

## **THE HONG KONG HOUSING AUTHORITY**

### **Memorandum for the Human Resources Committee**

#### **Review of Employment and Management of Housing Authority Contract Staff**

#### **PURPOSE**

The purpose of this paper is to report on the findings of a review of the employment and management of Housing Authority (HA) contract staff and to seek Members' endorsement of the recommendations contained therein.

#### **BACKGROUND**

2. Under Section 6A of the Housing Ordinance, HA is empowered to employ its own staff and to determine the terms and conditions of service. As at 1 April 1999, HA employs 745 full-time contract staff.

3. In the past, HA contract staff were only employed to meet transient operational needs and to overcome difficulties in recruiting or identifying suitable civil servants to fill the posts. As the Department enters a new era of rapid changes in both the internal and external environment in which it operates, there is a pressing need for the Department to re-visit its human resource management policies and to develop a more flexible manpower strategy to cope with the changes and challenges ahead. Against this background, the Human Resources Committee had, at its meeting on 30 July 1998, endorsed the implementation of a new manpower strategy to widen the employment of contract staff in HA. Under this proposal, contract staff are employed to fill vacancies and new posts created in the recruitment ranks of all grades.

4. There are, however, deficiencies in the existing employment terms and management practices pertaining to the HA contract staff. This, coupled with the wider employment of contract staff set in the scene, has made it imminent for the HA to review the terms and conditions of service of HA contract staff and rectify deficiencies in the current appointment and management practices of these staff, with a view to enhancing HA's ability to attract appropriate applicants and retain quality personnel to meet its requirements.

## **OBJECTIVES AND SCOPE OF THE REVIEW**

5. The objectives of the review are to enhance HA's ability in attracting appropriate applicants and retaining quality personnel to meet its requirements, to improve the management of HA contract staff, and to create an enabling and motivating environment for them to give of their best in contributing towards the attainment of corporate goals and business targets.

6. To this end, the review aims to make recommendations on -

- (a) necessary changes to the existing terms and conditions of service, including remuneration package, for the HA contract staff, drawing reference from those offered by the Government and organizations in the public and private sectors; and
- (b) measures to streamline and improve the appointment and management practices for the HA contract staff.

7. The review covers the following issues-

- (a) terms and conditions of service including terms of appointment, salary, cash allowance, gratuity, performance-related pay, job-related allowances, leave, medical and dental benefits, employees' compensation and provident fund; and
- (b) management issues including appointment, leave and medical scheme administration, conduct and discipline, performance management and staff development.

## MAJOR RECOMMENDATIONS OF THE REVIEW

8. The major recommendations, with justifications detailed in *Annexes A-D*, include –

**(a) Review of the remuneration package and related issues (*Annex A*)**

- Commissioning of a consultancy study to review the HA remuneration package<sup>1</sup> and examine the feasibility of introducing a performance-related pay scheme. The reasons for the proposed commissioning of the consultancy study are given in paragraphs 10-14 below.
- HA's contribution to the Mandatory Provident Fund (MPF) Scheme should be, as a minimum, at the statutory rate of 5% of staff's relevant monthly income or \$1,000, whichever is the less. Further consideration on the merit of increasing the percentage contribution for certain posts or length of service would be included in the scope of the proposed consultancy study.
- Cessation of job-related allowances except for, in the meantime, Acting Allowance, Overtime Allowance, Overseas Subsistence Allowance, Duty Mileage Allowance and honorarium<sup>2</sup>. Notwithstanding this, the proposed consultancy study should also cover an overall review of all existing job-related allowances<sup>3</sup> to see which should be reflected in the pay scales of the respective ranks and which should be abolished.

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<sup>1</sup> The existing remuneration package of HA staff comprises –

- (a) basic salary;
- (b) monthly cash allowance in lieu of civil service benefits on housing, passage and education allowance and to compensate for a reduction in leave entitlement;
- (c) medical & dental benefits; and
- (d) contract gratuity to be payable on satisfactory completion of contract.

<sup>2</sup> Honorarium may be payable to staff for performing special tasks outside their normal scope of duties and their conditioned hours of work. However, it should only be granted under exceptional circumstances, supported with full justifications and when there are no other viable alternatives.

<sup>3</sup> Other job-related allowances include Extraneous Duties Allowance, Hardship Allowance, Shift Duty Allowance, On-call Duty Allowance, Stand-by Duty Allowance, Typhoon Allowance, Rainstorm Black Warning Allowance, Local Subsistence Allowance, Dialect Allowance and Home-to-office Travelling Allowance for staff whose workplace is in the New Territories.

**(b) Changes to the terms and conditions of service (Annex B)**

- Introduction of a probationary requirement for new appointees which is to be further examined by the proposed consultant.

**(c) Changes in administrative arrangements (Annex C)**

- Changes to administration and disbursement of cash allowance with the cash allowance dividing into separate components, payment of each of which is subject to the “double-benefits rules” on its own.
- Institution of provisions for HA contract staff to apply for carry-forward and advance of leave.

**(d) Enhancement of performance management and staff development (Annex D)**

- Enhancing performance management with introduction of competency-based performance management and drawing up of a set of separate and simplified guidelines for handling sub-standard performance and disciplinary offences.
- Enhancing staff development through job enrichment programmes, career-posting, job rotation and provision of training and development programmes.

9. An Executive Summary of the review report together with a full list of recommendations of the review are also attached. A copy of the full report is available upon request from the Committees’ Secretary.

**PROPOSED CONSULTANCY STUDY ON HA REMUNERATION PACKAGE**

10. Same as other public-funded organizations and congruous with the guiding principles endorsed by then Establishment and Finance Committee (EFC)<sup>4</sup> in 1994, the HA remuneration package is comparable to the civil service

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<sup>4</sup> The EFC was re-organized into two committees, viz. the Human Resources Committee and the Finance Committee in June 1996.

package with the basic salary being modelled on government salary scales for comparable posts and the fringe benefits, either encashed (as cash allowance) or in kind, being provided on no better terms than those applicable to civil servants.

11. We are aware that along with the downturn in the local economy, there has been a general decline in the salary levels and fringe benefits offered in the private sector. We see the need to review and, where necessary, adjust the remuneration package of HA contract staff in the light of the current market conditions. In the course of the review, we have attempted to collect information on the remuneration policies and packages from 20 reputable companies in the private sector. However, most of the companies we have approached are reluctant to divulge the information on grounds of confidentiality. We therefore do not have the necessary research data to enable us to make a recommendation on the direction or magnitude of pay revision for individual grades and ranks of HA contract staff. To do this, a full-scale pay survey in the private sector, together with a thorough study on the job content and levels of responsibilities of the individual grades and ranks of HA contract staff, will need to be conducted. We would also wish to seek external expertise to assist in developing a revised simplified grade structure which can be applied to accommodate the increasing number of staff employed on HA terms and conditions.

12. In view of the scale and the complexity of the exercise, and in order to ensure that the survey and complementary job analyses are carried out with the necessary expertise and professionalism, we recommend commissioning a consultant to conduct the review. This ensures that the findings of the review are impartial and reflective of the real market situation.

13. Also, we believe that a properly designed and administered performance-related pay (PRP) scheme will serve as a useful management tool for promoting staff motivation and hence performance. Awarding additional pay to staff who attain or exceed the prescribed levels of performance will motivate them to reach and maintain such levels, thereby enhancing operational efficiency and quality of services delivered. Since any form of PRP to be introduced will affect the staff's take-home pay and there are practical considerations which need to be addressed when introducing such a scheme, we recommend the proposed consultant should also advise on the introduction and mechanism of a PRP scheme for the Authority.

14. The scope of the proposed consultancy, which includes HA's contribution to the MPF Scheme, are set out in paragraphs 1-2 in *Annex A*.

## **IMPACT OF THE CIVIL SERVICE REFORM**

15. In March 1999, the Civil Service Bureau has issued a consultation paper on reform of the civil service. The consultation paper outlines the overall framework and the Bureau's initial thinking on various potential areas of reform in the civil service, including -

- (a) entry and exit mechanism;
- (b) pay and conditions;
- (c) conduct and discipline; and
- (d) performance management, training and development.

16. We expect that the proposed consultancy study on HA remuneration package will take into account, as reference, the developments and outcome of reforms in the civil service pay structure and fringe benefits.

17. Moreover, as we go along revising the various systems in the management of HA contract staff and drawing up administrative guidelines as proposed in the review, we will keep in view the progress of reforms in the civil service in areas of appointment procedures, disciplinary proceedings and performance management and, where appropriate and justified, introduce similar changes in the management of HA contract staff.

## **IMPLEMENTATION**

18. Subject to Members' endorsement of the recommendations of the review, some of which are highlighted in the foregoing sections, we propose delineating the recommendations into two broad categories for implementation

- (a) recommendations which, resources permitting, can be implemented immediately. These include –
  - recommendations involving changes to administrative procedures and management practices, such as drawing up various administrative guidelines and formalizing the arrangements for contract staff to apply for carry-forward and advance of vacation leave; and

- proposed commissioning of a consultancy study on HA remuneration package;
- (b) recommendations which, subject to finalization of operational details, can be applied to new appointees and serving contract staff on renewal of contract. These include –
- proposed changes affecting the staff's remuneration, such as cessation of the various types of job-related allowances and changes to payment of cash allowance.

## **FINANCIAL IMPLICATIONS**

19. The recommendations in the review report broadly relate to two areas, firstly, the terms and conditions of service including the remuneration package for the HA contract staff, and secondly, management and development of HA contract staff.

20. On the terms and conditions of service, the proposal of commissioning a consultant to conduct a comprehensive review of the HA remuneration package will incur additional costs in the form of consultancy fee. However, the wider financial implications arising from any future changes to the remuneration package can only be assessed on the basis of the recommendations of the proposed consultancy study. The proposal of dividing the cash allowance into separate components each of which to be subject to the "double-benefits rules" on a standalone basis may incur additional outlay. However, offsetting savings are expected from the proposed cessation of the various types of job-related allowances.

21. On the management and development of HA contract staff, the majority of these recommendations can be implemented by revising existing administrative guidelines and consolidating new ones and therefore do not entail additional costs.

## **STAFF REACTION**

22. Existing HA contract staff are likely to welcome those proposals which aim to streamline administrative arrangements and improve management issues. On the other hand, some may consider the proposal of cessation of job-related allowances, which may result in a reduction of their take-home pay,

unpalatable. There may also be allegations of differential treatment between the civil servants and contract staff. However, given that pay-related proposals will only be applied to serving staff on renewal of contract and that review of similar benefits is covered in the Civil Service Reform, we do not envisage great resistance from them. Nonetheless, we will closely monitor staff sentiments in taking forward the proposals.

### **ADVICE SOUGHT**

23. Members are invited to comment on and endorse the following-
- (a) the recommendations of the review, with the major ones highlighted in paragraph 8; and
  - (b) the proposed framework for implementation outlined in paragraph 18.

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