

CHAPTER SIX

MOTIVATORS

(Measures for motivating civil servants to improve their performance are discussed in this Chapter)

I. General Considerations

6.1 Motivators are measures designed to influence staff to give a higher level of effort and performance. The need to motivate staff has been recognized as part of the pay policy objective in Chapter 3. Certainly not all motivators are related to pay. Thus, to tackle staff morale problems arising from organizational failings or apprehension about future changes by pay incentives may not be effective.

6.2 Where pay is concerned, we have two general observations about motivators. First, the existence of a fair and equitable pay system is a necessary condition for motivating employees to perform well. Second, we tend to agree that it is what employees hope and expect to get if they perform well that motivates them, not what they know will come to them as a matter of course or of time.

II. Performance-Related Pay

6.3 We have taken the view that the pay rate for a rank should be represented by the entire pay range for that rank instead of by a single salary point. Theoretically, an officer moves up the pay range by increments as he acquires experience, becomes more proficient and achieves a higher level of performance than the more junior members of the rank. The provision of a pay range thus introduces pay differentials among officers of the same rank on the basis of proficiency and performance. In practical terms, however, progression up the pay range by annual increments depends on time rather than the actual performance of staff.

6.4 Since salary increments are granted almost automatically, the existing system of incremental progression is not an ideal motivator for staff to achieve a higher than acceptable level of performance. A considerable number of representations from both staff and departmental management advocate the provision of performance-related motivators in the civil service pay system.

Merits of Performance-Related Pay

6.5 We recognize that performance-related pay has several merits. First, awarding additional pay to staff for higher than acceptable levels of performance would motivate them to reach and maintain such levels. Second, since good performers can achieve better results than average performers, pay differentials between them give recognition to such differences. Third, if accelerated increments are granted for outstanding performance, the best performers would be able to build up, over a period of years, a significant pay lead over the average performers; to some extent, this would meet the 'recruitment and retention' objective by helping the civil service to hold on to more of the very best performers.

6.6 We are aware that the concept of performance-related pay has been widely adopted in the private sector. Indeed, the trend is for more extensive application of such remuneration practices. Performance-related pay has also been introduced into the civil service in other countries, such as the United Kingdom and the United States.

Implementation Problems

6.7 Regrettably, in spite of the merits of performance-related pay and its growing popularity, the introduction and maintenance of a performance-related pay scheme will present many practical difficulties in the civil service. In our view, several issues must be carefully addressed in developing an effective performance-related pay scheme. First and foremost is the issue of appraising performance in a fair and reliable way. Performance assessment is always subjective to a degree and inconsistencies would result in disputes and hence staff management problems.

6.8 Second, criteria for measuring results and opportunities for demonstrating individual merit may vary. In some cases, results are largely measured against the performance of a team. If the performance-related pay

scheme is not properly administered, there is the risk of the demotivation of deserving team members who receive less recognition or none at all. There may therefore be a need to design different forms of the performance-pay package to suit the diverse circumstances of different departments, grades and ranks.

6.9 Third, performance-related pay systems run the risk of focusing attention only on high-flyers and neglecting the needs of the vast majority of ordinary workers on whose continuing effort the organization depends. Some means of rewarding sustained satisfactory performance are therefore equally important.

6.10 Fourth, for any such schemes to be successful, it is paramount that details of the scheme are fully communicated to staff and management and are acceptable to both.

6.11 Having regard to the complexity of these issues and to the need for thorough consultation with the parties concerned, we feel that it would be extremely difficult to formulate a comprehensive performance-related pay scheme in the current review. We are also wary of the performance-related pay becoming an automatic award to almost all employees thereby defeating the purpose of its use. Nonetheless, we consider that the concept deserves further exploration and the Administration should examine the possibility of introducing performance-related pay into the civil service.

III. Arrangements for Motivating Long Serving Officers

Background

6.12 In our 1979 overall review, we examined whether additional recognition should be given to the capable, loyal and long serving officer who was unable to progress beyond his rank, and the case for providing long service increments to grades additional to those of the disciplined services was reviewed.

6.13 The term 'long service increments' refers to increments added to the top of a rank scale which become payable after a reasonably long period of service. At present, long service increments are provided only in the pay scales of the most junior ranks of the disciplined services where two such increments may be granted: one after 18 years and the other after 25 years of satisfactory service.

6.14 Our review in 1979 concluded that grade pay should reflect the rate for the job, irrespective of whether promotion opportunities were good or non-existent. We therefore decided against any extension of the prevailing provision of long service increments. We held the view that such increments or other similar form of compensation were not granted in the private sector in recognition of a lack of promotion opportunities, and that it would be difficult to justify providing civil servants on the maximum point of their scale with further increases simply for continuing to perform the job they were already paid to do. We also took account of the fact that civil servants who had reached their scale maximum continued to receive pay increases : under the pay trend survey system, all civil servants would likely receive regular pay awards enabling them not only to have protection from the effects of inflation but also to share in the economic prosperity of Hong Kong.

The Problem

6.15 In their representations to us in the current review, staff have continued to press the case for additional pay to be given to long serving staff with few prospects of further advancement. We have carefully re-examined the subject. In our view, the problem involves two separate issues that should be addressed differently :-

- (a) how long service and loyalty should be rewarded; and
- (b) in the absence of opportunities for further advancement, how individual merits of long serving officers could be recognized.

(a) Long service and loyalty

6.16 From the staff management point of view, we agree that some recognition should be given to long and loyal service. The important issue is how it should be recognized. We are unable to find sufficient justification for giving additional pay purely to reward long service and loyalty. As we have concluded in our last review, whether promotion opportunities are good or non-existent is irrelevant because it would not be right to reward long service by promotion.

6.17 We note that arrangements for rewarding long and loyal service already exist in the civil service. These include the Long and Meritorious Service Certificates, which are awarded to meritorious officers on their completing 20 and 30 years of service, and the Long Service

Travel Award Scheme. Under the latter scheme, local non-Directorate officers with 20 or more years of service are eligible for consideration for an overseas travel award.

6.18 We consider that such measures are appropriate and should be further developed. Consideration should also be given to awards in kind as a token of appreciation. These arrangements are generally in line with the practice in the private sector.

6.19 As regards the travel award, we note that about one award is allocated for every 25 eligible officers remunerated on the Model Scale 1 and one for every 50 on the Master Pay Scale. Moreover, two different rates for the travel award are applied to these two categories of staff. We consider that the award's value should not be related to the nature of an officer's work since its main purpose is to recognize long service and loyalty. In addition, it would be desirable to benefit as many eligible officers as possible, and the amount of award should not be overly generous in comparison with private sector practices. The Administration should therefore consider rationalizing the rate for the award by applying a reduced common rate to all officers to enable a larger number of staff to benefit.

(b) Individual merits of long serving officers

6.20 At present individual merits of civil servants are recognized principally by promotion. This means that in the absence of performance-related pay, good performers are rewarded with additional pay only through promotion. Using promotion as the principal motivator of performance might not be totally effective. This is particularly so for officers who are in grades with only one rank or in ranks with few promotion opportunities, and for those who are in the highest rank of their grade. It is not uncommon to find well deserving officers who have already been on their scale maximum for some considerable time but to whom promotion opportunities are yet unavailable.

6.21 We therefore consider that in situations where opportunities for further advancement are absent or very limited, additional motivators may be needed. We note that there are substantial numbers of officers who have served in their rank and have remained on their scale maximum for some considerable length of time. In the absence of other suitable arrangements, motivating these officers has become a difficult problem for the management.

Private Sector Practice

6.22 We pointed out in our last review that it was not a private sector practice to grant special or long service increments in recognition of a lack of promotion opportunities. There is no evidence suggesting that the situation has changed today.

6.23 However, we note that in rewarding individual merit, private sector companies normally have recourse to the following measures :-

- (a) promotion;
- (b) merit pay increase; and
- (c) bonus payments.

It follows that in situations where employees have no opportunities for promotion, private sector companies may still provide incentive through granting bonuses and merit pay increases. In contrast, the civil service has no pay incentives other than through promotion. In this respect, much more flexibility is available in the private sector.

Additional Motivator for Long Serving Officers

6.24 In the views expressed in a large number of representations from both staff and departmental management, many are in favour of providing some form of performance-related award to boost the morale of long serving officers. Having regard to the particular need of this category of staff and the wide support rendered, we feel that it may be desirable to introduce an experimental and limited performance-related pay scheme for these officers.

Proposed Award Scheme

6.25 As the objective of any proposed scheme should be to recognize the individual merit of long serving officers who are unable to advance further in their career, the main considerations in setting the eligibility criteria for the scheme should be :-

- (a) length of service; and
- (b) whether individual merits can be rewarded by promotion to the next higher rank.

6.26 Accordingly, we consider that to become eligible for the award, an officer must have been serving in his rank for some considerable time, say 10 to 15 years, and have remained on the maximum of his rank scale for a few years, say three years or more. To be granted the award, the officer must also maintain a consistently high level of performance. As noted in paragraph 6.9, we think that it would be undesirable to exclude those officers whose sustained satisfactory performance also contribute to the efficient operation of the civil service. They should also be rewarded subject to their maintaining sustained satisfactory performance for a longer qualifying period.

6.27 Although there may be justification for providing similar awards to officers in promotion ranks, in view of the experimental nature of the scheme, we recommend that awards should initially be confined to first ranks pending a review of the scheme in the light of actual experience.

6.28 Given the diverse circumstances of different departments, grades and ranks, the detailed performance standard requirements under the scheme would need careful study. We propose that these requirements be worked out by the Administration taking into account views of staff and departmental management.

6.29 We recommend that the size of the award should be the equivalent of one increment corresponding to the difference between the officer's present salary point and the next higher point (or the lower point if a higher point does not exist), payable monthly. Provided the officer continues to meet the performance requirements, another award equivalent to a further increment may be granted after a further period of, say, three years or more.

6.30 For the purpose of motivation, we consider it appropriate to provide that the award may be withdrawn, on a mark-time basis, if the performance of an officer receiving them subsequently deteriorates to an unsatisfactory level. Again, we recommend that the detailed arrangements be formulated by the Administration in consultation with the relevant parties.

6.31 As the award is not a normal increment, we do not think that it should be reflected in an officer's pension, nor should it make an officer eligible for entitlement to other fringe benefits that are determined by reference to specific salary points. We recommend, however, that if an officer receiving the award is subsequently promoted, he should be converted to the point in the promotion rank scale next above the sum total of his salary and award. This is in line with the established principle that an officer should receive some immediate benefit on promotion.

Implementation

6.32 If the proposed scheme is endorsed, we recommend that it be put into effect not earlier than the common date* as the implementation of our other recommendations arising from the overall review and on the basis of any new salary scales recommended. We consider that any relevant service before the implementation date should also be counted for meeting the requirements for eligibility under the scheme. However, if an officer originally on the old scale maximum is converted to a higher salary point under the new salary scale, his length of service on the old scale maximum should not be regarded as relevant. Since the officer will be benefitting from the extension of his pay scale, we consider this arrangement reasonable.

6.33 We would also stress that before the experimental scheme is implemented, the necessary administrative systems regarding staff performance assessment must be put into place to provide the basis for the scheme.

Review of the Scheme

6.34 As the proposed scheme is experimental, its progress should be closely monitored by the Administration and a review should be conducted to determine whether it should become a permanent feature or be withdrawn.

IV. Efficiency and Increment

6.35 In the course of our deliberations on measures for motivating and rewarding staff for efficiency and above average performance, we have also looked into the subject of how efficiency of civil servants can be better assessed and monitored.

Handling Inefficiency in the Civil Service

6.36 Two measures are currently available in the civil service for dealing with an inefficient officer :-

- (a) where an efficiency bar** exists, stopping the incremental progression of the officer; and

Note : *See paragraph 8.5.

**An efficiency bar is a point in an incremental scale beyond which an officer cannot progress unless certified as efficient by his head of department.

(b) terminating the officer's service.

6.37 At present, only about one-fifth of ranks remunerated on the Master Pay Scale are provided with efficiency bars. For the great majority of ranks, there is no linkage between the performance or efficiency of an officer and his salary progression in the rank. In other words, after confirmation to the permanent establishment, an officer will normally progress to the maximum point of his pay scale unless he is considered so incompetent that his service should be terminated.

6.38 In the 1979 review, the Commission considered that the efficiency bars system was generally ineffective and recommended that it be abolished and replaced by a new provision in the Civil Service Regulations that an officer's increment might be withheld on the ground of inefficiency. This recommendation has not yet been implemented.

6.39 We have re-examined the issue again in the current review and we reaffirm our 1979 recommendation. We believe that such a provision in the Civil Service Regulations may induce an awareness among civil servants about the need to maintain a satisfactory standard of performance and efficiency. We also consider that under an equitable pay system, it is desirable to create some pay differentials between good and poor performers within the same rank. This should be achieved both by rewarding the good performer, such as providing performance-related pay, and by stopping the incremental progression of the inefficient officer.

6.40 Also, under existing arrangements, for most of the civil service, there is no other means to deal with inefficiency except by termination of service, which is considered to be a severe measure and is therefore used only sparingly. Stopping the incremental progression of an inefficient officer provides an intermediate step and increases flexibility in dealing with the problem.

Arrangements for Monitoring Efficiency

6.41 We consider that efficiency should be a matter for regular assessment and monitoring. Certainly

efficiency must be judged in relation to the individual's experience and length of service in his rank. We appreciate the practical difficulties in devising a satisfactory method to monitor efficiency, but we feel that the Administration should nonetheless continue to explore the feasibility of more satisfactory arrangements for monitoring the efficiency and performance of civil servants.

Staff Appraisal System

6.42 For any such arrangements to be effective, it would of course be necessary to have a fair and reliable staff appraisal system in place. The point is raised in some representations from staff that a totally open appraisal system should be adopted in the civil service to ensure fair reporting on staff performance. Although we have reservations over whether a totally open system is conducive to fair and accurate appraisal, we accept that there may be further room for improvement in the existing system. We understand that following the Government's acceptance of our 1979 recommendation (paragraph 6.38 above), the Administration has been reviewing the existing staff appraisal system with a view to improving the system for the implementation of this recommendation. We propose that the Administration should proceed with this review expeditiously in conjunction with exploring arrangements for monitoring efficiency and improving performance (paragraph 6.41).

V. Promotion Prospects

6.43 In the 1979 review, having conducted a thorough examination of the subject, the Commission recommended that promotion ranks and posts* should normally be created only where there was a functional need. The Commission believed that creating such ranks or posts purely to provide promotion for civil servants was impossible to justify either publicly or financially. Over the years since, this principle has been adopted as the basis for determining the creation of posts in the civil service. We have reviewed this principle and are satisfied that it is still appropriate.

*Note : Within each rank, there are a number of posts. Each post represents an appointment. Posts in the higher ranks are normally filled by promotion from the lower ranks. Very rarely are they filled by direct recruitment.

6.44 While acknowledging that promotion ranks or posts should be created on 'functional-need' basis, a number of representations have suggested that a reasonable promotion ratio should be stipulated in order to ensure a proper span of control and to cater for the need for more career advancement opportunities.

6.45 We realize that promotion prospects are a matter to which civil servants attach great importance and the aspiration for career advancement is both natural and understandable. Nonetheless, it is extremely difficult to set a common or a standard ratio between the numbers of posts of consecutive ranks in the civil service because of the disparate functional and operational requirements of different grades. Furthermore, only the grade management concerned can properly assess the staffing requirements and seek the necessary provision. Having said this, we believe that the management should adopt a more flexible approach in examining any proposals for the creation of new posts. For example, regard should be given to the complexity of the work involved, to whether there is a need to operate independently, to the amount of supervisory responsibility entailed and to a proper span of control of subordinates. Needless to say, the management should be responsive to changing circumstances.

6.46 We also reaffirm our recommendation in 1979 that grades with no or limited promotion prospects should be periodically examined to see whether there is any room for re-organizing jobs to provide for more than one functional level. In the context of providing for better career opportunities, grades supervised by other grades should also be kept under review to see whether first line supervision could be performed by a senior rank in the lower grade.