control measures to encourage and ensure honest reporting and that the standards of performance required are appropriate to the pay scale/range and consistent within the organisation or the civil service as appropriate.
- If majority of the existing officers do not welcome the new system, they should be given the chance to opt to retire early or to opt for the new system.
- Clean wage policy is easier to administer and help the employers to produce more realistic estimates on their spending on salary. It could also reduce the chance of unfair remuneration (including fringe benefits) of the same job arising from different family backgrounds. Nonetheless, it may still be desirable to divide the remuneration into two parts, viz., basic salary and allowance because they are determined by different formulas and factors.
- Medical benefits may be covered by medical insurance so as to ensure better use of resources of the government/HA clinics/hospitals.

(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?*

- It may not be necessary for senior civil servants to be subjected to a different pay policy. In fact, risk/award factors could be taken into account in objectives setting and assessing overall performance which will consequently determine the pay point the officer is to be remunerated.

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

- Given the higher chance of exposure to danger, there are merits in treating the disciplined force differently from the rest of the civil service.

(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?*

- Yes, the surveys could at least serve as an objective reference in determining civil service pay levels.

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

- In a private organisation, the profitability of the organisation will very much depend on the performance of its employees. It thus becomes sensible and reasonable for the staff pay to be adjusted having regard to the organisation's profit/affordability to pay. The government setting is, however, entirely different. The government's affordability to pay will largely be determined by factors which are beyond the control of its employees. These factors include tax rates, social welfare payments, commitments to provide public services, etc. It is not entirely fair for the pay of civil servants to be subjected to reduction because of the government's low affordability to pay which could be a result of huge social welfare burden and/or authority's resistance to increase tax rates to generate additional revenues. Moreover, the move will make civil service pay adjustment more of a political issue.

- Having said that, in departments which could be self-contained, such as departments operating on trading funds, there may be room for pay to be adjusted having regard to the departments' affordability to pay. It is because the operations of these departments will be closer to the private organisations and the departments' affordability to pay will be, comparatively speaking, more relevant to the employees' performance.

- Generally speaking, government's affordability to pay could be one of the considerations in pay adjustments but not the over-riding consideration.

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

- It is important that we have an objective mechanism to review and adjust pay levels periodically.

## II. 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?*

- Theoretically, flexible pay ranges should bring about the said benefits. However, it may at the same time induce more conflicts between the management and the staff on the assessments of performance which will in turn discourage honest reporting. As a result, the effectiveness of flexible pay ranges will be hampered. Hence, suitable control points and clearly defined appeal mechanisms should be set up with a view to striking the balance between maintenance of a fair and open reporting system and guarding against waste of resources on handling appeals/complaints which are repetitive in nature.

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

- This is possible. However, whether the potential problem is severe or not will very much depend on whether there are fair posting and performance appraisal systems to ensure that an officer's capability could be well reflected by his output and his performance appraisal.

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

- In theory, it would be better for flexible pay ranges to be applied to the entire civil service. Admittedly, in practice, it is easier to work out a system applicable to senior civil servants only.

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

- Same as (c) above.

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

- Yes, suitable control points and clearly defined appeal mechanisms should be set up to deal with dispute. The appraisal system should include more measurable and objective indicators. In case an officer is recommended to be remunerated at the lower band of his pay range, he should be informed at an earlier stage.

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

- There are a number of factors which affect an officer's performance. While pay is one of the incentives, promotion is another. To nurture a performance culture, performance management system should be accompanied by performance-based promotion, and a feasible mechanism to deal with demotion and early retirement of sub-standard performers or mediocre.

### **III. On Pay Adjustment System and Mechanism –**

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

- Yes, it should as far as possible be adhered to as it is more objective and well accepted by civil servants.

(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?*

- The system itself is generally regarded as fair by the civil servants but the implementation of the system such as conduct of the pay trend survey may not be so perceived by the public. Hence, it may be necessary to review and improve the system.

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

- There would be benefits in enhancing the existing adjustment mechanism.

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

- Similar to Q.I(e), fiscal constraints should be one of the factors but not an over-riding factor in determining pay adjustments.

(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?*

- While the central government should provide broad guidance and carry out centralised surveys, such as on pay trend and pay structure, individual departments could be given certain authority in pay administration, as in the case of recruitment of non-civil service contract staff.

#### **IV. On Introducing Performance-based Rewards –**

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

- There are obvious merits for Hong Kong to incorporate elements of performance pay in civil service salaries.

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

- Yes, they may comprise increased emphasis on performance-based promotion and bonus in the form of cash and meritorious service awards.

(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?*

- Ideally, it should be used to promote team building. However, in practice, it may not be possible to determine which team should deserve rewards because it is difficult to assess the performance of different teams which may carry out different functions. For instance, whether the performance of the back office is better than that of the counter office?

(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?*

- It would be desirable to have some form of individual performance rewards but the form of rewards may vary taking account of the differences in social status and objectives of achievements of the officers.

(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?*

- Same as Q.II(e).

#### **V. 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?*

- Some forms of decentralization of civil service administration are considered desirable.

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

- Similar to Q.III(e) above, the central government should provide broad framework and give guidance to departments. Besides, it should play an advisory role and be able to advise departments on the current development of pay trend and structure based on which, departments could devise their own pay structure without having to conduct separate researches on similar subjects.

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

- It is possible for some of the general/common grades to be departmentalised. However, taking into account the large number of officers in these grades, it is necessary to consider how the grades / incumbents could be absorbed departmentally and/or for the officers to retire voluntarily.

(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?*

- Staff morale would no doubt be affected during the transition period. Open communication through seminars, newsletter and dissemination of information by senior management could help to allay fear and reduce misunderstandings.

(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?*

- There is scope to amalgamate existing grades/ranks. If departments were to be given autonomy on pay administration, they could similarly be given autonomy to consider whether there would be a need to amalgamate existing grades.

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

- Like (e) above, the job evaluation system should be operated on department level.