

The Government Local Civil Engineers Association

P.O. Box 28515, Gloucester Road Post Office, Wan Chai, Hong Kong.
Tel. No. : 21293701/21293711 Fax No. : 26289060

By fax & post

8 May 2002

Joint Secretariat,
Advisory Bodies on Civil Services & Judicial Salaries
And Conditions of Service
Room 701, 7/F,
Tower Two, Lippo Centre
89, Queensway Bay
Hong Kong.

Dear Sir,

Task Force on Review of Civil Service Pay Policy and System Consultation Paper Phase 1 Study

We refer to the invitation of comments and offer the following views:-

General

2. Pay determination is a **complex and sophisticated** issue. The consultation document needs to spell out the **underlying principles** to help the public and government employees to digest. If Government wishes to receive useful and constructive comments, the public and government employees must be kept **well informed**. The 10-page (including Appendix A) consultation document is **too simplified and broad-based** compared with previous documents delivered in 1989 (Standing Commission) and 1968 (Salary Commission).

3. **Affordability** has become a dominant feature of pay policy in the surveyed countries which have faced fiscal and public expenditure constraints. Without informed insights (i.e. pros & cons; evaluation of results), the report gives the impression that the Government has pre-conceived views on tighter control on pay level and adoption of the merit-pay system which has far reaching implications on the civil service. This projects a negative image on the acceptability and credibility of the survey findings.

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Underlying Principles

4. Over the years, a number of principles have been formulated and these provide a framework within which the issues of **external and internal relativity** are addressed by the various institutional factors involved in determining civil service pay. In the past, the first report produced by the Standing Commission was concerned almost entirely with underlying principles. This was a good move and should be repeated by the current task force.

Guidelines for Pay Determination

5. **We fully support the principle of comparability**, which is the most important guideline, accepted by the past reviews. Reliance on the principle of fair comparison is also common in other leading countries, notably in the United States (the prevailing wage principle).

6. The principle of **fair comparison** aims at achieving fair pay for civil servants by rewarding them at rates broadly comparable to those prevailing in the private sector. This principle was endorsed by the 1965 Salaries Commission and the 1989 Standing Commission.

7. Of course, there are reservations relating to its practicability. One drawback is that many job output of government does not pass through the market place (where its worth can be assessed by consumers). To overcome this, **we continue to support the use of the following methods used in the past:-**

- (a) the core grade method; and
- (b) the qualification method.

Core Grade Method

8. The core grade method entails the identification of a cluster of government jobs that can be adequately compared with jobs in the private sector. For professional and management grades, there are many "counterpart jobs": doctors, engineers, lawyers, accountants. Based on the "relatively" principle, preservation of the system of general equivalences are important considerations in the review.

9. Of course, many private jobs do not have counterparts/analogous in the government system. The use of qualification method allows government to circumvent this draw back.

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The Qualification Method

10. We continue to support the use of the qualification method because it focuses on education, which according to labour economics determines productivity to certain extent. This method has fairly sound theoretical foundation. If pay is regarded as a measure of productivity, and if productivity depends on educational qualifications, the latter should obviously be a determining factor.

11. The qualification method is easier to engage in intersectoral comparisons than to identify counterpart jobs. For this reason, the previous Standing Commission recommended its adoption as a vehicle for determining entry level remuneration. The Commission recognized that additional factors should be considered in pay determination. These include :-

- (a) job content;
- (b) enforcement duties;
- (c) dangerous or obnoxious duties; and
- (d) qualifications over and above the minimum.
(e.g. relevant professional experience should attract increments — you pay more for experienced doctors, lawyers, engineers)

Government's Role

12. The existing system is considered sensible in terms of both equity and efficiency. The government — as the largest employer — has some effect on wage equilibrium in correcting certain pay imperfections, viz:-

- (a) As a matter of **social policy**, the government should be allowed to lead the private sector in the case of the lowest paid. It behoves the government to set a “living wage” in respect of the lowest pay employees, compelling “rapacious employers” to pay a fair wage.
- (b) Remuneration paid to the highest ranks, i.e. senior directorate class, should be lower than that of ‘equivalent’ positions (top earners) in business sector. The Singapore Government, however, pays more to recruit the “best and brightest” to the civil service.

13. The departure from the comparability principle for the lowest and highest paid groups are reasonable. **Government contributes towards reducing income disparities in Hong Kong.**

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Performance-related pay

14. We recognize that performance-related pay has some merits. These are stated in the consultation document. We are also aware that the concept has been widely adopted in the private sector and has been introduced into the civil service in a few countries.

15. Regretably, in spite of the merits and its growing popularity, the introduction of this scheme will **present many practical difficulties** in our civil service. The problems are:-

- (a) The issue of a fair and reliable performance appraisal system. Due to the complexity of civil service jobs, performance assessment is always subject to **inconsistencies and arguments**. The adoption of performance related pay will result in disputes, causing damages to the already low staff morale.
- (b) There is a need to design different forms of performance package to suit diverse circumstances of different ranks & grades. Further complicating the existing "appraisal system" will create additional **burden on the administrative system** (which is already criticized to be bureaucratic and cumbersome).
- (c) Criteria for measuring performance and results are difficult for public sector jobs. For engineers, results are largely measured against the **performance of a team** — engineering projects are outcome of teamwork.
- (d) The scheme will create "**shoe-shining**" culture which we want to avoid to preserve the renowned integrity of our civil service. Most civil servants, particularly for our professional grades and administrative officers, are high-flyers recruited into the service through rigorous exam/interviews. The merit-pay scheme runs the risk of **creating internal frictions** amongst the capable team of professionals/administrators. This is not conducive to maintaining harmony and team spirit which is an important HRM dimension in our civil service.

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16. Promotion already recognizes the merit of the contributions of high flyers. To give recognition to exceptional cases of meritorious service, we could consider the following:-

- special personal rank;
- extra increment;
- long service increments; and
- travel award

17. There should be no change to the system of awarding "increments" to give recognition to the merits of job experience and qualifications. The existing mechanism has also coped with "poor" performers by means of stopping or deferring the increments.

18. As pointed out in paragraph 47 of the consultant's report, the emphasis on tight expenditure control in the surveyed countries has limited the ability to implement more performance related pay systems. There are insufficient resources to fund such schemes adequately.

Political Considerations

19. We should also recognize the emergence of the 'new generation bargaining' characterized by :

- (a) a deteriorating economic environment — government affordability emerged as a predominant factor;
- (b) a reduction in the political influence of civil servants — the Wellington and Winter theory (famous Yale University professors) is no longer tenable; and
- (c) the political control under the new ministerial system.

20. The introduction of the accountability system will create a period of uncertainty into the civil service. The public sector wage may be exploited by the political reality. We should wait until the economy recovers before introducing changes to the existing system.

21. The whole affair brings to mind the **90/10 Rule** — while we focus on improving 10% of the unsatisfactory activities, we should not forget that 90% is working well. **Let us focus on improving the 10% deficiency — how to streamline our administrative system** to make it more efficient.

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22. Rather than over hauling the entire system, we suggest the review to concentrate on improving the following:-

- removal of the outdated allowances;
- the introduction of a total pay concept to reduce administrative cost (i.e. consolidation of educational, health, housing benefits etc. and their adoption into base pay); and
- streamlining the administrative structure.

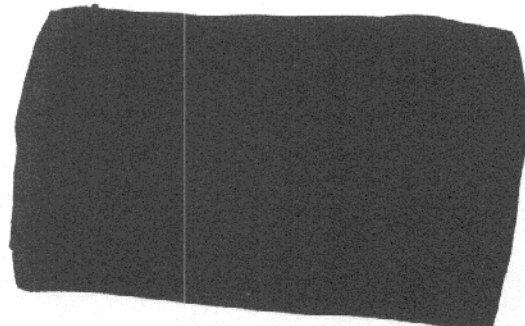
23. We support the views of FS and SCS : “Any changes must be made gradually to ensure the standard of service and morale of staff to be maintained”. In view of the introduction of the accountability system and the uncertain political and economic climate, it is **not** an opportune time to introduce any “big-bang” changes. Pilot studies should be used in such a major undertaking. Better still, we should wait till the economy is back on track before considering the changes.

24. The Government has a leadership role to play in behaving as a “responsible” employer. It is important to offer an attractive pay to recruit, retain and motivate quality staff to serve the people.

Replies to the Major Questions

25. Based on the above analysis, we have summarized at the **Annex our views to the major questions** addressed in your consultation paper.

By Order of the Council



c.c. The Hon. Ir Dr. Raymond Ho Chung-tai
Chairman, SNEOA (Attn. : )

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**GLCEA Views on
The Major Questions Addressed**

Q1. Should there be a major overhaul of the system?

Reply No. It's a 90/10 situation. Things are working well for the 90%. Suggest to concentrate on improving the 10% problem areas. (eg. flatter structure; streamlining)

Q2. Should senior civil servants be subject to a different pay policy?

Reply Yes, senior directorates should be treated as a separate group due to their unique position.

Q3. Should disciplined services' pay be treated differently?

Reply They should be compared with civilian group using the qualification method (plus job factor analysis).

Q4. Should we adhere to the principle of broad comparability with the private sector?

Reply Yes.

Q5. Should Government's affordability be an over-riding consideration?

Reply It is a factor to be considered but not the over-riding factor." Both "wage effect" and "tax effect" should be considered according to the public choice economists' theories.

Q6. Should flexible pay ranges be introduced?

Reply They should apply to a limited number of grades only (where team work is not important). The existing system serves us well.

Q7. Is the existing pay adjustment system still regarded as fair?

Reply Yes.

Q8. Is there merit for elements of performance pay to be incorporated?

Reply No.

Q9. **Should team-based performance rewards be used?**

Reply No. It is too complicated and may cause frictions amongst colleagues.

Q10. **Should individual performance rewards be introduced?**

Reply No. Its too complicated to administer.

Q11. **Should consideration be given to introducing decentralization of pay administration?**

Reply No. The existing system is simple and efficient. Decentralization will create more conflicts. Departmental Staff Unions have limited bargaining power.

Q12. **Should some or all of the current general/common grade staff be departmentalised?**

Reply No. Staff will be fired if the department they work within become downsized. The present system gives them the flexibility to get redeployed.

Q13. **If pay administration is decentralized, how can morale be maintained?**

Reply (See Q12). Not applicable.

Q14. **Is there scope to amalgamate existing grades? Is there scope for having flatter organization?**

Reply Yes. We have a common grade for civil engineers. For adoption of a flatter organization, this is a job for the departmental management to decide based on re-engineering studies.

Q15. **Should a formal job evaluation system be operated centrally?**

Reply It should be operated at departmental level.

GLCEA Stance

*As pointed out by the Secretary General of the Standing Committee, the review is a complex and comprehensive exercise with far-reaching implications to the civil service. We caution that the Government should **not** just copy overseas practices without regard to our unique position. We are **against** any hasty decisions. Any changes must have the support of the staff unions and introduced gradually.*