

**MEMO**

From Director of Water Supplies  
 Ref. (21) in WSD 1657/79 Pt.12  
 Tel. No. [REDACTED]  
 Fax No. [REDACTED]  
 Date 28 June 2002

Secretary General, Joint Secretariat  
 for the Advisory Bodies on Civil Service &  
 To Judicial Salaries and Conditions of Service  
 (Attn.: \_\_\_\_\_)  
 Your Ref. \_\_\_\_\_ in \_\_\_\_\_  
 dated \_\_\_\_\_ Fax No. \_\_\_\_\_  
 Total Pages \_\_\_\_\_

### Review of Civil Service Pay Policy and System

The general views of the WSD senior management on the questions raised in paragraph 19 to 23 of the Task Force's consultation paper are :

(1) Pay Policy System and Pay Structure

- (a) We agree that the civil service pay policy and system should be overhauled but changes should be introduced in phases. Total remuneration (i.e. consolidation of all allowances and benefits into the base pay), which is comparatively easier to implement, may be introduced first. This would also bring about staff savings in administration of the various types of allowances and provide eligible claimants with greater flexibility in using certain allowances e.g. housing. Performance pay is useful but what is more important is to empower Heads of Department to penalize/remove poor/non-performers speedily.
- (b) There is no consensus view as to whether all civil servants, regardless of rank, should be subject to the same pay policy. While some fundamental principles should be applicable to all civil servants, the system should allow different treatment for broadbanding of ranks. Performance based rewards should perhaps be applied to senior civil servants first as a pilot exercise to test their effectiveness before they are implemented on a widespread basis.
- (c) The general principles and policy in determining pay should be the same for disciplined and non disciplined services but certain job demands and factors unique to disciplined forces may be give additional consideration in deciding on their total remuneration.
- (d) Surveys/reviews of pay structure and pay level should continue to be conducted regularly.
- (e) Realistically, Government's affordability will have to be a key factor in considering pay adjustments. It should not, however, be an over-riding factor as affordability depends largely on Government's priority in spending.

- (f) The Central Administration should continue to determine pay policy and to initiate reviews of pay structure to ensure consistency in approach. Some flexibility in pay administration may be given to Heads of Departments/Grades (as in the case of non civil service contract staff) but centrally determined guidelines are still needed as departments do not have the necessary expertise or resources to cope with total pay devolution.

(2) Replacing Fixed Pay Scales with Pay Ranges

(a) to (f) We welcome introducing pay ranges but the arrangements must be simple to understand and easy to administer. Our comments regarding pay for service civil servants vis-a-vis the more junior ranks and disciplined and non-disciplined services in 1(b) and (c) above also apply to flexible pay ranges. Without specific examples of how flexible pay ranges can be practised in the Hong Kong civil service, we are unable to comment on corresponding changes needed to performance measurement and the appraisal system. If pay range is introduced, Heads of Department should be empowered to determine the pay (within the permissible range) of their staff.

(3) Pay Adjustment System and Mechanism

- (a) The principles of broad comparability with the private sector should continue to be adhered to in order to attract and retain high calibre staff.
- (b) The existing pay adjustment system is still largely regarded as fair by both civil servants and the public and should be preserved.
- (c) There appears to be no imminent need to change the existing mechanism.
- (d) Our comments in (1)(e) above also apply.
- (e) Initially, the balance should be about 80% central control and 20% local flexibility.

(4) Introducing Performance-based Rewards


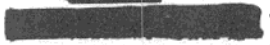
- (a) There is definite merit in introducing some form of performance pay.
- (b) Other forms of rewards e.g. bonuses and other one-off payments, merit trips, gift vouchers etc can also be used to reward good performance.
- (c) Team based rewards is one possible form of performance rewards and may be particularly useful for projects. If adopted, they should be applied to all levels.

- (d) Individual performance rewards may be easier to adopt than team based rewards. They may be tried out at the senior/middle levels first to test the effectiveness before widespread application.
  - (e) Heads of Department should be empowered to administer performance-based rewards based on a set of clear and measurable performance targets.
- (5) Simplification and Decentralization of Pay Administration
- (a)-(b) Please see our comments in (1)(f) and 3(e) above.
  - (c) The current flexibility whereby general grades/common grades staff made redundant in one department can be posted to suitable vacancies in other departments will be lost if these grades are decentralized. Different departments will also be competing unnecessarily for recruitment to the same grades and ranks. For managerial grades, typically Administrative Officer, Executive Officer and Treasury Accountant grades, departmentalization will be detrimental to the development of grade members, as it will greatly limit their exposure to different work environments. These are fundamental issues which need to be resolved before any proposals for departmentalization can be taken forward.
  - (d) Before consideration is given to decentralizing pay administration, a more efficient and speedy system for removal of poor performers must be in place. This will help encourage a performance culture.
  - (e) There is definitely scope for amalgamating some existing grades and to reduce rank layers. Changing the structure of individual grades, however, is a highly sensitive issue and should not be taken forward as a matter of priority amongst the many improvements to pay policies and system that are being considered. Delaying departmental management structures can be a first step as this is likely to be more easily acceptable to staff.
  - (f) Job evaluation is a rather specialized subject and will be prone to dispute if done entirely at departmental level. Centrally administered guidelines on how this can be carried out are essential.

#### Other comments

2. Following the pay freeze for D3 and above in 1998, the difference in pay which currently exists between D2 and D3 is considered not commensurate with the increase in responsibilities at the higher rank. Appropriate adjustment should be made to restore the right balance between the different pay points.

3. The findings and observations in the Task Force's Interim Report have been noted by the Staff Side at our Divisional/Regional Sub-Departmental Consultative Committees but no comments have been put forward to the WSD management so far.

  
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