

The use of public funding by the Hong Kong Tourism Board

Below are replies to the questions raised by The Hon Sin Chung-kai on 12 July 2006 about the use of public funding by the Hong Kong Tourism Board (HKTB):

- 1A The HKTB has an established set of policies and mechanism for determining staff remuneration. In 2002, the HKTB commissioned an independent human resources consultant (Hay Group) to conduct a comprehensive comparison of the compensation and benefits for all levels of staff in the organisation with those in the market; devise a set of benchmarks; and recommend appropriate remuneration packages by making reference to relevant positions in comparable organisations.

The conversion of contract to continuous employment was one of the recommendations in the Hay Group consultancy study conducted in 2002. According to findings by the Hay Group, a majority of the comparable private organisations in the market offered “continuous employment” instead of “contract” terms in recruiting mid- to lower-level staff so as to ensure stability of the establishment and minimise staff turnover. Contract staff members are usually on time-limited employment lasting for one to three years, while staff members on continuous employment are offered non-expiry continuous employment terms. Nevertheless, to protect the rights of both the employer and employees, both parties may terminate the employment in accordance with the employment terms and conditions. As a result, staff members on continuous employment terms enjoy higher job stability than contract staff members. However, there were both staff members on continuous employment and contract terms for the same positions at the mid- to lower-levels within the HKTB at the time of the consultancy study. The differences in employment terms¹ created uncertainty among staff members in respect of their job stability. Hence, the conversion of employment terms as recommended by the Hay Group consultants is intended to align the employment terms of mid- to lower-levels with the market practice and enhance job stability. In addition, the standardisation of the employment terms for mid- to lower-levels staff would help improve staff management, while preserving the

¹ The remuneration package of staff under contract terms includes salary of 12 months, end-of-term gratuity (10-15%, net of employer’s contribution to MPF). The duration of contract normally lasts for 1 to 3 years and the conditions of contract termination are listed in the contract. The remuneration package of staff under continuous employment terms includes salary of 13 months and retirement benefits, and there is no expiry date of employment. The conditions of contract termination are listed in the contract.

total remuneration package for existing staff at the same time. As a result, the HKTB decided to implement the recommendation from 2004.

- 1B The HKTB conducts annual review of staff salaries to align with the market levels. In line with the market trends, the HKTB did not adjust the salaries of all Head Office staff, including Band B staff, from 1999/2000 to 2004/05, with the exception of 2001/02.

The staff numbers and average salaries for 2003/04 and 2004/05 listed in the Government document previously were the consolidated data of the HKTB Head Office and Worldwide Offices, which were provided to Members in response to their questions. The overall average salary movement of Band B staff on “continuous employment” from \$51,711 in 2003/04 to \$55,892 in 2004/05 was attributed to a number of factors, including staff movements in both the Head and Worldwide Offices, salary movements in different markets and exchange rate fluctuations. For instance, in 2004/05, both the GBP and AUD strengthened significantly against the HKD.

The actual average monthly salary of Band B staff in the HKTB Head Office dropped 2% in 2003/04 and 2004/05. Details are as follows:

Financial Year 03/04

Band		Contract Employment	Continuous Employment	Total
B	Staff Number	24	11	35
	Actual Average Monthly Salary	64,600	62,987	64,093

Financial Year 04/05

Band		Contract Employment	Continuous Employment	Total
B	Staff Number	17	24	41
	Actual Average Monthly Salary	63,831	62,063	62,796

- 1B(i) & (ii) In 2004/05, there was no promotion for Band B staff members in the Head Office, who were on continuous employment since 2003/04. As such, no additional expenditure was required for salary increase as a result of staff promotion. There was also no annual salary adjustment for Band B staff.
- (iii) In 2004/05, there were six newly hired Band B staff members in the HKTB Head Office. The average salary of these newly hired was \$56,917.
- (iv) & (v) In 2004/05, a total of eight Band B staff members were converted from contract to continuous employment. The components of the remuneration package of contract employment are different from those under continuous employment. Nevertheless, the conversion from contract to continuous employment has to follow the principle that the total remuneration package as a whole remains unchanged.

1C The numbers of staff members hired on continuous employment terms in the HKTB Head Office in 2003/04 but left the organisation in 2004/05 are as follows:

- Band A – 0
- Band B – 1
- Band C – 14
- Band D – 3

1D & E The number of staff members in the Head Office, who were hired on contract terms in 2003/04, and converted to continuous employment in 2004/05, are listed below along with their year of original hire:

	Total Staff on Continuous Employment (Mar 05)	No. of Staff Converted from Contract to Continuous Employment	Year of Original Hire			
			94/95	00/01	01/02	02/03
Band A	1	0				
Band B	24	8		2	2	4
Band C	93	1				1
Band D	46	2	1	1		

1(F) The number of staff hired in the Head Office in 2004/05:

	Continuous Employment	Contract Employment
Band A	0	0
Band B	3	3
Band C	14	1
Band D	7	4

2. The Head Office turnover rates since 2001/02:

FY	Overall Turnover Rate	Turnover Rate of Contract Staff	Turnover Rate of Staff on Continuous Employment
01/02	34%	43%	30%
02/03	16%	25%	12%
03/04	10%	14%	8%
04/05	17%	26%	14%
05/06	18%	18%	18%

The reasons for turnover include voluntary resignation, contract expiry, involuntary resignation due to decrease in number of posts arising from organisation restructuring in 2001/02 when the former Hong Kong Tourist Association (HKTA) was reconstituted to the HKTB, termination of employment owing to poor performance, and retirement.

3. Whenever there is a vacancy, the HKTB will, as with market practice, consider different means to identify the most suitable candidate for the position. These include re-deployment of existing staff, internal promotion and external recruitment. The procedure of employment to fill up a vacancy has to follow the guidelines approved by the Board.

According to the guidelines, if an existing staff member is considered suitable for a vacant position, with due regard to his or her performance, the HKTB may consider internal transfer or promotion. Such an arrangement will not only provide staff members with career

advancement opportunities, but also enhance staff morale and sense of belonging. For internal promotion or external hiring for General Manager and above positions and for internal promotion to senior manager position, approval of the Staff & Finance Committee is required. Moreover, depending on the level of these positions, approval of HKTB Chairman or HKTB Board member will also be required.

Where there is a need for external recruitment, the HKTB will consider different recruitment channels, including placing advertisements in newspapers and recruitment databases on the Internet, employment agencies, search firms and advertising on the HKTB web pages, as well as internal advertising. Irrespective of the sourcing channel, the HKTB adopts a structured selection and decision process approved by the Board. For General Manager or above, the recruitment and selection will need to be approved by the Board.

The number of newspaper advertisements placed by the HKTB from 2003/04 to 2005/06 was 66, 78 and 151 respectively. The numbers included repeated advertisements for the same position. To effectively manage the resourcing needs, an applicant may be referred to apply for other similar positions within the HKTB. As such, the number of newspaper advertisements may not accurately reflect the staff recruitment situation. Advertisement is only one of the many channels for identifying suitable candidates. As a matter of fact, for some positions, for instance the senior positions in Band A and B, the chance of sourcing the right candidates through advertisements is relatively low, given such factors as the supply of relevant expertise in the market and the prevailing market practice for recruiting senior positions. As such, the HKTB will conduct the recruitment through search firms or employment agencies.

4. The HKTB received additional funding of \$379 million to implement the “Global Tourism Revival Campaign” (the Campaign) between June 2003 and March 2005. In implementing the Campaign, there was no discrepancy between the actual total expenditure and the approved funding. Following the Severe Acute Respiratory Syndrome (SARS) outbreak, there were major changes to Hong Kong’s social-economic conditions, as well as the global market situation. The HKTB needed to adjust its marketing programmes flexibly in response to market developments. During this period, the HKTB closely monitored the developments and recovery, as well as the speed of revival of different source markets, and adjusted its marketing strategies accordingly so as to maximise the Campaign’s effectiveness and attract visitors to Hong Kong as soon as possible. With special privileges and discounts extended to

visiting travel trade and media guests by the local hotel and airline industries, the actual expenses on travel trade and media familiarisation visits were considerably lower than expected.

Following the implementation and progressive extension of the Individual Visit Scheme from four cities in Guangdong Province in July 2003 to 34 Mainland cities in March 2005, the HKTB also needed to adjust its marketing strategies to cope with the latest development. For example, the HKTB extended its promotions and publicity, which were concentrated in Beijing and Shanghai at the beginning, to other provinces and cities, such as Jiangsu and Zhejiang. To further capitalise on the opportunities, the HKTB re-deployed its resources so as to implement more image-building campaigns, including two regional promotions at the latter stage, to reinforce Hong Kong's position as a "must-visit" destination.

The additional funding was used entirely on the Global Tourism Revival Campaign, and the HKTB has absolutely not reserved any amount as special award to staff members. The special award was funded by the specific provision included in the staff cost budget in 2004/05. The provision was part of the Government baseline subvention for the HKTB. It was a one-off provision and not a recurrent provision.

- 5A The existing staff benefits of the HKTB, including medical benefits, are based on the recommendations of the 2004 Staff Compensation and Benefits Study, and benchmarked against the market. The medical coverage provided to each employee differs accordingly to the bands of the staff. Medical coverage is extended to family members of all headcount employees. Provision of medical coverage by grade is illustrated as follows –

	Maximum Coverage			
	Plan A (Applicable to Band A Staff) (HKD)	Plan B (Applicable to Band B Staff) (HKD)	Plan C (Applicable to Band C Staff) (HKD)	Plan D (Applicable to Band D Staff) (HKD)
<u>Hospitalisation Coverage</u>				
Room & Board per day	1,800	1,300	1,100	700

Maximum Length of Stay (days)	90	60	60	60
<u>Out-patient Coverage</u>				
General Consultation	340	280	200	200
No. of Visits per year	30	30	30	30

5B The medical insurance cost for the Head Office in the past five years:

01/02	\$1,749,978
02/03	\$1,416,324
03/04	\$1,476,931
04/05	\$1,500,220
05/06	\$1,600,751

Changes in medical insurance costs are caused by a number of factors, including the number of staff and their family members (for instance, the significant reduction in cost in 2002/03 was due to the reduced staff force after the organisation restructuring in 2001/02), changes in insurance premium and claim ratio.

6. The composition and level of the remuneration packages of the HKTB Executive Director and the senior management were comprehensively benchmarked against the market both in the Government's review of the statutory bodies in 2002, and the HKTB's Compensation and Benefits Study completed in 2004.

The remuneration mainly comprises fixed and variable pay components. The performance-based variable pay component within the remuneration package is referenced against the Key Performance Indicators (KPIs) and other objectives as set out in the annual business plan, for instance the commissioning of researches and based on the findings of the researches to draw up and achieve the objectives of developing particular segments,

or to strengthen the promotion strategy for a particular source market and achieve diversification of source markets etc.

With effect from 2006/07, the Board has approved a new performance measurement framework applicable to all staff, including the Executive Director. The framework assesses staff performance in achieving the four KPIs, namely visitor arrivals, visitors' length of stay, spending and satisfaction level. In addition, it takes into account the benefits to the tourism-related sectors, infrastructure and process development, and talent management.

7. To recognise staff performance and efforts in instigating the post-SARS tourism revival campaign, which led to rapid recovery of the tourism industry, the HKTB Board, based on the endorsement of the Staff & Finance Committee, approved in 2004 a one-off performance-based award in 2004/05 to staff members, among which 80% were eligible to receive. The sum granted ranged from 0.15 to 0.50 month of the monthly salary of the eligible staff members, with the majority receiving 0.15 month of their monthly salaries. Total payout of the award amounted to \$1.75 million.

The criteria for eligibility included:

- Staff members must have completed at least 6 months of service as at the end of 2003. Payment was pro-rated if the service was less than 12 months in 2003.
- Staff ranked on Band 3 performance or above (out of a 5-band performance ranking)

Band	No. of Staff Eligible for the Performance-Based Award (Head Office and Worldwide Offices)
A	10
B	45
C	99
D	63
Total	217

The expenditure was funded by the HKTB's baseline subvention for which specific provision was made in the 2004/05 staff cost budget, and

was absolutely not funded by the additional funding for the post-SARS tourism revival campaign.

Hong Kong Tourism Board
Tourism Commission, Economic Development and Labour Bureau
October 2006