

For discussion
on 21 February 2005

Legislative Council Panel on Public Service

Outcome of the consultation on the proposals for the pay level survey and the way forward

Purpose

The consultation on the proposals regarding the methodology of the pay level survey and the general approach for the application of the survey results ended on 7 January 2005. This paper summarises the main views contained in the submissions on the consultation paper and briefs Members on the next steps forward.

Background

2. On 4 November 2004, the Civil Service Bureau (CSB) issued a consultation paper on the proposals on the methodology of the pay level survey and the general approach for the application of the survey results for extensive consultation until 7 January 2005. During the consultation period, the CSB organised briefing/consultation sessions for various parties, including departmental management, grade management, departmental consultative committees, civil service unions/associations, individual civil servants, the Legislative Council Panel on Public Service, and members of District Councils and Area Committees.

3. Following the close of the consultation exercise, CSB has received a total of 89 written submissions. Of these, 9 are from bureau/departmental management, 44 from staff bodies (including the staff sides of the central consultative councils, the staff sides of departmental consultative committees, and staff unions/associations), 12 from individual civil servants, and 24 from non-civil service organisations and members of the public.

Consultation Feedback

Feedback from written submissions received

4. On the proposals regarding the methodology of the pay level survey, the comments from staff bodies relate mainly to various technical issues, including whether the proposed methodology can take account of the inherent

differences between the civil service and the private sector in terms of job requirements and work nature, etc., how to select civil service benchmark jobs for inclusion in the survey field, what should be the definition of pay for the purpose of making a pay comparison between the civil service and the private sector, how to analyse the pay data collected from the private sector for comparison with civil service pay scales, and whether customised pay trend surveys should continue to be conducted in between two pay level surveys under the improved civil service pay adjustment mechanism. In particular, a number of staff bodies comment that it is important to allow staff participation in the proposed job inspection process so as to ensure the credibility of the survey results.

5. While there are comments on, and criticisms of, the survey methodology recommended by the Consultant (i.e. the broadly-defined job family method), we have not received any suggestion for an alternative approach for job comparison between the civil service and the private sector.

6. On the other hand, non-civil service organisations from the business sector and some members of the public indicate general support to various aspects of the survey methodology recommended by the Consultant. They suggest that a pay level survey should be conducted as soon as possible to ascertain whether civil service pay remains broadly comparable with private sector pay.

7. As regards the general approach for applying the results of the pay level survey¹, the general feedback from the consultation exercise is that it is reasonable and pragmatic not to apply the pay level survey result (should it reveal that civil service pay is higher than private sector pay) to serving staff immediately, although some members of the public consider that civil service pay should be adjusted immediately following the pay level survey. Some staff bodies comment that the Government should consider the divisive effect of the proposed general approach on serving staff and new recruits and its impact on civil service morale.

8. The staff bodies from the disciplined services which have made written submissions object to the proposal of applying the survey results to the disciplined services grades/ranks on the basis of the existing system of internal pay relativities. They suggest that a separate grade structure review should be carried out for the disciplined services.

¹ We proposed in the consultation paper that if the pay level survey findings reveal that the civil service pay levels exceed the private sector pay levels, we should freeze the pay of serving officers at the prevailing level until it is caught up by the private sector pay level. But the disparity will be noted and will be taken into account in the subsequent annual civil service pay adjustment exercises before the next pay level survey. For new recruits who join the civil service after a prospective date, they will be subject to a new set of civil service pay scales to be drawn up after the pay level survey.

9. The main views contained in the submissions are set out in the **Annex**.

Feedback from the media and District Councils/Area Committees

10. The consultation paper on the proposals regarding the methodology of the pay level survey and the general approach for the application of the survey results has attracted considerable media interest during the consultation period, particularly with regard to the proposed approach for applying the survey results. Some editorials expressed reservations about the proposal that if the pay level survey results reveal that civil service pay levels exceed private sector pay levels, the pay of serving officers should be frozen until it is caught up by the private sector pay level and that subsequent annual pay adjustment exercises should take into account any pay disparity revealed by the upcoming pay level survey. Some editorials, however, considered the proposed approach acceptable as a pragmatic way forward. A comment was made that the Administration should not have taken a pre-determined position on the approach for the application of the pay level survey results. There was also a suggestion that the scope of the survey field should include certain categories of officers such as the directorate.

11. Members of the District Councils and Area Committees who attended a session with the SCS did not raise any objection to the proposed survey methodology and the proposed application approach.

Next Steps

12. The pay level survey seeks to ascertain the updated levels of private sector pay, on the basis of which an assessment will be made on whether civil service pay is broadly comparable with private sector pay. This is essentially a technical, fact-finding process. Most of the technical issues raised by staff in the written submissions have previously been deliberated in the Steering Committee and the Consultative Group on Civil Service Pay Adjustment Mechanism, and have been considered by the Consultant in drawing up his final recommendations. We have tasked the Consultant to further consider whether any refinement of his recommended methodology is warranted in the light of the consultation feedback. Taking account of the Consultant's recommendations and other relevant considerations, the Government will take a decision on the methodology of the pay level survey with a view to embarking on the survey field work as soon as possible.

13. If the recommended broadly-defined job family method is adopted for conducting the pay level survey, an intensive job inspection process will be carried out as a preparatory step before the collection of pay data from the private sector. Through this job inspection process, we shall ascertain factual

details of the provisionally identified civil service benchmark jobs, to facilitate their matching with appropriate private sector benchmark jobs. We shall continue our discussions with the staff side members of the Consultative Group on how best the job inspection process should be carried out. The guiding principle is that the process must be carried out in a professional and independent manner to ensure the credibility of the survey results. At the same time, we shall ensure that the process will be carried out in consultation with staff and in a transparent manner so that staff views can be taken fully into account in making appropriate matches of civil service benchmark jobs with reasonably comparable private sector jobs.

14. Regarding the general approach for the application of the pay level survey results, the Government will consider the issue in due course upon the conclusion of the proceedings of the judicial review applications concerning the civil service pay adjustments legislation. The Court of Appeal has recently, by a majority, allowed the appeals against the rulings of the Court of First Instance on the judicial review applications regarding the Public Officers Pay Adjustment Ordinance (Cap.574), which implemented the civil service pay reduction with effect from 1 October 2002. The Government has obtained leave to appeal against the Court of Appeal's decision to the Court of Final Appeal (CFA) and the CFA hearing has been scheduled for June 2005. Bound by the Court of Appeal's judgment, the Court of First Instance has recently held that section 15 of the Public Officers Pay Adjustments (2004/2005) Ordinance (Cap.580) is inconsistent with Article 100 of the Basic Law. The Government has decided to appeal against the Court of First Instance's ruling in this respect.

15. The Government will take account of the CFA's judgment, where applicable, in considering the application of the pay level survey results and its implementation (including the development of an effective means for implementing both upward and downward civil service pay adjustments), and will further consult staff in due course.

Civil Service Bureau
February 2005

**Outcome of the consultation on the proposals for
the pay level survey and the way forward -
Summary of main views contained in the written submissions**

On the proposed methodology of the pay level survey

(i) Policy considerations

A constituent association of the staff side of a central consultative council considers that the Government should redefine the civil service pay policy in the light of the changing requirements on the civil service and seek a consensus with the staff side of the Consultative Group on this matter of principle and other relevant issues before taking forward the next steps of the current exercise. The management of a disciplined services department comments that the pay policy for its disciplined services grades should be to provide sufficient remuneration to attract, retain and motivate staff of the best calibre, rather than staff of the “suitable calibre”. A constituent association of the staff side of a central consultative council considers that the pay level survey should be the key determinant of civil service pay. Other relevant factors (including the inherent differences between the civil service and the private sector and other relevant policy considerations) remain equivocal and politics-centric and should not even be considered.

2. Several constituent associations of the staff sides of the central consultative councils and the management of a disciplined services department comment that the principle of broad comparability between civil service pay and private sector pay and how the inherent differences between the two sectors will be weighed and factored in the application of the pay level survey results should be clarified. The staff side of a central consultative council suggests that the unique job nature and requirements of the disciplined services should be taken into account in determining their pay levels. Two constituent associations of the staff side of another central consultative council comment that the distinctive and special responsibilities of the Police grades, in particular its role as the ‘resource of first and last resort’ should be taken into full account in determining the level of the Police pay.

3. Referring to the objective of the current exercise to develop an improved pay adjustment mechanism for long-term adoption in the civil service, some constituent associations of the staff side of a central consultative council consider that long-term issues concerning the conduct of pay level surveys in future (e.g. the principles guiding the conduct of pay level surveys) should be borne in mind in designing the survey methodology.

4. The majority of the members of the public who have made written submissions consider that a review of the existing civil service pay level is necessary. Several constituent associations of the staff sides of the central consultative councils, a number of staff bodies and some individual civil servants who have made written

submissions suggest that the Government should review the timetable for the conduct of the pay level survey in view of the unfavorable economic climate and the high unemployment rate that are still prevailing. These staff bodies and the management of a disciplined services department comment that the pay level survey should not be conducted in a hasty manner.

(ii) Approach for job comparison

5. Some constituent associations of the staff sides of the central consultative councils, a few other staff bodies, the management of a disciplined services department and a few individual civil servants who have made written submissions consider that the proposed broadly-defined job family method too broadbrush to reflect the characteristics of the wide-ranging civil service jobs and to address the inherent differences between the civil service and the private sector. They have, in particular, expressed concern about the proposed categorisation of civil service benchmark jobs into five job families and five job levels¹. They consider that the approach for job comparison should take account of the specialised nature and unique requirements pertinent to civil service jobs. Some constituent associations of the staff sides of the central consultative councils suggest that the shortcomings of the broadly-defined job family method should be examined and suitable remedial measures identified. Two constituent associations of the staff sides of the central consultative councils, a staff body and a staff representative of a civil service grade disagree with the survey methodology recommended by the Consultant.

6. A few staff bodies and a few individual civil servants who have made written submissions stress the importance of ensuring proper matching of civil service benchmark jobs with private sector jobs. They suggest that the functions of the civil service benchmark jobs, in particular the changes in their job nature and requirements in recent years, and the actual experience and qualifications possessed by civil servants should be taken into account in the job matching process².

¹ It should be clarified that under the consultant's recommendation, matching of civil service benchmark jobs and private sector benchmark jobs will be based on job content, work nature, level of responsibility as well as typical requirements on qualification and experience. The proposed categorisation of benchmark jobs by job family and job level is not directly relevant to the job matching process, and is intended to facilitate data consolidation and analysis after the collection of private pay data.

² In view of the inherent differences between the civil service and the private sector, the pay level survey seeks to compare the overall pay practices between the two sectors rather than making precise comparison of the pay levels of individual jobs between the two sectors. In this regard, the Consultant advises that no job comparison method can directly and satisfactorily identify private sector matches for every civil service benchmark job that is comparable in every aspect in a pay level survey. Our current policy of maintaining broad comparability, rather than strict comparability, between civil service pay and private sector pay has taken account of such inherent differences. The pay level survey results will therefore serve only as a broad reference of the extent of comparability between civil service pay and private sector pay and any inherent differences and job characteristics which cannot be addressed in the survey will be recorded and taken into account as one of the relevant policy considerations for determining any necessary adjustment to civil service pay.

7. A constituent association of the staff side of a central consultative council comments that the proposed broadly-defined job family method cannot address the question of whether the existing internal pay relativities among civil service grades remain appropriate and up-to-date. It considers that another methodology, such as the job factor comparison method, might be more able to deal with this issue. The management of a disciplined services department comments that while it may be acceptable to adopt the broadly-defined job family method for a pay comparison for civil service jobs which have similar matches in the private sector, the method is not suitable for application to civil service jobs with no private sector matches, including its disciplined services grades.

8. The majority of the staff sides of the central consultative councils which have submitted written comments consider that the proposed job inspection process would be a critical step of the survey field work and that the participation of staff unions/associations in the process would be of critical importance in ensuring the credibility of the survey results. They request the Government to put forward concrete proposals on how staff would participate in the job inspection process.

9. Regarding the proposed starting salaries survey, a staff body suggests that due regard should be given to the differences between the civil service and the private sector in terms of the actual work experience of job-holders at the entry-level and the nature of the probation period. A constituent association of the staff side of a central consultative council comments that the existing qualification requirements of the civil service entry-level jobs have become outdated and do not reflect the actual qualifications of new recruits joining the civil service nowadays. The management of a disciplined services department suggests that for both the overall pay level survey and the starting salaries survey, a minimum sample size of private sector pay data for comparison with each civil service benchmark job and the qualification requirement of each civil service benchmark job should be specified to ensure that the survey data are representative.

10. Some non-civil service organisations and members of the public who have made written submissions indicate general support to various aspects of the survey methodology proposed by the consultant (including the proposed approach for job comparison, the proposed criteria for selecting civil service benchmark jobs, and the proposed criteria for selecting the private sector organisations to be surveyed, etc.).

(iii) Selection of civil service benchmark jobs

11. A constituent association of the staff side of a central consultative council expresses no objection to the proposal of excluding directorate jobs from the survey field of the pay level survey provided that the Government would conduct a pay review for directorate positions as a separate exercise after the completion of the upcoming pay level survey. A few constituent associations of the staff sides of the central consultative councils consider that there are private sector matches for directorate jobs and thus disagree with the proposed exclusion of such jobs from the

survey field. They are concerned that the survey will as a result fail to address the possible divergent outcome regarding the pay disparity at senior level and that at lower levels. The management of a disciplined services department seeks clarification as to whether the directorate pay level will be adjusted having regard to the results of the pay level survey before the conduct of the proposed grade structure review for directorate jobs, and whether the directorate posts in its disciplined services grade will be subject to the same arrangement for other civilian directorate jobs. The submissions from individual civil servants and members of the public hold divergent views on the proposed exclusion of directorate and disciplined services jobs from the survey field of the pay level survey.

12. A few constituent associations of the staff sides of the central consultative councils, the management of a disciplined services department and a few members of the public suggest that civil service jobs in the education field, the medical and health care field and the social welfare field should not be excluded from the survey field in order to ensure that the survey result is representative. Of these respondents, some point out that not all private sector jobs in these fields have their pay determined by reference to the civil service pay practice.

13. A few constituent associations of the staff sides of the central consultative councils and another staff body suggest that the Government should review whether the number of civil service benchmark jobs proposed by the consultant for inclusion in the survey field (which represent 44% of the civil service establishment) is sufficiently representative of the civil service.

(iv) Selection of private sector organisations to be surveyed

14. The staff side of a central consultative council and a constituent association of the staff side of another central consultative council object to the proposed inclusion of private sector organisations employing less than 100 staff members in the survey field on the ground that the salary administration of those organisations with a larger establishment size is normally more stable. The management of a disciplined services department and some non-civil service organisations suggest that small organisations, e.g. those employing less than 100 employees, should generally be excluded from the survey field, except in cases where their inclusion would ensure that there are appropriate private sector comparators for certain specialised job groups or for jobs which are usually found in small-scale establishments.

15. Some staff bodies which have made written submissions suggest that only those private sector organisations that are comparable to the civil service should be included in the survey field and that the inclusion of these organisations in the survey field should take into account the inherent differences between the two sectors in areas such as the nature of operation, etc. A few constituent associations of the staff sides of the central consultative councils suggest that staff unions/associations should be involved in the selection of private sector

organisations for inclusion in the survey field.

16. There is a suggestion from the management of a department that in selecting private sector organisations for inclusion in the survey field, apart from its establishment size, consideration should be given to the number of private sector benchmark jobs available in the organisation to ensure that its inclusion will help enhance the representativeness of the survey data.

(v) Data collection

17. Referring to the prevalent trend of providing variable compensation (i.e. discretionary bonuses) in the private sector, two constituent associations of the staff side of a central consultative council object to the proposal of excluding this component from the computation of the annual base salary in the private sector. Several constituent associations of the staff sides of the central consultative councils and the management of a disciplined services department express reservations about the proposed inclusion of housing and education allowances in the computation of the annual total cash compensation in the civil service because of the differences in the terms of provision of these allowances between the civil service and the private sector as well as among civil servants at different levels, and possible changes to the provision of such allowances arising from the on-going separate review of fringe-benefit type of civil service allowances. Another constituent association of the staff side of a central consultative council considers that a genuine and equitable comparison between the two sectors should be based on the total remuneration package. A constituent association of the staff side of a central consultative council and another staff body express concern that the pay data collected from private sector organisations may not be complete and accurate.

18. Some constituent associations of the staff sides of the central consultative councils, a few other staff bodies, the management of a disciplined services department and a few members of the public which have made written submissions suggest that the pay comparison should also take account of the provision of in-kind benefits in the private sector which are not found in the civil service (e.g. quarters, club membership, use of car for personal use, low-interest rate mortgage, stock options, etc.).

(vi) Data analysis

19. A constituent association of the staff side of a central consultative council, the staff side of another central consultative council and the management of a disciplined services department indicate preference for the average job-holder pay approach (which gives equal weight to the pay data of each individual job-holder) to the typical organisation practice approach as recommended by the Consultant (which gives equal weight to the consolidated pay data of each surveyed organisation) for data analysis. They consider that the former approach is more representative. Some non-civil service organisations which have made written submissions express

support for the typical organisation practice approach, but point out that the approach may not be applicable in the circumstance where the jobs of an individual job family are dominated by a few private sector organisations in Hong Kong.

20. A constituent association of the staff side of a central consultative council, a staff body and the management of a disciplined services department consider that civil service pay should be benchmarked at the upper quartile of the market levels in the private sector.

(vii) Implications on the pay trend survey

21. The staff side of a central consultative council, two constituent associations of the staff sides of other central consultative councils and the management of a disciplined services department do not support the Consultant's recommendation that the Government may consider making reference to pay trend analyses available in the market, instead of conducting customised pay trend surveys, to ascertain the year-on-year movements in the private sector pay trends for any necessary fine-tuning of civil service pay in between two pay level surveys. On the other hand, a staff body, some non-civil service organisations and an individual member of the public who has submitted written views support this recommendation in view of the ready availability of such data in the market and the resource implications of conducting customised pay trend surveys.

22. Two constituent associations of the staff sides of the central consultative councils request that the Consultant should explain the rationale behind his recommendation that the survey field for the pay trend survey should be aligned with that for the pay level survey.

On the proposed general approach for applying the results of the pay level survey

(viii) Internal pay relativities among grades/ranks

23. The staff side of a central consultative council and a staff body object to the proposal of applying the pay level survey results to the disciplined services based on the existing system of internal pay relativities. They suggest that an individual grade review for the disciplined services grades should be accorded priority and be conducted independently. Before the completion of the grade review, the pay level survey results should not be applied to the disciplined services grades.

24. The management and the staff associations of a disciplined service grade suggest that the Police grade should be treated separately from the general civil service in the current exercise in order to ensure the impartiality as well as the unique and apolitical nature of the work of their grade members. They express reservations about the existence of internal pay relativities between the Police grades

and other civil service grades, and the need to maintain such pay relativities in determining Police pay. They comment that any proposal to determine Police pay by any formula based on comparability with the private sector or internal pay linkages overturns the principles adopted by the Rennie Committee and the Standing Committee on Disciplined Services Salaries and Conditions of Service. The departmental management comments that owing to the size of the Police grades and the principles underlying the independent Police Pay Scale, the Police grades should have an independent pay adjustment mechanism. It further suggests that the grade structure review for its grades should be confined to a review of pay and other closely related matters.

25. Two constituent associations of the staff sides of the central consultative councils comment that the review of the internal pay relativities among civil service grades should form part of the pay level survey, rather than being left to be dealt with by the proposed individual grade structure reviews after the completion of the current exercise. Another constituent association of the staff side of a central consultative council and the management of a disciplined services department suggest that the Government should consider the principles and the scope, as well as the approach, for carrying out the proposed individual grade structure reviews for specific grades concerned. The former further suggests that the Government should examine the question of whether internal pay relativities among different directorate jobs and among different jobs on the disciplined services pay scales should be maintained, and if so how this can be achieved.

(ix) Adjustment to civil service pay scales after the pay level survey

26. A number of staff bodies and individual civil servants who have made written submissions consider that the application of the pay level survey results to civil service pay should take full account of the civil service pay policy, the Basic Law as well as contractual and other relevant legal considerations. Some constituent associations of the staff sides of the central consultative councils and individual staff bodies which have submitted written comments suggest that in formulating any proposals on the application issue, the Government should have regard to the various relevant factors, including the inherent differences between the civil service and the private sector, the economic burden of civil servants, staff morale and the implications of the proposals on the civil service in general and on different categories of civil servants.

27. Some members of the public who have made written submissions urge for a timely adjustment to civil service pay following the pay level survey, while some others highlight the importance of enhancing the motivation of civil servants in making further improvement in their performance.

(x) Application of the adjusted pay scales to new recruits and serving staff

28. A constituent association of the staff side of a central consultative council

supports the proposed general approach for the application of the pay level survey results. It further suggests that if the pay level survey reveals that civil service pay is higher than private sector pay, in considering subsequent pay adjustments following the pay level survey, the Government should, after taking account of other relevant factors (such as the economic situation, civil service morale, etc.), exercise flexibility and discretion in awarding a slight degree of upward pay adjustment rather than freezing civil service pay indefinitely until the identified pay disparity disappears.

29. Some constituent associations of the staff sides of the central consultative councils point out that the Government should consider the divisive effect on the civil service of the proposal to adopt different approaches for serving staff and new recruits, and its impact on civil service morale. Some of these respondents suggest that given the proposed exclusion of certain grades (e.g. the disciplined services) from the survey field, it is unfair to apply the survey findings to the new recruits of these grades.

30. Two constituent associations of the staff sides of the central consultative councils object to the proposed approach of freezing the pay of serving staff if the pay level survey indicates that civil service pay is higher than private sector pay. One of them comments that the proposed approach deviates from the established practice that each year's pay adjustment is a separate and independent exercise. The other proposes to set a limit on the duration of the pay freeze period.

31. The staff side of another central consultative council considers that the proposed application approach reasonable, except for the application of the survey results to the disciplined services on the basis of the existing internal pay relativities.

32. Some members of the public who have made written submissions support the proposal of freezing the pay of serving staff to maintain the stability of the civil service. Some other members of the public who have made written submissions consider that the civil service, as part of the community, should share the ups and downs of the Hong Kong's economy. They are concerned that the proposal of freezing the pay of serving staff would not help rectify the pay disparity between the civil service and the private sector and would be a disincentive to the civil service for further improvement in their performance.

On other issues

33. There are comments from some staff bodies, individual civil servants and the management of some departments on proposals relating to their respective grades, including the inclusion or otherwise of the concerned grades in the preliminary list of civil service benchmark jobs, the matching of the concerned grades/ranks with appropriate private sector jobs and the categorisation of the concerned grades/ranks into the appropriate job family and job level.

34. Three constituent associations of the staff sides of the central consultative

councils suggest that the Government should clarify whether the improved pay adjustment mechanism currently under development will be valid beyond the current term of the Administration.

35. Some non-civil service organisations which have submitted written comments render support for conducting individual grade structure reviews, exploring the feasibility of a more flexible salary structure for the civil service and decentralising civil service pay administration to individual departments. Some staff bodies and individual civil servants who have submitted written comments suggest that staff should be fully consulted on any further proposals concerning civil service remuneration.

36. The management of a disciplined services department comments that decentralisation of pay administration of the civil service involves fundamental changes and requires very careful exploration. A constituent association of the staff side of a central consultative council comments that proposals regarding the introduction of performance pay, flexible pay ranges and a clean wage policy are not applicable to the Police grades.

37. The staff side of a central consultative council and a constituent association of the staff side of another central consultative council note that their comments are subject to revision after the Court of Final Appeal has ruled on the Government's appeals in relation to the Public Officers Pay Adjustment Ordinance (the POPA Ordinance). A few constituent associations of the staff sides of the central consultative councils suggest that the Government should examine the implications of the Court of Appeal's judgment in relation to the POPA Ordinance and the outcome of the Government's appeal to the Court of Final Appeal for the current exercise, in particular whether the effective means for implementing both upward and downward pay adjustments to civil service pay should be provided for in legislation.