

香港中文大學經濟系的信頭

**Letterhead of THE CHINESE UNIVERSITY OF HONG KONG**

Miss Salumi Chan,  
Clerk to Panel  
LegCo Panel on Public Service  
Legislative Council  
Legislative Council Building,  
8 Jackson Road, Central  
Hong Kong

*Via fax and mail 2869 6794*

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Dear Miss Chan,

**Civil Service Starting Salaries Review 1999**

Thank you for your letter of July 29, 1999 (CB1/PL/PS), asking me to give views on the captioned. I hereby have pleasure in providing you with my views as follow.

I agree to the basic principle of the report that civil service pay should not be allowed to deviate too much from that of the private sector. The reason is not that the government should save public spending, as some people have argued, but rather that the best and brightest workers should stay in the private sector and create wealth for Hong Kong. In the free market economy of Hong Kong, government work is much less productive than private sector work.

Concurring with the basic philosophy of the Report does not mean that I agree to the pay mechanism that is being proposed. In fact, I find the proposed mechanism fundamentally flawed. Let me explain in the following.

Under the present proposal, the pay mechanism will embody three elements. They are:

1. A rigid master pay scale
2. Pay by seniority (one increment for every year served)
3. Regular (expected to be triennial) review of starting salaries to stay in line with private sector pay (Para.5.5 of Standing Commission's Report)

The first two elements have been in existence for a long time, while the third is newly inserted. In combination however, these three elements give rise to a perverse pay

mechanism. The problem is best illustrated by an example. Suppose a worker is newly recruited as an EO II. Starting salary under the present proposal is MPS 12. A colleague who entered one year earlier and started at MPS 17 is already at MPS 18. The new recruit needs to work six years to reach the older colleague's present salary. Yet their job nature and responsibility may be largely similar. Besides this fairness issue, there is a much more serious flaw in the system. Ignoring pay trend adjustment in the ensuing years, suppose three years later benchmark review suggests an upward adjustment in starting salaries - say as a result of another boom in the economy. Suppose the starting salary is adjusted from MPS 12 to MPS 15. The recruit in question, who by that time is at MPS 15, will have the same salary as a new recruit of that year. In other words, three years of seniority would amount to nothing.

To restore the mechanism's viability, one of the three elements has to be removed. In the old system, (3) does not exist. If (3) is in place, as proposed by the Report, then either (1) or (2) must go. Removing (1), i.e. keeping (2) and (3) only, will result in a system which is similar to those adopted by many large private organizations. In such a system, although seniority is a criterion for pay rise, the amount of pay increase is flexible. Removing (2), i.e. keeping (1) and (3), will result in a system that allows pay increases according to job performance. This system is in line with the Bureau's earlier proposal to link pay with performance. If the present proposal concerning starting salaries is to take effect, an effective "pay for performance" scheme has to be up and running in the first place.

Yours sincerely,

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