

**Comments on the Civil Service Starting Salaries Review 1999
Prepared for the LegCo Panel on Public Service**

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Objectives

The principal objective of the Hong Kong government's civil service pay policy is to offer sufficient remuneration to attract, retain, and motivate staff of a suitable calibre to provide the public with the goods and services they require from the government efficiently and effectively. Such remuneration should be regarded as fair both by civil servants and by the public they serve. Recognizing that the government competes for labour with the private sector, the government has also accepted that civil service salaries should be broadly comparable with those in the private sector.

These objectives are entirely appropriate for a civil service that operates in a market economy. Indeed, they are adopted by virtually every government around the world.

Civil service pay is one component of the government's reward system. Reward systems are designed to attract suitably talented people and then to build and maintain their commitment and enthusiasm in pursuit of organization goals. For many employees, especially white-collar workers, the reward system also includes intrinsic elements, such as recognition, sense of achievement, and so forth. White-collar workers make up a substantial part of the civil service. The government needs a comprehensive rewards policy that takes pay as only one component. Increasing flexibility and the capacity to re-design jobs to meet these strategic objectives should also be vigorously pursued.

The Starting Salary Review, 1999

Objectives The review was designed to address wide spread concerns expressed by the public that starting salaries in the civil service were too high. This was especially true, many believed, during a period of negative growth, deflation, pay cuts in the private sector and rapidly growing unemployment.

The review was limited in several fundamental respects. It did not question the existing occupation groups within the civil service nor did it question existing pay relativities. These limitations were specified by the government.

Methodology Generally, the methodology employed was acceptable. A relatively large number of companies engaged in various businesses were surveyed. (I

note, however, that some NGO-type organizations were included in the Review [eg YMCA of Hong Kong, HK Tourist Association, and HK Baptist Hospital]. Are they not dependent on government pay adjustments to set their own pay?)

The review used an established method (educational qualifications) for arriving at its conclusions. Other methods could have been used. The review could also have compared entry level jobs using a factor evaluation method. Such a comparison might have revealed the extent to which entry level jobs in the private and public sectors carry similar levels of responsibility, difficulty, complexity, and so forth that might justify pay differentials.

Conclusions The review confirmed the public perception that starting pay for civil servants was in many cases higher than in the private sector. The government proposes to lower entry point pay for new recruits and moreover to de-link entry point pay from the annual pay trend exercise. Before the entry point pay is lowered, however, wastage, vacancy, and turnover data should be examined for each grade. If the number of vacancies is high in spite of apparent 'too high' starting pay, then the government should examine the reward/incentive structure for the grade as a whole.

The review also recommended that further action be taken including an examination of grades with special recruitment and retention difficulties, the holding of more frequent reviews, reviewing the possibility of reducing the number of occupation groups, reviewing the rationale for current internal relativities, and reviewing salary levels above entry level to see whether they are also too high.

Conducting piecemeal reviews of these specific items may not address the larger question of the appropriateness of the civil service reward structure as a whole. I suggest that a large scale review of the entire reward system be conducted that *could* consider abolishing uniform service-wide pay grades and permitting departments to set their own pay levels within spending ceilings set by the Finance Bureau. This would permit some departments to pay more for executive officers than other departments, for example. If EOs wished to move to the higher paying departments they could apply and be considered like any other member of the public. Such a system would be facilitated by government proposals to replace the pension system with a portable gratuity system. Such a system would help to ensure that civil service salaries were in line with market conditions and could overcome localized recruitment and retention problems. Departments could tailor their reward and compensation packages to the specific recruitment and retention problems they faced. Such a review should *not* be conducted by the Standing Commissions, which by their terms of reference, take only a piecemeal approach to the problem.

The government has proposed pay packages for recruits at entry ranks. The proposal is entirely acceptable while we wait for a more comprehensive review of the entire reward system. However, before any action is taken, the views of staff should be carefully considered. Action on pay should not be allowed to undermine staff morale.

Further Implications

Permit me to comment on some of the implications of the Standing Commission's Report for the existing compensation system.

(i) If the government wishes to encourage more flexible deployment of its existing human resources, government should try to facilitate civil service transfers. I recommend that civil servants transferring into a new grade be rewarded at or above their current reward level. That is, they should not be penalized for transferring to a new grade. This issue should be discussed in detail with staff to win their agreement to modified proposals.

(ii and iii) Pay for the disciplined services and the judiciary should be set according to the overriding principle of 'pay sufficient to attract, retain, and motivate staff of a suitable calibre' to accomplish the government's mission. Before pay for the disciplined services or the judiciary is changed, the wastage, vacancy, and turnover rates for entry-level positions and, indeed, whole grades should be examined very closely. If there are recruitment and retention problems, the entire reward system should be examined, including but solely confined to, entry level pay.

(iv) Again, the same principle should apply for non-civil service contract staff, namely that pay should be sufficient to attract, retain, and motivate staff of a suitable calibre to accomplish civil service goals. More flexible reward packages may be offered to non-civil service contract staff while we await the outcome of a more comprehensive review of the entire civil service reward structure.

(v) Again, the same principle should apply for staff of subvented organizations, namely that pay should be sufficient to attract, retain, and motivate staff of a suitable calibre to accomplish the goals of the organization. I note that the government proposes that terms and conditions for these organizations should not be better than that of the civil service. I fully concur with this view. Wastage, turnover, and vacancy rates should be examined closely before any decisions are made in this area as well.

Conclusion

I recommend, therefore, that the government carry out a comprehensive review of the entire civil service reward structure at an early date. It should include surveys of the opinions of civil servants and well as surveys of the private sector.