

CHAPTER 4

OTHER ACTIVITIES

Human Resource Management Review - Proposals on Recruitment

4.1 In January 1994, the Administration briefed us on its Human Resource Management Review which aimed at developing a more dynamic management environment and more effective personnel policies. We were informed that our advice would be sought when firm proposals arising from the Review were formulated. The Administration subsequently formulated two proposals on recruitment and sought our formal advice. These proposals were designed to give heads of department (HoDs) and heads of grade (HoGs) the authority to lower entry qualifications and grant incremental credit for experience. The flexibility provided under these proposals would enable HoDs and HoGs to overcome short-term recruitment difficulties, speed up the recruitment process and attract staff with relevant experience.

4.2 With regard to the lowering of entry qualifications, the Administration's proposal was that HoDs and HoGs be permitted to recruit staff with academic qualifications lower than, but not far from, the norm stipulated for appointment. The entry salaries for such candidates would be determined on the basis of the entry benchmark for the qualification possessed by them, reflecting any job factors which justified an entry salary above the minimum qualification benchmark.

4.3 When we examined this subject in the 1989 Salary Structure Review, we concluded that the practice of lowering entry qualifications should be retained albeit as an exception, rather than an alternative, to entry at the stipulated qualifications. The Administration's current proposal was consistent with our previous conclusion. We were, however, concerned about the inadequate guidance given to HoDs and HoGs on the limit to which qualification might be lowered and the possible dilution of the quality of staff leading to subsequent succession problems in the grade. We were assured by the Administration that our concerns would be addressed in that detailed proposals for the scheme would be drawn up and that HoDs and HoGs would implement the scheme sparingly and with care.

4.4 As regards the granting of incremental credit for experience, the Administration proposed that HoDs and HoGs be given the authority to do so without necessarily seeking approval from the Public Service Commission or the Civil Service Branch as was required at present, provided that they were satisfied that the grade concerned had faced genuine recruitment and retention difficulties. In delegating the authority to HoDs and HoGs, the Administration would lay down guidelines to stipulate that incremental credit for experience should not be awarded indiscriminately and should be considered only if there was a strong service need. HoDs and HoGs were also expected to liaise with each other in considering the award to avoid undue competition for the same candidates. They were also required to conduct periodic reviews on the continued need for the scheme and to provide annual reports to the Civil Service Branch for monitoring purposes.

4.5 We first reviewed this subject in the 1989 Salary Structure Review. Our recommendation then was that incremental credit for experience should not be granted indiscriminately but should be granted to new recruits only to meet specific service needs. The current proposal aimed at alleviating recruitment and retention problems experienced by some grades was therefore in line with our thinking. However, as indiscriminate application of the delegated authority could lead to problems in the future over the benchmark qualification pay principles currently adopted by the Administration, we recommended that the Administration should put in place checks and balances to ensure that the new arrangements were properly implemented. We further recommended that an overall review of the new arrangements be conducted in two years to assess whether the intended objectives had been met and whether any fine-tuning was necessary.

4.6 The letter to the Governor tendering our advice on this subject is reproduced at Appendix I. The Administration has since implemented the proposal on the granting of incremental credit for experience while the proposal on the lowering of entry qualifications has been shelved for the time being pending agreement by the Staff Side of the Senior Civil Service Council.

Review of Home Financing Scheme

4.7 The Home Financing Scheme (HFS) was introduced by the Government on 1 October 1990 with the dual objective of encouraging home ownership for senior civil servants and reducing Government's long-term expenditure on the provision of housing benefits to its employees.

4.8 Since introduction in October 1990, the Home Financing Allowance (HFA) rates had not been revised, while those for the Private Tenancy Allowance (PTA) and Accommodation Allowance (AA) had been adjusted annually. The HFA rates had thus lagged behind. The widening gap between HFA and PTA rates and the sharp increase in property prices in the past three years had led to a reduction in the number of senior civil servants giving up PTA or Non-Departmental Quarters (NDQ) in favour of HFS. To ensure that the HFS continued to meet the objective of reducing long-term Government expenditure on PTA and NDQ, the Administration conducted a review of the rates and conditions of the scheme and sought our views in December 1993. Our observations on the Administration's initial proposals were subsequently conveyed to the Administration in February 1994. The Administration had since consulted staff and, in the light of feedback obtained, come up with a revised package of proposals which were presented to us for formal advice in May 1994.

4.9 The Administration's revised proposals included, inter alia, an upward revision of the HFA rates by 35%; increase in the maximum amount of downpayment loan; annual adjustment of HFA rates in accordance with property price movements capped by the rate of inflation as measured by Consumer Price Index (A)[CPI(A)]; abolition of the trading up provision and extension of the option deadline to 30 September 1995 for eligible officers to decide whether they should join the HFS.

4.10 The above proposals represented an improvement to the existing HFS, and were thus supported by us. We were, however, not entirely satisfied with the validity of the basis for calculating the proposed 35% increase for the HFA rates. The Administration conceded that the percentage increase proposed was not satisfactory; but having regard to the financial implications and other constraints, it considered that the proposed increase was the best possible offer in the circumstances. We agreed, albeit with great reluctance, that the Administration's proposal to increase the HFA rates by 35% should be accepted. We further proposed that a different index instead of CPI(A) should be used for capping the future increase of the HFA rates for the reason that CPI(A) generally reflected inflation rates for households with a lower average monthly expenditure than that for civil servants eligible for the HFS.

4.11 The letter to the Governor tendering our advice on the review of the Home Financing Scheme is reproduced at Appendix J.

4.12 Subsequently, we were informed by the Administration that in the light of strong objections from staff to the proposed removal of the trading up provision, it had decided to reinstate, for existing HFS recipients only, the trading up provision subject to the following conditions -

(a) they might trade up once and claim the revised HFA rates subject to the normal sale proceeds rules and forfeiture of the right to trade down, or

(b) they might trade down but with the right to trade up forfeited.

The Administration proposed that the revised HFA rates for existing recipients upon trading up should be increased initially by 8.5%, based on the average increase of CPI(A) for January to December 1993. Thereafter, the rates would be adjusted annually on 1 April according to property price movements capped by CPI(A).

4.13 Having regard to such factors as staff expectation, practice in the private sector and the financial implications of any increase larger than 8.5%, we concluded that the Administration's proposal, which was a concession made exceptionally on staff relations grounds, could be supported.

4.14 Our letter to the Governor tendering advice on the Administration's proposal is reproduced at Appendix K. The Administration has since implemented the proposal.

Flexible Contract Terms

4.15 At present, civil servants were employed on one of the following terms : permanent and pensionable; agreement; temporary; non civil service appointment and consultant. As distinct from permanent and pensionable (P&P) terms on which the majority of civil servants were employed, agreement terms provided heads of department (HoDs)/heads of grade (HoGs) with some flexibility to offer short term appointment to suitable candidates in prescribed circumstances. Operational experience, however, indicated that the degree of flexibility under the agreement terms was not sufficient to enable departments to respond quickly to service needs. For this reason, the Administration proposed that flexible contract terms (FCT) of employment be introduced in non-Public Service Commission posts under certain circumstances as an alternative to the P&P and agreement terms.

4.16 For management reasons, all FCT staff would be employed as civil servants, although their terms and conditions would not be more favourable than their counterparts employed on P&P terms. The length of their contract would be between one and five years, their remuneration largely cash-based and fixed for the duration of the contract, except for the annual salary adjustment for the civil service as a whole. In addition, either side might terminate the contract with one month's notice.

4.17 To guard against possible abuse, the approval of the Secretary for the Civil Service was required for the introduction of FCT for individual grades and ranks. Where the total cost of a flexible contract exceeded the maximum cost of the existing civil service remuneration package, our advice would need to be sought and the approval of the Finance Committee of the Legislative Council would have to be obtained. The Administration proposed to introduce FCT initially in the Clerical and Secretarial Grades because of the high turnover rates in these two grades.

4.18 We recognised the need for the Administration to introduce flexible contract terms of employment to enable the civil service to cope better with present-day demands. The co-existence of the existing agreement terms of employment (which was also created to cater for special circumstances) and FCT in future would, however, bring about the question of why changes could not be made to the existing agreement terms and of whether the FCT would in effect be used to replace the agreement terms despite the Administration's assurance that this would not be the case. There was therefore a presentational issue, with potential staff-relations consequences, inherent in the current proposal. This notwithstanding, we considered that the terms and conditions proposed for the FCT reasonable and the checks and balances against abuse adequate.

4.19 We saw no objection to the Administration's proposal to introduce FCT first in the Clerical and Secretarial grades. However, the Administration should explain clearly to the staff concerned the rationale behind the current proposal.

4.20 Our letter to the Governor tendering advice on this subject is reproduced at Appendix L. Our advice is under consideration by the Administration.

Consultation Exercise on Civil Service Terms of Appointment and Conditions of Service

4.21 In October 1993, the Administration issued a Consultation Document on Civil Service Terms of Appointment and Conditions of Service. Comments of staff and other interested parties were sought on the introduction of a set of new terms of appointment and conditions of service for all future civil service recruits. The new terms would replace those existing which made a distinction between the local or overseas status of civil service employees. Concurrently, the Administration forwarded the Consultation Document to us for comment. We decided, however, not to express any views on the issues raised since these were the subject of wide ranging consultation and the Administration had indicated that it would seek our formal advice when it came up with firm recommendations following the consultation exercise.

4.22 On completion of consultation in February 1994, the Administration sought our advice on the overall approach to the proposals contained in the Consultation Document. We were informed at the same time that the Administration was still examining staff views and would only formulate its final proposals after further staff consultation. This being the case, we did not consider it appropriate for us to offer any specific comments, although we did convey a number of general observations to the Administration.

4.23 Following further consultation with staff, the Administration modified some of its original proposals set out in the Consultation Document and presented these proposals for our advice in July 1994. Under the revised proposals, the current differences in terms of appointment and conditions of service between local and overseas officers would be abolished. In their place, a new set of uniform terms of appointment and conditions of service would be introduced for all future civil service recruits who should be local persons proficient in the Chinese language. New permanent and pensionable terms of appointment, modelled on the existing local conditions of service, would be introduced. Concessionary arrangements in respect of housing, leave, baggage and education allowance would be made for serving agreement officers on transfer to the new terms. New agreement terms and conditions of service would be introduced, where necessary, to cater for special circumstances. The Administration further proposed that, for the time being, a 'local' person should be defined as a permanent resident under the Immigration Ordinance, and that this definition be changed accordingly as and when the Immigration Ordinance was amended to align with the Basic Law. We were also informed by the Administration that the views of the Chinese side on these proposals would be sought before their implementation.

4.24 We welcomed the Administration's proposal to abolish the current differences between local and overseas conditions of service which we considered to be a step in the right direction in the development of the civil service. We were, however, concerned about the over generous leave provisions in the civil service which had not been rectified by the Administration through the current exercise. Neither had the Administration taken this opportunity to resolve the question of the provision of new arrangements for Overseas Education Allowance, a matter of considerable concern to staff. We therefore recommended that the Administration should, as a separate exercise, look into these issues as well as the feasibility of encashment of civil service fringe benefits.

4.25 The letter to the Governor tendering our advice on this subject is reproduced at Appendix M. Our advice is under consideration by the Administration.

Proposed Allowance for 'On Call' Duty

4.26 In our First Report on the 1989 Salary Structure Review (Report No. 23), we expressed sympathy to suggestions from staff that officers required to be on call should be granted an allowance on grounds that the requirement disrupted their normal life and imposed a psychological burden on them. While we were of the view that the severity of the requirement was not comparable to that of, say, dangerous duty or shift duty, we recommended that a suitable form of recognition, probably a flat-rate allowance, be awarded to staff assuming regular 'on call' duty exceeding a stipulated period of time. Our recommendation was subsequently accepted by Government.

4.27 Following extensive consultation with staff and departmental management, the Administration formulated its proposal for the introduction of an allowance for 'on call' duty and sought our advice in December 1994. Under the Administration's proposal, officers on first and second call, subject to fulfilling the prescribed payment criteria, would be eligible for an allowance at the following rates -

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|------|---|--|
| (i) | Higher rate (for 251 or more hours of 'on call' duty a month) | \$324 per month (half of the higher rate of the Shift Duty Allowance) |
| (ii) | Lower rate (for 96-250 hours of 'on call' duty a month) | \$162 per month (a quarter of the higher rate of the Shift Duty Allowance) |

The proposed rates were linked to the Shift Duty Allowance which also compensated staff for the disruption to their social life due to working irregular hours. As the current proposal was a follow up on our recommendation in the 1989 Salary Structure Review, it received our support. The rates and payment criteria proposed by the Administration were also, in our view, reasonable.

4.28 The Administration advised us that no additional funding would be provided for the implementation of the proposed 'on call' duty allowance. The extra cost of \$5 million per annum arising from the proposal would have to be absorbed by the departments concerned within their approved allocations. This arrangement had been accepted by the departments.

4.29 The letter to the Governor tendering our advice on this proposal is reproduced at Appendix N. The Administration has since taken steps to implement the proposal.

Informal Discussions with Major Staff Associations

4.30 To keep abreast of developments of issues of major concern to civil servants, we carried out during the year a series of informal discussions with the four major staff groups, namely, the Staff Side of the Model Scale 1 Staff Consultative Council, the Association of Expatriate Civil Servants of Hong Kong, the Senior Non-Expatriate Officers Association and the Hong Kong Chinese Civil Servants' Association. These discussions had proved to be most useful. Where necessary, similar discussions would continue to be held from time to time.