

立法會
Legislative Council

LC Paper No. CB(1)261/02-03
(These minutes have been seen
by the Administration)

Ref : CB1/PL/PS/1

Panel on Public Service

Minutes of meeting
held on Wednesday, 23 October 2002 at 8:30 am
in the Chamber of the Legislative Council Building

Members present : Hon TAM Yiu-chung, GBS, JP (Chairman)
Hon Kenneth TING Woo-shou, JP
Hon LEE Cheuk-yan
Hon CHEUNG Man-kwong
Hon HUI Cheung-ching, JP
Hon CHAN Kwok-keung
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon Howard YOUNG, JP
Hon Tommy CHEUNG Yu-yan, JP
Hon Michael MAK Kwok-fung
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP

Members absent : Hon LI Fung-ying, JP (Deputy Chairman)
Hon Bernard CHAN, JP
Hon Andrew WONG Wang-fat, JP

Public officers attending : **Agenda Items III and IV**

Mr Joseph W P WONG, GBS, JP
Secretary for the Civil Service

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

Agenda Item III

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

Attendance by invitation : Agenda Item III

Mr YEUNG Ka-sing, JP
Chairman
Task Force on Review of Civil Service Pay Policy and System

Prof Anthony CHEUNG Bing-leung, BBS, JP
Member
Task Force on Review of Civil Service Pay Policy and System

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

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

Action

- I. Confirmation of minutes of meeting**
(LC Paper No. CB(1)67/02-03 — Minutes of meeting on 10 October 2002)

The minutes of the meeting held on 10 October 2002 were confirmed.

- II. Date of next meeting and items for discussion**
(LC Paper No. CB(1)66/02-03(01) — List of outstanding items for discussion)

2. The Chairman advised that as agreed at the last meeting on 10 October 2002, the following two items had been scheduled for discussion at the next regular meeting on 18 November 2002:

- (a) 2003 Civil Service Pay Adjustment; and
- (b) Review of Duty Mileage Allowance.

3. The Chairman also drew members' attention that the Administration planned to submit the financial proposal on paragraph 2(b) above to the Finance Committee on 20 December 2002.

III. Phase One Final Report of the Task Force on Review of Civil Service Pay Policy and System

(LC Paper No. CB(1)2562/01-02 — Phase One Final Report of the Task Force on Review of Civil Service Pay Policy and System

LC Paper No. CB(1)66/02-03(02) — Paper provided by the Administration)

4. The Chairman said that following the issue of the Phase One Interim Report of the Task Force on Review of Civil Service Pay Policy and System (the Task Force) on 25 April 2002, the Panel had exchanged views with the Administration and the Task Force on the Phase One Interim Report at the special Panel meeting held on 2 May 2002, and then with the central consultative councils and major civil service unions at the Panel meeting on 17 June 2002. On 20 September 2002, the Task Force had submitted its Phase One Final Report to the Administration, with suggested priority areas for more detailed study in the short, medium and long term. The Administration had then launched an eight-week public consultation on the Phase One Final Report until 15 November 2002. The Administration and the Task Force would brief the Panel on the Phase One Final Report at this meeting.

Declaration of interests

5. The Chairman and Mr Howard YOUNG declared that they were members of the Task Force.

Briefing by the Administration

6. The Secretary for the Civil Service (SCS) advised that the major recommendations made by the Task Force in the Phase One Final Report on the Review were summarized in the paper provided by the Administration. As the future development of the civil service pay policy and system was a matter of considerable concern to civil servants and there was also a fair degree of public interest in the subject, the Administration considered it appropriate to consult civil servants and other interested parties, including Legislative Council Members, on the recommendations of the Task Force before deciding on the way forward. In view of

the complexity of the Review and its wide implications, SCS assured members that the Administration would take forward the review exercise with prudence.

Briefing by the Task Force

7. At the Chairman's invitation, Mr YEUNG Ka-sing, Chairman of the Task Force, briefed members on the Phase One Final Report by making a power-point presentation. Mr YEUNG highlighted the seven elements of the Task Force's long-term vision for the civil service pay system, as follows:

- (a) Able to offer sufficient remuneration to recruit, retain and motivate staff of a suitable calibre to provide the public with an efficient and effective service;
- (b) Regarded as fair both by civil servants and by the public which they served;
- (c) Able to complement, support and facilitate the effective and efficient operation of the civil service, and allow it to change and evolve over time to keep up with socio-economic changes, yet stable enough to assure civil servants of their reasonable expectations;
- (d) Simple enough so that an inordinate amount of resources was not required to administer it, yet flexible enough to allow managers to provide incentives as appropriate;
- (e) Able to distinguish between performers and non-performers, and allow managers to act accordingly;
- (f) Able to empower managers to manage staff resources effectively and flexibly, taking care of specific needs of individual departments; and
- (g) Be reviewed regularly to take account of the latest developments in international best practices which might be relevant to Hong Kong.

8. Mr YEUNG Ka-sing, Chairman of the Task Force, pointed out that whilst recognizing the merits of the current civil service pay policy and system, the Task Force had identified priority areas for more detailed study in the short, medium and long term, as follows:

- (a) *For the short term*, priority should be given to devising a practical framework and methodology for conducting a pay level survey (PLS) and to reviewing the pay trend survey (PTS) methodology. Meanwhile, the Administration should consider the appropriate interim measures for the annual civil service pay adjustment exercise.

- (b) *For the medium term*, an extensive and critical assessment of the staff appraisal system should be conducted to see what changes were needed to pave way for introducing elements of performance pay and flexible pay ranges to civil servants, preferably the directorate level initially. Consolidation of job-related allowances should also be adopted as a target, as part of a move towards a "clean wage" policy in the long run.
- (c) *For the long term*, decentralization of pay administration should be adopted as a target, after detailed studies were conducted to determine the scope of implementation at different stages and to see whether the challenges associated with each stage could be overcome. In addition, a "clean wage" policy with benefits incorporated into base pay should be adopted as a target.

9. Mr YEUNG Ka-sing, Chairman of the Task Force, stressed that more detailed study was required under Phase Two of the Review before any specific changes were to be made to the current policy and system. Improvement measures, if any, had to be introduced at a measured pace so as to facilitate their smooth implementation.

(Post-meeting note: The presentation material tabled at the meeting was issued to members vide LC Paper No. CB(1)132/02-03 on 24 October 2002.)

Discussion

Objectives and impact of the Review

10. Mr HUI Cheung-ching enquired whether achieving civil service pay reduction for the relief of the present stringent fiscal position was one of the objectives of the Review. SCS replied in the negative and pointed out that the objectives of the Review were to identify ways and means to modernize the civil service pay policy and system having regard to the best practices elsewhere, with a view to making it simpler and easier to administer, and building in more flexibility to facilitate matching of jobs, talents and pay. Prof Anthony CHEUNG, member of the Task Force, also pointed out that the Review did not have a hidden agenda to adjust the remuneration of civil servants downwards.

11. Given that the current pay policy and system had proven to be effective in maintaining a clean, efficient and stable civil service, Mr Albert CHAN queried the need for the Review. He also considered it inappropriate to conduct such a large-scale and complex review of civil service pay policy and system under the present socio-economic circumstances. In fact, since the Administration's announcement of the Review in December 2001, civil servants had been very worried about the impact of the Review on their pay, fringe benefits and job security. Mr CHAN cautioned that the adverse impact of the Review on civil service morale and stability and the community should not be underestimated.

12. SCS reiterated that in commissioning the Review, the Administration's objective was to identify ways and means to modernize the civil service pay policy and system. The major issue to be examined under the Review was whether the current pay policy and system, which had been used over the years, was still in step with rapid changes in the socio-economic circumstances. In this connection, the Administration was mindful of the need to continue to offer an attractive and worthwhile career for people with a mission to serve the community while taking due account of the wider costs and benefits to the community. SCS assured members that the Administration would consider the impact of any reform measures on the civil service and the community before making its decision on the way forward. As recommended by the Task Force in the Phase One Final Report, any reform measures should be implemented gradually and progressively, and with stakeholders' buy-in secured throughout the process.

13. Mr Albert CHAN noted that it was stated in paragraph 4.4 of the Phase One Final Report that *"all the countries studied have implemented wide-ranging pay and grade reforms over the past 15 to 20 years, as part of their long-term public sector reforms, to keep up with changes in the socio-economic and political circumstances. By taking a long-term view and adopting a phased approach to implementation (rather than a "big bang" approach), they have been able to modernize their pay policies and systems"*. Mr CHAN considered that while the five selected countries had been able to modernize their pay policies and systems, there was no indication that their civil service had been able to achieve better performance and attain higher morale after the pay reform.

14. Prof Anthony CHEUNG advised that the five selected countries offered a range of experiences resulting from their long-term programmes of public sector reform. One of the common trends of their civil service pay reform was the decentralization of more responsibility for pay policy and administration to individual departments and agencies with the objective of improving flexibility, accountability and overall performance and efficiency. Prof CHEUNG pointed out that the decentralization trend had also been observed in the development of the civil service pay policy and administration in Hong Kong since 1980s, and that the impact of the trend on the civil service in Hong Kong needed to be examined in detail.

Pay Level Survey

15. Referring to the Task Force's recommendation that priority should be given in the short term to devising a practical framework and methodology for conducting a PLS, Mr LEE Cheuk-yan considered it inappropriate to conduct a PLS under the present socio-economic circumstances. In view of the downward trend in private sector pay in recent two years, the PLS would most likely demonstrate that there was a gap between the pay levels of civil service and those of private sector. It would give the public the wrong impression that civil servants had all along been overpaid, thus intensifying the call for a reduction in civil service pay. Mr LEE considered it unfair to civil servants. He urged the Administration and the Task Force to consider

carefully the impact of PLS on civil service morale and pay scales before making a decision on whether the survey should be conducted. On pay scales, Mr LEE was concerned that the Administration would, in order to narrow the gap between the pay levels of civil service and those of private sector, adjust downward the amount of monthly salary pertaining to the various pay points on civil service pay scales. As a result, civil servants who were promoted to a higher rank and attained a higher pay point might not be rewarded with higher salary. This was in effect a form of pay reduction.

16. In response, Mr YEUNG Ka-sing said that the Task Force was of the view that the fundamental problem with the perceived pay disparity between the civil service and the private sector lied in the absence of a proper pay level comparison. The Task Force considered it necessary to examine the subject as a matter of priority so that a practical framework and methodology of PLS could be established and applied as soon as possible to provide the needed data to establish some form of comparability of the pay levels between the civil service and the private sector. As regards when a PLS should be conducted, it should be a matter for the Administration to decide. Mr YEUNG also stressed that the Task Force had not made any assumptions on the findings of a PLS.

17. Prof Anthony CHEUNG pointed out that the Task Force considered that PLSs should be the foundation of the pay determination mechanism while PTSs played a complementary role to ensure that civil service pay was updated in between the periodic checks on pay levels. In fact, PLSs had been conducted for the civil service in previous years. As regards the appropriate timing for conducting a PLS, Prof CHEUNG advised that the Task Force was of the view that PLSs should be conducted regularly to uphold the principle of "broad comparability with the private sector". The fact that the last PLS was conducted in 1986 necessitated the conduct of a PLS at an earliest possible date.

18. SCS pointed out that "broad comparability with the private sector" had been one of the basic principles of civil service pay for many years. However, PLSs had not been conducted for a number of years. The Civil Service Starting Salaries Review conducted in 1999 was limited in scope in that only benchmarks of salaries for entry-level jobs were established. Hence, the question of whether civil service pay levels were comparable with those in the private sector had been left unanswered for many years. In the circumstances, the Task Force had recommended that the subject be examined as a matter of priority. SCS said that the Administration had not made any decision yet. It would decide on the way forward after the consultation period ended in mid-November 2002. In making the decision, the Administration would take into account all relevant factors and the views collected during the consultation period, including those of Legislative Council Members, civil servants and other parties. SCS appreciated Mr LEE's concern about the impact of PLS on the civil service and undertook to take his views into consideration.

19. Mr LEE Cheuk-yan maintained his view that PLS should not be conducted under the present socio-economic circumstances. He queried whether the Administration had a predetermined stance on the outcome of the Review, i.e. civil service pay reduction, and whether it had driven the Task Force to achieve that outcome.

20. Mr YEUNG Ka-sing pointed out that the Task Force was set up by the three advisory bodies of the civil service, i.e., the Standing Commission on Civil Service Salaries and Conditions of Service (Standing Commission), the Standing Committee on Disciplined Services Salaries and Conditions of Service (Standing Committee) and the Standing Committee on Directorate Salaries and Conditions of Service, to conduct an independent and comprehensive review on the civil service pay policy and system. The Task Force had not received any directives from the Chief Executive or the Government on the Review.

21. SCS reiterated that the Administration had not made any decision on whether a PLS should be conducted and if so, when and how it should be conducted. The Administration would make the decision after considering all relevant factors and the views collected during the consultation period. He pointed out that even if the Administration decided not to conduct a PLS, there was no means to prevent other private organizations from conducting such surveys and releasing the findings to the public. He assured members that in considering the need for a PLS, the Administration would take into account all relevant factors and strike a balance between the interests of civil servants and those of the public.

22. Mr Michael MAK urged the Administration to consider carefully whether PLS should be conducted under the present socio-economic circumstances. He was particularly concerned that some unscrupulous employers in the private sector might deliberately reduce the pay levels of their employees so as to influence the findings of the PLS. Prof Anthony CHEUNG considered that in a free market economy, private sector employers might not be able to manipulate the pay levels, which were determined in accordance with the demand and supply in the labour market.

23. Mr Tommy CHEUNG did not consider it possible for private sector employers to manipulate the pay levels. In view of the pay disparity between the civil service and the private sector and the limitation of PTS, he considered that a PLS should be conducted as soon as possible. In this connection, Mr CHEUNG sought clarification from the Administration on whether it would accord priority to this task, as recommended by the Task Force. SCS reiterated that the Administration would make the decision after considering all relevant factors and the views collected during the consultation period.

"Clean wage" policy

24. Mr CHEUNG Man-kwong expressed grave concern about the Task Force's recommendation that in the long term, a "clean wage" policy with benefits incorporated into base pay should be adopted as a target. He queried whether it would be feasible to apply this policy to serving civil servants, as fringe benefit type of allowances was provided in their employment contracts and application of the policy might require alterations to their contract terms. Mr CHEUNG cautioned that the issue would involve legal and political considerations, and have great impact on civil

service morale and stability. He urged the Administration to give serious thoughts over the feasibility of the recommendation before making a decision on whether "clean wage" policy should be adopted.

25. In reply, SCS pointed out that the Government was committed to maintaining a clean, efficient and stable civil service. Due consideration would be given to the practicability of any reform proposals, including the legal and Basic Law implications as well as the impact of the proposals on the civil service (serving civil servants and new recruits included). He also pointed out that any changes to those allowances which were provided as conditions of service under the employment contracts of serving civil servants would only be made after consultation with the officers concerned. There were other types of allowances which were not conditions of service, such as job-related allowances, which could be changed subject to operational and other considerations.

26. Referring to the bitter experience of the 2002 Civil Service Pay Adjustment exercise where the Administration's legislative approach to reduce civil service pay had greatly damaged civil service morale and weakened their confidence in the Government, Mr CHEUNG Man-kwong considered that the Government should learn a lesson and handle any pay reform measures carefully. To relieve the anxiety of civil servants about the implications of the Task Force's recommendation, Mr CHEUNG considered that SCS, as the Principal Official responsible for civil service policy, should state clearly his views on whether "clean wage" policy would be adopted and if so, whether it would be applied to serving civil servants. Mr Michael MAK shared Mr CHEUNG's views. He urged the Administration to ensure civil service stability in implementing any reform measures by adopting a gradual and progressive approach and securing the support of civil servants throughout the process.

27. SCS said that his preliminary view was that the information available at the present stage was not sufficient for the Administration to decide whether a "clean wage" policy should be adopted in the civil service. In considering the Task Force's recommendation, the Administration would take into account Members' views on the feasibility of applying a "clean wage" policy to serving civil servants.

28. Mr YEUNG Ka-sing clarified that "clean wage" policy was one of the priority areas identified by the Task Force for further study in the long term, but not a proposed measure for implementation. Its practicability had yet to be examined in the context of Hong Kong. Nevertheless, the adoption of "clean wage" policy was a modern trend in pay administration to improve transparency and accountability and to reduce administrative costs. As allowances were consolidated into base pay, the employees would have more flexibility in the use of their pay.

29. Mr CHEUNG Man-kwong considered that while "clean wage" policy had been adopted by some private sector companies, it might not be suitable for the civil service. He urged the Administration to consider the feasibility of applying the policy to serving civil servants and the implications of the policy on the civil service as a

whole.

Timetable for the pay reform

30. In response to Mr HUI Cheung-ching's enquiry, Mr YEUNG Ka-sing advised that the Task Force had not set any timetable for the pay reform. As stated in paragraph 4.10 of the Phase One Final Report, the Task Force was of the view that "*instead of making drastic, abrupt changes to the current policy and system, a programme of progressive improvements should be introduced to address the latest management needs and different stakeholders' expectations*". The Task Force had gathered from the reform experience of the five selected countries in its study that the time schedule for implementation of various reform measures varied according to the nature and content of the measures. Hence, flexibility should be exercised in implementing any of the recommendations in the short, medium or long term.

31. Mr HUI Cheung-ching asked for the Administration's view on the timetable for taking forward the recommendations of the Task Force in the short, medium or long term. SCS said that for the priority areas identified by the Task Force for detailed study in the short term, the Administration aimed to make a decision within a few months after the end of the consultation period. As regards the priority areas identified by the Task Force for detailed study in the medium and long term, SCS did not consider it appropriate for the Administration to set a fixed timetable at this stage. As a rough estimate, he said that around three years might be required for the priority areas identified for the medium term and over three years for those areas identified for the long term.

Consultation period for the Phase One Final Report

32. In view of the complexity and far-reaching implications of the Review, Mr LEE Cheuk-yan considered the eight-week consultation period for the Phase One Final Report too short. He requested the Administration to consider extending the consultation period to allow more time for the public and interested parties to give their views on the report. In reply, SCS said that the eight-week consultation period was considered appropriate as public consultation had also been conducted after the issue of the Task Force's Phase One Interim Report in April 2002. For the current consultation exercise, briefings and consultation forums had been arranged for the public and civil servants to give their views on the Phase One Final Report.

Principle of "securing the old and reforming the new"

33. Mr LEE Cheuk-yan was concerned whether the Administration would, in considering any pay reform measures, uphold its principle of "securing the old and reforming the new (安舊革新)" for civil service reforms. He pointed out that application of reform measures to serving civil servants involving changes to their conditions of service would contravene Article 100 of the Basic Law which provided that "*Public servants serving in all Hong Kong government departments.....may all*

remain in employment and retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before."

34. SCS said that the Administration had noted the view that in introducing reform measures in the civil service, care should be exercised to maintain stability among serving civil servants and reform should be focused on new recruits. But this should not be taken to mean that no changes should be introduced to the pay and conditions of service of serving civil servants. He assured members that before deciding on any pay reform measures, the Administration would take into consideration all relevant factors such as the legal and Basic Law implications as well as the impact of the measures on civil servants.

IV. Review of Job-related Allowances

(LC Paper No. CB(1)66/02-03(03) — Paper provided by the Administration)

35. The Chairman said that further to the Panel meeting held on 15 April 2002 at which the Administration had briefed members on the progress report for the review of job-related allowances (JRA) conducted by the Standing Commission and Standing Committee, the Administration would update members at this meeting on its proposed way forward in respect of the review.

36. At the Chairman's invitation, the Deputy Secretary for the Civil Service (2) (DSCS2) highlighted the salient points in the paper provided by the Administration. She pointed out that in drawing up specific proposals for consultation with departmental management and staff representatives, the Administration recognised that the administration of the existing JRA system had room for improvement and that we should continue to ensure that only justified allowances would be paid. Under the existing civil service pay system, JRA was a supplementary payment to compensate staff for carrying out certain extra duties which had not been taken into account in their pay scale. In view of the ongoing comprehensive review on civil service pay policy and system, the Administration considered that it should at this stage focus on measures which would improve on the administrative efficiency of the JRA system while broadly maintaining the existing framework of the system. Fundamental changes to the JRA system should be considered at a later stage when the Administration had a clearer idea of future changes to the broader civil service pay system.

37. DSCS2 briefed members on the proposed way forward for the review recommendations, as follows:

- (a) On the recommendation for the lowering of the eligibility cut-off point for JRAs, the Administration intended to withhold action for the time being and to revisit the matter in the context of the comprehensive review of the civil service pay policy and system;

- (b) On the recommendation for the deletion of the principle on "substantial time", the Administration considered that the principle should be modified instead of deleted so that the duration and frequency of undertaking the extra duties in question would also be considered;
- (c) On the recommendation for the clarification of the principle on "inherent duties", the Administration considered that the term "inherent duties" should be clarified to refer to those duties normally expected of the concerned grade/rank having regard to the nature of the department concerned; and
- (d) In respect of the JRAs payable to civilian grades, the Administration accepted the Standing Commission's recommendations for rationalizing the existing categorization of JRAs, revising the mechanism for setting and adjusting JRA rates, imposing a six-month moratorium for review of individual JRAs and putting in place a new review and monitoring mechanism. As regards the JRAs payable to the disciplined services, the Standing Committee was of the view that a central monitoring mechanism might serve as a useful safeguard. The Administration would discuss the matter with the departmental management of the disciplined services.

38. In view of the diversity of the duties performed by different grades/ranks in the civil service, Mr LEE Cheuk-yan requested the Administration to illustrate with concrete examples the impact of the proposed measures on staff of different grades/ranks. DSCS2 advised that the impact could only be assessed after the review on individual JRAs to be carried out by departmental management during the proposed six-month moratorium. She pointed out that the Administration aimed to start the six-month moratorium before the end of this year so that the detailed review of individual JRAs could proceed as soon as possible. During the moratorium, departments would be required to review whether the payment of the relevant allowances under their purview should continue or cease, having regard to the revised JRA governing principles and other relevant circumstances. For JRAs that were considered justified, departments should also review the validity of the JRA rates and recommend the timeframe for the next review.

Admin 39. At the request of the Chairman, DSCS2 undertook to keep the Panel informed of the progress of the review.

V. Any other business

40. There being no other business, the meeting ended at 10:25 am.

Legislative Council Secretariat
13 November 2002