

**立法會**  
**Legislative Council**

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**Legislative Council**  
**Panel on Public Service**

**Minutes of special meeting**  
**held on Thursday, 2 May 2002 at 4:30 pm**  
**in the Chamber of the Legislative Council Building**

**Members present** : Hon TAM Yiu-chung, GBS, JP (Chairman)  
Hon LI Fung-ying, JP (Deputy Chairman)  
Hon LEE Cheuk-yan  
Hon CHEUNG Man-kwong  
Hon HUI Cheung-ching, JP  
Hon CHAN Kwok-keung  
Hon Bernard CHAN  
Hon Andrew WONG Wang-fat, JP  
Hon Howard YOUNG, JP  
Hon Michael MAK Kwok-fung  
Hon Albert CHAN Wai-yip  
Hon LEUNG Fu-wah, MH, JP

**Members attending** : Hon Margaret NG  
Hon Audrey EU Yuet-mee, SC, JP

**Public officers attending** : Mr LEE Lap-sun, JP  
Secretary General  
Joint Secretariat for the Advisory Bodies on Civil Service  
and Judicial Salaries and Conditions of Service

Mrs Jessie TING, JP  
Deputy Secretary for the Civil Service (2)

**Attendance by invitation** : Task Force on Review of Civil Service Pay Policy and System

Mr YEUNG Ka-sing, JP  
Chairman of the Task Force

Mr Nicholas BROOKE, BBS, JP  
Member of the Task Force

Prof CHAN Yuk-shee  
Member of the Task Force

Mr Nicky LO Kar-chun  
Member of the Task Force

**Clerk in attendance** : Miss Salumi CHAN  
Chief Assistant Secretary (1)5

**Staff in attendance** : Ms Rosalind MA  
Senior Assistant Secretary (1)9

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Action

- I. Review of civil service pay policy and system — Interim report on the first phase of the review**  
(LC Paper No. CB(1)1600/01-02(01) — Paper provided by the Administration
- (a) Task Force's Interim Report on the First-phase Review of Civil Service Pay Policy and System, and the Consultant's Report;
  - (b) Task Force's Consultation Paper on the First-phase Review of Civil Service Pay Policy and System.)

Purpose of the special meeting

The Chairman said that following the Administration's announcement on 18 December 2001 of its decision to carry out a comprehensive review on the civil service pay policy and system (the Review) with the assistance of the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service, the three advisory bodies

had set up the Task Force on Review of Civil Service Pay Policy and System (the Task Force) to take forward the Review, and the Administration had briefed members about the Review at the Panel meeting on 21 January 2002. The purpose of this special meeting was for the Administration and the Task Force to brief members on the Task Force's interim report on the first phase of the Review.

#### Declaration of interests

2. The Chairman, Mr Bernard CHAN and Mr Howard YOUNG declared that they were members of the Task Force.

#### Briefing by the Administration

3. The Deputy Secretary for the Civil Service 2 (DSCS2) advised that the Review was being conducted in two phases. Under the first phase of the Review, the Task Force had conducted an analytical study on recent developments in civil service pay administration in the governments of five countries with a view to identify best practices that were of particular relevance to Hong Kong. Based on the findings of the analytical study and taking account of the ensuing discussions with the concerned parties, the Task Force would make recommendations to the Administration in the second half of 2002 on the conduct of the detailed review under phase two. DSCS2 pointed out that as the Review was a very complex exercise with far-reaching implications for the civil service and beyond, the two-phase approach adopted for the Review would allow time for thorough deliberations on all relevant issues. The publication of the Task Force's interim report was a very early step in the Review process. All civil servants and interested parties were welcome to forward their views to the Task Force so that it could take the views into consideration in finalizing its report on the first phase of the Review.

4. DSCS2 also pointed out that the Administration had an open mind on how the civil service pay policy and system should be improved. The Administration would take full account of the views of civil servants and the public before making a decision on the recommendations arising from the Review. She stressed that in considering the directions of the future development of the civil service pay policy and system, it was important that while making reference to overseas experience, the Administration would also have due regard to the history of development of the current policy and system. Any changes to the existing policy and system must be conducive to maintaining the stability of the civil service and the development of a clean, trustworthy, quality and efficient civil service.

#### Briefing by the Task Force

5. The Secretary General, Joint Secretariat for the Advisory Bodies on Civil Service and Judicial Salaries and Conditions of Service (SG/Joint Secretariat) advised that the Task Force had appointed a consultant to conduct the analytical study on recent developments in civil service pay administration in the governments of five countries, namely, Australia, Canada, New Zealand, Singapore and the United Kingdom (UK).

Having considered the consultant's findings and having regard to the development of the civil service pay policy and system in Hong Kong, the Task Force had produced its interim report on the first phase of the review. He drew members' attention to the consultant's principal observations that:

- (a) pay and grading reform could not and should not be implemented in isolation from the broader civil service reform agenda;
- (b) a long-term view needed to be taken for the reform;
- (c) gaining buy-in and commitment to change from key stakeholders was critical;
- (d) a major investment of resources was necessary to build the capacity and commitment required to implement major pay reforms; and
- (e) making significant changes to pay and grading arrangements, within the context of wider reform, inevitably involved both pain and gain.

6. SG/Joint Secretariat pointed out that the Task Force maintained an open mind on the consultants' findings and recommendations. Based on the consultant's findings, the Task Force had drawn up 28 questions for public consultation. In response to the requests from various parties, the Task Force had just decided that the consultation period be extended to 30 June 2002 to allow the public more time to give views on the subject. The original target of producing the final report on the first phase of the Review in July 2002 might have to be deferred correspondingly.

## Discussion

### *Scope of the Review*

7. Responding to Miss Margaret NG's enquiry, DSCS2 advised that the Review covered directorate and non-directorate staff in both civilian grades and the disciplined services. The judicial service was not covered by the Review as their pay and conditions of service were determined separately from those of the civil service in recognition of the independent status of the Judiciary. If in the course of the Review, there were particular issues which merited the attention of the Judiciary or the Standing Committee on Judicial Service Salaries and Conditions of Service (the Standing Committee), the Administration would inform the Standing Committee accordingly and seek their advice as appropriate.

8. Responding to Miss Margaret NG's further enquiry, DSCS2 advised that the Standing Committee's views would be sought on any proposed changes to be made to the pay and conditions of service of the judicial service.

*Objectives of the Review*

9. Mr Albert CHAN queried whether the Administration had a predetermined stance on the Review. Referring to the Financial Secretary (FS)'s assumption on a civil service pay reduction by 4.75% for 2002-03 announced in his Budget Speech, Mr CHAN was concerned that it would steer the Task Force towards reducing the pay levels of civil servants. On the other hand, the Administration planned to implement the accountability system for principal officials before the completion of the Review. These two events had put the Task Force in an unfavourable position, as fundamental aspects of the pay system, such as the pay structure for principal officials, had already been determined by the Administration. Mr CHAN also criticized the Administration for its inconsistent approach. He pointed out that for some important issues such as the proposed accountability system for principal officials and the reform of political system in Hong Kong, the Administration had not made reference to overseas experience just as in the case of the Review.

10. Mr YEUNG Ka-sing, Chairman of the Task Force, said that despite repeated efforts made by the Task Force in clarifying the objectives of the Review, there was still a public misconception that the Review aimed at reducing civil service pay. He drew members' attention that no such recommendation had been made in the interim report or the consultant's report. Mr Albert CHAN asked whether the Task Force would request FS to withdraw his assumption on a civil service pay reduction by 4.75% for 2002-03. Mr YEUNG advised that the Task Force was not in a position to do so. He pointed out that the Task Force was formed to conduct a comprehensive review of civil service pay policy and system, but not to decide on the civil service pay adjustment for 2002-03.

11. DSCS2 clarified that the Administration had no preconceived ideas about the outcome of the Review. She further pointed out that the comprehensive review on civil service pay policy and system and the 2002 civil service pay adjustment were two separate issues. As far as the 2002 civil service pay adjustment was concerned, the FS and the Secretary for the Civil Service (SCS) had stated clearly on a number of occasions that the Administration would continue to adopt the existing mechanism in deciding the pay adjustment. The 4.75% civil service pay reduction assumed by the FS in his 2002 Budget Speech was an assumption made for financial planning purposes. Turning to the comprehensive review on civil service pay policy and system, the Administration noted that it had been over a decade since it last conducted an overall review of this kind. In view of public concerns about the possible erosion of broad comparability of civil service pay with private sector pay over time, the Administration considered it necessary to examine whether the current arrangements continued to meet present day circumstances. The objectives of the Review was to modernize the civil service pay policy and system and bring it more in line with the best practices elsewhere, making it simpler and easier to administer, and building in more flexibility to facilitate matching of jobs, talents and pay. The analytical study on recent developments in civil service pay administration in overseas governments would provide pointers on the lessons to be learnt from the civil service pay reforms implemented in the surveyed countries.

12. Ms LI Fung-ying observed that the five areas of the consultant's study included "Pay Policies, Pay System and Pay Structure", "Simplification and Decentralization of Pay Administration", etc. She doubted whether it implied that the Task Force wished to make changes in these aspects. Mr YEUNG Ka-sing clarified that the focus of the consultant's study was to analyze the pay policies, pay system and pay structure adopted by the governments of the five countries, and their experience on the remaining four areas, including their experience on simplification and decentralization of pay administration. The consultant was required to analyze their pros and cons, and identify best practices that might be of particular relevance to Hong Kong. At the present stage, the Task Force had not reached any conclusions.

*Reference to the experience of five overseas countries*

13. In response to Mr Michael MAK's enquiry on the reasons for selecting Australia, Canada, New Zealand, Singapore and UK for the study, Mr YEUNG Ka-sing explained that the suitability of these countries was based on a number of considerations. First, the former four countries, like Hong Kong, operated systems which historically had their roots in the UK model. Moreover, all the five countries had a professional and efficient civil service which had a high level of integrity, and had undertaken significant public sector reform over the course of the past twenty years or so. Prof CHAN Yuk-shee, member of the Task Force, supplemented that the five countries offered a range of experiences resulting from their long-term programmes of public sector reform. In some cases reform had been radical such as in New Zealand, in others more revolutionary such as in Canada.

14. Mr LEUNG Fu-wah asked for the percentage of government operating expenditure allocated for personal emoluments of civil servants in the five countries. Mr Nicky LO, member of the Task Force, advised that as the definition of "civil service" varied from one country to another, there was no basis for the calculation of such a percentage.

*Questions put forward for public consultation*

15. Mr LEE Cheuk-yan noted that while 28 questions were listed in the interim report, only 15 questions were listed in the consultation leaflet. He was concerned that a number of important questions were not listed in the consultation leaflet, including: "*What features of the existing pay policy and system should be retained to ensure stability and morale of the civil service?*" (Paragraph 3.23(f) of the interim report), "*Would flexibility in pay progression lead to potential divisiveness among civil servants?*" (Paragraph 3.30(b) of the interim report). He queried whether it was a deliberate attempt of the Task Force to distract public attention from certain areas, such as the impact of the Review on the stability and morale of the civil service.

16. SG/Joint Secretariat clarified that it was never the intention of the Task Force or the Joint Secretariat to project a bias picture to the public. The consultation leaflet was a brief summary prepared to facilitate the public to have easy reference to the major

questions to be addressed under the Review. As a matter of fact, references to the interim report were made in the leaflet and the public was invited to visit the Joint Secretariat's website for the interim report and the consultant's report for details.

17. Mr YEUNG Ka-sing also pointed out that both the interim report and consultant's report were open documents. The public was welcome to give views on the interim report and all the questions stated therein. He assured members that the Task Force would take public views into consideration before making recommendations to the Administration.

18. Mr LEE Cheuk-yan considered the 15 questions listed in the consultation leaflet "revolutionary", as they implied changes to a number of fundamental aspects of the civil service pay system. For example, it seemed to imply that the Government's affordability to pay should be an over-riding consideration in pay adjustment and that performance pay should be introduced. He cautioned that such an ambitious approach in civil service pay reform might put the morale and stability of the civil service at risk. He urged the Administration and the Task Force to adopt a gradual and step-by-step approach in the reform in light of the long reform process of 10 to 15 years observed in the five countries studied by the Task Force. In view of the complexity and far-reaching implications of the questions put forward for public consultation, Mr LEE was concerned how the public and parties concerned could digest the issues and make practical recommendations within the two months' consultation period.

19. In response, Mr YEUNG Ka-sing pointed out that the Task Force was well aware of the far-reaching implications of the Review. At the present stage, the Task Force was only seeking public views on the broad directions of the Review, but not on any recommendations. To facilitate the public to give their views, the Task Force had drawn up 28 questions grouped under five specific areas. The first question to be addressed was whether there was a need to change. Other questions included "*Should we continue to conduct regular pay level, pay structure and pay trend surveys to ensure that civil service pay remains comparable with that of the private sector? Or should Government's affordability to pay be an over-riding consideration in pay adjustments?*" (Paragraph 3.23(d) and (e) of the interim report), "*Do we see the merit for Hong Kong to incorporate elements of performance pay in civil service salaries?*" (Paragraph 3.44(a) of the interim report). The Task Force maintained an open mind on these questions and wished to seek the views of the departmental management, the staff sides and the public before making recommendations to the Administration on the scope of the Review under phase two. Mr YEUNG agreed that the Review should be taken forward in a step-by-step approach. There was in fact no timetable for the Review. The next step was for the Task Force to consider the views gathered during the consultation period. If the need to change were established, the priorities for change would be set.

20. Mr Nicholas BROOKE, member of the Task Force, pointed out that the Task Force was very conscious of the need to maintain stability of the civil service and was not proposing any changes. The Task Force was seeking public views on the broad directions of the Review. It had not reached any conclusions yet.

21. Mr Nicky LO also drew members' attention that no recommendations for change had been made in the consultation paper. The Task Force was not putting forward an implementation plan for the public to consider. Instead, it was only seeking public views on the directions and areas for improvement of the current system in light of the reform experience of overseas countries.

22. Mr CHEUNG Man-kwong cautioned that public consultation of broad directions and principles of reform without going into the details and practicability of the proposed measures would not be meaningful. He quoted the example of the education reform which had gained wide support of the community during the consultation stage when the principles and vision of the reform were introduced. However, the subsequent measures adopted in the education reform were disastrous and caused a lot of problems. He therefore urged the Administration and the Task Force to give serious thoughts to the need for a civil service pay reform, and to take into consideration the practical issues involved instead of simply making reference to the reform experience of overseas governments.

23. Mr YEUNG Ka-sing appreciated Mr CHEUNG Man-kwong's views. He reiterated that the Task Force was seeking public views on the need to change and would take forward the Review in a prudent manner. DSCS2 added that the Administration considered that a stable and motivated civil service was a cornerstone for the stability and prosperity of Hong Kong. Referring to paragraphs 8 and 9 of the paper provided by the Administration, she pointed out that in considering the directions of the future development of the civil service pay policy and system, it was important that while making reference to overseas experience, due regard should be paid to the history of development of the current system as well as the particular needs and requirements of Hong Kong.

24. Mr Michael MAK pointed out that radical reform measures might have adverse impact on the stability and morale of the civil service, as civil servants would be worried about their job security. He also pointed out the possible development of a “shoe-shinning culture” within the civil service if performance pay was implemented together with the decentralization of pay administration to individual departments and agencies.

25. In response, Prof CHAN Yuk-shee said that while making reference to the experience of the five countries under study, the Task Force would take into consideration the local circumstances and requirements when making any recommendations for changes. If it was finally decided that performance pay should be recommended for implementation, build-in controls could be provided in the system to avoid the development of a “shoe-shinning culture”.

*Staff consultation*

26. Mr Michael MAK stressed the importance for the Administration to assess the response of civil servants, in particular those at the lower ranks, to the implementation of



pay system reform at an early stage. He asked for the channels available for the staff sides to express their views on the Review, and whether the Task Force would conduct surveys to collect views from civil servants. Referring to a recent case in UK where civil servants threatened to go on strike if their request for a 6% pay rise was not acceded to, Mr MAK enquired about the Administration's strategy in ensuring positive response from civil servants on the recommendations for change, instead of radical reactions such as strike.

27. SG/Joint Secretariat said that 230 000 copies of the consultation leaflet had been printed for distribution to the public and civil servants. They were welcome to forward their views to the Task Force. As regards staff consultation, he drew members' attention to paragraph 4.3 of the interim report where it was stated that the Task Force agreed with the consultant's observation that early consultation with civil service managers and staff was an important means of raising awareness about the need and options for change, overcoming concerns and anxieties and benefiting from their thinking in shaping proposed reforms. In this connection, staff sides representatives would be invited to attend open forums to exchange views with the Task Force. Letters had also been sent to all government departments, seeking their assistance in distributing the consultation leaflets to their staff and encouraging discussion at the departmental consultative level. SG/Joint Secretariat however pointed out that it was beyond the terms of reference of the Task Force to conduct opinion surveys among civil servants.

28. Ms LI Fung-ying noted that following the publication of the interim report on 25 April 2002, the responses from civil service unions or individual civil servants were not so encouraging. Some civil servants perceived the Review and the public consultation exercise as the Administration's attempt to solicit public support for introducing radical changes to the civil service pay policy and system. In the absence of mutual trust between the Administration and civil servants, Ms LI was concerned whether the Review could achieve any meaningful purpose.

29. DSCS2 emphasized that the Administration had no intention to bring public pressure to bear on the staff sides for the purpose of introducing changes to the civil service pay system. SCS had made it clear that the publication of the Task Force's interim report was a very early stage of the Review process. SCS had also written to all civil servants, explaining the objectives of the Review and encouraging them to forward their views to the Task Force. In addition, the existing consultative machinery at central and departmental levels provided channels for individual civil servants to express their views. With the extension of the consultation period to 30 June 2002, more time would be allowed for discussion on the subject. DSCS2 reiterated that the Administration had an open mind on whether any particular aspects of the existing policy and system needed to be changed and what changes should be introduced. The Administration would take full account of the views of civil servants and the public before making a decision on the way forward after the completion of the Review.

Way forward

30. Members agreed that major civil service unions be invited to attend the Panel meeting on 17 June 2002 to give views on the interim report.

31. Members also agreed in principle to Ms LI Fung-ying's proposal that a neutrally worded motion on the interim report be moved by the Chairman of the Panel at a Council meeting in June 2002.

*(Post-meeting note: As Mr LO Wing-lok had given notice to move a motion on the interim report at the Council meeting on 22 May 2002, the Chairman of the Panel had decided not to pursue the proposal mentioned in paragraph 31 above. Members were informed of the development vide LC Paper No. CB(1)1688/01-02 on 9 May 2002.)*

**II. Any other business**

32. There being no other business, the meeting ended at 6:15 pm.

Legislative Council Secretariat

11 June 2002