

CHAPTER 1

INTRODUCTION

(This chapter gives an account of the events that have taken place after the publication of the Interim Report of the Task Force on 25 April 2002)

Background

1.1 At the invitation of the Administration (Appendix I), the three advisory bodies on civil service pay and conditions of service¹ agreed to conduct a comprehensive review of the pay policy and system for the civil service. A Task Force with us as members was established on 4 January 2002 to conduct the review. (A list of the members of the Task Force, staff of the Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (Joint Secretariat) and the terms of reference are at Appendices II, III and IV respectively.)

1.2 The review is conducted in two phases, with Phase One being an analytical study on recent developments and best practices in pay administration in other countries. Taking into account the findings of the analytical study and the views of all interested parties, we will recommend in this Phase One Final Report the main areas of pay administration that should be explored further in Phase Two.

1.3 After a competitive tendering process, PwC Consulting Hong Kong Limited (the Consultant) was appointed on 8 February 2002 to carry out a study of recent developments and best practices in civil service pay administration in five countries, namely, Australia, Canada, New Zealand,

¹ The three advisory bodies are –

- (a) The Standing Commission on Civil Service Salaries and Conditions of Service
- (b) The Standing Committee on Disciplined Services Salaries and Conditions of Service
- (c) The Standing Committee on Directorate Salaries and Conditions of Service

Singapore and the United Kingdom. The selection of the five countries was based on a number of considerations –

- (a) all countries operate systems which historically had their roots, either directly or indirectly in the British civil service system model;
- (b) each of the countries has a professional, career civil service and many civil servants consider it a career employer;
- (c) all five countries have undertaken (and continue to have on their agenda) significant public sector reforms over the course of the past 20 years or so; and
- (d) at the very heart of the civil services in these countries are the shared values of integrity, low level of corruption and fair and equal treatment of all citizens. Political neutrality is also a critical factor in most cases.

1.4 We would add, at this juncture, that there are also important differences in the context in which reforms have been undertaken in these countries vis-à-vis the specific circumstances in Hong Kong. One example of such differences is that the civil services in most of these countries have a much stronger tradition of collective bargaining on pay matters than their counterpart in Hong Kong.

1.5 The study looked at features and issues which might be relevant to Hong Kong, covering in particular the following areas –

- (a) the pay policies, pay system and pay structure commonly adopted;
- (b) the experience of replacing fixed pay scales with pay ranges;
- (c) the pay adjustment system and mechanism;

- (d) the experience of introducing performance-based rewards to better motivate staff; and
- (e) the experience on simplification and decentralisation of pay administration.

1.6 The Consultant submitted its Interim Report to us in mid-April 2002. Having considered the Consultant's findings, we published on 25 April 2002 our own Interim Report in which the history of the evolution of the civil service pay policy and system in Hong Kong was revisited, with particular regard to the five areas covered in Phase One of the review (paragraph 1.5 above). We have also highlighted the relevant points and raised 28 questions, grouped under five study areas, that might merit further consideration.

Consultation

1.7 To facilitate public consultation, we published our Interim Report, a Consultation Paper and a pamphlet, outlining the Consultant's findings, our observations and the questions raised for public discussion. Some 600 copies each in English and Chinese of our Interim Report, with the Consultant's Interim Report as an annex, were distributed. Bureaux, departments and staff associations/unions were invited to give comments. Announcement of Public Interest (API) messages were broadcast on television and radio to inform the public of the exercise. The Consultation Paper (20,000 bilingual copies) and the pamphlet (230,000 copies in Chinese and 40,000 copies in English) were made available to members of the public to invite their views. At that stage, we took the conscious decision that until all stakeholders and members of the public had had an opportunity to express their views on the Consultant's findings, we should continue to maintain an open mind.

1.8 The consultation period was originally scheduled to end one month after publication of the Interim Report, i.e. on 25 May 2002. By popular request, the period was extended to 30 June 2002.

1.9 During the consultation period, we held six forums (from 3 June to 27 June) for members of the public and other concerned parties, including staff consultative councils, staff unions, and management of bureaux and departments. These forums were held in different locations, including the Hong Kong Central Library Lecture Theatre, the Wei Hing Theatre of the City University of Hong Kong, the Auditorium of the Civil Service Training & Development Institute and the conference room of the Joint Secretariat. Some 275 staff associations/unions were invited to these forums and an advertisement to invite public participation in an open forum was published on 7 June 2002 in five local newspapers. A list of the various bodies which attended the forums is at Appendix V.

1.10 Apart from the views collected at the forums, we have also received a total of 337 written representations by post and e-mail. The sources of these representations include departmental management, staff associations/unions, individual civil servants, members of the public and other organisations. We have also studied press reports containing relevant views. A list of the various organisations which have made written representations is at Appendix VI. The Joint Secretariat will post all submissions on its website (www.info.gov.hk/jsscs) and keep a compendium of these submissions for public inspection.

1.11 In parallel with the consultation exercise conducted by the Task Force, the Standing Committee on Directorate Salaries and Conditions of Service met directorate officers/representatives from 37 bureaux/departments. The Standing Committee on Disciplined Services Salaries and Conditions of Service also met senior management of the disciplined services to collect feedback. Lists of these bureaux and departments are at Appendix VII and VIII.

1.12 Since the formation of the Task Force, we have held 23 meetings before this Phase One Final Report is completed. The Consultant has joined us in ten of these meetings and kept us posted of the progress in the study. Views gathered through the forums and written submissions have been forwarded to the Consultant for analysis, while we did our own analysis in parallel. Based on its findings in the five-country study and the

feedback collected, the Consultant submitted its Final Report to us on 12 August 2002 (Appendix XII).

1.13 Having studied all submissions received and the Final Report of the Consultant, we are now in a position to set out our own observations and recommendations. We wish to stress that all the views received have been taken into account in our deliberations. In the chapters which follow, we strive to refer to the representations which we have received. However, as it is not possible to refer to each and every representation, the fact that we do not mention all or any of the points made in certain representations does not mean that they have not been considered.

1.14 Our observations and the priority areas identified for further study are depicted in the ensuing chapters.