



運輸署
Transport Department

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By fax (28770750) & E-mail

27 June 2002

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

Dear Sir,

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

On behalf of the Engineering Grade colleagues in Transport Department, I would like to offer the following views on the above paper:-

General

2. **We do not consider it is the right timing to conduct pay policy and system review** as it coincides with the economic recession, particularly considering the snow ball effects to the private sectors and its potential impacts on the downward spending economy. **Civil servants' remuneration lacks the flexibility to be adjusted swiftly as that in the private companies.** We do not enjoy extra bonus in the boom periods and should therefore not be penalized during the recession.

3. The current pay policy and system works well for many years and there is no significant deficiency. There could be some imperfection. However **we should concentrate our effort on improving these minor deficiencies** rather than wasting huge resources in the society to "overhaul" the system. **We should not throw away the baby together with the bathing water.**

4. It is however **reasonable for the current study to review and bring in new and practical human resources elements into our salary system.** **The present study should focus on long term instead of bowing to political pressure.** A stable and motivated civil service is crucial to the stability of the community. The

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salary structure for civil servants must always be fair and be able to attract people joining the civil service, to retain staff and to motivate them to contribute.

5. Affordability has been mentioned as 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.

6. In fact using **affordability concept may not be applicable in HK** since under the current political climate, it would only be possible to restraint pay rise to civil servants by claiming low affordability on government; but when in boom year, the politicians will not agree to the increase claiming fear of inflation. Furthermore, **affordability of a government would be affected by many factors such as its tax and welfare policy, etc.**

Underlying Principles

7. It seems that under the current pay policy, civil service pay has been benchmarked at the upper-quartile of the pay profile of the private companies. This shall be continued and spelled out clearly in this study.

Guidelines for Pay Determination

8. **We fully support the principle of comparability**, which is the most important guideline, accepted by the past reviews. 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 and shall be continued.

Government's Role

9. The existing system is considered sensible in terms of both equity and efficiency. The government — as the largest employer — will have strong effects on the wage equilibrium in the society. The civil service pay system should act like a buffer or damper and hence provide the stabilizing effect for the society. That is, it shall not fluctuate drastically as the economic cycles.

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Performance-related pay

10. We recognize that performance-related pay has some merits. 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.

11. However, despite 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 would 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 many public sector jobs. For engineers, results are largely measured against the **performance of a team** rather than of an individual.
- (d) The scheme will create “apple-polishing” culture which we want to avoid preserving 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.

12. 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

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13. **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 already got the machine to deal with “poor” performers by means of stopping or deferring the increments.** All we need is to streamline such procedures.

Political Considerations

14. 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.

Conclusion

15. 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.

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

- ◇ remove outdated allowances;
- ◇ introduce a total pay concept to reduce administrative cost (e.g. consolidation of educational, health, housing benefits etc. and their adoption into base pay. The current CSR impose too many unreasonable constraints on the civil servants); and
- ◇ streamline the administrative structure.

17. 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.

Replies to the Major Questions

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

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Engineer Grade Rep of
TD's Departmental Consultative Committee
Staff Side Chairman of
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c.c. The Hon. Ir Dr. Raymond Ho Chung-tai
Commissioner for Transport

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TD Engineer Grade's views on The Major Questions Addressed

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

Reply No. What's wrong with the current system? It has been working well for decades without major deficiencies. It's a 90/10 situation. Things are working well for the 90%. Suggest concentrating on improving the 10% problem areas. (e.g. flatter structure; streamlining). However the concept of total pay could be studied as the existing CSR has imposed many unreasonable constraints on the civil servants.

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. However it should be noted that their current pay are grossly below market. The latest pay proposal for the ministers tells the truth.

Q3. Should disciplined services' pay be treated differently?

Reply No comments.

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

Reply Yes. Civil service pay should benchmark with the upper quartile of the market range as Government is the biggest employer and should perform as a good employer.

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

Reply No. Under the current political climate, it would only be possible for government to reduce pay rise to civil servants with the reasons of low affordability; but during boom years, politicians will claim fear of inflation and hence limit the increase. This is not fair to civil servants. Furthermore,

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affordability of a government would be affected by many factors such as its tax and welfare policy, etc.

Nevertheless it should be a factor to be considered but not the over-riding factor.

Q6. Should flexible pay ranges be introduced?

Reply The existing system works well. Flexible pay ranges may be rather difficult to administer. Furthermore there could be many problems like “apple-polishing” culture, office politics associated with this. Nevertheless, it may be considered for certain grades (where team work is not important) subject to detailed studies and pilot scheme.

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

Reply Yes, it is generally fair.

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

Reply Yes, it can be served as bonus to award a team or individual who out-performs or ahead of targets.

Q9. Should team-based performance rewards be used?

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

Q10. Should individual performance rewards be introduced?

Reply Could be considered for those who are already on the maximum point of their pay scale to boost morale.

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

Reply No. The existing system is simple and efficient. Decentralization will

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create more conflicts. Departmental Staff Unions have limited bargaining power.

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

Reply No. Staff will be fired if the departments 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, but depends on grades. We have a common grade for civil engineers already. 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.

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