

**Legislative Council Panel on Public Service
Special Meeting on 23 October 2002**

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

PURPOSE

This paper briefs Members on the Phase One Final Report of the Task Force on Review of Civil Service Pay Policy and System (the Task Force) which was submitted to the Administration on 20 September 2002, and the follow-up action taken by the Administration to date.

BACKGROUND

2. The Administration announced on 18 December 2001 its decision to carry out a comprehensive review of the civil service pay policy and system 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 objectives of the review are to identify means and ways to improve the civil service pay system having regard to best practices elsewhere, with a view to making it simpler and easier to administer, and building in more flexibility to facilitate better matching of jobs, talents and pay. The three advisory bodies have subsequently set up a Task Force to take forward the review.

3. The review is being conducted in two phases, with Phase One being an analytical study on recent developments and best practices in pay administration in other countries. On 25 April 2002, the Task Force published an Interim Report of the Phase One Study, which outlines the civil service pay policy and system in five selected countries, namely Australia, Canada, New Zealand, Singapore and the United Kingdom, for public consultation. The consultation on the Interim Report ended on 30 June 2002.

TASK FORCE'S PHASE ONE FINAL REPORT

4. Taking account of overseas experience, the particular circumstances in Hong Kong as well as the feedback received during the consultation exercise on the Interim Report, the Task Force has in its Phase One Final Report suggested priority areas for more detailed study in the short, medium and long term. Details of the Task Force's recommendations are contained in its Phase One Final Report.

5. In brief, the Task Force recommends that –

- For the short term, the Administration should devise a practical framework and methodology for conducting a pay level survey and review the pay trend survey methodology. Meanwhile, it should consider the appropriate interim measures for the annual civil service pay adjustment exercise.
- For the medium term, the Administration should consider improvements to the staff appraisal system in support of the introduction of performance pay and flexible pay ranges to civil servants. The new arrangements should preferably be introduced at the directorate level initially, with rollout to other levels at a later stage. 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.
- For the long term, decentralization of pay administration should be adopted as a target. Care should be exercised in determining the scope and pace of implementation. A “clean wage” policy with benefits incorporated into base pay should be adopted as a target.

6. The Task Force has emphasised that its recommendations as set out in the Phase One Final Report are conceptual in nature and that more detailed study is required under phase two before any specific changes are to be made to the current policy and system. The Task Force has also underlined the need for any improvement measures to be introduced at a measured pace so as to facilitate their smooth implementation.

FOLLOW-UP ACTION BY THE ADMINISTRATION TO DATE

7. The future development of the civil service pay policy and system is a matter of considerable concern to civil servants. There is also a fair degree of public interest in the subject. Thus, before a view is taken

on the way forward, the Administration considers it appropriate to consult civil servants and other interested parties on the broad directions of future development suggested by the Task Force. For this purpose, an eight-week public consultation on the Phase One Final Report has been launched until 15 November 2002. Taking account of the consultation feedback, the Administration will decide on the best approach to take forward the phase two review.

8. The civil service pay policy and system review now underway is comprehensive in scope and complex in nature, with wide implications. The Administration will take forward the review exercise with prudence. On one hand, we shall continue our efforts in modernising our civil service pay policy and in providing more flexibility in our pay system to facilitate better matching of jobs, talents and pay. On the other hand, we shall keep firmly in mind 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.

Civil Service Bureau
October 2002