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26 June 2002

Secretary General
Joint Secretariat for the Advisory Bodies on Civil Service
and Judicial Salaries and Conditions of Service
Room 701, 7th Floor
Tower Two, Lippo Center
89 Queensway
Hong Kong

Dear Secretary General,

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

I refer to the above Consultation Paper issued in April 2002 and append below our views and comments for your consideration.

(A) Pay Policies, Pay System and Pay Structure

The existing system in the civil service has already had the element of performance-pay in it. An officer who performs satisfactorily will get his/her annual increment, but that increment could also be stopped/deferred if his/her performance is not up to the standard required. A major overhaul of the existing system is therefore considered not necessary. However, it is important that the management should have the determination to implement the policies strictly and supervisors should make honest and timely assessment of their subordinates' performance in order to make the system a success. Nonetheless, constructive modifications such as a clean wage policy which would reduce administrative cost, are welcome.

As far as the disciplined services are concerned, it is noted that their existing remuneration package is slightly more favourable than that of the civilian grades in order to reflect their special job requirements and the risk factor. This arrangement should continue as the disciplined forces do require a more stable working environment and a more attractive pay. However, as long as the disciplined services remain part of the civil service,

their pay system should not be totally detached from that of the rest of the civil service. An internal comparability between the disciplined services and the civilian grades should be upheld so as to maintain the attractiveness of both types of jobs to potential candidates.

Government is constantly competing with the private sector for talents. In order to maintain a clean, efficient and effective government, the gap between civil service remuneration packages and those offered by the private sector should not be too wide. Regular pay level, pay structure and pay trend surveys should therefore continue to ensure that that civil service pay remains broadly comparable with that of the private sector.

Concerning whether Government's affordability to pay should be an over-riding consideration in pay adjustments, we consider it one of the factors and not necessarily the major one. Moreover, "affordability" needs to be clearly defined and agreed upon. A government can be very efficient and effective but at the same time running in deficit for years. Does it mean that its civil servants will never get a pay rise until a surplus is achieved or vice versa, would civil servants be awarded a handsome pay increase mainly due to a big surplus?

(B) Replacing Fixed Pay Scales with Pay Ranges

There are worries that team work, which is an important part of the operation of the civil service, would be undermined when every one competes with each other for more pay under a flexible pay range system. As there are inevitably drawbacks in every kind of performance management systems and the existing system is well-established and by no means inferior, what the Administration should do is to change the mindset of civil servants to bring out the spirit of the existing system.

(C) Pay Adjustment System and Mechanism

As discussed under (A), the principle of broad comparability with the private sector should continue to be adhered to. The existing mechanism may need fine tuning to make the comparison meaningful.

(D) Introducing Performance-based Rewards

Apart from promotion and cash awards, there are other forms of performance rewards. Under the existing system, rewards such as training and development opportunities, which are useful motivation tools, are

already provided for. The Administration could place more emphasis on these rewards.

Unlike the private sector where performance can be easily measured against profits and targets, performance pay should only be introduced cautiously in the civil service.

(E) Simplification and Decentralisation of Pay Administration

In principle, the decentralisation of pay administration would allow departments more flexibility and power to maximize their resources, employ and manage their staff according to their own unique circumstances and requirements. However, unlike in the private sector, Government being a good employer has provided a comprehensive complaint and appeal system for civil servants. Decentralisation of pay administration which would inevitably result in arrangements different from department to department and treatments different from officer to officer, would undoubtedly attract endless complaints and appeals from the staff. All these will drain away management's resources and energy which would otherwise be put to a more constructive use. Moreover, apart from the need to provide sufficient training to departmental management in pay administration (and perhaps also the need to introduce yet another check and balance system to prevent abuse of the decentralisation), the economy of scale now practised by centralising pay administration will be lost.

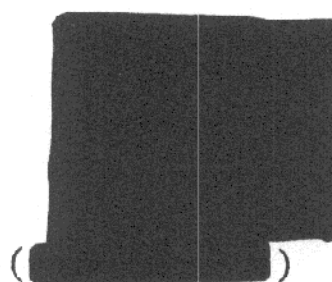
On the departmentalization of general/common grades, it is considered practicable that secretarial and clerical staff be departmentalised provided that the department concerned is large enough to offer sufficient training, posting and promotion opportunities. But given their size of establishment, the interest of the serving officers would have to be carefully balanced before implementation. However, for the executive grade which members require a wider exposure to facilitate their development for implementing the central policies and initiatives and providing the necessary check and balance in the government, it should remain as a general grade.

In terms of simplification, it is agreed that there is scope for having flatter organisations with wider span of management control and fewer rank layers. However, care should be taken to avoid stretching the span of management too wide because effective and necessary control might then be compromised.

To conclude, Government should first decide on its own functions and objectives before considering any drastic changes to the existing system. The need to maintain a clean, efficient and effective civil service is always an important consideration.

We hope that the above comments would be useful to your review of the civil service pay policy and system.

Yours faithfully,

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Secretary
Public Service Commission