

**LEGISLATIVE COUNCIL PANEL ON PUBLIC SERVICE  
Meeting on 21 June 2004**

**Progress on the Development of an  
Improved Pay Adjustment Mechanism for the Civil Service**

**Introduction**

As part of our on-going efforts to modernise the management of the civil service and to address public comments on the existing civil service pay adjustment mechanism, the Civil Service Bureau (CSB) has embarked on an exercise to develop an improved pay adjustment mechanism for long-term adoption in the civil service. This paper informs Members of the progress made with the exercise to date.

**Background**

2. We are developing, in consultation with staff representatives, an improved civil service pay adjustment mechanism which will reflect the civil service pay policy (i.e. to offer sufficient remuneration to attract, retain and motivate staff of a suitable calibre to provide the public with an effective and efficient service) and uphold the principle of maintaining broad comparability between civil service pay and private sector pay.

3. Following deliberations in the Steering Committee<sup>1</sup> and the Consultative Group<sup>2</sup> on Civil Service Pay Adjustment Mechanism, CSB issued in November 2003 a progress report setting out the relevant policy considerations as well as the work plan for taking forward the exercise.

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<sup>1</sup> The Steering Committee on Civil Service Pay Adjustment Mechanism (Steering Committee) comprises selected members drawn from the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Disciplined Services Salaries and Conditions of Service and the Standing Committee on Directorate Salaries and Conditions of Service.

<sup>2</sup> The Consultative Group on Civil Service Pay Adjustment Mechanism (Consultative Group) comprises staff representatives from the staff sides of the four central consultative councils and the four major service-wide staff unions.

CSB also commissioned a consultancy to assist in drawing up a detailed and feasible methodology for the pay level survey. We updated Members on the progress of the exercise as at November 2003 *vide* the Panel paper on “Progress on the Development of an Improved Civil Service Pay Adjustment Mechanism” dated 26 November 2003 (CB(1)450/03-04(02)).

### **Progress of the exercise**

4. During the period from December 2003 to June 2004, the Steering Committee and the Consultative Group respectively held 7 and 9 meetings/sessions to discuss various issues related to the exercise. The discussions covered, among others, the methodology for comparing jobs in the civil service and the private sector, the scope of the survey field, the selection of private sector organisations to be surveyed, the data collection and data analysis processes, the implications of the pay level survey on the pay trend survey and preliminary ideas on the application of the pay level survey results.

### ***Pay level survey methodology***

5. We should emphasise at the outset that there are inherent differences in the nature of operation, job requirements as well as the structuring of remuneration practices between the civil service and the private sector. It will therefore be neither practically possible nor appropriate to seek a precise comparison between civil service pay and private sector pay in the pay level survey. Nor should we rely on the results of the pay level survey as the sole consideration in deciding any adjustments to civil service pay following the survey. Through the pay level survey, our primary objective is to obtain private sector pay data in a professional manner, based on comparisons of comparable jobs to the highest degree possible having regard to the inherent differences between the two sectors, in order to establish the extent to which civil service pay is **broadly comparable** to private sector pay. In making a decision on any adjustments to civil service pay, we shall take account of the survey results as well as other relevant factors as set out in paragraph 19 below.

6. We should also point out that the results of the pay level survey are intended for service-wide applications based on the existing system of

internal pay relativities<sup>3</sup> although certain grades and ranks may not be included in the survey field (e.g. due to a lack of comparable matches in the private sector). We recognise that some civil service grades/ranks may have experienced notable changes in their job nature and requirements in recent years. We intend to carry out grade structure reviews for the concerned grades/ranks, in particular those that continue to have a recruitment need, separately **after** the completion of the current exercise.

7. Taking account of the views of the Steering Committee and the Consultative Group, the consultant has put forward a set of **initial recommendations** on various aspects of the methodology of the pay level survey. The consultant's initial recommendations are outlined in paragraphs 8 to 18 below.

(a) Job comparison method

8. The consultant has examined the following possible job comparison approaches:

- (i) *Job matching method*: comparing civil service benchmark jobs with those private sector jobs that are highly similar in job nature and content;
- (ii) *Job family method*: a variation of the job matching method by putting similar jobs together into a family of jobs in a hierarchy of job levels for job comparison purpose;
- (iii) *Job factor comparison method*: comparing jobs, regardless of function or specialisation, of the same range of point scores which are assessed by a job evaluation methodology on the basis of a number of specified job factors (e.g. accountability, problem solving, technical know-how, etc.); and

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<sup>3</sup> There are altogether some 400 grades and over 1 000 ranks in the civil service. In order to maintain fairness and consistency in setting the pay scales of a diverse range of civil service ranks under a centrally administered pay system, a uniform approach has been adopted in determining the pay scales of individual ranks by reference to the entry qualification requirements (as reflected in the benchmark pay for the relevant qualification group) and other special considerations (e.g. job requirements and recruitment difficulty) which may justifiably be compensated. The existing system of internal pay relativities in the civil service has resulted from a number of large-scale, service-wide salary structure reviews carried out in the 1980s and 1990s as well as grade reviews conducted for individual grades/ranks when the need arose.

- (iv) *Qualification benchmark method*: comparing groups of jobs based on similarity of entry requirements rather than the accountabilities or duties of the jobs.

9. After assessing the relative merits and shortcomings of the four possible approaches set out in paragraph 8 above, the consultant has recommended that the broadly-defined job family method should be adopted to obtain private sector pay data for ascertaining whether civil service pay is broadly comparable with private sector pay. Under the proposed method, the pay of civil service benchmark jobs will be compared with private sector jobs that are broadly comparable in terms of job content and work nature as well as level of responsibility and requirements on qualification and experience. The consultant has advised that in overall terms and having regard to the inherent difficulties and limitations of making a comparison between civil service pay and private sector pay, the proposed method is better able than the other three job comparison methods to meet the objective of the pay level survey and to address the various technical issues arising from a pay comparison.

10. To facilitate the job alignment and the pay comparison processes, the consultant has recommended that benchmark jobs in both the civil service and the private sector should be categorised into a number of job families and a number of job levels such that a pay comparison will be made between civil service jobs and private sector jobs that are broadly comparable in terms of job content and work nature (categorised in the same job family) as well as level of responsibility and requirements on qualification and experience (categorised in the same job level).

11. To assess the appropriate benchmark pay for individual qualification groups in the civil service, the consultant has recommended that a survey of starting salaries based on the qualification benchmark method should be carried out as part of the pay level survey. Under this method, the benchmark pay of each civil service qualification group (such as “Degree and Related Grades” Qualification Group comprising civil service ranks requiring a degree for appointment; “Professional and Related Grades” Qualification Group comprising civil service ranks requiring membership of a professional institution or equivalent for appointment) will be compared with the starting salaries of jobs in the private sector which require similar qualifications and experience. This will facilitate a decision on whether the benchmark pay of a civil service qualification group and, in turn, the starting pay for a civil service entry rank will need to be adjusted.

(b) Scope of the survey field

12. The consultant has recommended that the survey field should cover those civil service grades/ranks that are representative of the civil service and have reasonable job matches in the private sector. For those civil service grades/ranks that are not included in the survey field, the results of the pay level survey will be applied to them based on the existing system of internal pay relativities.

13. The consultant has recommended that disciplined services jobs should not be included in the survey field in view of the absence of reasonable job matches in the private sector. In response to this, there is a suggestion from the staff representatives of the disciplined services on the Consultative Group that a grade structure review should be carried out for the disciplined services in view of their unique job nature and requirements. As mentioned in paragraph 6 above, we shall consider the conduct of grade structure reviews for individual grades where justified after the completion of the current exercise.

14. The consultant has further noted that the inclusion of both directorate and non-directorate positions in the survey field necessitates the adoption of a combination of survey methods (e.g. job family method and job factor comparison method), thus creating practical challenges to the data collection and data consolidation processes. In view of this, the consultant has put forward two possible approaches for further consideration –

- (i) There will be no pay comparison for the directorate. The survey results for the non-directorate will be applied to the directorate based on the existing system of internal relativities; and
- (ii) There will be a pay comparison for the directorate, either as part of the upcoming pay level survey or as a separate exercise after the pay level survey.

(c) Selection of private sector organisations

15. The consultant has recommended that private sector organisations to be included in the survey field should meet the following criteria –

- (i) they represent a breadth of economic sectors;
- (ii) they are steady and good employers conducting salary administration on a rational and systematic basis;
- (iii) they have sufficient number of jobs that are comparable to civil service benchmark jobs;
- (iv) they are typical employers in their field; and
- (v) they determine pay levels and pay adjustments based on local factors but without reference to the pay scales of the Hong Kong civil service.

(d) Data collection and analysis

16. Since the remuneration package in the private sector is structured rather differently from that in the civil service, the consultant has recommended that we should collect data on various cash compensation elements from the private sector (e.g. basic pay, guaranteed bonuses, cash allowances, variable bonuses, etc.) and then carry out analyses based on different aggregates of these cash compensation elements (e.g. annual base salary<sup>4</sup>, annual guaranteed cash compensation<sup>4</sup> and annual total cash compensation<sup>4</sup>).

17. Noting the differences in the focus of a pay level survey and a fringe benefits survey<sup>5</sup>, the complexity involved in the collection and valuation of fringe benefits data, and the Administration's ongoing efforts in rationalising the terms of provision of civil service fringe benefits under a

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<sup>4</sup> Annual base salary refers to basic salary plus guaranteed bonuses. This aggregate provides an indicator of the most basic element of cash compensation for a private sector job. Annual guaranteed cash compensation refers to annual base salary plus annual total value of guaranteed cash allowances. Annual total cash compensation refers to annual guaranteed cash compensation plus variable bonuses and commissions that are subject to individual and/or organisational performance and/or management discretion. It gives a comprehensive measure of all cash compensation components for a private sector job.

<sup>5</sup> A pay level survey (covering cash compensation only) and a fringe benefits survey are rather different in focus. The emphasis of a pay level survey is on collection of pay data of job-holders to represent the pay for the job in each participating organisation. A fringe benefits survey, on the other hand, places greater emphasis on the policies of fringe benefits provision and the methods of valuing or costing these benefits in a consistent way. A fringe benefits survey typically makes comparisons using standardised workforce demographics.

separate exercise, the consultant has recommended that the upcoming pay level survey should focus on a comparison of pay and that fringe benefits should not be taken into account in the pay comparison. He has suggested, however, that information on the provision of fringe benefits in the private sector could be collected during the survey process for reference in policy-making.

(e) Implications on pay trend survey

18. With the conduct of periodic pay level surveys to ascertain whether civil service pay level is broadly comparable with private sector pay level, the consultant has recommended that we may consider making reference to pay trend analyses available in the market, instead of conducting customised pay trend surveys, for the purpose of facilitating a decision on any necessary fine-tuning of civil service pay in between two pay level surveys. He has further recommended that if the pay trend survey continues to be conducted in future, it should be streamlined and its survey methodology should be aligned with that of the pay level survey methodology.

*Application of pay level survey results*

19. We have discussed with the Steering Committee and the Consultative Group some preliminary ideas on the application of the results of the pay level survey. These include the relevant policy, legal and other relevant considerations regarding the application issue as well as the scope of application of the survey findings to new recruits and serving officers respectively. The application of the pay level survey results is a complex issue involving multi-faceted considerations. We shall continue to discuss these issues with the Steering Committee and the Consultative Group.

**Next Steps**

20. The consultant has briefed the Steering Committee and the Consultative Group on his initial recommendations and elaborated on his rationales behind these recommendations. The consultant has emphasised that these are initial recommendations only and they will be refined having regard to the feedback from the two bodies. The consultant is now formulating his refined recommendations for inclusion in the final consultancy report. We shall consult the Steering Committee and the Consultative Group before the consultancy report is finalised.

21. In accordance with the work plan set out in the progress report published in November 2003, CSB will present proposals on the pay level survey methodology in the second quarter of 2004 for extensive consultation. In view of the latest progress of discussion in the Steering Committee and the Consultative Group, we expect that the consultant will submit his draft final report to us around end June 2004. We shall launch the planned extensive consultation after deliberations in the Steering Committee and the Consultative Group on the draft final report.

22. We shall keep Members posted on further developments of the exercise.

Civil Service Bureau  
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