

立法會 *Legislative Council*

LC Paper No. CB(1)771/03-04
(These minutes have been seen
by the Administration)

Ref : CB1/PL/PS/1

Panel on Public Service

**Minutes of meeting
held on Monday, 15 December 2003 at 10:00 am
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, JP
Hon Bernard CHAN, JP
Hon SIN Chung-kai
Hon Howard YOUNG, SBS, JP
Hon Albert CHAN Wai-yip
Hon LEUNG Fu-wah, MH, JP

Non-Panel Members: Hon CHAN Yuen-han, JP
attending Hon Abraham SHEK Lai-him, JP

Members absent : Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon Andrew WONG Wang-fat, JP
Hon Michael MAK Kwok-fung

**Public officers
attending : Agenda Item III**

Mr Andrew WONG, JP
Director of Administration

Ms CHANG King-yiu, JP
Deputy Director of Administration (1)

Mr Sidney CHAN
Assistant Director of Administration

Agenda Items IV and V

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

Mrs Rebecca LAI, JP
Permanent Secretary for the Civil Service

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

Agenda Item V

Mr Christopher WONG
Deputy Secretary for the Civil Service (3)

Ms Maureen SIU
Assistant Director
Civil Service Training and Development Institute

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

Staff in attendance : Ms Rosalind MA
Senior Assistant Secretary (1)8

Ms May LEUNG
Legislative Assistant

I. Confirmation of minutes of meeting
(LC Paper No. CB(1)552/03-04 — Minutes of meeting on
17 November 2003)

The minutes of the meeting held on 17 November 2003 were confirmed.

II. Date of next meeting and items for discussion
(LC Paper No. CB(1)551/03-04(01) — List of outstanding items for
discussion)

LC Paper No. CB(1)551/03-04(02) — List of follow-up actions)

2. The Chairman reminded members that the regular meeting for January 2004 had been advanced to Friday, 16 January 2004, as the third Monday of that month was close to the Chinese New Year Holiday.

3. The Chairman also informed members that following the delivery of the Chief Executive's Policy Address on 7 January 2004, the Directors of Bureau (DoBs) would brief the relevant Panels on the policy initiatives during the period from 9 to 16 January 2004. The Secretary for the Civil Service would brief the Panel on Public Service at its meeting on 16 January 2004 at 10:45 am on the "Civil service related initiatives in the 2004 Policy Address". The briefing would last one hour. Members agreed that the two-hour Panel meeting be shortened to one hour so as to enable another Panel to conduct policy briefing from 11:45 am to 12:45 pm.

III. Update on review of remuneration of senior executives of statutory and other bodies

(LC Paper No. CB(1)296/03-04(04) — Paper provided by the Administration

File Ref: CSO/ADM CR3/1136/02 — Legislative Council Brief on “Review of remuneration of senior executives of statutory and other bodies” issued by the Administration Wing (with the consultants’ Final Report)

LC Paper No. CB(1)2150/01-02(01) — Statement made by the Chief Secretary for Administration at the Council meeting on 26 June 2002

LC Paper No. CB(1)171/02-03 — Minutes of special Panel meeting on 3 July 2002)

4. The Chairman pointed out that the Administration had commissioned a consultancy study on the remuneration of senior executives of ten selected statutory and other bodies in January 2002 (the Review). Following the release of the findings of the study in June 2002, the Administration briefed the Panel on the findings at its meeting on 3 July 2002. At the request of the Panel, the Administration had undertaken to consult the ten bodies through relevant bureaux and provide the Panel with an update on their responses to the study findings, and information on the remuneration package, contract expiry dates and pay adjustment trend for the past five years in respect of the top three tiers of senior executives in the selected bodies. The Chairman drew members’ attention to the paper provided by the Administration in this regard (LC Paper No. CB(1)296/03-04(04)).

Briefing by the Administration

5. The Director of Administration (D of Adm) recapped that the main tasks of the consultancy study were to determine whether the remuneration packages of the senior executives in the selected bodies were in line with those holding comparable positions in the private sector, and to establish for them comparable and competitive remuneration packages. The consultant’s recommendations on the remuneration levels and mixes were based on its analysis of the remuneration

of the comparison companies and application of the following principles:

- (a) The median of the total remuneration of the relevant positions of the comparison group should provide a reasonable and competitive benchmark for the position under review;
- (b) Qualitative factors pertaining to the position under review such as prestige, opportunity to serve Hong Kong and degree of public scrutiny should be taken into consideration and an adjustment would be applied to the medium if considered appropriate;
- (c) The prevailing mix (i.e. percentage of fixed versus variable remuneration) of the remuneration packages of the comparison companies should provide the basis for deriving a recommended mix for the relevant position in the selected body. However, the governing board or committee of a selected body would have the flexibility to adopt its own preferred mix instead of the recommended mix. In adopting its preferred mix, the body should use the consultant's recommended conversion factor to work out the equivalent remuneration package should it wish to have a more significant portion of fixed pay versus the variable pay or vice versa.

6. D of Adm further pointed out that the consultant had recommended that the governing boards or committees of selected bodies should continue to have the discretion to take into account other factors in determining the remuneration of their senior executives. These factors might include the market pay condition for special functional areas; the competence, qualification and performance of a particular individual; and differences in job nature and levels of accountability. If a selected body considered the background, capability or performance of a particular individual serving as the chief executive should justify a higher or lower remuneration than the market median, it could offer him or her a correspondingly different package from what the consultant had recommended. For the second and third tier positions, variations within the range of plus or minus 25% from the consultant's recommended remuneration levels were considered acceptable, particularly to take account of the diverse functions and responsibilities that individual division heads might carry out at their levels.

7. D of Adm said that on the whole, the ten bodies had responded positively to the consultant's recommendations. Relevant bureaux had also confirmed their acceptance of those areas where individual bodies had proposed modifications. As explained in the consultancy report, the recommended remunerations derived

from the market data collected by the consultant provided the benchmarks for comparison but they did not represent the ceiling or minimum levels. Governing boards or committees of the bodies might decide to pay individual executives higher or lower remunerations depending on the individuals' special skills, capabilities and performance. D of Adm also assured members that the remuneration of senior executives of the selected bodies and their compliance with the established principles in the study would be subject to annual review under the new reporting mechanism between the selected bodies and relevant bureaux.

Discussion

Remuneration mix

8. Mr CHEUNG Man-kwong expressed his dissatisfaction about the way the selected bodies had implemented the consultant's recommendations. Referring to item 3(a) of Annex A to the paper provided by the Administration, Mr CHEUNG noted that only three of the ten selected bodies had adopted the consultant's recommendations on remuneration mix. Six selected bodies had adopted a modified approach. For example, while the recommended mix for the first tier of the Hong Kong Airport Authority (HKAA) was 60:40 (fixed pay: variable pay), HKAA continued with its variable pay scheme under its current remuneration mix, i.e. 80:20 for the first tier. Mr CHEUNG queried why the relevant bureau had accepted this approach. In reply, D of Adm reiterated that the governing board or committee of a selected body had the flexibility to use the consultant's recommended conversion factor to work out an equivalent remuneration package for its preferred mix should it wish to have a more significant portion of fixed pay versus the variable pay or vice versa. In the case of HKAA, the current remuneration of its senior executives were in line with the remunerations recommended by the consultant if the conversion factor was applied for comparison.

9. Mr CHEUNG Man-kwong and Mr LEE Cheuk-yan were of the view that the entire review exercise would be meaningless if the governing boards or committees of the selected bodies were given the discretion to exercise flexibility in the implementation of the consultant's recommendations. Mr CHEUNG considered it unfair and unreasonable for these bodies which were funded by public moneys to enjoy such a great degree of flexibility in determining the remuneration of their senior executives. He opined that the Government representatives in the governing boards or committees of the selected bodies should vote in support of the implementation of the recommendations to demonstrate the Administration's determination to put these into practice. Otherwise, the selected bodies would operate like independent kingdoms which

were not subject to the monitoring of the LegCo or the Government.

10. Mr CHEUNG Man-kwong considered that in adopting a remuneration mix comprising fixed pay and variable pay, there should be some objective criteria in determining the amount of variable pay. D of Adm explained that the amount of variable pay was normally determined by relevant governing boards on the basis of the performance of individual executives and/or the organizations in general during the year of assessment. This practice was adopted by many private sector companies.

Remuneration levels of CE/HKMA, CEO/HKAA and CEO/HKSTPC

11. Mr CHEUNG Man-kwong expressed his grave concern that the existing remuneration levels of the Chief Executive of the Hong Kong Monetary Authority (CE/HKMA), the Chief Executive Officer of HKAA (CEO/HKAA), and the Chief Executive Officer of the Hong Kong Science and Technology Parks Corporation (CEO/HKSTPC) were higher than those recommended by the consultant by \$1 million, \$0.6 million and \$0.4 million respectively. Mr CHEUNG was of the view that the existing remuneration packages for these senior executives should be adjusted downward in accordance with the targeted remuneration levels recommended by the consultant. Mr SIN Chung-kai supported his views.

12. D of Adm advised that the remuneration levels recommended by the consultant should be regarded as indicative rather than absolute references. He reiterated that if the governing board or committee of a selected body considered that the background, capability or performance of a particular individual serving as the chief executive should justify a higher or lower remuneration than the market median, it could offer him or her a correspondingly different package from what the consultant had recommended. Moreover, the Administration appreciated the need for the selected bodies to fulfill their obligations under existing employment contracts, and that the bodies might not be able to adjust the remuneration levels of their senior executives downward during the contract period. In this connection, Mr CHEUNG Man-kwong noted that the existing employment contracts for the CEO/HKAA and CEO/HKSTPC would expire in December 2003 and March 2005 respectively. Noting that CE/HKMA was employed on continuous contract terms, Mr CHEUNG queried when his remuneration level would be reviewed and adjusted. D of Adm advised that HKMA had an annual pay adjustment mechanism.

13. Mr SIN Chung-kai opined that the Financial Secretary (FS), being the Principal Official overseeing HKMA, should be responsible for determining the remuneration level of CE/HKMA. As the remuneration level of CE/HKMA was

higher than that recommended by the consultant by \$1 million, Mr SIN requested FS to adjust downward the remuneration level of CE/HKMA. Mr CHEUNG Man-kwong raised the same request. In response, D of Adm said that he did not see the justifications for the request. He pointed out that in determining the remuneration level of CE/HKMA, FS, on the advice of the Exchange Fund Advisory Committee (EFAC) and its Remuneration and Finance Subcommittee (RFS), had taken account of the prevailing market median and the practicalities in attracting candidates of the right calibre, expertise and experience. He added that the fixed-pay component of the CE/HKMA's remuneration had been adjusted downwards in the past two years.

14. Mr SIN Chung-kai considered it inappropriate for EFAC, which comprised mainly members of the banking sector, and its RFS to consider the remuneration proposals for CE/HKMA. Pointing out that there was no comparable post in the private sector, Mr SIN queried how the market median for the post of CE/HKMA had been worked out. In this connection, he noted that the comparison companies for HKMA comprised a representative group of banks. Given the great differences in job nature and responsibilities between CE/HKMA and those of the chief executive officers (CEOs) of banks, Mr SIN considered it inappropriate to compare the remuneration packages of the two. Mr Albert CHAN shared his view.

15. Mr LEE Cheuk-yan considered that reference should be made to comparable positions in overseas jurisdictions. Referring to the information provided in the consultancy report on the remuneration of Dr Alan Greenspan, Chairman of the Federal Reserve in the United States (less than US\$140,000 per year) and the remuneration of the Chairman of the Financial Service Authority in the United Kingdom (£ 290,000 for the year 2000-01), Mr LEE pointed out that the remuneration level of CE/HKMA was comparatively high. Mr LEE and Mr CHEUNG Man-kwong queried whether the remuneration level of CE/HKMA was justified. Mr CHEUNG opined that FS should provide the Panel with his views on the implementation of the consultant's recommendations by HKMA, in particular, his views on the remuneration level of CE/HKMA. Pointing out that the public and Members of the Democratic Party were very concerned about the issue, Mr CHEUNG urged FS to address the issue as soon as possible.

16. The Chairman invited D of Adm to convey members' concern about the remuneration level of CE/HKMA to FS.

(Post-meeting note: According to the written response dated 12 January 2004 from D of Adm, members' concern had been conveyed to FS. The written response was circulated to members vide LC Paper No.

CB(1)772/03-04(01) on 13 January 2004.)

Propriety of the principles adopted by the consultant in the formulation of remuneration recommendations

17. Mr LEE Cheuk-yan commented that the review had started with an incorrect approach of making reference to the remuneration of the top three levels of executives in private sector companies. He said that in reviewing the remuneration packages for senior executives in the selected bodies which were public bodies, the qualitative factors of recognition and honour their jobs commanded should be taken into account and hence reference should be made to the remuneration packages for comparable positions in the civil service instead, such as the remuneration packages for the Principal Officials under the Accountability System.

18. In response, D of Adm explained that in assessing the propriety of the remuneration packages for the senior executives, it was worth noting that all of the selected bodies had to compete with the private sector for managerial staff with special experience and expertise. Many of them were also required to operate under prudent commercial principles. He also drew members' attention that the targeted remuneration levels recommended by the consultant represented the market median and not the highest level of remuneration in the private sector. As regards the remuneration package for Principal Officials, D of Adm pointed out that the package had been worked out by making reference to the remuneration packages of CEOs in the private sector, with a discount of 34% to 39% of the median level of total remuneration of these CEOs.

19. Mr LEE Cheuk-yan did not agree that the selected bodies were operating under commercial principles. Quoting the Urban Renewal Authority (URA) and the Hong Kong Tourism Board (HKTb) as examples, Mr LEE commented that while the chief executive officers (CEOs) of these bodies were required to possess knowledge of the market, they were not required to lead and manage the respective bodies for profit-making purpose. The nature of their jobs was not really comparable with that of CEOs in the comparison companies, such as property development and management companies for URA and travel agencies for HKTb. Mr Albert CHAN shared Mr LEE Cheuk-yan's view.

20. D of Adm responded that as explained in the consultancy report, the remuneration comparison group for CEO (or equivalent) of each selected body was developed by identifying positions of similar scope and responsibility drawn from the relevant comparison group. These comparison positions might or might not be CEOs in the comparison group but were selected by considering factors such as the size of the organization, and the scope and nature of the jobs. As such, the

recommended remuneration packages for the CEOs of URA and HKTb were not necessarily derived by making reference to the remunerations of all the CEOs of their comparison companies. He appreciated that members might have different views on the appropriate remuneration levels for the senior executives of these bodies. However, the appropriate remuneration levels could hardly be determined without objective information on the remuneration levels of comparable jobs in the market.

21. Mr LEE Cheuk-yan doubted the propriety of selecting companies such as the South China Morning Post, Hewlett-Packard and IBM etc. as comparison companies for HKTb. He was also concerned that comparison with these large scale profit-making enterprises would result in recommending unreasonably high remuneration packages for the Executive Director of HKTb. He considered the methodology of the consultancy study unacceptable and requested the Administration to commission another review. Mr LEE also requested D of Adm to provide further information on the way the positions in the comparison companies for HKTb were selected to provide reference for deriving the recommended remuneration for the first three tiers of senior executives of HKTb.

(Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. CB(1)772/03-04(01) on 13 January 2004.)

22. Mr LEE Cheuk-yan maintained his view that the senior executives, in particular CEOs of the selected bodies, were enjoying unreasonably high pay packages. He opined that instead of drawing reference to the market median, the targeted remuneration levels for these senior executives should follow the practice of that for Principal Officials, by having a discount of around 30% of the median level of remuneration for CEOs in the private sector. Moreover, he considered that reference should be made to the remuneration packages for comparable positions in public bodies in overseas jurisdictions.

23. Mr CHEUNG Man-kwong and Mr Albert CHAN shared Mr LEE's view on the unreasonable high level of remuneration enjoyed by the senior executives of the selected bodies. Mr CHAN shared Mr LEE's view that reference should be made to the overseas remuneration practices for senior executives of public or statutory bodies.

24. D of Adm explained that the Administration had requested the consultant to provide information on the remuneration practices in overseas central banks and financial regulators for reference and the findings were in Appendix 3 of the consultancy report. He reiterated that in taking forward the consultant's

recommendations, the Administration would follow the established principles of the consultant's report. He pointed out that the purpose of this meeting was for the Administration to brief members on the up-to-date progress of the Review, including the responses of the governing boards or committees of the selected bodies on the implementation of the consultant's recommendations and the respective bureaux' views. It would be unfair to make any conclusion based on the existing remuneration levels of senior executives in the bodies concerned, as some of the recommendations had yet to be put into practice due to contractual obligations which the bodies had to observe. Respective bureaux would monitor the implementation of the recommendations through the annual review and reporting mechanism and should the need arise, the bureaux would explain the detailed remuneration arrangements in each of the ten bodies to the relevant LegCo Panels.

Appointment of remuneration committees of the selected bodies

25. Miss CHAN Yuen-han referred to the consultant's recommendation on the need for each selected body to have a remuneration committee to be responsible for endorsing all remuneration arrangements with respect to senior executive pay. However, this recommendation was not covered in the responses of the selected bodies. She opined that for transparency and impartiality in remuneration arrangements, appointment of the remuneration committee should be made by independent parties other than the governing board or committee of a selected body.

26. D of Adm explained that the consultant's recommendation on remuneration committee was that each body should appoint a specific committee for the consideration of remuneration policies and determination of salary adjustments. The consultant had not recommended the appointment of an independent remuneration committee. The Administration recognized the statutory role of many of the governing boards or committees in deciding on and overseeing the propriety of their remuneration policies and arrangements. The Administration would ensure that these selected bodies would each establish a fair and transparent mechanism for the review and determination of its remuneration and related arrangements. D of Admin also pointed out that the consultant's recommendation for disclosure of remuneration of senior executives would, in the long run, enhance the transparency of the remuneration arrangements of the selected bodies.

27. Miss CHAN Yuen-han commented that the Administration should further enhance the transparency in the appointment of senior executives of the selected bodies and rectify the current situation that majority of these senior positions were

held by former senior Government officials. Mr Albert CHAN shared her view.

Implementation timeframe

28. Ms LI Fung-ying was concerned about the timeframe for implementing the consultant's recommendations by the selected bodies. Referring to Annex A to the paper provided by the Administration where it was stated that a number of selected bodies had indicated the need to implement the recommendations upon expiry of current contracts or new appointment, Ms LI asked whether effective measures were in place for the Administration to monitor the implementation. Mr HUI Cheung-ching shared her concern and opined that the Administration should ensure that the selected bodies would comply with the consultant's recommendations.

29. In response, D of Adm pointed out that the implementation timeframe provided by the selected bodies were set out in item 9 of Annex A to the paper. He reiterated that the consultant's recommendations were in general adopted by the selected bodies with necessary modifications in certain cases. The Administration had undertaken to establish an annual reporting mechanism between these bodies and the respective bureaux as recommended by the consultant.

Way forward

30. The Chairman concluded that from the discussion at the meeting, it was obvious that Members did not agree with the principle of assessing the remuneration packages of senior executives of the selected bodies by making reference to those in the private sector. In Members' view, the current remuneration levels of these senior executives were on the high side. As the ten selected bodies were all committed to report to the bureaux concerned annually on the detailed remuneration arrangements for their senior executives and the implementation of the consultant's recommendations, the Chairman considered that Members who would like to follow up the issue might do so by inviting the bureaux concerned to report the progress to the relevant Panels.

IV. Progress on the development of an improved civil service pay adjustment mechanism

(LC Paper No. CB(1)450/03-04(01) — Letter dated 26 November 2003 from the Secretary for the Civil Service to the Chairman of the Panel

LC Paper No. CB(1)450/03-04(02) — Paper provided by the Administration

LC Paper No. CB(1)450/03-04(03) — Progress report on the development of an improved pay adjustment mechanism for the civil service (November 2003))

Briefing by the Administration

31. The Chairman briefly introduced the background of the subject. Further to the decision of the Chief Executive in Council on 25 February 2003 on the development of an improved civil service pay adjustment mechanism, the Secretary for the Civil Service (SCS) had informed the Panel on 26 November 2003 that the Administration planned to proceed with the field work of the pay level survey (PLS) in the fourth quarter of 2004. The whole exercise, including presentation of detailed proposals on the application of the PLS results and the introduction of any necessary legislation for implementing both upward and downward pay adjustments in future, was expected to be completed in the second quarter of 2005.

32. At the Chairman's invitation, SCS briefed members on the updated progress of the development of an improved civil service pay adjustment mechanism. To take forward the exercise, the Administration had set up under the chairmanship of SCS, a steering committee comprising selected members drawn from the three advisory bodies on civil service salaries and conditions of service (the Steering Committee) and a consultative group involving staff representatives from the staff sides of the four central consultative councils and the four major service-wide staff unions (the Consultative Group). In consultation with the Steering Committee and the Consultative Group, the Administration had examined, among others, the policy considerations and broad parameters for the development of an improved civil service pay adjustment mechanism as well as the work plan for the exercise.

33. SCS highlighted for members' information a number of policy factors and broad parameters for the development of an improved civil service pay adjustment mechanism, as follows:

- (a) The improved mechanism should meet the long-standing objective of the civil service pay policy, which was to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service. The mechanism should also support the objective of upholding and nurturing the core values of the civil service.
- (b) Noting the differences in the nature of operation, appointment and remuneration practices, job nature and requirements between the civil service and the private sector, the Administration should abide by the established principle of maintaining broad comparability between civil service pay and private sector pay.
- (c) The Administration needed to ensure that any changes to the existing civil service pay adjustment mechanism were consistent with the Basic Law and took full account of the contractual considerations, international obligations which applied to Hong Kong and other relevant legal considerations relevant to the employment relationship between the Government and civil servants.

34. On the work plan for the exercise, SCS advised that while the original intention was to complete the whole exercise in 2004, views had been expressed during the last few months that adequate time should be allowed for detailed examination of the many complicated issues involved, in particular the detailed methodology of the PLS and the application of the results of the PLS. To allow sufficient time for more extensive consultation and in view of the complexity of the issues involved, the Administration aimed to complete the exercise in the second quarter of 2005. The work plan for the exercise was set out in paragraph 13 of the paper provided by the Administration.

Declaration of interests

35. The Chairman declared that he was a member of the Steering Committee.

Discussion

Work plan for the development of an improved civil service pay adjustment mechanism

36. Mr CHEUNG Man-kwong said that Members of the Democratic Party considered the existing civil service pay adjustment mechanism inadequate and that urgent improvement should be made to provide the legal framework for both upward and downward adjustment to avoid unnecessary disputes on future pay adjustments. He queried whether the Administration's decision of deferring the completion of the exercise from 2004 to the second quarter of 2005 was in fact an attempt to defer the introduction of the draft legislation after the LegCo election in September 2004. Pointing out that the scope of the Public Officers Pay Adjustments (2004/2005) Ordinance only covered the pay adjustments for 2004 and 2005 and that the draft legislation for implementing both upward and downward pay adjustments would be introduced into LegCo in the second quarter of 2005, Mr CHEUNG was concerned whether the proposed pay adjustment mechanism would be in place on time for the implementation of the 2006 civil service pay adjustment.

37. SCS clarified that the Administration's decision of revising the timeframe for completing the exercise had been made having regard to the views expressed by staff representatives during the discussions in the past few months. He stressed that the updated work plan sought to allow sufficient time for more extensive consultation and there was no intention on the part of the Administration to defer the introduction of any necessary draft legislation. Referring to the work plan set out in paragraph 13 of the paper, SCS explained that before the introduction of any necessary draft legislation into LegCo, the Administration would consult staff on the development of a pay adjustment mechanism and brief Members from time to time on the progress of the exercise. The Administration planned to present in the second quarter of 2004 proposals on the PLS methodology and improvements to the methodology of the pay trend survey, and to put forward general ideas on the application of the results of the PLS. The Administration also planned to complete in the fourth quarter of 2004 the preparation of any necessary draft legislation for implementing both upward and downward pay adjustments for consultation with staff. In view of the complexity of the issues involved, the Administration considered it desirable to allow more time for a longer process of consultation at different stages of the exercise. Subject to the progress of the consultation, the Administration would try to introduce any necessary draft legislation into LegCo as soon as it was ready.

Methodology of the pay level survey

38. Mr HUI Cheung-ching enquired about the type of private companies to be surveyed in the PLS and opined that the survey should cover companies of different sizes to provide a representative picture of the pay levels in the private sector. SCS explained that in order to ensure that the PLS would be carried out in a credible and professional manner, the Administration had commissioned a consultant to provide technical assistance in developing a feasible and detailed survey methodology. The proposals on the PLS methodology would be presented for consultation with the Panel, staff and the public in the second quarter of 2004.

39. Ms LI Fung-ying was concerned about the procurement and tendering procedures for selecting the suitable consultant for the development of proposals on the methodology of PLS. She opined that there should be an open and fair competition in the selection process. She also sought information on the criteria for inviting consultancy firms to submit their expression of interest.

40. SCS stressed that the Administration had strictly adhered to the established procedures within Government for the procurement of consultancy services for the design of a detailed methodology for the PLS. The whole process was followed through by civil servants experienced in the procurement procedures. The Permanent Secretary for the Civil Service (PSCS) supplemented that in accordance with the established consultancy selection procedures, depending on the nature of the consultancy, procuring departments shortlisted consultants having regard to their relevant experience in the field and invited them to submit tenders. In the selection of consultants for the study on the methodology of the PLS, the Civil Service Bureau (CSB) had sent invitations to 15 shortlisted consultancy companies. To reflect the importance attached to quality and to allow an unbiased assessment of the qualitative aspects of the proposals, the evaluation of the consultants' submissions involved the technical assessment in the first instance, followed by separate assessment of the fee proposals. CSB had determined the technical assessment criteria before inviting proposals from the shortlisted consultants. PSCS explained that the Administration planned to develop the survey methodology and carry out the actual survey work and data analysis with professional assistance from consultants in two stages. The consultant engaged in the first stage consultancy would be asked to provide feasible proposals for the design and methodology of the survey. The Administration would conduct extensive consultation on the proposals of the first stage consultancy before deciding on the detailed methodology of the survey. She assured members that the staff's views would be sought on the proposals.

41. Noting that the Hay Group had been appointed as the consultant for the first stage consultancy, Mr LEE Cheuk-yan pointed out that the same consultant had been appointed for the review of remuneration of senior executives of statutory and other bodies. At Mr LEE's request, PSCS undertook to provide the scope of work of the consultant and the consultancy fee after the meeting.

(Post-meeting note: The supplementary information provided by the Administration was circulated to members vide LC Paper No. CB(1)772/03-04(02) on 13 January 2004.)

Application of the results of the pay level survey

42. Mr CHAN Kwok-keung stressed the importance of consistency with the Basic Law in the application of the results of PLS. SCS assured members that the Administration would ensure that any changes to the existing civil service pay adjustment mechanism were consistent with the Basic Law. He informed members that the Administration would further discuss with the Steering Committee and the Consultative Group how the results of the PLS should be applied to civil servants. This was a complex issue which was of much concern to staff. The Administration intended to put forward general ideas on the application of the survey results, such as proposals on whether the results should be applied differently to different groups of civil servants according to the date they joined the service, in the second quarter of 2004 for extensive consultation and to present detailed proposals on the application issue in the second quarter of 2005.

43. Pointing out that Article 100 of the Basic Law provided that public servants serving in all Hong Kong government departments before the establishment of the Hong Kong Special Administrative Region might all remain in employment and retain their seniority with pay, allowances, benefits and conditions of service no less favourable than before, Mr LEE Cheuk-yan asked whether the Administration intended to further reduce civil service pay to the levels below those as at 30 June 1997. Mr LEE opined that as civil service pay levels would be restored to the levels as at 30 June 1997 through the Public Officers Pay Adjustments (2004-2005) Ordinance, it was not necessary for the Administration to conduct a PLS if it did not intend to reduce civil service pay levels further.

44. In response, SCS pointed out that in accordance with the established principle of broad comparability with private sector pay, PLS had to be conducted periodically. Given that the last PLS was conducted in 1986, conducting a PLS was one of the priority tasks in the exercise for the development of an improved

civil service pay adjustment mechanism. He reiterated that the Administration would ensure that any changes to the existing mechanism would be consistent with the Basic Law and would take full account of contractual considerations. While recognizing that there was limited room for downward adjustments to the pay levels of civil servants serving immediately before 1 July 1997 in the light of the provisions of the Basic Law, the Administration had to consider the proper arrangements for the application of the PLS results if the survey identified a pay disparity between the civil service and the private sector. He assured members that the Administration would conduct extensive consultation with staff before deciding on the details of the application of the PLS results.

45. Responding to Mr LEE Cheuk-yan's enquiry, SCS explained that while it was normal to have different views and heated discussions during the process of staff consultation, the Administration would seek to achieve a broad consensus on the way the development of an improved pay adjustment mechanism should be taken forward.

46. Mr LEE Cheuk-yan opposed to the application of PLS results to different groups of serving civil servants according to the dates they joined the service. He considered that such differential treatment would create problem of staff morale and suggested that the results of PLS should only be applied to the new appointees. Ms LI Fung-ying shared Mr LEE's view. Ms LI opined that staff consultation would be meaningless if the Administration did not take into account the clear viewpoint of the staff sides that the any changes resulted from PLS should only be applied to new appointees.

47. SCS said that the Administration had noted the staff's views that the PLS results should be applied to new appointees only. Given the complexity of the issues involved, the Administration would take a decision on the application issue only after consultation and discussion with staff on the proposals for the improved mechanism. He clarified that while one of the options to be considered would be to apply the PLS results to civil servants according to the dates they joined the service, the Administration did not have any set stance on the application issue at this stage.

Promotion of collective bargaining mechanism

48. Mr CHAN Kwok-keung requested the Administration to consider, as part of the exercise for the development of an improved civil service pay adjustment mechanism, the promotion and development of a machinery for collective bargaining and agreement between civil service unions and the Government on pay adjustment decisions. Mr Albert CHAN held similar view. He pointed out that

the Right to Organize and Collective Bargaining Convention (No. 98) was one of the fundamental international labour standards and should therefore be promoted in Hong Kong.

49. In response, SCS explained that consultation with the four central consultative councils was included as part of the existing pay adjustment mechanism. The development of a collective bargaining machinery for civil service pay adjustment was a different matter and an important change which had to be examined in further detail. He explained that as civil servants were paid out of the public purse, factors such as budgetary consideration and economic circumstances, in addition to staff's claims, had all along be taken into account in the prevailing pay adjustment mechanism. In summary, civil service pay policy was an important public policy which would involve more considerations than merely a collective agreement achieved through negotiation between the employer and the employees.

50. Mr Albert CHAN was disappointed that the Administration had no intention to make improvement for Hong Kong to meet the international standard. He further criticized the Administration for having double standard on the pay policy for the civil service and that for senior executives in statutory and other bodies, as the Administration had left the pay decisions to the governing boards or committees of those bodies but emphasized the need for broad consensus in respect of civil service pay. He was also worried that the Administration would try to use public pressure to introduce pay policies which were considered unacceptable by the staff sides. SCS noted Mr CHAN's concern. He explained that while there were differences in viewpoints between the Administration and civil service staff associations on the development of an improved pay adjustment mechanism, civil service pay policy was an important public policy and any changes to be introduced had to be supported by the public and LegCo. He also assured members that the remuneration issues of the statutory bodies were being monitored by respective DoBs.

V. Reorganization of the Civil Service Training and Development Institute

(LC Paper No. CB(1)551/03-04(03) — Paper provided by the Administration)

Briefing by the Administration

51. At the Chairman's invitation, SCS briefly introduced the proposal to subsume the Civil Service Training and Development Institute (CSTDI) under

CSB. In brief, the strategic aim of the review on the operation of CSTDI was to ensure the most cost-effective utilization of resources used for training and development which could best meet the needs of the community the civil service served. He pointed out that in the interest of delayering and to achieve better efficiency, the Administration had worked out the reorganization proposal for CSTDI, which was set out in the paper. He assured members that the reorganization was not expected to lead to forced redundancy and the Administration would make reasonable arrangements to accommodate the affected staff. The staff sides had been consulted on the proposal and the Administration would continue to work with them in devising necessary measures to prepare them for the change.

Discussion

52. Ms LI Fung-ying was pleased to note that the reorganization proposal would not result in any forced redundancy. She however pointed out that more counselling services or relevant courses should be provided to civil servants to assist them in coping with their work pressure. SCS appreciated Ms LI's views and pointed out that as set out in his reply to Mr Michael MAK's question on civil servants' work pressure raised at the Council meeting on 3 December 2003, the Administration had organized about 140 courses per year, during the past two years, on stress management for civil servants at all levels. Apart from classroom training, CSTDI also provided online courses and information on stress management and emotional intelligence and conducted seminars on stress management.

53. The Chairman was concerned how CSB monitored the training programmes provided by bureaux/departments to ensure the effective use of the training resources. Referring to paragraphs 20 and 21 of the paper, PSCS explained that a robust management information system would be put in place to enable CSB to maintain a good overview of the service-wide training scene and provide timely and useful input for CSB and bureaux/departments to further improve training programmes, thereby meeting the changing training needs of the civil service in the most cost-effective manner.

54. Given the absence of a quorum, the Chairman drew the meeting to a close. He reminded members that the Administration planned to submit the proposal to the Establishment Subcommittee for its consideration at the meeting on 7 January 2004.

VI. Any other business

55. There being no other business, the meeting ended at 12:50 pm.

Council Business Division 1
Legislative Council Secretariat
15 January 2004