

## CHAPTER TWO

### GENERAL CONSIDERATIONS

(This Chapter comprises two parts. The basic principles against which we review individual grades are summarized in Part one. Part two sets out our general observations arising from the review of individual grades so far)

#### I. Basic Principles

2.1 In our First Report on the 1989 Salary Structure Review, we have set out the general principles and practices against which individual grades are to be reviewed. There have been few negative reactions from staff or departmental management. These principles and practices appear to have been generally well received and will be applied in the review.

#### Objective of Pay Policy

2.2 We have affirmed that the objective of civil service pay policy should be to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service. Such remuneration should be regarded as fair not only by civil servants but also by the public which they serve. Within these parameters, and certainly in assessing fairness, broad comparability with the private sector is an important consideration.

#### Internal versus External Relativities

2.3 We are aware that many arguments on civil service pay are based on internal rather than external relativities. While comparisons with the private sector provide pertinent and useful information about levels of pay, we have also given due weight to internal relativities in formulating our recommendations. In many instances, we have had to strike a suitable balance between considerations of internal equity and external comparability as they are not always compatible.

## Human Resources Management

2.4 We have stressed that the objective of maintaining an effective and efficient civil service cannot be achieved solely by pursuing an appropriate remuneration policy. Other aspects of human resources management need to come into play as well. They include effective management systems and practices, positive staff relations, progressive staff training, proper career development and so on. As we shall highlight later in this Chapter, our recommendations on the salary structure of a grade are but one part of the package that needs to be introduced in order to resolve the problems of the grade.

## Qualification Benchmark System

2.5 We continue to apply the qualification benchmark system to determine pay relativities between grades. In essence, this system groups all grades with broadly similar appointment qualifications and job weights (see note) under a qualification group in which a common pay structure prevails. From the representations received, it is obvious that this system has been widely accepted by staff and management as a fair and transparent framework in defining the civil service pay structure.

2.6 There are three basic elements in the system :-

(a) Pay for the job

The rate for a job is assessed on the basis of its job weight, working conditions and other relevant factors.

(b) Qualifications

The level of qualification required for a job is the minimum level considered necessary for the competent performance of the job. Qualifications over and above this minimum level do not attract additional pay unless they are stipulated specifically as an additional requirement for entry to a grade.

Note : 'Job weight' refers to the value of a job as reflected collectively by the skill and experience required, the complexity of work, the intensity of effort and the responsibility carried by the job.

(c) Broadbanding

Minor differences between grades in job content are not reflected in the pay scale.

2.7 For each qualification group, a benchmark (see note) associated with the minimum level of qualification required for appointment to grades in the group is determined. The starting pay of entry ranks in the group is set by reference to this benchmark, having regard also to other factors relating to the nature of the job.

2.8 Minor job differences between grades in the same qualification group are not reflected in the pay scale, but significant variations are taken into account in fine-tuning the relevant pay scales. There are broadly three categories of fine-tuning factors :-

- (a) entry requirements exceeding the group benchmark qualification;
- (b) duties extraneous to or responsibilities over and above those normally expected of equivalent ranks in the group; and
- (c) conditions of work substantially more onerous than the group norm.

A detailed description of these factors can be found in paragraphs 4.22 to 4.75 of the First Report.

Relevant Factors

2.9 We have received enquiries from staff and management seeking clarification of the circumstances under which a job factor is considered relevant for the award of additional pay. In essence, a relevant factor should be inherent in duties constituting an appreciable part of the normal work of officers in that rank, instead of being incidental to or constituting only a small part of their duties. If it is related to hardship, the degree of hardship vis-a-vis what is regarded as a reasonable demand on the staff concerned should also be taken into account. The form of compensation may be either an adjustment to the pay scale or an allowance. If a relevant factor applies to most staff in the rank, consideration should be given to adjusting the pay scale, instead of paying each officer an allowance. We give an example below to illustrate how the system works.

Note : 'Benchmark' is defined as a level of pay, determined by reference to a point in the pay scale, considered to be broadly appropriate at the entry level for jobs performed by grades in a particular qualification group.

2.10 Officers in a particular rank have to work on shifts during unsocial hours frequently and regularly. This element should be recognized in pay determination. If only a small number of staff are affected, they are paid an allowance. If more than 75% of the staff in that rank are actually undertaking such regular shift work, the rank scale is usually adjusted. It should be noted that the 75% rule is not a hard-and-fast arrangement and there are cases where paying an allowance is still appropriate.

#### Overlapping Pay Scale

2.11 As stated in paragraph 4.85 of the First Report, we endorse the application of overlapping pay scales, where appropriate, to the salary structure of individual grades, particularly in cases where a relevant job factor is applicable only to the lower of two consecutive ranks in a grade. Where an overlap in the pay scale is provided, an officer on promotion should convert to the salary point in the promotion rank next above his existing salary.

#### Job Evaluation

2.12 We feel that, in the long term, job evaluation might be a desirable process to determine the relative job weights of different grades. As stated in the First Report, however, we have decided against using this approach in the current review. Our reasons are three-fold. We are conscious of the general desire to complete the review as expeditiously as possible. We also consider it paramount to conduct thorough consultation with staff on the methodology for any such exercise. Moreover, there may be a need to develop expertise to carry out the task and this would introduce delay. In the circumstances, we have adopted the existing civil service pay structure and pay relativities between grades as the starting point in the review of individual grades. We reiterate, however, that job evaluation is important and should be examined further in the future.

#### Separate Pay Scales for Individual Grades

2.13 We have examined carefully the case for providing separate pay scales for grades which experience particular difficulties in recruiting or retaining staff. We recognize that suitable measures need to be taken to tackle the problems affecting these grades. In our view, however, to introduce pay scales separate from the common structure would have serious repercussions on the rest of the civil service. It would lead to arguments about relativities between grades and could result in disintegration of the entire system. We emphasize that each case is considered on its merits and flexibility is exercised, where warranted, within the system to deal with particular situations.

### Omitted Points

2.14 In the First Report, we have affirmed that omitted points are useful in tackling recruitment and retention problems. In our recommendations for individual grades, we have omitted points from pay scales wherever appropriate.

### Problems Connected with Entitlement to Housing Benefits

2.15 At present, salary points are used as the basis for determining entitlement to housing benefits. This arrangement has constrained the revision of the pay scale of a rank to take account of job factors or other relevant considerations which justify extending the pay scale but not the additional housing benefits. To overcome this difficulty, we have suggested in the First Report that eligibility for housing benefits, particularly private tenancy allowance (PTA) and non-departmental quarters (NDQ), should not be determined purely by reference to salary levels. Instead, it should be related to the nature and level of responsibility exercised by the officer as well as to his status in the civil service hierarchy. In this way, the job features of those ranks ineligible for a housing benefit but justifying additional pay can be given due recognition in salary terms.

2.16 To enable us to come to a definitive recommendation on this issue, we have invited staff and management to give us their views on the proposal. Over 70 submissions from departmental management, staff associations and individual officers have been received by the Administration and ourselves on this subject following the publication of the First Report.

2.17 The majority of these submissions support our proposal. We note, however, that the Staff Side of the Senior Civil Service Council has expressed some reservations over its form. While agreeing that job factors applicable to a particular group of staff should be given due recognition in their remuneration without necessarily involving eligibility for housing benefits, it argues that payment of an allowance would be more appropriate. It considers that the existing practice of using salary cut-off rules for eligibility for PTA and NDQ should be retained.

2.18 In our view, the payment of an allowance is not the appropriate form to recognize job factors which apply to an entire rank or grade. It is also not in the best interest of the staff concerned.

2.19 Having regard to the views we have received on this subject, we believe there is strong justification to put forward the proposal as a definitive recommendation. However, to avoid the confusion whereby two officers on the same salary point have different entitlements to housing benefits, we propose a different system of designation for the new salary points. Where a rank scale is extended beyond MPS 37 or 47 in recognition of job factors but officers of the rank remain ineligible for the specific housing benefit, the extended points should be designated as MPS 37A, 37B and so on or MPS 47A, 47B and so on. The dollar value of these special points would be identical to the corresponding points on the Master Pay Scale, e.g. MPS 37A will have a value equivalent to MPS 38, MPS 37B to MPS 39. Under the new system the existing salary cut-off rules for housing eligibility will be retained in practical terms : so long as the pay scale of an officer incorporates the salary point designated as the threshold for entitlement, he would become eligible on reaching that point.

2.20 We understand that the Administration is reviewing separately the existing housing benefits for the civil service. We recommend that, where appropriate, the new system should also apply to any new housing benefits package to be introduced in the future.

#### Conversion Arrangements

2.21 Where a pay scale is revised as a result of our recommendations, there is a need to convert the salary point of each serving officer to the new scale. In general, the existing conversion arrangements set out in Appendix G should continue to apply. Special conversion arrangements are necessary, however, to cater for special circumstances such as when the revision is related to a change in structure, e.g. a variation in the number of ranks in the grade, or when the grade is to be paid from a different scale, e.g. from Model Scale 1 to the Master Pay Scale, or when the pay spine, e.g. the Master Pay Scale, is modified. These special conversion arrangements should be drawn up by the Administration unless they are specified along with our recommendations. The Administration should also draw up the conversion arrangements for cases involving new or re-positioned omitted points and for cases where incremental credit is given to recruits with relevant previous experience.

## II. General Observations

### Package Solution

2.22 We have mentioned in paragraph 2.4 that the problems of each grade ought to be tackled from the wider perspective of human resources management, rather than only from the limited angle of salary adjustment. In particular, management should be alert and responsive to changes and introduce corresponding adjustments to the grade's organisation, functions, staffing, working conditions and so on. Management should also be aware of and take suitable measures to meet the reasonable aspirations of staff in such aspects as job satisfaction, training, career development and advancement. In the paragraphs below, we comment further on some of these issues.

#### (a) Promotion prospects

2.23 Staff attach great importance to career prospects. The dissatisfaction that has been most frequently expressed by staff in this review is the inadequate opportunities for promotion. While we fully understand their aspirations, we must point out that to create posts solely for providing civil servants with promotion is neither justified nor financially acceptable. On the other hand, management should be responsive to changes in their operational requirements and make necessary changes to the staffing structure which may result in greater opportunities for staff development and advancement. In our review, we have noticed that some of the problems with particular grades would have been abated had sufficient attention been given to them by the management when they first arose. We have also come across some apparent cases of excessive rigidity in applying the functional-need principle in examining proposals for the creation of promotion posts. We reiterate the point made in paragraph 6.45 of our First Report that management should exercise suitable flexibility in the application of this principle. For instance, regard should be given to the complexity of the work involved, to whether there is a need to operate independently, to the amount of supervisory responsibility entailed and to a proper span of control of subordinates.

2.24 In the Commission's First Report on Principles and Practices Governing Civil Service Pay (Report No. 1 submitted in July 1979), we commented upon the undesirable situation where civil servants were sometimes required to act in promotion posts for far too long. We recommended therefore that, wherever possible, a civil servant should be advised as to whether his acting appointment was for

administrative convenience, or with a view to establishing his suitability for promotion. We observe that there are still cases where this is not done or in which the acting appointment has been unduly long, albeit for administrative convenience. In our view, unless there are overriding reasons, it is improper to appoint a person to act in a higher rank for a protracted period of time. If he proves to be not yet ready for confirmation to the rank, he should revert to his substantive rank after a reasonable period of trial. If his suitability is established, he should be confirmed in the rank as soon as possible. We also recommend that, where appropriate, promotion exercises should be conducted more frequently, and not necessarily only once a year, with a view to reducing the need for and the length of acting appointments.

(b) Manpower planning

2.25 We take the view that management should monitor closely their manpower needs in the light of future expansion plans as well as the long-term market supply and demand of persons with the required qualifications or skills. In the event of an anticipated shortage, positive measures should be taken in good time to address the problem either through enhancing in-house training capacity or by liaising with educational institutions with a view to increasing the supply of candidates.

2.26 In addition, management should keep under regular review the level of qualifications or skills required of their staff to keep pace with developments in technology and changes in responsibilities. There is also a need to keep up-to-date job descriptions of the various ranks of each grade.

2.27 On the other hand, we note that in recent years, there is a tendency for tertiary institutions to upgrade courses to a higher level, say, from higher diploma to professional diploma or degree. Where the Government is a major employer of graduates of these courses, such a move may result in a mismatch in the supply and demand for the graduates unless the civil service grades concerned correspondingly upgrade their appointment qualifications, which may not be always justified. To avoid this, we recommend that there should be better coordination among the relevant bodies, including the policy branches and the departments concerned, the tertiary institutions and the University and Polytechnic Grants Committee, in determining manpower requirements and the proper level of training.



(c) Brain drain

2.28 The information received by us indicates that emigration is a factor contributing to the recruitment and retention difficulties of some grades. The aspiration to emigrate is probably a matter beyond the control of grade or departmental management. Neither can the issue be effectively dealt with solely by improving remuneration. We note with approval that some departments are tackling it by recruiting former Hong Kong residents from overseas. We also support the provision of more opportunities locally for specialized training as it is conducive to retaining staff who currently must go abroad to receive such training.

(d) Delegation of authority to departments

2.29 Some of the staffing problems identified in this review appear to be the result of rigidity in applying established rules and over-centralization of decision-making. The procedures involved in paying the overtime honorarium and in granting increments for relevant previous experience are two ready examples. We recommend that the Administration should review these rules and procedures with a view to delegating the authority to heads of departments as far as practicable.

Titles

2.30 We have received a number of requests from staff for changes in the title of their grades or ranks. While we consider that changes in title generally should be left to the department concerned in consultation with the Civil Service Branch, we have recommended revising some titles to better reflect the responsibilities of the ranks concerned or to achieve a more consistent pattern within the qualification group. In general, the Administration should examine further existing titles with a view to rationalizing them.

Flexibility in Provision of Fringe Benefits

2.31 We recognize the existence of a gap between the cost to the Government of some fringe benefits and the perceived value of those benefits to staff. In the First Report, we have recommended that this gap should be narrowed and that as a first step, the Administration should explore the feasibility of making the provision of benefits more flexible. In this connection, we note with keen interest the benefits package proposed for the staff under the future Hospital Authority. We shall be following closely the development of this proposal.

### Hospital Authority

2.32 A considerable number of civil servants, notably the medical and paramedical staff serving in the public hospitals, will come under the Hospital Authority when it is set up later this year. We have noted that the Provisional Hospital Authority (PHA) has been concurrently reviewing the management structure of hospitals and developing a remuneration package for staff under the future Hospital Authority. We have therefore sought clarification from the Administration of the relationship between the Commission's current review and the PHA's work in respect of the salary structure of those grades affected by the establishment of the Hospital Authority. We have been advised that it would be appropriate for us to review and determine their salary structure on the basis of the existing organizational arrangements in parallel with the exercise of the PHA. Moreover, the salary structure devised by the Commission would be adopted initially by the Hospital Authority.

2.33 We have also been concerned about the implications of the proposed flexible benefits package to be offered to employees of the Hospital Authority on the medical and paramedical staff in the public health stream who are to remain in the civil service. As the matter involves some fundamental policy issues partly outside our ambit, we have invited the Administration to comment on the problems identified and have been assured that they would be examined thoroughly in the context of the establishment of the Hospital Authority.

### Effect of Annual Pay Adjustment

2.34 In some of the representations from staff, the suggestion has been made that there has been no increase in the salary of their grade in the past ten years or so because their pay scale has not been 'revised' during the period. This is a misconception. Through the mechanism of the annual pay trend adjustment, civil servants by and large do receive real increases in pay apart from cost-of-living adjustments. As an illustration, over the ten-year period 1979-1989, the Consumer Price Indices registered the following average annual increases :-

Consumer Price Index (A)	9.0%
Consumer Price Index (B)	9.0%
Hang Seng Consumer Price Index	9.8%

In the same period, the annual civil service pay adjustment for the Lower, Middle and Upper Bands (see note) averaged 12.75%, 11.95% and 11.61% respectively.

#### Temporary Allowance

2.35 In the First Report, we have recommended the payment of a temporary allowance to ease the recruitment and retention problems facing individual grades identified by the Administration. This allowance is meant to be a stop-gap relief measure pending scrutiny of individual grades in the subsequent phases of the review. By its nature, the temporary allowance is bound to be broad-brush. As we have pointed out in paragraph 7.33 of the First Report, the allowance does not necessarily have a bearing on a grade's future pay structure.

2.36 In Chapters 7, 8 and 9, we set out our recommendations on the grades currently in receipt of the temporary allowance as decided by the Administration. These recommendations are made having regard to the merits of each grade and after careful deliberation. Thus, the temporary allowance should cease to be payable after the recommendations are accepted and promulgated.

Note : Lower Band covers civil servants paid from Model Scale 1 and from Points 1-13 of the Master Pay Scale, Middle Band from Points 14-37 of the Master Pay Scale and Upper Band from Points 38-51 of the Master Pay Scale.