

CHAPTER 9

CONCLUSION

(This chapter recaps what the Task Force was expected to do in Phase One of the review, revisits the findings and discusses the way forward)

The Task

9.1 The three advisory bodies on salaries and conditions of civil service was invited by the Administration in December 2001 to “*carry out an analytical study on the latest developments in civil service pay administration in other Governments (including but not limited to Singapore, the United Kingdom, Australia and New Zealand). The study should have regard to the history of development of the civil service pay system in Hong Kong and identify best practices in civil service pay administration that would be of particular relevance to Hong Kong. The study findings will be published to facilitate an informal discussion on whether any fundamental changes to our civil service pay policy and system are called for and if so, the conduct of the comprehensive review under the second phase*”.¹ The Administration’s invitation can be found in Appendix I.

The Approach

9.2 The Task Force, formed by members drawn from the three advisory bodies, started work in January 2002 and engaged a consultant to supply it with information on latest developments in the four countries

¹ Letter of Secretary for the Civil Service dated 18 December 2001 to Chairman of the Standing Commission on Civil Service Salaries and Conditions of Service, Standing Committee on Disciplined Services Salaries and Conditions of Service and Standing Committee on Directorate Salaries and Conditions of Service, Para 5

selected by the Administration. The Consultant's suggestion of adding Canada to the list was accepted.

9.3 In the meantime, the Task Force revisited the history of development of the civil service pay system in Hong Kong. Observations made during this review were subsequently published in Chapter 2 of the Task Force's Interim Report.

9.4 In order to facilitate an informed discussion of best practices in other countries which might be relevant to Hong Kong, we published the Interim Report in late April 2002 and a Consultation Paper in which 28 points of interest were listed. As a popular aid to soliciting views from all quarters, a pamphlet summarising the 28 points into 15 questions was also produced.

9.5 Judging from the feedback received via post and e-mail, the issue is a matter of public concern, in particular amongst civil servants. Members of the Task Force also benefited greatly from the forums and meetings organised to discuss, face-to-face, with departmental management, civil service staff bodies, individual civil servants and members of the public. Only then did we feel that we had the requisite feedback and inputs from all quarters to discuss and brainstorm amongst ourselves to come up with views and suggestions on the five areas stipulated by the Administration in its invitation.

9.6 This should explain why in the Interim Report and during the consultation period, we were at pains to explain to the audience that collectively, the Task Force did not have any pre-determined stance on the issues being studied and on the 28 questions in particular. The maintenance of an open mind was vital to a dispassionate and rational examination of the issues at stake.

The Observations

9.7 One message which comes out strongly from the written feedback and at the consultation sessions is that while, arguably, the local civil service pay system is not as advanced as that of the countries surveyed,

a “big bang” approach to modernisation has no support from any quarter. Indeed, this will only destabilise a civil service which is adjusting to recent reform measures, pay reduction and a new accountability system. The middle and lower ranking civil servants in particular remain to be convinced that the present review does not have a hidden agenda to dramatically reduce the size of the civil service and to adjust their remuneration downwards.

9.8 Notwithstanding the above perception, we hope we will be able to collectively convince all doubters that the purpose of our review is to study ways and means to modernise the pay system at a pace which is acceptable to both the stakeholders (i.e. the civil service management and staff side) and society as a whole. Viewed in the light of what have been happening in developed countries like those surveyed by the Consultant, we believe such a review is timely and necessary.

Pay Level Survey

9.9 The Task Force cannot be oblivious to the more pressing issue of modernising the existing pay adjustment mechanism. As pointed out in Chapter 6 of this report, we would like to recommend to the Administration that priority should be given to devising a practical framework and methodology for conducting a pay level survey in order to render the pay adjustment mechanism more credible to all sectors of society. In this regard, we note the Administration has indicated that the scope of Phase Two of the review exercise should at least cover, amongst others, the methodology for determining pay levels in the civil service (including the timing and frequency of conducting a full-scale private sector pay comparability study if it is decided that the principle of broad comparability with the private sector should be upheld). We suggest that the Administration should seriously consider the recommendations of the 1988 Burrett Committee and ensure that pay level surveys are “institutionalised and that they should be mounted with a frequency which acknowledges both the overriding importance of maintaining civil service pay at fair levels, and the ineradicable weaknesses of [annual] pay trend surveys as a means of determining civil service pay the aim should be to mount a

pay level survey at intervals of about every three years’’². When the next pay level survey should be conducted should be a matter for the Administration to decide. If it is decided that a pay level survey should be carried out, the Administration should discuss with the three advisory bodies on how the pay level survey should be conducted. The Administration should also consider whether the pay trend survey should proceed as usual in the meantime.

Areas for Further Studies

9.10 In addition to reviewing and modernising the pay adjustment system and mechanism, we have suggested in other chapters of this report that, in the general direction of an overall progressive improvement scheme, the following areas deserve more critical and in-depth examination under Phase Two –

- (a) the feasibility of introducing flexible pay ranges to senior civil servants at the directorate level after the development and satisfactory execution of a reliable performance measurement system;
- (b) the feasibility of introducing performance pay to senior civil servants at the directorate level after the development and satisfactory execution of a reliable performance measurement system; and
- (c) the adoption of decentralisation and simplification of pay administration as a long-term target, recognising the merits of decentralisation as well as the challenges and problems that it might bring.

Acting in accordance with our terms of reference, what we have managed to do in Phase One of the review is to define the inadequacies as perceived

² Committee of Inquiry into the 1988 Civil Service Pay Adjustment and Related Matters (Burrett Committee), Final Report, Para 5.38

and, where possible, to narrow down the scope of study in view of feedback and public consultation.

Complementary Reforms

9.11 We have taken into account the findings in the Consultant's Final Report. We are in agreement with the Consultant's observation on the importance of "complementary reforms" outside the pay arena. These include the broader delegation of human resource and financial management responsibilities and the introduction of robust and credible systems of performance measurement and management³ and making the process of removing/dismissing the non-performers less tedious. These have to be in place alongside any attempt to change the pay structure and its administration. Experience overseas has shown that financial constraint can cripple or negate any concrete proposals to introduce flexibility to the pay system. Acceptance by and close collaboration with the resource bureaux of the Administration are crucial to any success in modernising the pay system. All these issues cannot be rushed. In the countries studied, it has taken more than a decade in most cases to have any tangible reforms implemented.

Changing of Mindset and Buying-in

9.12 At this juncture, it is more important to understand and to demonstrate to all the need for change and the benefit such changes might bring. Changing of mindset, both for management and staff side, is crucial before buy-ins can take place. It is therefore essential to consult the stakeholders widely during the process so as to build up consensus for reform.

Priority Areas

9.13 To conclude, we would like to reiterate that while changes are necessary, they cannot be rushed. Detailed studies should be conducted on

³ Consultant's Final Report, Page 4

the areas highlighted in this report and stakeholders' buy-in secured before changes are to be introduced.

9.14 For the **short term**, priority should be given to devising a practical framework and methodology for conducting a pay level survey, that lies at the centre of the pay system, and to reviewing the pay trend survey methodology. The Administration should consider the appropriate interim measures to be adopted for the annual civil service pay adjustment exercise pending the outcome of the above review.

9.15 For the **medium term**, an extensive and critical assessment of the staff appraisal system should be conducted to see what changes are needed in order to pave the way for introducing elements of performance pay (including the systematic linking of achieved performance to the award of annual increments) and flexible pay ranges to civil servants, preferably the senior tier (director level) initially. If such initiatives at the senior level prove to be feasible and conducive to achieving better performance, this would inspire confidence in change and provide useful experience for further application of the new arrangements within the civil service. In addition, consolidation of allowances should be adopted as a target, as part of a move towards a "clean wage" policy in the long run.

9.16 As for the **long term**, decentralisation of pay administration should be adopted as a target, after detailed studies are conducted to determine the scope of implementation at different stages, and to see whether the challenges associated with each stage can be overcome. The ultimate objective is to allow departments greater freedom to manage pay arrangements to suit their needs. In addition, a "clean wage" policy with benefits incorporated into base pay should be adopted as a target.

9.17 Due to ever-changing socio-economic and political circumstances, the medium and long-term recommendations should be regularly reviewed to ensure that they still meet the demands of the time.

The Way Forward

9.18 We would also like to recommend that the Administration should make public our Phase One Final Report. The public should be

encouraged to discuss its contents and recommendations. As stipulated in the Secretary for the Civil Service's letter in December 2001, the Task Force will take into account the ensuing public discussions before suggesting to the three advisory bodies the methodology and timing for the Phase Two review. This should take place before the end of 2002. After that, it will be up to the Administration to decide on the best approach to take forward the review, after considering the advice from the three bodies.