

For discussion on 11 November 2013

Legislative Council Panel on Education

**Award of “special one-off performance-based incentive” to staff by the
Hong Kong Examinations and Assessment Authority**

A paper on the “special one-off performance-based incentive” in 2012/13 of the Hong Kong Examinations and Assessment Authority (HKEAA), prepared by the HKEAA, is attached.

Education Bureau
November 2013

Award of “special one-off performance-based incentive” to staff by the Hong Kong Examinations and Assessment Authority

Purpose

This paper sets out the background and detailed information of the “special one-off performance-based incentive” (“special incentive”) of the Hong Kong Examinations and Assessment Authority (HKEAA) awarded to staff in 2012/2013.

Corporate Governance of HKEAA

2. HKEAA is a statutory body established in 1977 under the HKEAA Ordinance (HKEAAO) (Cap. 261). Its statutory responsibility is to conduct the Hong Kong Diploma of Secondary Education (HKDSE) Examination. HKEAA also runs a number of assessments including the Territory-wide System Assessment and Language Proficiency Assessment for Teachers, and a range of professional and international examinations. It is governed by a Council with members drawn from various sectors, including tertiary institutions, schools, business and the Government. The Council appoints standing committees to support governance in particular areas. These committees discharge their responsibilities in accordance with the prescribed terms of reference. Working groups and sub-committees will be appointed to take on particular tasks as and when required.

Funding Sources of HKEAA

3. According to Section 9 of the HKEAAO, the resources of HKEAA consist of the fees paid by candidates sitting the public examinations or taking other examinations or assessments conducted by HKEAA, payments received for services rendered by HKEAA, subsidies provided by the Government to assist towards the cost of conducting public examinations, etc. HKEAA operates on a self-financing basis and does not receive any recurrent subvention from the Government. As HKEAA is the only statutory body responsible for administering the HKDSE Examination and a strategic partner of the Government in providing quality education and support to the new senior academic structure, the Government will provide non-recurrent grants to HKEAA for launching special and non-recurrent initiatives related to the public examinations if there are sound justifications. HKEAA will bear the costs for the

recurrent maintenance/updating of their facilities and premises. To ensure the financial stability of HKEAA, it is necessary to maintain a certain level of reserve for the future development of public examinations and service enhancement as well as to cater for any fluctuation in annual income due to unforeseen circumstances.

Staffing of HKEAA Secretariat

4. The daily operation of HKEAA is supported by the HKEAA Secretariat. It is headed by the Secretary General and employs around 400 full-time staff.

Pay Structure of the full-time staff of HKEAA

5. When the HKEAA was established in 1977, the employees of the HKEAA Secretariat had been offered compensation packages that were directly linked to the civil service practice. All civil service related benefits including the different types of allowances were available to the employees.

6. In 2005, the HKEAA commissioned a human resources consultant to conduct a study on the pay structure of HKEAA. Having studied more than 10 non-profit driven organizations requiring similar expertise or providing similar professional services, the consultant developed and recommended the Annual Guarantee Cash (AGC) structure for HKEAA. The essence of the AGC structure is to abolish all civil service related benefits and pay practices such as annual increment which is to be replaced by a performance-driven annual pay review mechanism that follows market pay and benefit practices. Specifically, variable pay based on performance should be adopted to enhance the market competitiveness in salary in order to attract staff of the right calibre.

7. Having considered the consultancy report, the Council endorsed in October 2005 the recommendation that the pay package of the Secretariat staff should be determined by the new AGC structure. All new appointments and re-appointments of the Secretariat staff have been offered AGC pay with effect from 1 September 2006. There was a grace period of five years, up to August 2011, during which the existing employees remunerated under the civil service structure would be given the chance to opt into the AGC structure. The whole conversion exercise was completed on 1 September 2011.

Annual Pay Review Mechanism

8. In the last quarter of every year, the Human Resources Committee (HRC) (responsible for advising and making recommendations to the Council on overall human resources strategies, compensation and benefits policies and any issues related to human resources management of HKEAA) will conduct a review on the annual pay adjustment to be taken effect in January of the next year and the staff salary expenses after taking into account the overall performance and financial situation of the HKEAA. Based on the recommendations of the HRC, the Council will decide whether there is a need for annual pay adjustment and approve the budget and the rate of adjustment .

9. Annual pay adjustment consists of two components, i.e. general pay adjustment and performance-based incentive. For general pay adjustment, it will be awarded to employees with performance that is at least at generally acceptable level (i.e. the second level on an ascending six-band ratings). The rate of adjustment will further be differentiated by the performance ratings attained, the better the performance, the higher the salary adjustment rate. The general pay adjustment takes effect in January of the year following the performance appraisal period ending in August. For the performance-based incentive, it was first awarded in 2009 to employees appraised in the period from September 2007 to August 2008. It is only provided to employees with performance at the top two levels of the six-band ratings . Performance-based incentive is paid in two equal installments in February and August in the following year of the performance appraisal cycle. For both general pay adjustment and performance-based incentive, employees with less than twelve months of service as at the effective date of the pay adjustment will receive pro-rated entitlements. Employees with three months of service or less will not be entitled to the general pay adjustment and performance-based incentive.

Special one-off performance-based incentive

10. The award of a “special incentive” in 2012/2013 was a one-off special arrangement. Due to the change of academic structure, HKEAA had to administer the first HKDSE Examination and the final Hong Kong Advanced Level Examination (HKALE) concurrently in 2012. The successful delivery of the HKDSE Examination is critical to the successful implementation of the new academic structure and the prospects and future of the candidates. The achievement of this relies upon the abilities, experience and professional knowledge of the HKEAA’s employees as well as their dedication and commitment.

11. Since 2009, there had been an increasing trend of staff turnover rate and the turnover rate kept at a high level of 13.3 % in 2011 and 9.9% in 2012. Details of staff turnover are given in Annex. The emerging issue on employee attrition would very likely affect the operation of the two public examinations which relied upon a stable, dedicated and experienced pool of talent with the relevant professional knowledge. The Council expressed grave concern about the effect of the staff turnover on the smooth implementation of the new HKDSE in 2012 and tasked the HRC to urgently review the issue. It was considered that staff retention and workforce stability was critical to HKEAA than ever with a view to ensuring a smooth delivery of the HKDSE Examination.

12. In late 2011, the HRC discussed in several meetings that apart from other measures in promoting staff morale and retain talents such as long term strategies on training/development and career planning, a special one-off award of performance-based incentive could be considered to ensure that an adequate number of experienced staff would be retained in the critical period in 2012 to implement the two large-scale public examinations. Riding on the existing performance incentive scheme under the HKEAA's annual pay review, the HRC deliberated that a one-off enhancement to the existing performance incentive scheme be recommended for the Council's consideration. Apart from the staff with the top two levels of a six-band ratings who are eligible for the existing performance incentive, the "special incentive" would be extended to staff with performance ratings at the top third and fourth levels. The HKEAA Council, after consideration of the special circumstances and the challenges of staff turnover encountered by the HKEAA, approved in principle the "special incentive" in 2012/2013 in December 2011. The Council also directed that the final decision on the award of the "special incentive" should be reviewed by the Strategic Development Committee (SDC) (responsible for conducting preliminary review and evaluation of the HKEAA's strategic and business plans and making policy recommendations to the Council) before submission to the Council for its approval in August 2012. Two staff meetings were held in January 2012 informing the staff about the proposed one-off "special incentive" arrangement.

13. Upon the completion of the public examinations in 2012, the Council, on receiving the recommendation of the SDC and after reviewing the overall performance and financial status of HKEAA in August 2012, approved the award of a "special incentive" to staff with satisfactory performance in the 2011/12 annual appraisals. The level of incentive to be paid to the eligible staff is a factor of monthly base salary according to the staff's performance rating. The factor of adjustment is applicable to all staff of the same performance rating irrespective of their establishment grade. The

higher the performance rating, the factor for the “special incentive” provided will be higher. As the provision of performance-based incentive is a factor of the staff’s base salary, for the same performance rating, employees with a higher base salary will receive a higher performance-based incentive. The incentive was paid in two installments, in November 2012 and April 2013 to the staff. Around 400 staff, roughly 90% of the HKEAA employees, received an incentive of about half a month’s salary on average.

Conclusion

14. The “special incentive” is a one-off arrangement to boost staff morale and retain talent to ensure that an adequate number of experienced staff would be available to implement the HKDSE Examination and the HKALE concurrently in 2012. The arrangement, together with other measures in promoting staff morale, managed to slacken the staff turnover rate and maintain a stable workforce in HKEAA for delivering the 2012 HKDSE Examination smoothly. As a self-financing statutory body governed by the Council, HKEAA is prudent in its financial management including its remuneration-related policy and will continue to maintain the provision of reliable and quality examination and assessment services.

Hong Kong Examinations and Assessment Authority
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Annex

Staff Turnover Rate of the Hong Kong and Examinations Assessment Authority from 2009 – 2013

Establishment of Staff	2009	2010	2011	2012	2013 (up to 30 September)
Management Grade	1	1	0	4	1
Manager Grade	6	8	9	5	5
Professional / Supervisory Grade	11	16	26	20	14
General/Support Grade	13	18	22	15	14
Total number of leavers	31	43	57	44	34
Turnover Rate %	8.3%	10.9%	13.3%	9.9%	8.1%