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& Entrepreneurs
Association Limited
香港女工商及專業人員聯會有限公司

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The Honourable Mr Tung Chee Hwa
Chief Executive
Hong Kong Special Administrative Region
Central Government Offices
5/F Lower Albert Road
Hong Kong

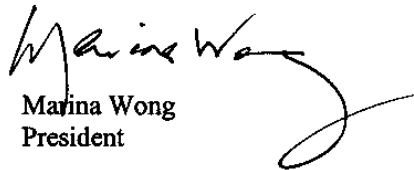
28 March 2002

Dear the Honourable Mr Tung,

On behalf of the Hong Kong Women Professionals & Entrepreneurs Association, I take pleasure to enclose our view on Civil Service Pay Review for your reference. It is with good confidence that this Civil Service Pay Review will lead to a thorough and comprehensive reform on civil service to bring in a more efficient and smaller government.

We appreciate your attention.

Yours sincerely,



Marina Wong
President

cc: Mr Yeung Ka Sing, Chairperson of Civil Service Pay Review
Task Force

Submission paper from the Hong Kong Women Professionals and Entrepreneurs Association (HKWPEA)

to The Honourable Mr Tung Chee Hwa, Chief Executive of the Hong Kong SAR

c.c. Mr Yeung Ka Sing, Chairperson of Civil Service Pay Review Task Force

CIVIL SERVICE PAY REVIEW

March 2002

The HKWPEA respectfully submits an opinion on Civil Service Pay Review. This opinion is based on the views of its members gathered in a recent meeting. Given the wide distribution of our members in positions of significance throughout the public and private sectors, we hope that you will consider our views when formulating policy in this area.

1. Review and Restructuring of the Work of the Civil Service

The news that Hong Kong will face continuing economic challenges in the coming years has been made known to the public for some time. Particularly worrying is the announcement that government budget deficits are structural in nature, and therefore changes must be made in how government conducts its business in order to reduce spending and/or increase income. With civil service salaries accounting for a major share of government spending, the time has now come to make a serious overhaul of the entire civil service system.

We believe that merely adjusting pay rates according to the annual pay review of the private sector is no longer sufficient. The government must undertake a serious review not only of how civil servants are being paid but also of the work that they are doing. During Hong Kong's past prosperity, the civil service was allowed to grow to such an extent that many people now view it as "bloated" or "staff heavy". During the discussion, our members cited numerous personal experiences of government inefficiencies related to overstaffing or inefficient and unnecessary work procedures. Thus, it seems that an overall restructuring of work is needed and following that a commensurate restructuring of compensation, including both salary and benefits. A similar restructuring should also be applied to public statutory bodies and public institutions that are linked to civil service pay scales. The goal of this exercise must be a more efficient and less costly civil service in a smaller government.

2. Interim Measures to Reduce Civil Service Salaries

The proposed review and restructuring is not something that can be accomplished over night, yet there is a great urgency to reduce government expenditures. We endorse the assumption made by the Chief Financial Secretary in his budget speech to cut salaries of civil servants beginning in October 2002. We further urge that other more immediate ways of reducing personnel expenditures be considered.

3. Linking Pay to Performance

Many civil servants are automatically receiving a salary increase every year based on tenure. This practice creates stability and longevity of service. However, it does nothing to encourage good performance. In fact, the system provides little if any relationship between successful performance and pay outcomes. Further, those who have reached the top of their salary grade generally have limited or no opportunity for further financial reward as this could only be achieved through promotion.

The practice of other governments in making use of variable pay systems might be instructive. For example, in Australia civil servants can receive an additional 10 to 15 percent of their salary as a good performance bonus; in the U.K. they are given equity shares for good performance. The goal should be to promote both stability and effective performance.

4. Philosophical Underpinnings for Civil Service Pay

The government should offer terms of service that can attract and retain high quality civil servants. As the largest employer in Hong Kong, the government needs to be aware of the impact that civil service salary policies have on the entire society. Thus, over time it is important to maintain a stable social system that will not result in a large number of individuals becoming unemployed at one time.

Any reforms should be consistent with a philosophy of maintaining a qualified force of civil servants who can perform at high efficiency. Compensation and benefits should be in line with what is given in the private sector, but also be of a level that assures civil servants will not be susceptible to corruption.

Extensive and comprehensive review of civil service salaries and structure is now obligatory, imminent and appropriate, and it is recommended that the reform shall be carried out as soon as possible.