

**Methodology of a Pay Level Survey for the Civil Service:  
Report on Refined Recommendations Following the Extensive  
Consultation Conducted between November 2004 and January 2005**

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## **I. Introduction**

1.1. As part of the effort of the HKSAR Government to modernise the management of the civil service and to address public comments on the existing civil service pay adjustment mechanism, the Government decided in February 2003 to develop, in consultation with staff and on the basis of the existing mechanism, an improved civil service pay adjustment mechanism. The improved mechanism will comprise the conduct of periodic pay level surveys to compare civil service pay levels with those in the private sector, the conduct of annual pay trend surveys based on an improved methodology and an effective means for implementing both upward and downward pay adjustments.

1.2. The Civil Service Bureau (CSB) appointed Hay Group in November 2003 to assist in the development of a recommended methodology for the conduct of a pay level survey. Hay Group submitted a consultancy report on the methodology of a pay level survey for the civil service (Final Report) to the CSB in November 2004. The Final Report included recommendations on a detailed methodology for conducting a pay level survey in a credible and professional manner having regard to the relevant policy considerations and guiding principles of the improved civil service pay adjustment mechanism. The scope of the consultancy did not include making recommendations on how the findings of the pay level survey should be applied. The development of the pay level survey methodology represented the first phase of a two-phase process. In the second phase, the CSB will seek technical assistance under a separate consultancy in carrying out the actual field work of the pay level survey and the data analysis for the pay level survey.

1.3. In developing the recommended methodology of the pay level survey, we held extensive discussions with the Steering Committee which comprises selected members drawn from the three advisory bodies on civil service salaries and conditions of service<sup>1</sup>, the Consultative Group which comprises representatives from the staff sides of the four central consultative councils and the four major service-wide staff unions, and the CSB. The Final Report sets out our recommendations after taking into consideration and addressing the views expressed by the relevant parties.

1.4. On 4 November 2004, 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

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<sup>1</sup> The three advisory bodies on civil service salaries and conditions of service are the Standing Commission on Civil Service Salaries and Conditions of Service, the Standing Committee on Directorate Salaries and Conditions of Service and the Standing Committee on Disciplined Services Salaries and Conditions of Service.

Council Panel on Public Service, and members of District Councils and Area Committees.

1.5. Following the close of the consultation exercise, CSB had received a total of 91 written submissions. Of these, 9 are from bureau/departmental management, 45 from staff bodies (including the staff sides of the central consultative councils, the staff sides of departmental consultative committees and staff unions/associations), 13 from individual civil servants, and 24 from non-civil service organisations and members of the public.

1.6. We were asked to address those questions and comments raised in the course of the consultation process that pertained to the technical aspects of the methodology of the pay level survey. This report is organised in sections that correspond to some of the sections in the Final Report. Each section contains a summary of the comments and views which the CSB received during the consultation exercise on the relevant areas of our recommended survey methodology, followed by our responses, clarifications, or, where appropriate, proposed refinement to our recommended methodology of the pay level survey.

## **II. Summary of Refined Recommendations and Clarifications**

2.1. After further consideration of the consultation feedback, we recommend a number of refinements or clarifications to the methodology of the pay level survey which are summarised below –

- (a) The job briefs of the civil service benchmark jobs and the job descriptions for the identification of private sector benchmark jobs developed in the job inspection process will reflect the areas of similarity between civil service jobs and counterpart jobs in the private sector. In conducting the job inspection process, the survey consultant should also identify and record the inherent differences between benchmark jobs in the civil service and private sectors so that there is clear documentation of the extent of job comparability. See paragraph 3.7.
- (b) The survey consultant should investigate a representative sample of non-government organisations in the education field, medical and health care field and social welfare field to confirm whether or not civil service pay practice continues to have a heavy influence on the pay levels of a substantial proportion of major non-government organisations in these fields. If not, the survey consultant may recommend the inclusion of relevant civil service grades/ranks in the list of civil service benchmark jobs, conduct the necessary job inspections, propose representative organisations in these sectors for participation in the pay level survey, and identify reasonable job matches in the non-government organisations. See paragraph 3.17.
- (c) As part of the starting salaries survey, the survey consultant should also collect information on policies for determining starting salaries, to ascertain whether pay levels are set by reference to job requirements or the actual qualifications of newly hired staff. See paragraph 3.23.
- (d) The number of organisations selected for invitation to participate in the pay level survey should be sufficient to ensure that pay data are available from at least ten organisations for each of the proposed job families. A similar threshold should also apply to each qualification group for the starting salaries survey. See paragraphs 4.13 – 4.14.
- (e) Consideration may be given to incorporating variable pay with base pay for the private sector and comparing that aggregated value with civil service base salary, if it is ascertained from the pay level survey that variable pay forms a core element of the compensation policy in private sector organisations. This comparison would be in addition to the base salary and total cash compensation analyses called for in paragraph 7.18 and Table 13 of the Final Report. See paragraph 6.5 of this report.

- (f) In drawing up any adjusted civil service pay scales for application to new recruits following the pay level survey, the Government should also take into account the expected costs of allowances for which new recruits to the civil service will be eligible. See paragraph 6.7.
- (g) As this is the first pay level survey to be conducted under the recommended survey methodology, the survey consultant should endeavour to collect information on all job-holders of benchmark jobs in the participating private sector organisations. This would help obtain the maximum possible information for analysis of workforce demographics (e.g. experience profiles), which the Government can make reference to in determining any necessary adjustment to the civil service pay scales in the light of the pay level survey results and other relevant considerations. Such information on workforce demographics will not, however, in any way affect the pay data obtained from the survey. See paragraphs 4.9 and 4.10.
- (h) Collection of pay data on all job-holders in private sector benchmark jobs would also facilitate sensitivity analyses on the proposed typical organisation practice approach and the average job-holder pay approach to data analysis to ascertain whether the survey results are being affected by either small or large organisations whose pay practices happen to represent an extreme. It must be recognised, however, that not all participating organisations will be willing to provide complete data samples (which may number in the thousands in some cases). Keeping in mind the over-riding objective of having representative information from many organisations, the survey consultant should retain the flexibility to accept information on representative job-holders only, if necessary, in order to secure the participation of as many organisations in the survey as possible. See paragraphs 7.5 and 7.6.
- (i) The survey consultant should only provide data to the Government in a form that protects the confidentiality of the information of the participating organisations. Failure to observe these standards, which are norms for private sector pay level surveys, may affect the willingness of invited organisations to participate in the pay level survey. See paragraph 7.7.

### III. Methodology for Comparing Jobs

#### ***Comments received: broadly-defined job family method***

3.1. 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. 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 be 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 recommended survey methodology.

3.2. 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. The management of a disciplined services department comments that while it may be acceptable to adopt the broadly-defined job family method for a comparison of pay 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.

3.3. Some non-civil service organisations and members of the public who have made written submissions indicate general support to the various aspects of the recommended survey methodology (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).

#### *Our response:*

3.4. As pointed out in paragraph 2.32 of the Final Report, having assessed the relative merits and shortcomings of four common approaches for job comparison, we advise that the broadly-defined job family method is better able than the other three methods to meet the objective of the pay level survey and to address the various technical considerations arising from a pay level survey. Specifically, the broadly-defined job family method is recommended because –

- (a) it facilitates the identification of a more wide-ranging sample of civil service jobs as compared with the job matching method (the survey field of which is limited to close job matches). A broader representation of jobs in the civil service and the private sector will allow the collection of more pay data for the purpose of the pay level survey. Such pay data will give a more reliable reflection of how private sector pay levels compare with the relevant range of pay points on the civil service pay scales at various job levels;
- (b) it provides a more clearly-defined framework for job matching as compared with the job factor comparison methods. The latter methods are not so easily understood by those who are not experts in the application of the job factor evaluation methodology and will involve a greater degree of judgment in the job evaluation process based on specified job factors and more difficulties in seeking to reach a consensus on the evaluation results; and
- (c) it facilitates a more comprehensive comparison of jobs at various job levels (including the entry-level and beyond) as compared with the qualification benchmark method which is more suitable for comparing jobs at entry-level only.

3.5. There is no perfect job comparison method that can address all the inherent differences in the job comparison. Even if the job factor comparison method is adopted, it will not be practical to identify and agree on a comprehensive and common set of job factors that can reflect all the job characteristics and requirements of a wide diversity of civil service jobs and private sector jobs for reviewing the external relativity between civil service pay and private sector pay as well as the internal relativities among civil service grades. Judgment will have to be exercised to assess how the job factors that cannot be addressed in a survey (e.g. certain unique requirements of civil service jobs) should be taken account of in determining the civil service pay level.

3.6. For jobs that can be readily assessed by reference to a common set of job factors, job factor comparison methods are useful tools for determining relative pay levels within an organisation and for making external pay comparisons with organisations using a similar methodology. In the civil service, there is instead an established system of internal pay relativities among civil service grades/ranks which has evolved principally through a series of large-scale, service-wide pay reviews carried out in the 1980s and 1990s. While the principles that underpin the job factor comparison methods may be easily understood, it is difficult to communicate the basis of comparison to those who are not trained or who are not experts in the application of the job evaluation methodology, especially in cases where a wide range of jobs is involved.

3.7. The broadly-defined job family method assesses comparability between civil service jobs and private sector jobs according to readily comprehensible job characteristics, rather than specified job factors. Job-

holders and managers can participate in the job inspection process that forms the basis for identifying job matches in the private sector without special training. They will be in a better position to comment and review the job briefs of civil service benchmark jobs and related documentation that will be prepared by the survey consultant to facilitate identification of private sector job matches. The proposed method also takes note of the inherent differences between civil service jobs and private sector jobs such that full account can be taken of this important factor at the application stage.

3.8. We have refined the proposed broadly-defined job family method in various aspects to address its relative shortcomings as set out in Table 4 of the Final Report. The main relative shortcoming of the broadly-defined job family method is that the comparability of the job matches may not be as obvious to establish as in the case of the job matching method, since civil service jobs are matched with private sector jobs that are broadly comparable in various job-related aspects rather than close job matches. But since this approach is essentially based on job characteristics and job accountabilities, this shortcoming can be readily addressed by presenting a set of detailed job descriptions which set out all relevant factors (including job content, job requirement, work nature as well as typical requirements on qualification and experience) for identifying private sector benchmark jobs, exercising judgment to ensure that only jobs which are broadly comparable in all these factors will be included in the survey field and highlighting the similarities based on which the job matches have been made.

3.9. We recommend that the job briefs of the civil service benchmark jobs and the job descriptions for the identification of private sector benchmark jobs should be developed following a detailed job inspection process to obtain the up-to-date information on civil service benchmark jobs. This will ensure that the job matching process will be based on an assessment of all and up-to-date characteristics of civil service benchmark jobs, including the recent changes to the job nature and requirements, etc.

3.10. The existing system of internal pay relativities reflects the differences in the requirements on qualification and experience, job content and working conditions among different civil service grades and ranks. The system of internal pay relativities also provides a fair and equitable basis for determining pay for jobs that are unique to the civil service. It is intended that the pay level survey should cover all private sector jobs that are broadly comparable to civil service jobs and that are found in private sector organisations that meet the criteria for inclusion in the survey field. This approach provides the most comprehensive basis for ascertaining the extent of broad comparability in the pay levels between the two sectors.

**Comments received: scope of survey field – civil service jobs excluded**

3.11. 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 levels and that at lower levels. 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.

3.12. 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 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.

3.13. 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 for inclusion in the survey field (which represent 44% of the civil service establishment) is sufficiently representative of the civil service.

*Our response:*

3.14. We recommend that civil service jobs on the directorate pay scales be excluded from the survey field on the following considerations –

- (a) the lack of sufficient reasonable job matches in the private sector for civil service directorate positions under the recommended broadly-defined job family method in view of the policy-making role of these jobs, especially at the senior levels;
- (b) while it is possible to make a private sector pay comparison for directorate positions under the job factor comparison method, this method is entirely different from the broadly-defined job family method recommended for pay comparison at the non-directorate levels. Private sector pay data obtained respectively for the directorate and non-directorate positions by different job comparison methods cannot present a coherent picture for data consolidation since different methods work on different assumptions and philosophies; and

- (c) the inclusion of senior level jobs in the survey will greatly complicate the data collection process in view of the confidentiality consideration of the participating organisations. Such confidentiality consideration may cause some potential private sector organisations to withdraw from the survey in its entirety, thus limiting the pay data that could be collected from the survey.

3.15. We note that it is the Government's intention to apply the results of the pay level survey to all civil service grades/ranks (irrespective of whether they are included in the survey field) based on the existing system of internal pay relativities. Even if the directorate positions are not included in the survey field, we understand that the Government intends to apply the survey results to the directorate pay based on the existing internal pay relativity between the directorate and non-directorate ranks. We further understand that after the completion of the development of an improved civil service pay adjustment mechanism, the Government will carry out a pay review for directorate positions.

3.16. In the Final Report, we recommended excluding certain civil service grades/ranks from the survey field because of the possibility that pay levels of their private sector counterparts may be determined under the heavy influence of the civil service pay practice, if not by direct reference to the latter. These included education grades because around 89% of primary/secondary school teachers work in government or aided schools, and medical and health care fields because over 85% of hospital beds are in the public sector. While the pay of some of the subvented social service providers may have been delinked from civil service pay scales, this has only been done recently and the actual pay levels may still reflect the legacy of civil service pay practices. Therefore, we had also recommended the exclusion of the social welfare field. The pay data collected from a field where the majority of its employers determine the pay level of their staff by reference to civil service pay would not provide any meaningful data for comparing civil service pay with private sector pay.

3.17. To address the concerns of staff about the exclusion of the education, medical and health care and social welfare fields, we recommend that the survey consultant should investigate representative samples of non-government organisations in the education, medical and health care and social welfare fields to confirm whether or not civil service pay practice still has a heavy influence on the pay levels of a substantial proportion of major non-government organisations in these fields. The survey consultant should be asked to confirm whether civil service jobs in these fields should be excluded from the survey field, and if not, to propose appropriate comparison organisations and to identify appropriate benchmark jobs in these fields for inclusion in the survey field.

3.18. As a working guideline, the survey consultant should collect information from a sample of about 20 to 30 potentially eligible organisations

in each field, which should be more than sufficient to ascertain whether there are a substantial number of organisations in these fields whose pay practices are set independently of those in the civil service. Nevertheless, depending on the responses of the organisations concerned, there may be a need for the survey consultant to approach more such organisations with a view to gathering sufficiently representative information to ascertain the pay practices in these fields. The line of enquiry should encompass *inter alia* the following:

- (a) Does the organisation follow a pay scale that is identical or highly similar to corresponding civil service pay scales, or cover a similar range of pay?
- (b) Does the organisation adjust pay upwards and downwards by the same percentages as the civil service?
- (c) If the pay scales are not the same or similar to corresponding civil service pay scales, were they once similar in the past, and how long has it been since the pay scales/pay ranges diverged? Are the older pay scales/pay ranges still applied to some categories of staff, and if so, about what percentage of the total work force or the work force in relevant jobs?
- (d) If the organisation does adopt a pay scale/pay range that is set with explicit reference to the civil service pay scales, is there an intention to change this policy in the next three years?
- (e) Does the pay system in the organisation include a cash allowance that is now or once was calculated with respect to the estimated value of allowances or fringe benefits given to civil servants? Does the cash allowance contain any components of fringe benefits (e.g. benefits on housing, education, passage, etc)? Is any component of the cash allowance subject to the rules against double benefits similar to the civil service practice (e.g. an officer is not eligible for the housing component of the cash allowance if his spouse is receiving housing benefits from her employer)?
- (f) Are there any other unique characteristics about any of these organisations or how they employ relevant categories of staff that may help show whether or not these organisations are influenced by civil service pay practices?
- (g) Are there any other unique characteristics about the employer-employee relationship of any of these organisations?

3.19. The civil service jobs proposed to be included in the survey field represent about 44% of the total civil service establishment, higher if it is subsequently determined that certain jobs in the education, medical and health care and social welfare fields can be included. If excluding the

disciplined services jobs (which obviously do not have private sector matches) and the directorate jobs (the comparison for which necessitates a combination of survey methodologies, thus creating practical difficulties in data consolidation) as well as civil service jobs in the education, medical and health care and social welfare fields, the civil service benchmark jobs represent about 73% of the remaining civil service establishment. The remaining 27% comprises mostly civil service jobs belonging to small grades/ranks (therefore not meeting the criterion that each civil service benchmark grade should have an establishment size of not less than 100 posts) or do not have reasonably comparable private sector job matches.

3.20. Paragraph 2.42 of the Final Report sets out the criteria for selection of civil service benchmark jobs, amongst which is the requirement that the civil service benchmark jobs should have reasonable counterparts in a large number of organisations. The purpose of this criterion is that, as for the civil service benchmark jobs, the private sector counterparts should be reasonably representative of the private sector. Thus, a civil service job could be excluded as a benchmark job if the survey consultant finds that although a valid job comparison could be made, only a handful of private sector organisations in Hong Kong employ staff in these comparable jobs.

***Comments received: starting salaries survey***

3.21. 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.

*Our response:*

3.22. The proposed starting salaries survey aims to compare the starting salaries of entry-level jobs in the civil service and the private sector with similar typical requirements on qualifications and experience. In both the civil service and the private sector, starting salaries are generally determined having regard to the qualification requirements for performing the job, not the actual qualifications the job-holders may possess. If higher qualifications deserve to be recognised through higher remuneration levels, the qualification requirements will have been raised.

3.23. In conducting the starting salaries survey, the survey consultant will also collect information from the participating organisations on the policy governing the determination of the starting salaries of entry-level jobs in the organisations. This policy information includes ascertaining whether the actual qualifications of the job-holder are a major factor in determining starting salaries. The survey consultant will then be able to determine whether starting salaries have been determined strictly by making reference

to the qualification requirements for performing the jobs or based on the actual qualifications of the job-holders. The policy information collected will also help keep track of any trend of changes to the practice governing the determination of starting salaries.

## **IV. Alignment of Benchmark Jobs into Job Families and Job Levels**

### ***Comments received: job families and job matching***

4.1. 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 have expressed concern about the proposed categorisation of civil service benchmark jobs into 5 job families and 5 job levels. They consider that the approach for job comparison should take account of the specialised nature and unique requirements pertinent to civil service jobs.

4.2. 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 process.

4.3. 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.

### *Our response:*

4.4. It should be clarified that the proposed categorisation of benchmark jobs into job families and job levels is not relevant to the identification of appropriate private sector benchmark jobs since such job matches will be made based on the specific content of the respective civil service jobs and private sector jobs. It will be of relevance only at a later stage for the purpose of data consolidation and analysis after private sector pay data have been collected.

4.5. The inherent differences in the content, nature and requirements of individual jobs between the two sectors, in particular the unique characteristics of individual civil service jobs, are recognised. Such differences will be identified and recorded in the job inspection and the job matching processes, and will serve as relevant factors for consideration of any necessary adjustment to civil service pay following the pay level survey.

4.6. In view of the inherent differences between the two sectors, it is not appropriate or practical to compare the pay level of individual civil service jobs directly with the pay level of their private sector counterparts. We recommend instead that the pay data collected from the pay level survey should be consolidated by job family and job level to facilitate the pay comparison with a view to ascertaining the extent of pay comparability in

broad terms. The categorisation of benchmark jobs into different job families provides a systematic basis for analysing the private sector pay data. The five broadly-defined job families have taken account of the job content and the work nature of civil service benchmark jobs, in particular the manner in which they provide services and contribute to the functioning of the Government. The five job levels reflect the established job hierarchies within the civil service.

4.7. The key step of job matching between civil service jobs and private sector jobs will be based on detailed job descriptions for the identification of the private sector benchmark jobs which are to be developed following an intensive job inspection process. The proposed job inspection process should involve the participation of grade management and/or departmental management and job-holders of representative posts to ascertain the details of the work nature and job characteristics of the proposed civil service benchmark jobs. This will ensure that civil service benchmark jobs will be matched with reasonably comparable private sector jobs based on a detailed assessment on all relevant aspects of the job, rather than simply by reference to job titles. For instance, the various ranks of the Clerical Officer grade in the civil service will be matched with private sector jobs with corresponding job requirements and level of responsibility. These jobs may have the job titles of clerical officers, clerical supervisors, or administrative assistants, etc. Any unique characteristics of an individual civil service job which could not be addressed in the job matching process will be recorded during the job inspection process for consideration of any necessary adjustment to civil service pay.

4.8. In the job matching process, the survey consultant will need to ensure that private sector benchmark jobs to be included in the survey field should be broadly comparable to civil service benchmark jobs in all job-related aspects, including typical requirements on qualification and experience. The comparison should be focused on the requirements of the jobs.

4.9. Even if it is assumed that staff turnover in the private sector is higher than in the civil service, this would only affect the profile of experience with the *current* private sector employer, not the overall relevant work experience of private sector employees. We have proposed that information on workforce demographics amongst the participating private sector organisations should be collected, so it will be possible to see the extent to which the age and experience profiles of private sector job-holders differ from the civil service (see Table 10 of the Final Report). This information, along with the requirement for stability of the civil service, may be taken into account by the Government in considering any changes to the civil service pay scales following the pay level survey. It should be made clear that the information collected on the demographics and the experience profiles of the workforce of the participating private sector organisations cannot and should not in any way affect the results of the pay level survey, which must be based on jobs with comparable content and requirements.

4.10. We should caution that it may be difficult to obtain complete information on individual job-holders, such as data of birth, total relevant experience and experience with current employer as some private sector organisations would find it unreasonably burdensome to provide such data which may not be easily retrieved. It is very likely that any analyses or statistics on workforce demographics in the private sector organisations will be based only on partial information from some of the organisations. The ability of the Government to rely on this information and take it into account when proposing changes to the civil service pay scales following the pay level survey would depend on the extent to which this information is sufficiently comprehensive.

***Comments received: sufficient representation in each job family***

4.11. 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 each level of the qualification requirement should be specified to ensure that the survey data are representative.

*Our response:*

4.12. The pay level survey does not seek to compare the pay of an individual job directly with the pay of its private sector counterpart. Rather it compares the pay levels of groups of comparable benchmark jobs. Private sector pay data will therefore be consolidated, by job family and by job level. In determining the sample size of private sector pay data, the primary consideration is that there should be a representative sample of private sector job matches within a job family and a job level, rather than the number of private sector job matches for each individual civil service job.

4.13. We have addressed this issue by proposing that the total number of surveyed organisations should be sufficient to ensure that each single job family will have data coming from at least ten organisations. It is likely that most private sector organisations which participate in the pay level survey will be able to provide data at most or all of the job levels, so it should not be necessary to specify a minimum number of private sector organisations by job level. The same threshold of ten organisations should be applied to each qualification group in the starting salaries survey.

4.14. The survey consultant will not be able to predict with certainty how many private sector organisations from amongst those asked to participate in the pay level survey will have jobs belonging to a particular job family or will agree to participate in the survey. There are measures that can be taken to reduce the risk that the threshold of ten organisations is not achieved, or to avoid compromising the representativeness of the survey results –

- (a) Government to assist in inviting participation by potential private sector organisations;

- (b) expand the pool of potential participating private sector organisations particularly in economic sectors likely to employ staff in job families that may be subject to the risk that the threshold of 10 organisations may not be easily achieved;
- (c) at an early stage of the invitation process, obtain preliminary information from potential participating private sector organisations on whether they have jobs in the relevant job families/job levels and expand the invitation list if necessary and practical;
- (d) make additional effort to secure the participation of relevant private sector organisations that decline participation or hesitate to participate; and
- (e) if the threshold of ten organisations is not met, the survey consultant should assess whether the information obtained for that job family is reasonably consistent across the organisations and in comparison to other job families, and recommend whether the data should be used anyway; or whether the job family should possibly be merged with one of the other job families.

## **V. Selection of Private Sector Organisations to be Surveyed**

### ***Comments received: selection of private sector organisations to be surveyed***

5.1. 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.

5.2. 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.

5.3. 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.

#### *Our response:*

5.4. All private sector organisations to be included in the survey field are required to be generally known as steady and good employers conducting wage and salary administration on a rational and systematic basis. This helps ensure that the survey field includes a representative sample of private sector organisations for the purpose of achieving a fair comparison of the pay practices between the two sectors.

5.5. Insofar as the size of the private sector organisations is concerned, we have recommended in paragraph 4.5 of the Final Report that while the selected organisations should be typical employers in their respective fields normally employing 100 or more employees, flexibility over the employment size of the private sector organisations should be allowed where the inclusion of such organisations is necessary to enhance the coverage of benchmark jobs and provided that these organisations meet the other

selection criteria. Such flexibility is justified in the context of a pay level survey because of the need to source a sufficient number of private sector jobs that are reasonable counterparts to the civil service benchmark jobs and to collect sufficient data for ascertaining the typical pay practice for certain benchmark jobs. As all the private sector organisations in the survey field of the pay level survey will have to meet the criterion of being steady and good employers, the inclusion of some organisations which meet all selection criteria save the one regarding employment of 100 or more employees ought not be a matter of concern. For the purpose of a pay trend survey, given that we are measuring the private sector pay trends for three broad salary bands without reference to the pay data of specific job matches, we do not face the same constraint in terms of having to source a sufficient number of comparable private sector jobs.

5.6. As pointed out in paragraph 4.1 of the Final Report, the guiding principle in deciding the criteria for selecting the private sector organisations to be surveyed is that in their entirety, the organisations to be included in the survey field should provide a reasonable representation of pay levels prevailing in the Hong Kong market for reference in implementing a competitive and fair remuneration policy for the civil service. Any inherent differences between the civil service and the private sector (such as the nature of operation) should be identified and recorded in the job inspection and job matching processes for consideration of any necessary adjustment to civil service pay at a later stage.

5.7. On the suggestion that in selecting participating private sector organisations account should be taken of the number of benchmark jobs in the organisation, it is already a recommended criterion that a participating organisation should have a broad representation of the selected benchmark jobs. To further require that a participating organisation must have a minimum number of benchmark jobs may unduly limit the selection of participating organisations for inclusion in the survey field and thus undermines another recommended criterion that there should be sufficient participating organisations represented in the survey field for each job family.

5.8. The recommended criteria serve as broad guidelines for the selection of private sector organisations for inclusion in the survey field. The selection criteria are intended to ensure that the participating organisations have reasonable benchmark jobs for comparison with civil service benchmark jobs. The survey consultant should identify any technical issues concerning the criteria for the selection of private sector organisations for inclusion in the survey field as set out in Table 9 of the Final Report, and make recommendations on these issues in the light of the view of the CSB, the Steering Committee and the Consultative Group.

## VI. Data Elements

### ***Comments received: data elements to be collected in survey***

6.1. 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.

6.2. 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.).

*Our response:*

6.3. We do not recommend making a pay comparison based on the total remuneration package approach because –

- (a) the benefits package for civil servants varies from officer to officer, depending on their term of appointment, salary point, personal circumstances (e.g. marital status, number of children), etc., rather than their jobs and ranks;
- (b) there are complexities involved in valuation of benefits based on entitlement rather than actual utilisation. It is also difficult to agree on a suitable approach to value benefits provided in kind (e.g. medical and dental benefits, quarters, etc); and

- (c) the provision and the cost of certain type of allowances (e.g. overtime allowance, job-related allowances, etc.) vary from officer to officer depending on individual circumstances but are not directly related to the core duties of the jobs. There is thus not a consistent basis for comparing the value of such allowances.

6.4. In-kind benefits in both the public and private sectors should be excluded from the survey field because it is difficult and impractical to agree on a consistent approach for valuing the benefits in the two sectors. We have already recommended the collection of policy information on a range of benefits, perquisites and other items in the pay level survey. But we should point out that at the levels of jobs included in this pay level survey, many of these benefits, e.g. cars, club membership (in luxury clubs) and education benefits for children of employees, and long-term incentives are exceptional rather than common.

6.5. The proposed survey field of the pay level survey will cover those non-directorate civil service benchmark jobs that meet the proposed selection criteria and their private sector matches. It is not a common practice in the private sector to treat variable compensation as part of the base salary package, but may consider them part of a total cash compensation package. Therefore, the amount of variable compensation (including discretionary bonus) should be collected and consolidated as part of the total cash compensation rather than the base salary. Nevertheless, in view of the consultation feedback, we recommend that consideration be given to incorporating variable pay with base pay for the private sector and comparing that aggregated value with civil service base salary, if it is ascertained from the pay level survey that variable pay forms a core element of the compensation policy in private sector organisations. This comparison would be in addition to the base salary and total cash compensation analyses called for in paragraph 7.18 and Table 13 of the Final Report. The prevailing trend regarding the provision of variable compensation in the private sector can be ascertained from the policy information on the structuring of remuneration package which we have recommended to collect from the pay level survey in paragraph 5.4 of the Final Report.

6.6. Differences in practice concerning the provision of allowances between the civil service and the private sector do not change the fact that these allowances have an objective cash value to those receiving them. Complete exclusion of these elements would result in an incomplete picture for pay comparison. In view of the differences between the two sectors in the structuring of remuneration packages, a pragmatic approach is to collect data on all cash compensation elements actually paid by employers to employees in the private sector during the survey reference period for comparison with civil service base pay plus the actual cost of provision of major types of civil service cash allowances. The aggregation of such cost data by job level will reflect the differences in the terms of provision of allowances to staff of different seniority. Should there be any future changes to civil service policies on allowances, they would change the actual

expenditure on these allowances in due course and will be reflected in the pay comparison with the private sector in future pay level surveys.

6.7. The Government has proposed that based on the results of the pay level survey and other relevant factors, a new set of civil service pay scales will be drawn up for application to new recruits who join the civil service after a prospective date. The Government should also consider the expected costs of allowances for which new recruits will be eligible when determining the new pay scales, rather than relying solely on actual costs associated with existing allowance schemes that are no longer offered to new recruits to the civil service. This approach will help ensure that the proposed pay scale will be competitively pitched for future civil servants.

## VII. Data Analysis

### **Comments received: data analysis methods**

7.1. 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 recommended typical organisation practice approach (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.

7.2. 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.

*Our response:*

7.3. We recommend the typical organisation practice approach because it –

- (a) takes a snapshot of the average actual pay levels within each organisation for the benchmark jobs which are determined having regard to the relativities of jobs within the organisation. This provides relevant benchmark reference for comparison with the civil service where pay is determined having regard to internal pay relativities among jobs; and
- (b) avoids the risk that the findings of the pay level survey will be unduly influenced by a small number of exceptionally low-paying or high-paying organisations which employ a large number of staff for certain private sector benchmark jobs.

7.4. An example of the average job-holder pay approach, using made-up data, is included in the Final Report (see paragraphs 11-12 and Table 18 in Annex F therein). The example shows the misleading influence that could be exerted on the pay level survey findings by a small number of exceptionally low-paying or high-paying organisations which have a large number of certain private sector benchmark jobs. Because the average job-holder pay approach bases all statistical analyses on individual job-holder data without regard to the organisation from which they come, it may even be difficult for the survey consultant to recognise that this distortion has occurred.

7.5. Considering that the coming pay level survey is the first one to be conducted for the civil service using the recommended survey methodology, we recommend that it would be best to obtain as complete data as possible on all job-holders of private sector benchmark jobs as opposed to the collection of data on a small number of representative job-holders for each participating organisation. This would also enable the survey consultant to ascertain the sensitivity of data analyses to both the average job-holder pay approach and the typical organisation practice approach. The importance of the difference in the two methods should be put into perspective – the greater the number of organisations in the analysis, the less likely it is that extreme results from one or a few small or large organisations would affect the findings. Tables 15, 16 and 17 in Annex F of the Final Report show an example of how the two methods may yield very similar results. But the counter-example in Table 18 of Annex F does show how averages may deviate significantly because one organisation has a significantly divergent practice.

7.6. We should, however, point out that the collection of data from all job-holders<sup>2</sup> may generate unacceptable additional burden to some organisations which may refuse to participate in the survey, or possibly arouse concerns in some organisations that the confidentiality of individual job-holders may be compromised by the pay data provided. We therefore recommend that while the survey consultant should obtain as complete data as possible, it should have the flexibility to collect less comprehensive but still representative data as necessary to ensure maximum participation of private sector organisations selected for inclusion in the survey field. In case that full information cannot be collected on all job-holders from some organisations, it will still be possible to (1) calculate averages under the two approaches which is a reasonable indicator of whether there is likely to be a significant difference in the two approaches; and (2) identify whether there is a small number of private sector organisations whose practices significantly diverge from that of the majority of the participating organisations.

7.7. In relation to the confidentiality of the survey data, we should point out that participating organisations in pay surveys are generally concerned that confidential information about the pay of their employees should not be disclosed to anyone other than the survey consultant. Failure to observe the norms for conducting pay surveys may result in organisations refusing to participate. Therefore, in conducting the upcoming pay level survey, the transmission of data to the Government by the survey consultant should follow industry practice in respect of sharing of data and analysis of data between the surveyed organisations and the sponsoring organisation. It is typical that only analysed data, i.e., in tables showing quartiles, averages, etc, is provided to the sponsoring organisation and the participating organisations included in the survey field. Sometimes coded reports containing information about individual participating organisations where it is not possible to ascertain the identity of the organisations are provided.

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<sup>2</sup> A full set of information on all job-holders is a pre-requisite for data analysis under the average job-holder pay approach, say calculating quartile pay ranges.

7.8. On the choice of the benchmark level for comparison, data on the annual base salary and the annual total cash compensation of the private sector will be analysed at different benchmark levels, say, upper quartile, median, lower quartile and average. The benchmark level will facilitate a comprehensive comparison of the different ranges of private sector pay with the relevant range of pay points on the civil service pay scales (and the civil service pay scales as adjusted by the costs of cash allowances) at each job level. The exact comparison benchmark level to be adopted is an issue for consideration at the application stage. We recommend that the following factors should be considered before drawing any conclusion on which comparison benchmark level should be adopted –

- (a) up-to-date information on the structuring of the remuneration package and the prevalence of in-kind employee benefits in the private sector for the relevant job levels as well as the in-kind benefits in the civil service; and
- (b) any special factors that are unique to the design of the civil service pay package in view of its nature of operation, job requirements, etc., which may or may not be quantifiable.

## **VIII. Pay Trend Survey**

### ***Comments received: Pay Trend Survey***

8.1. 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.

8.2. 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.

#### *Our response:*

8.3. Under the improved pay adjustment mechanism, pay level surveys will be conducted frequently, say every three to five years, to ascertain the extent of broad comparability of civil service pay with private sector pay so that appropriate adjustments to civil service pay can be made. Any disparity in pay levels between the two sectors that has developed over time can readily be identified and addressed in the next pay level survey. With such a mechanism, we have recommended that the highly precise and thus resource-intensive methodology of the current pay trend survey, which seeks to measure the year-on-year movements in private sector pay trends to provide reference for making any necessary fine-tuning of civil service pay in between two pay level surveys, may then not be necessary. Instead, the Government may consider making reference to pay trend analyses available in the market, instead of conducting customised pay trend surveys.

8.4. If the Government is minded to put the additional resources to conduct a customised pay trend survey under the improved pay adjustment mechanism, then it would be preferable to align the survey fields of the two surveys to cover the same private sector organisations in the survey field as far as practicable, to enhance consistency between the two surveys and help streamline the conduct of the otherwise resource-intensive pay trend survey. However, for the purpose of providing reference figures on the year-on-year movements in private sector pay trends for fine-tuning civil service pay in between two pay level surveys, the results obtained from a customised pay trend survey would not necessarily provide an inherently superior indicator

compared to the results obtained from pay trend analyses readily available in the market.

8.5. We have also suggested in paragraphs 8.6 and 8.7 of the Final Report that, if a pay trend survey is conducted, it should collect information on changes in total cash compensation. This includes not only changes in base salaries and variable compensation, but also cash allowances that constitute a substantive portion of annual pay. Such allowances are not taken into account in the existing pay trend survey methodology.

8.6. Some of the existing pay trend surveys conducted by private sector consulting firms with published results do not provide a comprehensive measure of the trends in total cash compensation. Although some of the existing published surveys do not provide a comprehensive measure of trends in total cash compensation, such data should be sufficient for the purpose of providing broad reference for fine-tuning civil service pay in between two pay level surveys. Providers of private sector pay level surveys such as compensation consultants can also use their compensation databases to analyse year-on-year movements in total cash compensation trends from one year to the next.