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Hong Kong.

7 May 2002

Consultation paper on Review of Civil Service Pay Policy and System

At the outset, I should state that I am an expatriate Police Officer on agreement terms and have served the H.K. Government continuously since 1974. I am in middle management, and usually start work at about 0820 until about 1830 most office days, working long and short weeks. I should very much like to take part in the 48 hours working week which some are able to enjoy, but find that the constant demands for more services for less resources takes more and more time to manage and supervise.

2. We have been working this enhanced productivity system since the Police Force EPP introduced changes to the number of staff available and cut overtime budgets. The computerisation of various systems have not always reduced my load, and have sometimes increased my difficulties, thus distracting me from primary leadership roles by a constant run of paperwork and e-mail, with ever shorter deadlines.

3. For the last 6 or 7 years, Government seems more intent with "the packaging" of its ideas than of the content. I do have some empathy for the public's perception that the Government is sometimes mis-managed and that wastage can be tolerated, (though not necessarily condoned). The fact that this review of the pay system is running concurrently with an apparent plan to cut civil service salaries is adding confusion and alarm to those subject to the outcome.

The Overseas Experiences

4. The Comparisons drawn to the U.K., N.Z., Australia and Canada are hardly representative for Hong Kong, where the socio / economic factors are entirely different, and where 50% of the population would emigrate if given the chance.

5. These countries have stable democracies where the population holds a genuine stake in the success and failure of society. In fact they are all so attractive that they are (except for the USA) the favoured destinations for HK migrants. They are all (except U.K.), large countries with small populations of relatively well educated people who are reasonably well behaved and accustomed to an ordered existence. As a result there is perhaps less pressure to make a lot of money, as life can be quite pleasant without being rich. In addition, they have all some form of social security net with relatively high taxes to fund it. Each country has value added taxes or other consumption taxes to generate the government income required to maintain social stability, and to pay for the underprivileged or those out of work.

6. There is in these countries, there is somewhat less of a burning desire to accumulate wealth, and some greater prestige in the job that one does, occasionally with the public respect that it engenders. This has more value in a stable society where people know each other from generation to generation. In H.K. one rarely knows the neighbour across the hallway! There is also a morale issue in that UK police services have a very poor record at the moment with the highest ever proportion of medical discharges to precisely the best point for peak remuneration, and an entirely different (and less onerous) disciplinary code to obey, than that which pertains in Hong Kong.

7. Therefore, the comparisons used are flawed, and should be considered merely indicative of one way to proceed.

The Current Year's Pay Review

8. I think almost all civil servants understand the necessity of a balanced budget, and that salaries are a significant part of this expenditure. However, by stating from the outset that the Financial Secretary is counting on a 4.75% reduction in his salaries bill, is paramount to saying that we will have our salaries cut, with or without reason. This is a real slap in the face for everyone who has been working over the last 2 years, to achieve the EPP goals and cultural changes, within our various organisations, the result is extremely discouraging to existing staff.

9. If the government's income was double what it was last year, this demand for pay reductions may not have been so vehement, in fact it may have been non-existent. It is the skewed perception that the private sector salaries are somehow following government, that is the error, when it has been shown to be clearly the other way round, i.e. government lags the private sector. Our senior managers do not seem to be able to explain this when pressed by the media or the public. Nevertheless, on a world wide basis, salaries in Hong Kong are admittedly expensive on all employers, and it is rational that Government and others examine methods to correct the long term problem for all of society.

A Review of the System

10. A large salary cost is not peculiar to Government, but is also relevant to the private sector. Those persons in regular, well paid jobs in good businesses, are still extremely well remunerated, and quite rightly so, because if they were not, employees could leave and start their own business, join a rival, or worse still the business would not be run efficiently and would lose money for shareholders. The reward for consistent effort and success is still normally rewarded in salary, bonuses, share options, and perks such as company cars. The fact that private sector employees often reach higher salaries package at a younger age than in the civil service is a function of their sometimes tenuous conditions of employment, and the "boom and bust" cycles of economic activity. H.K. is also a very expensive place to live in, and bar the vagaries of the property market, is still getting more expensive in many areas, such as entertainment.

11. Public servants who are working equally diligently, deserve broadly similar treatment, especially if they are brought up with the perception of a responsible and caring employer (the Government), which will not necessarily pay very well, but will at least be consistent in its pay and policy packages, for diligent and loyal service in the selected public sector chosen. Note the Basic Law in this regard was written to protect the right of existing civil servants to "Pay and conditions no less favourable than before", to ensure continued loyalty. Constant nit picking, policy reversals, and knee jerk reactions to public opinion, merely compound the public's perception that "Government" is rudderless, and can therefore be steered by sufficient public pressure, even if it is on an inappropriate course.

Individual Position / Perception

12. I should point out in my own case, that as an agreement officer, I have had my gratuity decreased from its original 25%, by the enforced purchasing of the "employers element" of the MPF contribution, and have also been forced to contribute \$1000 from my own salary. Since inception, these MPF funds have steadily lost ground, and now I am several thousands of dollars worse off, than if the government had not got involved in legislating this forced saving system. It is commonly felt by MPF contributors that the system is partly intended to bolster the HK stock market, and thus encourage general economic stability. There are also no increments or bonuses available to me for better or more productive work, which is the norm in the private sector.

13. As you might imagine I am not in a receptive frame of mind to accept changes in my 'conditions' which may be virtually illegal. As a matter of course I should point out that those who will ultimately decide upon the legality or otherwise, are paid from a different (judicial) pay scale and may not themselves suffer from any similar reductions for long, as they can effect changes to their pay structure without following the rest of the civil service. This is very reminiscent of a book called 'Animal Farm', which should be issued to every modern government servant.

The Hong Kong Police

14. There is no private sector work which equates to the dangers and restrictions of police work. There are no private sector or other public sector employees who are legally restricted from striking or withdrawing their labour. There are no other employees in Hong Kong who are subject to such constant abuse and confrontation public or subject to such investigations from the ICAC and constant scrutiny of an independent complaints council. There are no other persons in Hong Kong (including the judiciary who perpetuated it) who are forced to give up their right to remain silent in internal discipline cases – which could then lead to their criminal prosecution. There are virtually no other civil servants who can be ordered into the line of fire to risk life and limb; and those other agencies which do profess similar "disciplinary status" often lack the courage and determination, and then have to be rescued or bailed out by police officers. Disciplined services also have a shortened earnings life by forced retirement at age 55, therefore reductions in salary are much more significant than for those with 5 extra years of work to make up any shortfall

15. The position of being the department of last resort is really beginning to wear thin. There have been numerous government department actions, which have been so poorly managed that police have been called to keep the peace (and take the abuse) on behalf of others. These have been as varied as housing clearances, to right of abode decisions, to private company disputes at container terminals. Leadership is something which we value in the Force, and we promote our officers largely upon this skill, not for constantly saying "Yes, Sir", second guessing what their immediate superior would like, or for evading their responsibilities.

16. In the last 10 years the Force has tended to promote more and more administrators and managers, which is a government wide phenomenon. Perhaps this is the reason for so many steering committees, working committees, which don't quite ever come to a conclusion.

17. The Basic Law Article 100 of the Basic Law clearly provided for seniority, pay allowances, benefits and conditions of service, no less favourable than before, therefore why are we intending to change them in such haste? If this article is to be disregarded, which other provisions of the Basic Law are next on the list to be cast aside?

Conclusion

18. Government's problem is the overall cost of civil service salaries. If the figure is too large, we could reduce the number of civil servants by voluntary early retirement or by redundancy. However, we must be cautious, because by reducing numbers we will inevitably reduce the services which departments can provide. Claims that these cuts will not affect the services to the public are frankly speaking, just hot air, as there is always a loss somewhere in the system. I would not just look at the secretarial / office staff, and cleaner grades, as some organisations are already struggling to maintain standards now, but I would examine the numerous senior layers of bureaucrats, who are not really effective, and primarily create work for others elsewhere, e.g. Data Privacy? Which services do we want and what can we afford to keep?

19. The Consultation paper (phase 1) paper is in my opinion a poorly presented document which admits to being a summary but then asks more questions than it answers, and presents these questions in such a manner that many of the respondents will be pre-disposed to answer positively towards wholesale change. Commercial consultants were clearly responsible for the bulk of the presentation paper's preparation as it is cleverly written.

20. Without the evidence of how the selected (non-representative) foreign jurisdictions operate their various systems of remuneration and rewards, there can be no meaningful discussion on whether these proposals can work effectively in this environment. For example if there is widespread use of performance related pay, why on the next line, are performance awards consolidated into their base pay. Surely this is contradictory?

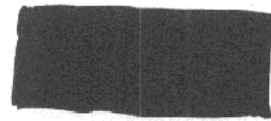
21. At the same time government cannot always wait for a golden goose to lay another golden egg as a consequence of improved trade with the USA and elsewhere. Sooner or later HK will be side-lined and direct trade will be the normal practice. The painful reality is that a tax revenue base upon consumption is a necessity, as should property tax, as our biggest potential sources of revenue effectively evade the existing contribution systems.

"Buying In" or Otherwise :

22. Picking upon the 180,000 civil servants, and by starting the discussion with a proposal to cut their salaries, is shooting ourselves in the foot. Once again we have failed to address the real problem, which is not the individual's salary, but it is the numbers, the services delivered, and overall budget cost of the entire organisation. By all means let us review the mechanisms, but not in the same environment where pre conceived solutions are already on the table and are about to be force fed to the diners.

23. "Buy in and commitment" are still a very long way off, when one does not know what's on offer, other than "very broad generalisations". The subject titles sound fine, but pay ranges, and devolved payments by departments are likely to result in vast irregularities and discontent. Then the prospect of nepotism will be further entrenched. On the other hand I could get in line with the rest and tell the emperor that his clothes are lovely.

24. How the Government handles the current years pay trend survey, will in many respects dictate the civil service reaction to changes to the long term pay and remuneration system.



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